Final Statement of the Workshop on Financing for Development in the Jubilee Year 2025

Program on the Fraternal Economy

In the Papal Bull of Indiction *Spes non Confudit* announcing the Jubilee Year 2025, Pope Francis declares that "Hope is also the central message of the coming Jubilee that, in accordance with an ancient tradition, the Pope proclaims every twenty-five years." The upcoming Fourth UN Conference on Financing for Development (FfD4, in Sevilla, Spain) during June 30-July 3 of this Jubilee Year should send forth the message of hope that humanity's global goals to end poverty and contain the climate emergency are within reach. Key reforms of the International Financial Architecture -- the system of public and private finance that channels the world's saving to the world's investment -- should be adopted at the UN Conference to bring these vital objectives within reach. As the UN member states pledged in Agenda 2030, let us leave no one behind.

Some governments regard Agenda 2030 and the Sustainable Development Goals with skepticism, even cynicism, holding the goals to be impossible, out of reach, or even inimical to the national interest. We reject that view. We recall the words of Saint John XXIII, who in his encyclical *Pacem in Terris* of April 1963, reminded the world's political leaders that:

The attainment of the common good is the sole reason for the existence of civil authorities. In working for the common good, therefore, the authorities must obviously respect its nature, and at the same time adjust their legislation to meet the requirements of the given situation

Agenda 2030 and the Paris Climate Agreement are for the common good of humanity, and humanity, and the political leaders of the world must work towards them. Yet fewer than 20% of the SDG targets are on track to be achieved by 2030 and the climate crisis is rapidly worsening. No nation or government can exempt itself from this work. The moral law calls for this effort – particularly in a time where one-sided political actions can create irreparable damage for the present and future generations. As Saint John XXIII declared, “Men's common interests make it imperative that at long last a world-wide community of nations be established.”

The world is also wracked by violent conflicts that claim innocent victims and threaten global survival. We must redouble our efforts towards peace and ensure for all people the material conditions of survival and dignity that are necessary for peace. Pope Paul VI proclaimed in Populorum Progressio “Development, the New Name for Peace.” Today the world should proclaim “Sustainable Development, the New Name for Peace.

This past year has brought us new fruits of human ingenuity. DeepSeek, an ingenious AI engine devised by young Chinese engineers, building on the ingenuity of AI pioneers, offers a powerful low-cost, open-source AI system that can benefit humanity. BYD, another Chinese innovative company, unveiled a system that charges electric vehicles in just five minutes, bringing the dream of convenient, low-cost and zero-emission mobility within reach. The 2024 Nobel prizes in Chemistry and Physics to British and British-Canadian scientists celebrated breakthroughs in protein folding and machine learning that offer the prospects of drug development and other stunning breakthroughs for the benefit of human health and global prosperity. We are aware that advances in technology can be used for good or evil. Yet we emphasize the potential of advanced technologies to increase human wellbeing and in the desire of the vast majority of humanity to direct technology to good purposes. We call on governments and policymakers to collaborate with scholars and civil society to create legal, regulatory, and ethical frameworks to direct innovations to the common good.

The job of finance is to bring the fruits of these technological advances to the benefit of all of humanity, including to our impoverished brothers and sisters in conflict zones and places hard hit by the ravages of high-intensity typhoons, droughts, floods, heat waves and forest fires that arrive with ever-greater frequency as the result of human-induced climate change. We have powerful solutions – zero-carbon energy, open-source AI, precision agriculture, biodiversity conservation – if we undertake the needed investments to bring these solutions to bear at the global scale. As Pope Francis teaches us, we achieve bold goals by acting in accord with “the head, heart and hands: a circle that must always be kept open and dynamic.” The head brings us our know-how; the heart our commitment to the common good; and our hands, the work at FfD4 to finance the investments needed.

There is more good news for finance: economic development is a high-return activity. This means that properly designed financial markets will channel the world’s saving not only to the high-income countries that are already prosperous, but even more to the world’s poorer countries, which have the prospect of rapid “catching up” economic advancement. We note with satisfaction that today's emerging and developing countries (EMDEs) routinely achieve faster economic growth than the high-income countries, a process that economists call "economic convergence." Indeed, the poorer the country today, the greater is the growth potential and the higher is the return on investment. With properly functioning international financial markets, and with key institutional reforms within the emerging economies to reduce investment risks and direct investments to economic, social, and environmental priorities, the pool of annual world saving – roughly $30 trillion per year – will flow in a vast and rising current to meet the needs and fulfill the potential of the poorest countries.

