

Development Finance in Global South



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Summary

Adequate and effective development finance is crucial for Global South countries to achieve development and address challenges. Grants and debt finance are the main forms of development finance discussed in this report. In recent years, Global South development finance has been characterized by “net inflows have turned negative due to a slowdown in new lending and rising debt servicing costs.” The proportion of grants to GDP in developing countries has declined from 1.5% in 2006 to around 0.5% in recent years, and major developed countries have announced to cut foreign aid budgets. The scale of debt financing has increased, but its proportion to GDP remains below historical peaks.

Currently, development finance in the Global South faces five major challenges: First, insufficient financing scale. Global South countries face an annual investment gap of approximately \$4 trillion in sustainable development, and this funding gap may continue to expand in the future. Second, limited countercyclical adjustment function. Traditional international financial institutions provide insufficient support to Global South countries during economic downturns. Third, high financing costs. The lending rates from the public sector to Global South countries rose from 1.46% in 2021 to 4.13% in 2023, while the lending rates from the private sector increased from 3.62% to 5.97%. Fourth, inefficient use of the development finance. Traditional development finance flows more to non-productive sectors and performs poorly in promoting long-term economic growth in Global South countries. Fifth, imperfect international financial governance. The voice and representation of Global South countries do not match their economic share.

In the future, development finance in the Global South can be improved in the following aspects: First, strengthening South-South cooperation. This includes expanding the scale of South-South development finance cooperation, increasing the proportion of local currency financing in development projects, transitioning towards low-carbon, socially inclusive and resilient investments, and enhancing the role of development financial institutions and regional financial arrangements initiated by Global South countries. Second, strengthening South-North cooperation and encouraging both sides to meet halfway. Leveraging the comparative advantages of both the South and the North in development finance to achieve complementarity. Increasing joint financing and trilateral cooperation efforts. Strengthening cooperation between traditional multilateral development banks and national development banks in Global South countries. Third, promoting multilateral dialogue. Coordinating financing strategies and deepening partnerships through forums such as the Finance in Common Summits and the International Conference on Financing for Development.

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List of Abbreviations and Acronyms

AIIB	Asia Infrastructure Investment Bank
BSO	balance sheet optimization
CDB	China Development Bank
CHEXIM	China Export-Import Bank
CMIM	Chiang Mai Initiative Multilateralization
DFI	Development Finance Institution
EMDC	Emerging Market and Developing Country
ESRM	Environmental and Social Risk Management
FIC	Finance in Common Summit
FfD	Financing for Development
G7	Group of Seven
G20	Group of Twenty
G20 CAF	G20 Expert Group on Capital Adequacy Frameworks
G24	Group of Twenty-Four
GDP	Gross Domestic Product
GFSN	the Global Financial Safety Net
GRA	the General Resources Account
IFA	international financial architecture
LIC	Low-income country
LMIC	Low- and middle-income country
MDB	Multilateral Development Bank
NDBs	National Development Banks
NDB	New Development Bank
NGFS	Network for Greening the Financial System
ODA	Official Development Assistance
PPG	Public and Publicly guaranteed
PRGT	Poverty Reduction and Growth Trust
RFA	Regional Financial Arrangement
RST	Resilience and Sustainability Trust
V20	Vulnerable Twenty
WEO	World Economic Outlook

Development Finance in Global South

Global South countries need a stepwise increase in global development finance to raise the standards of living of their people in a low-carbon, more equitable, and resilient manner. Not only will such adequate and effective development finance put the Global South and the world economy on a better growth trajectory, it will also avoid the catastrophic costs of the economic and social instability and climate shocks that will accrue if these investments are not made. While moving in this direction is an important growth opportunity for the Global South, the current global environment is posing grave challenges. The international financial architecture (IFA) is not large or effective enough to meet investment needs and development goals. Moreover, countries in the Global South lack equitable voice and representation across the IFA. Therefore, South-South cooperation, South-North cooperation, and multilateral dialogue should be strengthened to jointly address the development finance challenges faced by the Global South.

This paper has three sections. The first section analyses recent trends in global development finance, followed by a second section that identifies five key challenges that the system faces. The third section outlines the elements of a strategic development finance agenda for the Global South.

1.

THE STATE AND TREND OF GLOBAL DEVELOPMENT FINANCE¹ TO THE GLOBAL SOUTH

1.1

The Global South faces development challenges with rising financing needs

Global South countries face multiple external shocks. Emerging market and developing countries (EMDCs) across the Global South are facing multiple external shocks in the form of interest rate instability in the Global North, climate change, armed conflicts, geopolitical tensions, and increasing sense of economic uncertainty. According to the United Nations, only 17% of Sustainable Development Goals (SDGs) are on track and some are even backsliding. Indeed, an additional 23 million people have been pushed into extreme poverty since 2019 (United Nations 2024). Furthermore, the global community is also off track to meeting the goals of the Paris Climate agreement and the United States has withdrawn from the agreement. According to the Network for Greening the Financial System (NGFS), a network of 149 central banks, inaction on climate change will cost the world economy upwards of 20 percent of GDP by 2100 (Network for Greening the Financial System 2022).

Financing needs in the Global South are rising.

In the long run the level of investment needed to combat these problems and put the world economy on a more sustainable growth path is small relative to the costs of inaction, yet the global community is falling short of what is necessary. The SDG investment gap in developing countries (outside China) is close to \$4 trillion per year by 2030 with the majority of that financing expected to come in the form of domestic resource mobilization (United Nations 2024). However, at least \$1 trillion per year will be needed in external finance on an annual basis by 2030 (Songwe, Stern, and Bhattacharya 2022). Bilateral, regional and multilateral Development Finance Institutions (DFIs) such as national development banks (NDBs) and Multilateral Development Banks (MDBs) will need to play a critical role in this process to not only supply their own financial resources, but also mobilize private finance to Global South.

1 For the purposes of this study, development finance is defined as external capital flows to sovereign nation-states in the form of grants and debt from bilateral, multilateral and private sources (Public and Publicly guaranteed debt, PPG). Although, private capital flows to the private sector in the form of loans and equity can also have positive developmental impacts, they are out of the scope of this study.

1.2 The growth of grants¹ is sluggish

In 2023, grants (including bilateral, multilateral and private donors) to Low- and middle-income countries (LMICs) reached \$123 billion, which is equivalent to 0.6 percent of recipients' GDP. Grants as a percentage of recipients' GDP reached 1.5 percent in 2006 but were reduced and remained stable around 0.5 percent during the last decade. In 2025, major developed countries announced cuts to ODA, which will hit the Global South countries, especially African countries the hardest. Bilateral ODA to least developed countries and to sub-Saharan Africa is

projected to decline by approximately 13–25% and 16–28%, respectively (OECD 2025a).