In addition to investing in the planet's environmental sustainability, the highest reliable return on the planet indeed is investing in the health and education of a young child in a low-income country in Africa, Latin America, or Asia. Education not only brings dignity, fulfillment, and wellbeing, but also remarkable and reliable economic benefit, leading economists to describe healthcare, nutrition and education as investments in human capital. Such investments have a huge financial payoff, perhaps 20 percent compound annual return, when they are broad-based and good quality.

The practical challenge is to enable such investments even in impoverished places today where governments lack the current revenues to provide health services, nutritional supplementation, and quality schooling, for all children. We recall with alarm, sadness, and determination that some 250 million children are out of school because of the poverty of their societies, an estimated 733 million people struggle with chronic hunger, and roughly a third of humanity cannot afford a healthy diet. Sound international finance could and would channel long-term grants and loans to the poorest nations, to enable governments to ensure all children the start in life that they need and thereby enable these children to earn high remuneration in the future, providing the very means to repay the international loans. For the millions of out-of-school poor children living in middle-income countries, both domestic finance and accountable governance can ensure that the poor within middle-income societies are also afforded access to health, nutrition, and quality education.

We emphasize, therefore, the most important practical problem facing the UN member states at FfD4 is to enable the vast **$30 trillion** pool of world saving to flow in much larger amounts to the countries that are most in need: the low-income and lower-middle income countries and countries most vulnerable to global environmental shocks – and to the poorest people within all countries. For that, we must reform the International Financial Architecture. As a practical matter, the International Financial Architecture should ensure that world saving flows to the EMDEs with long maturities and low costs of capital aligned to the investment needs and realistic timing of long-term convergent growth in those countries.

Financing for economic development is within reach, but the timeline of development must be understood and respected by the international financial system. A 3-year-old child in Uganda today – if suitably enabled, empowered, and financed – will graduate university in 20 years. She will then work for another 20 years to reap the returns on her education, a period long enough to pay income taxes that repay the costs of her education. Uganda can therefore prudently borrow to finance the education of its children, to be repaid out of their bountiful future earnings, if the loans are at long maturities, such as 40 years, and at low interest rates that properly reflect the high returns to education and therefore the true "bankability" of the loans.

We call on governments meeting in Sevilla to redesign the International Financial Architecture in accord with the high potential and realistic timeline of economic convergence. For impoverished nations struggling under the weight of unsustainable debt and burdensome debt servicing, we call for Debt Relief consistent with the Jubilee Year. Debt relief should entail at the least a restructuring of the outstanding debts of heavily burdened countries so that the debts fall due not in the immediate future but in 30-40 years – the realistic timeline that aligns with future economic growth. We also call on creditor governments to swap outstanding debts for investments in climate safety (debt-for-climate swaps), protection of biodiversity (debt-for-nature swaps), and education (debt-for-education swaps) in fulfillment of Pope Francis's vision for this Jubilee Year:

If we really wish to prepare a path to peace in our world, let us commit ourselves to remedying the remote causes of injustice, settling unjust and unpayable debts, and feeding the hungry.

We note that in most cases the debt challenge is not the absolute scale of the debt, but rather the terms of the debt. Until now, the international financial system burdens the developing country borrowers with an unjust and inefficient "risk premium" on their international borrowing, and pushes them to borrow at dangerously short maturities (for example in Eurobond market at 5-10 year maturities, so that debts incurred today must be refinanced in 5-10 years, far in advance of the long-term economic growth that will require 20 to 40 years to be realized.

The grave structural problem is that refinancing debts is rarely routine. Financial markets are inherently unstable, prone to self-fulfilling panics and financial crises within the domestic banking sector, in the international inter-bank market, and in the global bond refinance market. When a government borrows at a 5 to 7 years in the Eurobond market, it may not be able to float new bonds when the existing bonds fall due. The obvious and crucial remedy is to match the time horizon of the borrowing with the realistic time horizon of long-term economic growth (especially taking into account that the returns on human capital investments typically require 20 to 40 years to come to fruition).