1.3 Limited growth in debt financing, with structural adjustments

The scale of debt financing has increased, but its share of GDP is lower than the historical peak. Figure 2 presents the trends of disbursement of external Public and Publicly Guaranteed (PPG) debt to LMICs excluding China. As shown in Figure 2, PPG debt disbursement to these countries has almost tripled since the 1990s (from less than \$100

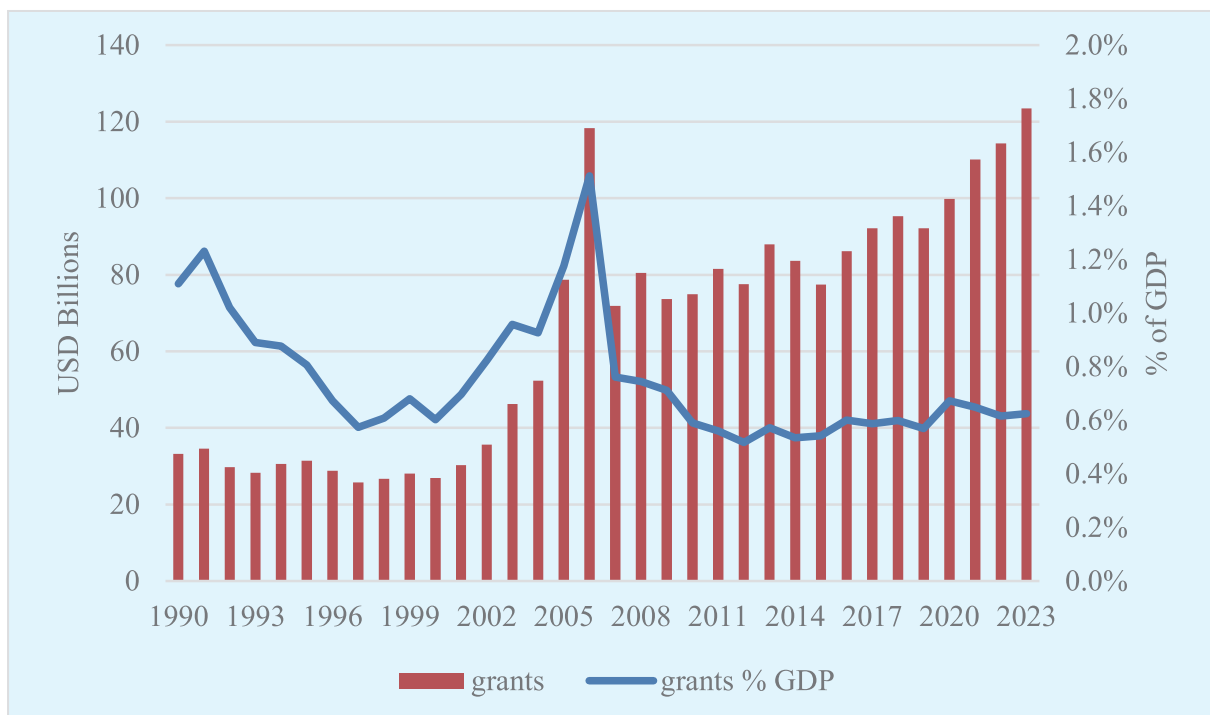


FIGURE 1
ODA grants disbursements to LMICs except China, as current USD and as percentage of recipients' GDP, 1990-2023

Source: OECD-DAC database (2025), World Development Indicators (2025)

¹ Grants are non-repayable funds provided to support development projects and programs. Grants from the developed countries are often labeled under the official development assistance (ODA).

billion in 1990 to almost \$400 billion in 2017). However, when compared to recipients' GDP, disbursement of PPG debt over the past decade has not returned to the peak levels in the late 1990s. In 2023, the PPG debt disbursement-to-GDP ratio stood at 1.68%, much lower than that of 2.74% in 1999. Figure 3 presents net transfers of external PPG debt, calculated as disbursements minus amortization and interest payments. During the 1990s and early 2000s—when many LMIC countries were experiencing debt crises—these flows were negative, indicating that repayments exceeded new disbursements. Starting in 2008, amid historically low interest rates in advanced economies, this trend reversed, and net transfers rose significantly, peaking in 2014 at over 1 percent of recipients' GDP before declining sharply after the COVID-19 pandemic. In 2023, net transfers

remained positive but amounted to just USD 17 billion, equivalent to 0.09% of developing countries' GDP.

The debt financing structure has undergone adjustments. Creditors of Global South countries primarily fall into three categories: bilateral official, multilateral, and private. Decomposing the overall trend indicates that private financing is the greatest contributor to total debt financing during the boom period, yet it is also the biggest drag during the bust period. Multilateral creditors maintained relatively steady growth and provided counter-cyclical finance during the COVID-19 crisis, but its magnitude was insufficient to counterbalance the net transfers from private creditors in 2022. The contribution of bilateral official financing remained limited.

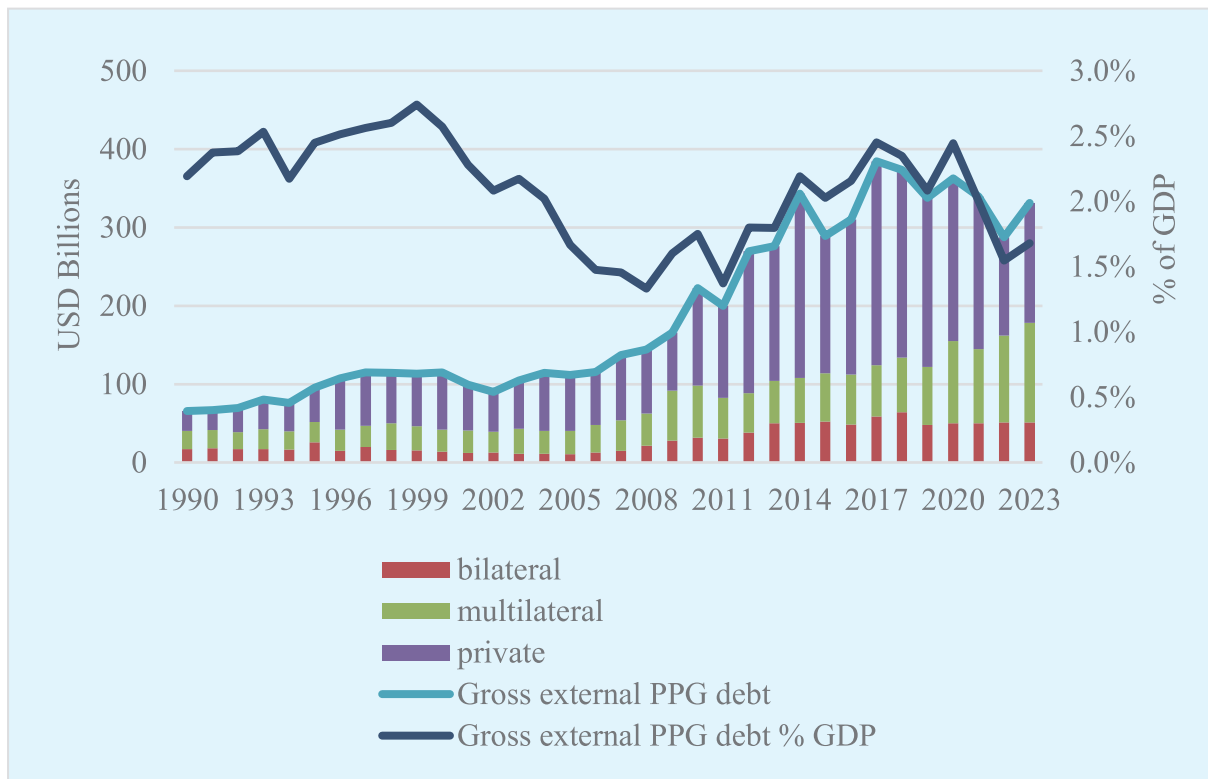


FIGURE 2

Disbursement of external PPG debt to LMICs except China, as current USD and as percentage of recipients' GDP, 1990-2023