In addition to long-term maturities on borrowing, there are additional solutions to short-term maturities. First, to the maximum extent, countries should borrow in their own national currencies, so that their own central banks can provide Lender of Last Resort (LLR) assistance if the international financial market plunges into yet another financial panic. Even if the country's borrowing is in a foreign currency, the central bank of the foreign currency (i.e., the US Fed in the case of dollar-denominated debt) can and should provide currency swaps to the central bank of the indebted country to break a self-fulfilling panic. In effect, the Fed would fulfill its vital function as International Lender of Last Resort (ILLR). A third approach, which the world has long needed since 1944 when it was first proposed by the economist John Maynard Keynes, is for the IMF to be empowered (finally!) to serve as the ILLR, utilizing a greatly expanded Special Drawing Rights (SDR) allocation as the IMF's operating instrument. All these solutions may be bolstered in the intermediate run (in ten to twenty years) by the emergence of new monetary unions in the major regional economic groups, including the African Union, Mercosur, ASEAN, the Arab League, the Eurasian Economic Union, and others, recognizing that monetary union require considerable support through economic, fiscal, and political integration of their members. Monetary unions (such as the Euro) could facilitate borrowing in the own currency and would enable the central banks of the new monetary unions to serve as lenders of last resort.

The EMDEs suffer mightily from inaccurate and unjust credit ratings that attribute undue risk to the investments in these countries. The simple fact is that the EMDEs are good credit prospects, if the financing program is well designed (with long maturities and affordable yields); the national economy is well managed (fiscal rules and sound debt management systems); the investment program is well targeted to infrastructure, human capital, and business development; and LLR services are available. In that case, the prevailing and overriding truth is the very high growth potential and high investment returns in today's poorer countries, economic growth and investment returns that are far higher than in today's high-income countries.

We therefore call on the IMF and World Bank, in their Debt Sustainability Framework (DSF), and the Credit Rating Agencies (CRAs) in their credit ratings, to revamp their methodologies to take into account: the high potential growth of poorer countries if they have access to the necessary financing for development; the maturity structure of the loans (giving higher credit ratings and debt-sustainability assessments to *long-term* loans); the quality of country's debt management systems; the presence of a domestic and/or international lender of last resort; and the uses of the external financing, recognizing the growth-creating benefits of high-return investments in human capital and physical infrastructure. Official financing should be accorded based on growth potential, good governance, and financing needs, not based on the foreign policy considerations of one or another major power. Financing needs should be calibrated based on integrated assessments that consider economic, social, and environmental needs and objectives.

One immediate change in CRA methodology that is both urgent and greatly enhancing of global growth and economic efficiency is to end the practice of "sovereign ceilings" on the credit ratings of private-sector entities in the EMDEs. According to the doctrine of sovereign ceilings, no private-sector borrower can be accorded a higher credit rating than the sovereign. This methodology makes no analytical sense, and is a shorthand of the CRAs. Many private sector borrowers are plainly in a position to service their debts whether or not the sovereign is experiencing debt distress. The private-sector borrower may have collateral, liquidity, or a dedicated flow of revenues in the foreign currency that render it a low credit risk independent of conditions facing the sovereign. Historical data confirms this high credit performance of the multilateral development banks (MDBs) and other development finance institutions (DFIs) in their private sector operations.

The IMF and many other multilateral financial institutions also need to reform their governance to give due weight to the developing countries. To take one example, the IMF currently gives only 17 percent of the voting power to the ten BRICS countries, though these countries account for 27 percent of world output measured at market prices, 39 percent of world output measured at purchasing-power prices, and 46 percent of world population.

We also note with urgency the powerful case for greatly scaling up the flow of new lending by the multilateral development banks (MDBs), including the World Bank and the regional development banks. MDB lending has an outstanding long-term track record, reflecting the financial expertise of the MDBs and the Preferred Creditor Treatment (PCT) accorded to MDB financing. The problem today is that the scale of overall MDB financing is a small fraction of what is needed to achieve our global goals. MDB financing can and should be bolstered in several ways: higher leverage on the MDBs' current capital base; new capital increases, either across the board of the MDB owners, or by the willing members of the banks in the case of opposition by one or another member government; and co-financing of the MDB non-sovereign loans by private-sector institutional investors such as ILX, which creatively draw in pension fund capital in partnership with MDB financing, benefitting from the MDB status as International Financial Institutions (IFIs). We also note the importance of new Private Credit Managers in mobilizing private-sector financing for the EMDEs, either in stand-alone private financing or in blended financing with the MDBs. We also note that large-scale infrastructure investment initiatives – such as the Chinese Belt and Road Initiative and the European Global Gateway – can accelerate connectivity across people and nations. Borrowing countries too can create new national and multilateral institutions, including national development banks and sovereign wealth funds, that enable sophisticated borrowing strategies with improved bankability of projects and lower costs of capital.