Source: World Bank International Debt Statistics (2024), World Development Indicators (2025)

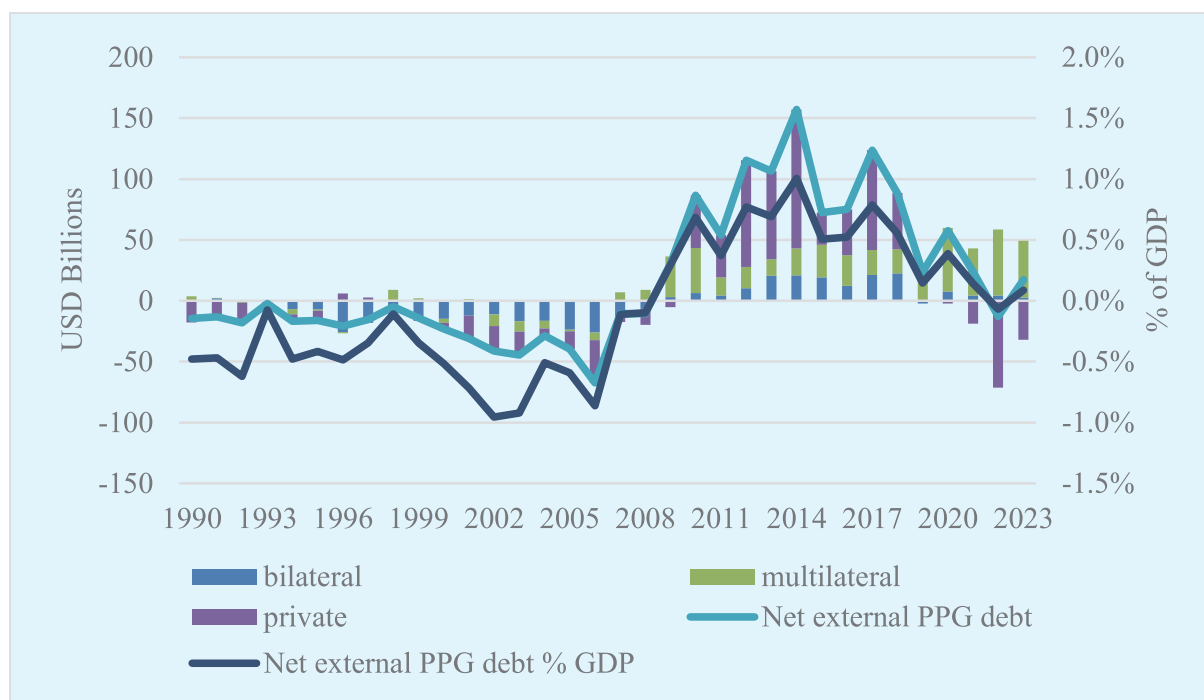


FIGURE 3

Net transfers of external PPG debt to LMICs except China, as current USD and as percentage of recipients' GDP, 1990-2023

Source: World Bank International Debt Statistics (2024), World Development Indicators (2025)

Bilateral official debt financing growth is limited.

In 2023, external PPG debt disbursements from bilateral official creditors represented just 0.26% of GDP for LMICs. This share has been in decline between 1995 until the mid-2000s. After 2007, although disbursement showed a significant upward trend, its contribution as a percentage of developing countries' GDP only slightly increased from 0.16% in 2006 to 0.26% in 2023.

Multilateral debt financing saw significant growth.

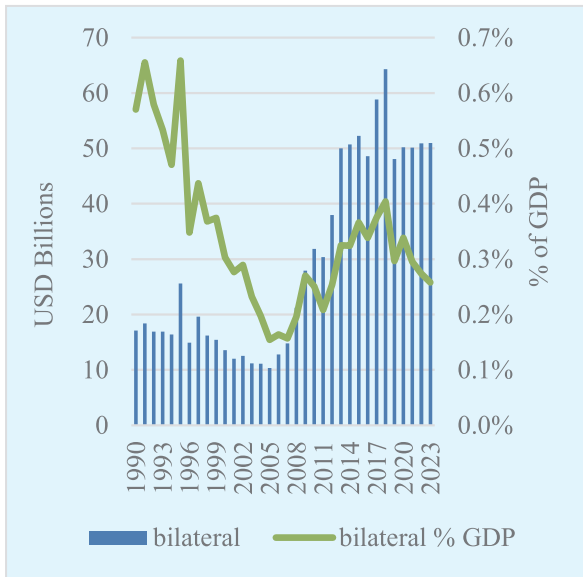
The disbursement of multilateral debt financing to LMICs increased with a slow pace before 2008 financial crisis, much lower than the GDP growth rate of developing countries, leading to a decline in percentage of GDP. After 2008, the disbursement grew rapidly, tripling by 2023 (from around \$40 billion in 2008 to over \$120 billion in 2023). The disbursement as a percentage of GDP also increased from 0.38% in 2008 to 0.65%

in 2023. The net transfers of multilateral debt financing flows to LMICs started to increase from 2007, particularly during the global financial crisis (2008–2010) and the COVID-19 period (2020–2023). In 2023, the net transfer of multilateral flows reached \$46.70 billion, representing 0.24% of GDP.

The private PPG debt financing flows have shown great volatility and distinct pro-cyclical pattern.

Both disbursement and net transfers have significantly increased since 2010. Disbursement peaked in 2017 (1.66% of GDP) before significantly declining. During the COVID period, private disbursements decreased by over 40% (from over \$250 billion in 2017 to around \$150 billion in 2023), while net transfers turned negative since 2020 (-\$32.12 billion in 2023).

Disbursement



Net transfers

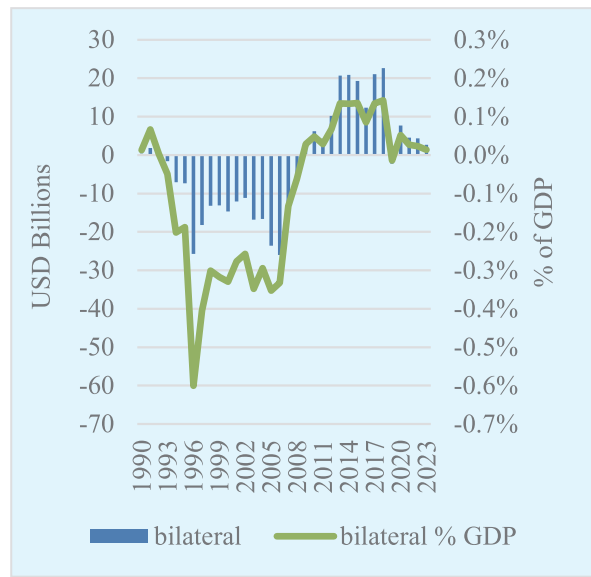
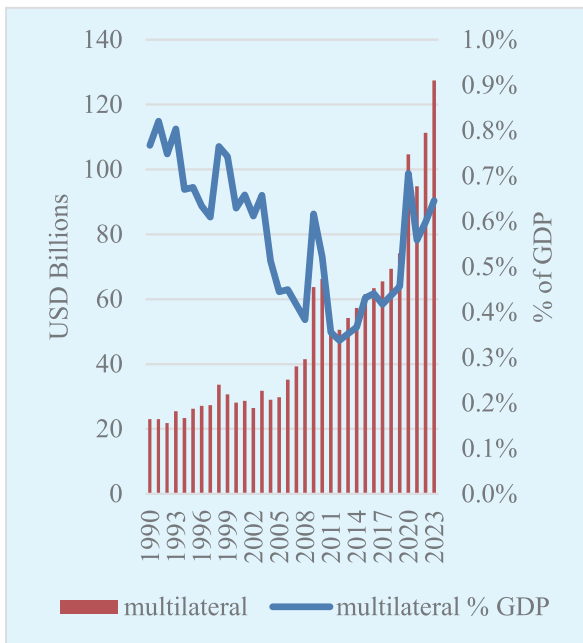


FIGURE 4

External PPG debt from bilateral official creditors to LMICs except China, as current USD and as percentage of recipients' GDP, 1990-2023

Source: World Bank International Debt Statistics (2024), World Development Indicators (2025)

Disbursement



Net transfers

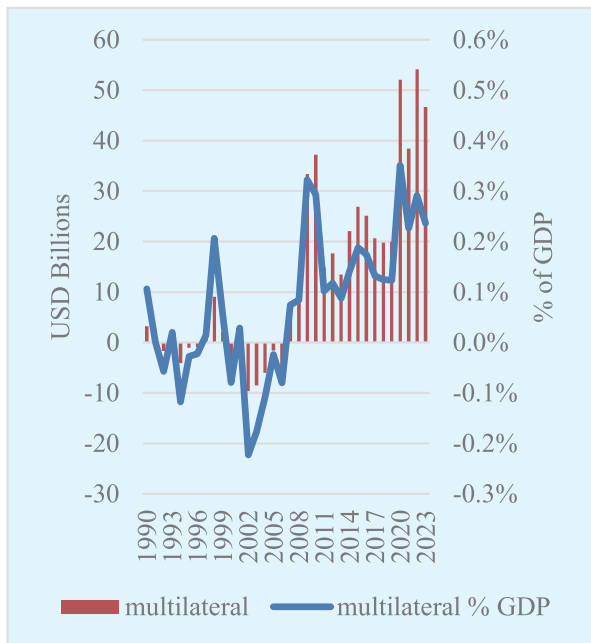


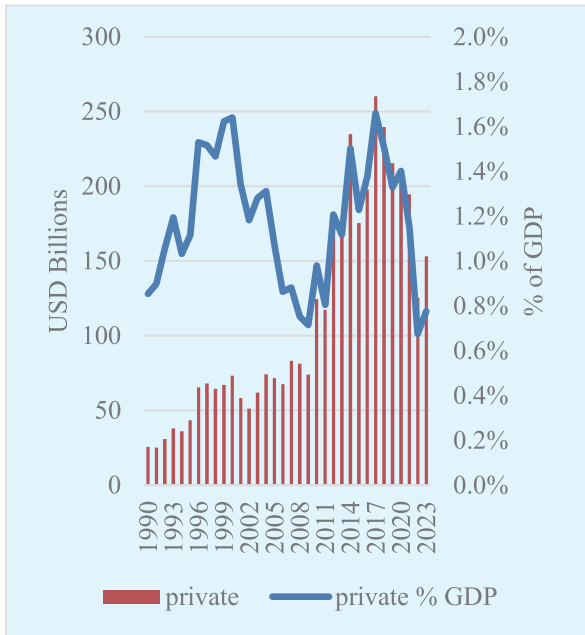
FIGURE 5

External PPG debt from multilateral creditors to LMICs except China, as current USD and as percentage of recipients' GDP, 1990-2023

Source: World Bank International Debt Statistics (2024), World Development Indicators (2025)

1. The state and trend of global development finance to the Global South

Disbursement



Net transfers

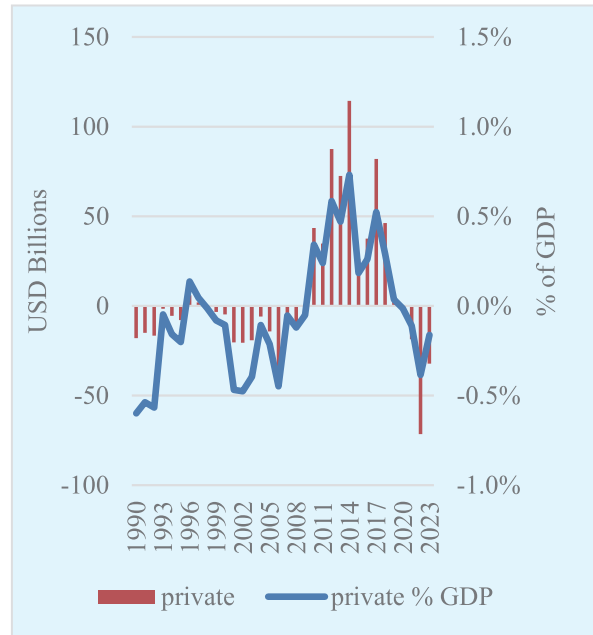


FIGURE 6

External PPG debt from private creditors to LMICs except China, as current USD and as percentage of recipients' GDP, 1990-2023

Source: World Bank International Debt Statistics (2024), World Development Indicators (2025)

2.

FIVE KEY CHALLENGES OF THE GLOBAL SOUTH DEVELOPMENT FINANCE

Development finance to the Global South faces five challenges that must be overcome in order to foster new growth trajectories and avoid the economic, social, and ecological costs of inaction. First, the level of financing to Global South countries is not large enough. Second, the system is not countercyclical. Third, the IFA does not consistently provide affordable financing. Fourth, the IFA does not always deliver positive development outcomes in the form of low carbon, socially inclusive and resilient economic growth. Finally, Global South countries lack voice and representation across the IFA. This section takes each of these challenges in turn.

2.1 The International Financial Architecture does not generate enough investment

Despite an increase in financing, the Global South still faces a significant financing gap to meet SDGs and climate goals. According to various estimations by international organizations,

a great mobilization of financing in EMDCs is needed at upwards of \$3 to 4 trillion per year by 2030, which according to IMF projected GDP would be equivalent to up to 6.3% of EMDCs GDP in 2030 (IMF 2025c). Group of Twenty (G20) Independent Experts Group projects that an additional \$3 trillion annual investment is needed for EMDCs by 2030 to achieve green, resilient and rapid economic growth (G20 independent Experts Group 2023). The OECD's report on Financing for Sustainable Development (2025) finds that the total financing needs for SDGs are expanding at a faster rate than available resources, leading to a widening financing gap. They estimate that financing shortfall will grow from \$2.5 trillion in 2015 to \$6.4 trillion in 2030. By then, total available financing will only cover \$6.4 trillion of the \$12.8 trillion needed—meeting just 50% of the total demand (OECD 2025b).