In addition to the massive scale up of long-term loans at low interest costs to the EMDEs, both through direct funding from capital markets and through the MDBs, there is a need to finance Global Public Goods that are not amenable to loan or equity financing. Some of these global public goods include: social assistance to the poorest of the poor, funding of UN institutions, and protection of the global commons (oceans, tropical forests, space, endangered species, and critical biomes). The world has long called for Official Development Assistance (ODA) for such purposes, yet ODA never reached the global commitment of 0.7 percent of GNI of the donor nations, as adopted by the UN General Assembly back in 1971. Today, however, ODA is collapsing, in a veritable free fall, undermined by political populism and shortsightedness in which donor governments fail to recognize their moral and legal responsibilities. ODA, after all, reflects a combination of distributive justice (ensuring that no one is left behind), reparative justice (repaying debts owed for past harms, whether from slavery, imperialism, the emissions of climate-changing greenhouse gases, or other harms to the Earth's physical systems), and inter-generational justice (respecting the pressing needs of today's young people and of future generations).

In addressing the poor, the most important ethical principle is to co-create solutions with the poor. We act with the poor, not for the poor. Or as the World Health Organization has powerfully stated, "Nothing for us without us." This principle is a powerful expression of the subsidiarity principle that is a major pillar of Pope Francis's call for the Fraternal Economy.

With the poor, small miracles can occur: from poverty to sustenance, barren lands to flourishing food production. Smallholder farmers in rural areas constitute roughly three-fourths of those living in extreme income poverty – and over 83% multidimensionally poor people. They can best be supported in their livelihoods and wellbeing by programs that raise farmer outputs and incomes, in programs championed by the Food and Agriculture Organization, the International Fund for Agricultural Development, World Food Program, and related agencies. Corporations too can play a decisive role, by designing their core business strategies to empower the poorest of the poor, as workers, consumers, and citizens. Impact finance amounts to around 1trilion dollar managed assets, indicating that there is a vast desire for social and environmental impact by consumers and investors that can be tapped for the common good. More information and disclosure by companies would aid consumers in making the ethical choices they desire to pursue. Similarly, accurate date on multidimensional poverty and other challenges of development will enable more people to respond more effectively to their ethical motivations.

We beseech the high-income countries not to fail in their pursuit of justice ("Justice, justice shall you pursue," we are told in Deuteronomy 16:20). Yet if ODA is flagging, justice must be met by international taxation, which makes the transfer of income from the rich to poor and from rich to the global commons as matter of international law as well as practice. Global taxation should preferably be levied on global goods, bads, and services that are not currently subject to domestic taxation, and thus not in direct competition with the national tax base. The optimum targets for international taxation include: maritime shipping, global aviation and greenhouse gas emissions. We note that taxing greenhouse gas emissions by the high-income countries would combine the multiple dimensions of justice (distributive, reparative, and intergenerational) and the practical resource mobilization to help poorer and more vulnerable countries to undertake effective climate action. Such global taxation should aim, in the first instance, for 0.1% of global GDP, or roughly $100 billion per year, with the global taxation rising to perhaps 1% of global GDP by 2040. All countries should cooperate to crack down on tax evasion and other financial crimes. To add another practical target to the global commitment to a sustainable planet, we urge sovereign wealth funds to allocate a meaningful portion of their vast resources directly to investments in environmental sustainability.

Global financing is a vital instrument of empowerment, but it never stands alone. Economic convergence depends on the proper management of the borrowing countries as well. As economists say, convergence is "conditional" on effective governance in the borrowing countries.

We therefore urge intensive capacity building and skill training to enable and empower all governments to plan for their long-term development, manage fiscal policy and international indebtedness, fight corruption, and implement public investment plans and public services with diligence and excellence. We urge the formation of a Borrowers Club of Nations, alongside the Creditors Clubs, to foster the proper domestic institutions, fiscal rules, and regulatory practices, to achieve long-term sustainable development. We also call for precise and quantified metrics – on the cost of capital, the maturity of loans, the returns on equity, and the performance on the SDGs and multi-dimensional poverty – so that commitments are tested rigorously against real action.

Our message is one of hope. Though we are beset by a poly-crisis of conflict, environment, polarization, and deprivation, we are also endowed with breathtaking new technologies and with global goals that inspire and impel us to the future that we want. We give our gratitude to Pope Francis for declaring this Jubilee Year with his message of hope:

We are also called to discover hope in the *signs of the times* that the Lord gives us. As the Second Vatican Council observed: “In every age, the Church has the responsibility of reading the signs of the times and interpreting them in the light of the Gospel. In this way, in language adapted to every generation, she can respond to people’s persistent questions about the meaning of this present life and of the life to come, and how one is related to the other”. We need to recognize the immense goodness present in our world, lest we be tempted to think ourselves overwhelmed by evil and violence. The signs of the times, which include the yearning of human hearts in need of God’s saving presence, ought to become signs of hope.