International financial institutions are studying and proposing solutions to increase financing supply, but capital increases are generally difficult. Efforts have been made by organizations like G20 to make recommendations to MDBs on significantly enhancing their lending capacity¹.

¹ G20 Independent Expert Group (G20 IEG) has urged the MDBs to triple annual lending to \$390 billion annually by 2030 (G20 independent Experts Group 2023).

The G20, the IMF and MDBs have set ambitious goals to go from “billions” of dollars in investment to “trillions” (World Bank 2015). There are numerous routes that can be taken concurrently to meet these goals, such as private capital mobilization, increasing ODA, increasing MDB lending through capital adequacy reforms and increases in paid-in capital, and domestic resource mobilization (G20 2024; G20 Expert Panel 2022). Estimates conducted for the Brazilian Presidency to the G20 further confirm that current levels need to triple by 2030 and that MDBs and other development finance institutions have a central role to play (Gallagher et al. 2024). In the past few years some MDBs have been implementing the recommendations of the G20 Expert Group on Capital Adequacy Frameworks (G20 CAF) that outline various ways that MDBs can expand lending through balance sheet optimization (BSO), guarantees, hybrid capital, and other means. Efforts to date will increase total lending across the MDBs by over \$300 billion in 10 years. There is still significantly more progress that can be made in meeting the G20 CAF recommendations. However, MDBs will not be able to increase their lending adequately enough solely through implementing G20 CAF recommendations, increases in paid-in capital are necessary across the system. The level of capital increase across the system may be as low as \$60 billion if they are coupled with G20 CAF recommendations. This paid-in capitalization cost is equivalent to just 0.03 percent of shareholder’s budget revenues per year during seven years—yet there is significant resistance to increases in paid-in capital (Gallagher et al. 2024).

The lack of sufficient development finance may constrain Global South countries’ investment in key areas of sustainable development, such as health, education, and climate change response, which will have serious consequences. For example, the inaction to increase climate finance to keep the global temperature rise under 1.5 degree

could cause additional global economic losses of \$1,266 trillion by 2100, five times higher than the needed climate finance of \$266 trillion from 2025 to 2050 to achieve that (Buchner et al. 2023), and Global South countries will be hit the most.

2.2

The level of counter-cyclical finance needs to be enhanced

The level of counter-cyclical finance is insufficient. Development finance to the Global South should not only support their long-term economic growth and social welfare improvements but should also play a counter-cyclical role, especially during economic downturns, to mitigate the volatility of external financing for Global South countries. Multilateral financial institutions like IMF and MDBs were indeed created to serve this function (Kindleberger 1986). Private capital flows are inherently pro-cyclical yet neither bilateral nor multilateral DFIs provided sufficient concessional counter-cyclical financing during crises to offset the negative impact of the decline in private finance to the Global South. As mentioned above, during the pandemic, private external finance to LMICs significantly declined. While bilateral and multilateral external finance did moderately increase during this period, the volume of their growth was insufficient to offset the reduction in private capital (see Figure 3).

The increase in concessional loans is limited. As Figure 7 shows, multilateral non-concessional finance surged significantly after the pandemic. Net transfers from these lenders increased from \$15.98 billion in 2019 to \$43.46 billion in 2023. In contrast, the growth in bilateral and multilateral concessional loans lags far behind that of multilateral non-concessional finance.

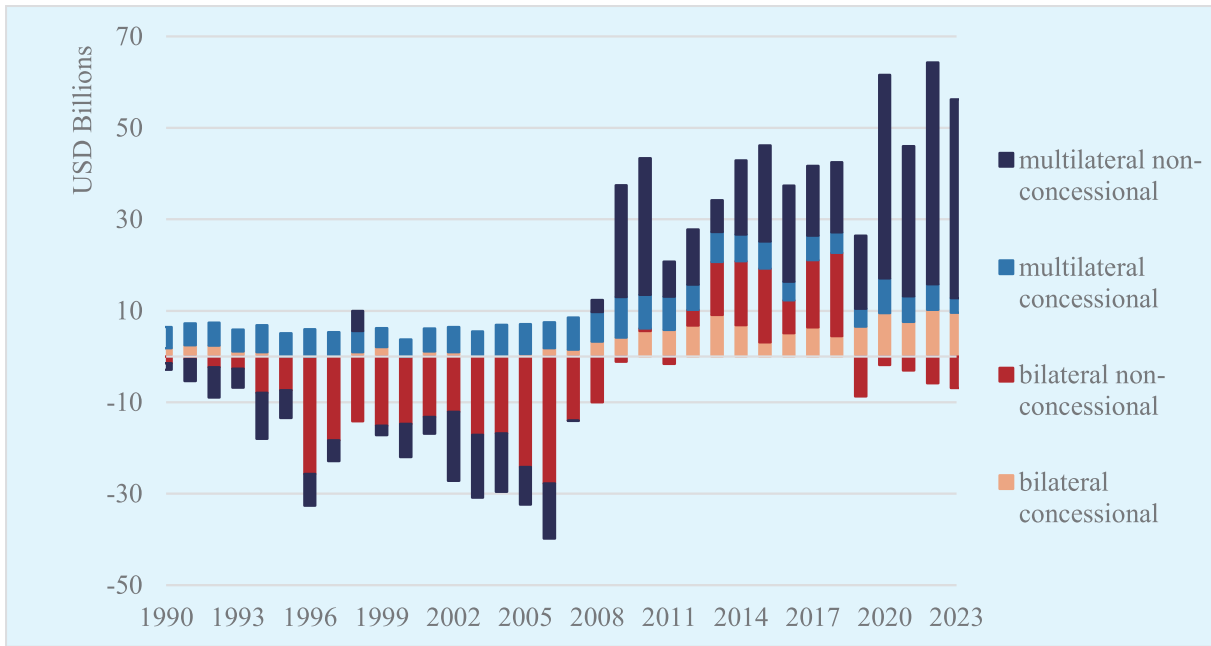


FIGURE 7

Net transfers of external finance to LMICs except China, PPG debt, by concessional levels

Source: World Bank International Debt Statistics (2024)

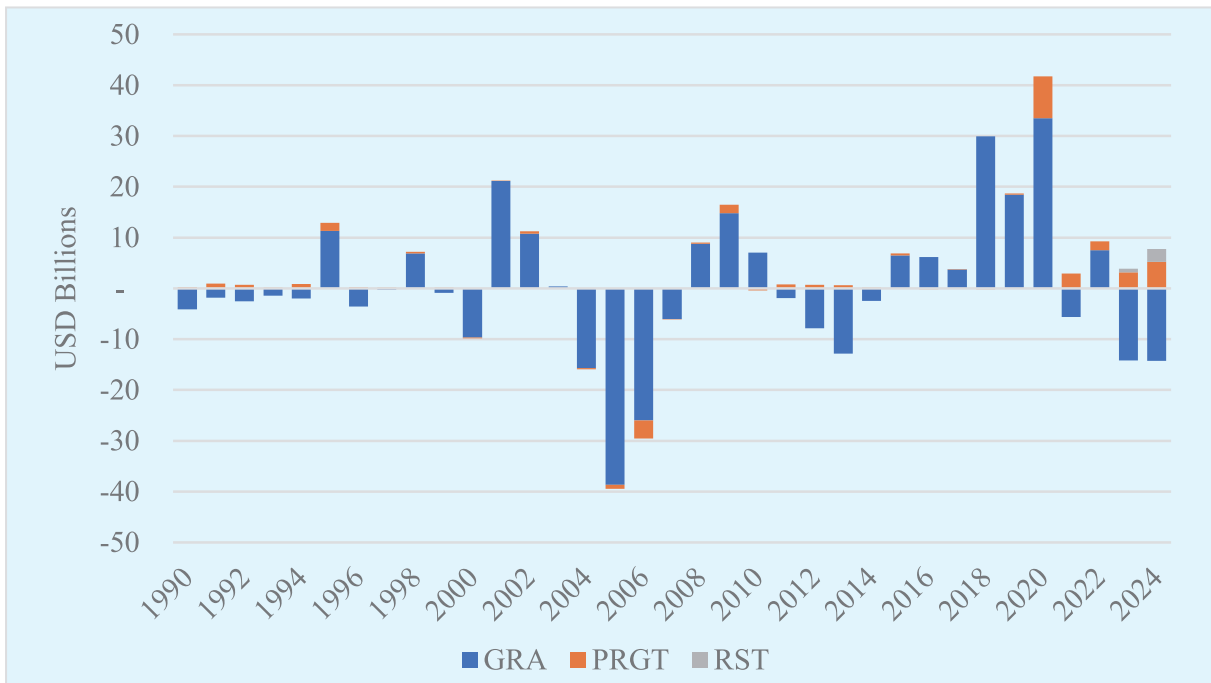


FIGURE 8

Net transfers of IMF lending to LMICs except China, by lending instruments

Source: IMF financial data (2025)

Note: Net transfers are calculated by deducting the repayment of outstanding and interest from disbursement. IMF provides non-concessional finance through GRA to all members, and concessional finance to low-income countries (LICs) through PRGT. The RST offers longer-term financing to low-income and vulnerable middle-income countries seeking to build resilience to external shocks at affordable interest rates (quasi-concessional finance).

Looking at the IMF, the net transfers of IMF lending surged in 2020 (over \$40 billion), highlighting the Fund's counter-cyclical role during the Covid crisis (Figure 8). However, these net transfers were primarily driven by the Fund's non-concessional lending instrument (the General Resources Account (GRA)). In contrast, the net transfers of the concessional window targeting low-income countries (LICs), the Poverty Reduction and Growth Trust (PRGT), though increased significantly in 2020, only accounted for 19.6% of total IMF net transfers in 2020 while benefiting a much larger number of countries. Contributions from the newly established Resilience and Sustainability Trust (RST), that are meant to help vulnerable countries to build resilience to external shocks, have also remained minimal.

2.3

Cost of development finance too high

Financing costs for Global South countries hit historic highs. Not only it is essential for financing to triple and be counter-cyclical, but the weighted average of the cost of capital needs to be lower than the projected growth rate of borrowing economies (Blanchard 2023). Unfortunately, the cost of capital for EMDCs reached all time high (Zucker-Marques, Gallagher, and Volz 2024). As shown in Figure 9, the weighted average interest rate of new external PPG debt to LMICs has significantly increased since 2021. The interest rate of public loans surged from 1.46% in 2021 to 4.13% in 2023, while interest rate of private loans rose from 3.62% in 2021 to 5.97% in 2023. Meanwhile, the economic growth rate of LMICs suffered a significant setback during the pandemic. Although there has been a moderate economic recovery over the past two years, the rise in financing costs has been even more

pronounced. The cost of private loans has far outpaced economic growth, while the cost of public loans has approached the growth rate in 2023.

The surge of financing costs in the Global South is driven by the rise of benchmark interest rates in main Global North countries. The US Federal Reserve has raised interest rates 11 times in a row, pushing the US Fed Funds Interest Rate from 0.25% in January 2022 to 5.5% in July 2023 (Rodini 2024). The main refinancing rate in the Eurozone also reached 4.5% in September 2023. Although the Federal Reserve has begun to cut interest rates since September 2024, the current US Fed Funds Interest Rate of 4.5% (June 2025) is still twice as high as the pre-pandemic level of around 2%.

MDB lending costs are also increasing. MDB financial reforms may raise lending costs by shifting away from traditional models that rely on low-cost borrowing backed by major shareholders' guarantees and limited paid-in capital. As capital increases face resistance, especially from major shareholders, MDBs are turning to financial innovations and market-based instruments, which could increase their cost of funds and reduce their risk tolerance—ultimately making lending more expensive for borrowers.

The rising financing costs, coupled with mounting debt levels and local currency depreciation, have significantly exacerbated the debt burden of developing countries. According to International Debt Report 2024, the total debt service costs of all LMICs climbed to a record of US\$971.1 billion in 2023, an increase of 19.7% over the previous year and more than double the amounts seen a decade ago (World Bank 2024a). In addition, as Figure 10 shows, the median of external PPG debt service as a percentage of government revenue in developing countries has

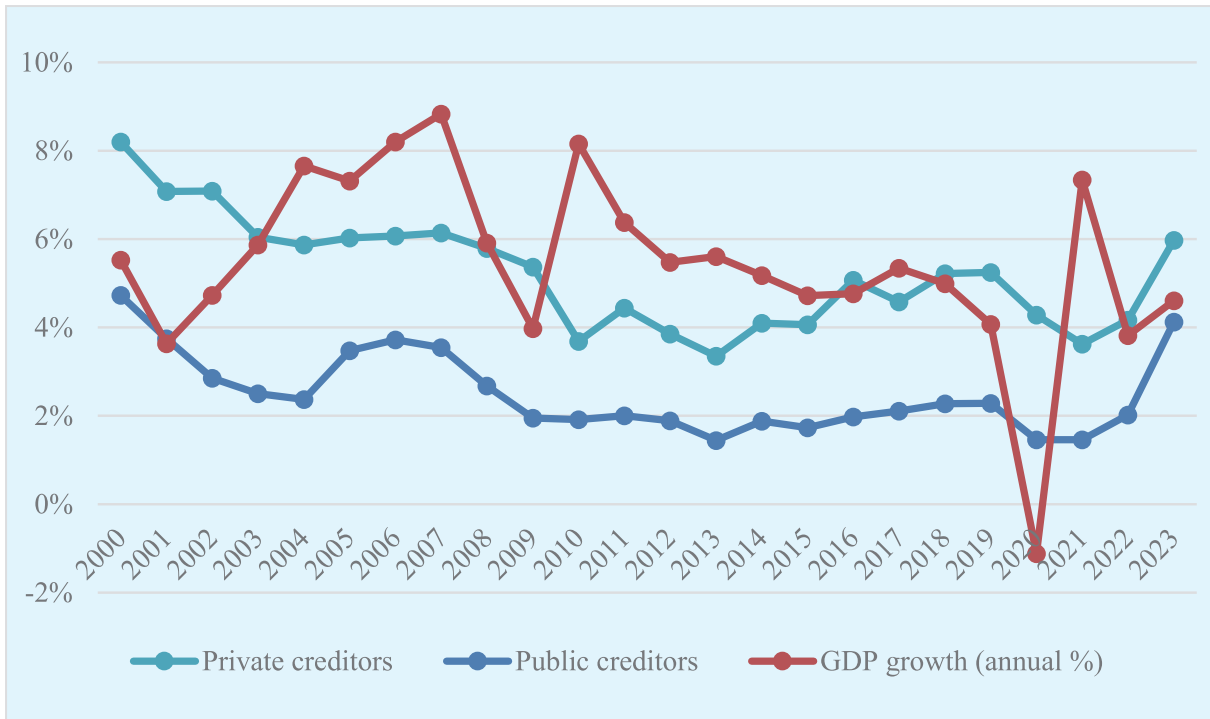


FIGURE 9

Weighted average interest rate on LMICs' new external PPG debt and LMICs' annual GDP growth rate

Source: World Bank International Debt Statistics (2024); World Development Indicators (2025)

maintained an upward trend over the last decade, reaching 11.06% in 2025 (UNDP 2024).

2.4

Insufficient development outcomes

Traditional development financing flows more towards non-productive sectors. Influenced by the shift of mainstream development theories, Global North countries' development finance in recent years has primarily focused on social sectors and governance reform, while giving less emphasis to infrastructure and productive sectors investment that more directly drive economic

growth. One new report from Aiddata at William & Marry shows that US allocated 56% of aids to health, governance and humanitarian assistance sectors from 2002 to 2021, while putting very limited aids to economic-related sectors (Custer, Burgess, and Sritharan 2025).

2.5

Governance needs to be improved

The level of voice and representation for in the Global South countries in the IFA is limited. Addressing the financing and development challenges of the Global South requires concerted efforts from the international community. The

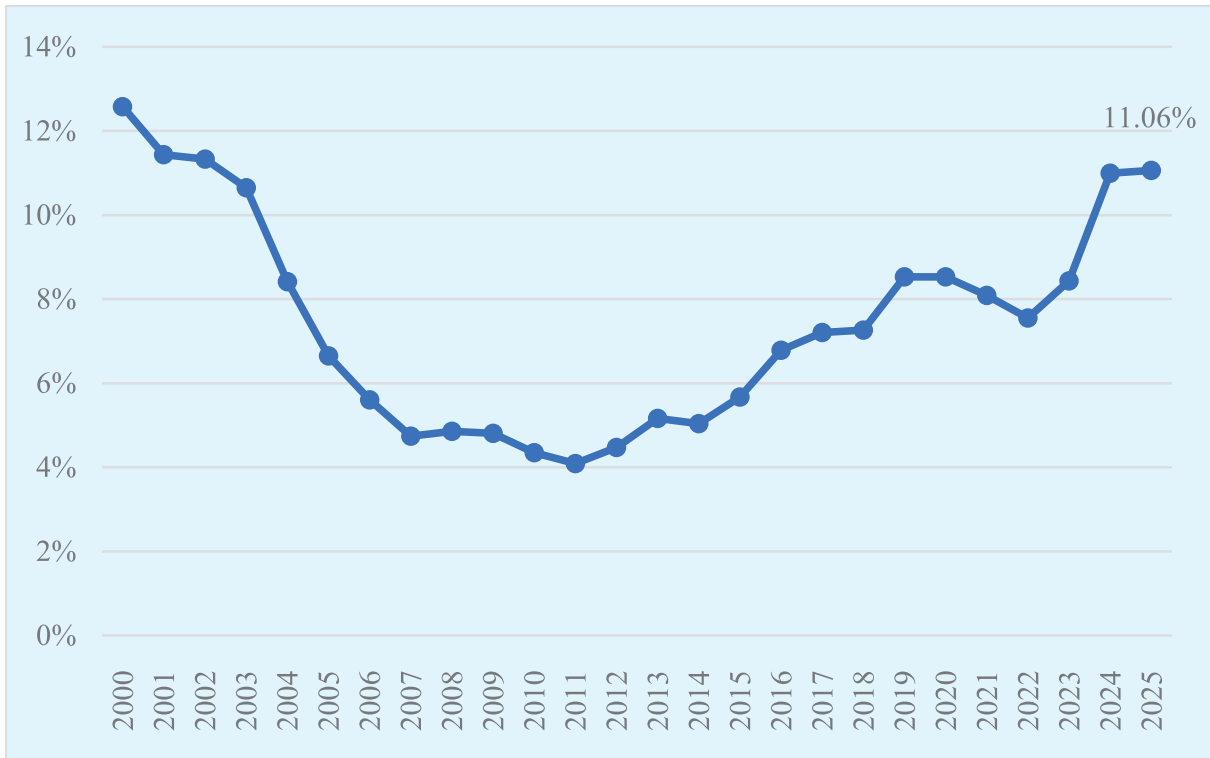


FIGURE 10

PPG total external debt service as a percentage of government revenue (median)

Source: UNDP (2024)

Group of Seven (G7) and low-income countries (LICs) each account for between 9 and 10 percent of the global population. However, the G7 holds over 40 percent of the voting power in the IMF and an average of 36 percent in 15 major MDBs, while LICs only hold around 2 percent in both IMF and MDB system (see Table 1). The Group of Twenty-Four (G24), representing major Global South countries, holds about half of the voting power in IMF relative to G7, while the

least developed countries (LDCs) and members of the Vulnerable Twenty (V20) group possess even more limited shares. Global South countries have long been calling to increase the shares and voting powers of EMDCs in the IMF and MDBs to better reflect their contributions in global economy. Since a country’s access to IMF financial resources is directly tied to its quota share, EMDCs remain constrained by the existing imbalances in the quota system.

TABLE 1

Voice and representation in the IMF and MDB system

	Number of Countries	IMF voting powers	MDBs voting power	Percent of Population
Group of 7	7	41.2%	36.3%	9.8%
Low-income countries	26	2.0%	1.7%	9.1%
Group of Twenty-Four (G24)	29	20.2%	25.1%	58.3%
Least developed countries	45	3.5%	3.6%	14.6%
Vulnerable Twenty (V20)	70	6.8%	8.6%	22.4%

Source: Own elaboration based on IMF World Economic Outlook (WEO) 2025, WB World Development, and information available at MDBs/ IMF reports and webpages.

Note: MDB voting power is estimated using each country's individual share in each MDB and a weighted average based on total capital (paid-in and callable). The analysis covers the 15 largest MDBs, following Gallagher et al. (2024).

3.

RECOMMENDATIONS

Improving development finance for the Global South is crucial not only to raise the standards of living of the Global South countries, but to safeguard and enhance the global economy. Especially given the heightened levels of global economic uncertainty and geoeconomic tension, it is imperative that the Global South countries advance strategies for South-South Cooperation, cooperation with North countries that share similar position, and towards multilateral dialogue. This final section takes each of these three strategic arenas in turn.

3.1

Enhance South-South Cooperation

Recommendation 1:

Expand the scale of South-South cooperation in development finance

Global South countries could strive to increase the scale of their development finance. Particular focus could be placed on long run, counter-cyclical financing in such sectors as infrastructure and industrialization, which are critical for long-term economic growth and structural transformation. By channeling more resources into these areas, South-South cooperation can fill key financing gaps, enhance economic resilience, and promote

self-sustaining development in Global South countries in a sustainable manner.

Recommendation 2:

Increase the share of local currency financing in development projects

In addition, financiers from emerging development partners could consider increasing the share of local currency financing in development projects. For example, when it is more affordable to fund RMB-denominated finance as it has been recently, China Development Bank (CDB) and China Export-Import Bank (CHEXIM) could expand the share of RMB-denominated loans and investments to Global South countries, leveraging China's relatively low domestic interest rates to provide more cost-effective financing options. This could facilitate trade and economic exchanges among Global South countries.

Recommendation 3:

Shift toward more low carbon, socially inclusive and resilient investments

It is also imperative to continue the shift toward more low carbon, socially inclusive and resilient investments that foster growth and structural change in the Global South (Lin and Wang 2017a; Wang and Xu 2024). South-South cooperation could integrate green, sustainable, and socially inclusive development goals while promoting

economic growth. China could create a green and low-carbon energy project pipeline platform to enable partner countries to work together with China to develop projects that meet the green and sustainable objectives (Gallagher et al. 2023). Meanwhile, host countries need to continuously enhance their environmental and social risk management (ESRM) criteria in development finance to ensure development projects align with sustainability goals, minimize negative externalities, and promote inclusive growth. Co-financing between emerging partners and host countries also turns out to be effective in reducing the economic, social and environmental risks (Lu, Springer, and Steffen 2024).

Recommendation 4:

Leverage multilateral mechanisms to strengthen policy coordination

At the multilateral level, it is crucial to strengthen policy coordination on development finance among Global South countries. For example, existing Global South-led multilateral institutions (e.g. Asia Infrastructure Investment Bank (AIIB) and New Development Bank (NDB)) and mechanisms (e.g. Belt and Road Initiative and BRICS) should play a more active role in facilitating dialogue, policy coordination and information sharing among Global South countries. They can serve as a platform to promote development finance communication, establish project pipeline, promote knowledge exchange, and foster strategic collaboration among Global South countries. Regarding the governance reform of IMF and World Bank, Global South countries could make collective efforts to push for quota and voting power reform, increasing their voice and representation in both institutions to better reflect their growing contributions to global economy. Additional governance reforms could include increasing board seats for underrepresented Global South countries, rebalancing constituencies, promoting a fairer leadership selection mechanism, and fostering transparency, accountability, and

inclusiveness in the institutions' decision-making processes. With regard to agenda-setting, Global South countries could advocate the institutions to give more attention to the actual development needs of Global South countries and the challenges they face (e.g. climate shocks, infrastructure gaps and social vulnerability, etc.).

Recommendation 5:

Enhance the functions and roles of Global South-led development finance institutions and Regional Financial Arrangements (RFAs)

The role of Global South-led development finance institutions, such as the NDB, could be further strengthened in the international development finance system. By expanding their lending, particularly in economy-enhancing sectors, these institutions can play a more prominent role in advancing sustainable development across the Global South. In addition, RFAs like the Chiang Mai Initiative Multilateralization (CMIM) should further enhance their functions and expand their financial capacities to bolster regional financial stability and fill the gaps in the current Global Financial Safety Net. By increasing their financial resources and improving policy autonomy, these RFAs can provide more effective and timely liquidity support to countries facing fiscal and financial challenges.

3.2

South-North Cooperation

Recommendation 1:

Leverage their respective comparative advantages in development finance to form the complementarity

North and South creditors can leverage their respective comparative advantages in development finance to form the complementarity to meet the development needs of the Global South. North creditors can contribute by providing more con-

cessional financing and mature technical expertise, while South creditors, which are more familiar with the development challenges facing the Global South, can play a critical role in designing more tailored development solutions. Emerging development partners can deliver their domestic development finance experience to other Global South countries, sharing successful models and approaches in infrastructure development, industrialization, and sustainable growth.

Recommendation 2:

Enhance South-North financial cooperation through more co-financing projects and triangular cooperation

North and South creditors can enhance their financial cooperation through more co-financing projects and triangular cooperation. Such financial cooperation could ensure that host government autonomy is respected and the government's development priorities are supported. It can also serve as a collaborative space for policy coordination, resource integration and knowledge sharing to promote mutual learning and maximize the impact of development finance.

Recommendation 3:

Strengthen the partnership between MDBs and NDBs in Global South countries

Moreover, traditional MDBs could make policies to strengthen their partnership with NDBs in Global South countries to enhance development effectiveness. A recent report by Boston University's Global Development Policy Center demonstrates how the complementary advantages between MDBs and NDBs can become a collab-

orative opportunity to promote more effective climate finance (Mariotti et al. 2025). NDBs can coordinate resources for national development plans, while MDBs can provide more concessional financing to reduce financing costs and offer technical assistance to support capacity building of NDBs.

3.3

Toward a global conversation of multilateralism

Global development challenges require collective efforts from various development partners, including both public and private sectors, as well as Global North countries and emerging economies. In this context, development finance dialogues at global level play a vital role in clarifying goals, coordinating policies and actions, and mobilizing and integrating resources which ensure that all stakeholders are working towards common objectives and that financial and technical resources are directed where they are most needed. The existing multilateral platforms, such as the Finance in Common Summits (FIC) and the International Conference on Financing for Development (FFD) have the potential to advance these efforts. Global actors shall leverage forums to align their strategies, share best practices, and foster stronger partnerships to address development challenges in a more integrated and effective manner.

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Introduction to the Global South Research Center

The Global South Research Center (GSRC) was announced by Chinese President Xi Jinping at the Conference Marking the 70th Anniversary of the Five Principles of Peaceful Coexistence in June 2024, and formally launched in March 2025.

The GSRC is an international research platform involving experts and scholars from South and North countries and international organizations. The GSRC's primary responsibilities are to consolidate research resources from around the world, particularly from Global South countries and relevant international and regional organizations, and to carry out research, consultation, and exchange activities concerning key and major issues related to the development and cooperation of the Global South.

The GSRC establishes a Council, chaired by the Minister of the Development Research Center of the State Council (DRC) Lu Hao. The Secretariat of the Council is hosted at the Center for International Knowledge on Development (CIKD).

Council of the GSRC

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Lu Hao Minister of the Development Research Center of the State Council,
Chairman of the GSRC Council

VICE CHAIRPERSON

Zhang Qi Vice Minister of the Development Research Center of the State Council,
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Fyodor Voytolovsky	Director of the Primakov National Research Institute of World Economy and International Relations of the Russian Academy of Sciences (IMEMO)
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Carlos Oya	Head of the Department of Development Studies and Professor of Political Economy of Development at SOAS University of London
Dani Rodrik	Ford Foundation Professor of International Political Economy at the Harvard Kennedy School
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Kevin Gallagher	Director of the Center for Global Development Policy at Boston University
Carlos Correa	Executive Director of the South Center
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Zhou Qiangwu	Vice-President and Chief Administrative Officer of the New Development Bank (NDB)
Tetsuya Watanabe	President of the Economic Research Institute for ASEAN and East Asia (ERIA)
Clarems Endara	Permanent Secretary of Latin American and Caribbean Economic System (SELA)
Federico Bonaglia	Deputy Director of the OECD Development Center
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SECRETARY GENERAL

Wang Jinzhao	Executive Vice President of Center for International Knowledge on Development, Secretary General of the GSRC Council
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