Global Outlook on Financing for Sustainable Development 2025

Presentation and discussion with the Global Parliamentary Network

7 February 2025, OECD, Room CC6, 9.30-10.30am

Olivier Cattaneo, Head of Policy Analysis and Strategy Unit,
Development Cooperation Directorate

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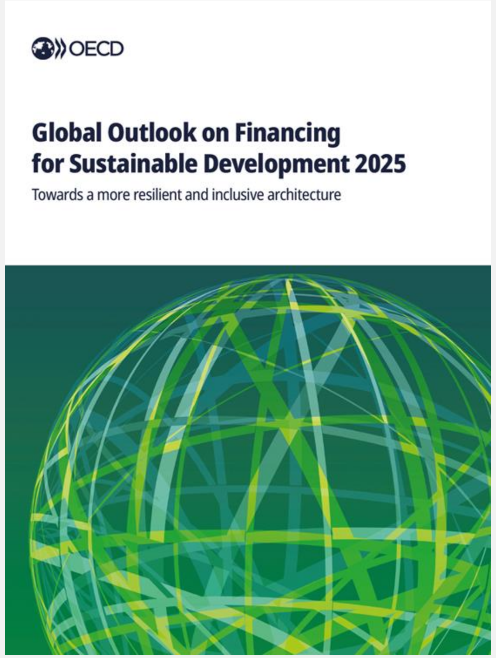
BETTER POLICIES FOR BETTER LIVES

The Global Outlook and the road to Seville



What is the Global Outlook on Financing for Sustainable Development?

*-A **flagship** publication led by DCD with inputs from various parts of OECD*
*-Published **every second year** since 2019, **4th edition***
*-A 'go-to' reference on financing sustainable development with data on **public/private and domestic/external financing flows to developing countries***
*-An **OECD input into the UN-led FFD process** and Inter-Agency Task Force on Financing for Development*

Why does this edition particularly matter?

*-**4th International Conference on Financing for Development** to take place in Seville in June-July 2025*
*-A **once-in-a-decade opportunity** to revise the framework for FSD and the SDGs and **international pressure** to reform the global financial architecture (e.g. Bridgetown initiative, MDBs)*
*-**Covers multiple action areas**: domestic public resources, domestic and international private business and finance, international development cooperation, international trade, debt and debt sustainability, systemic issues, STI + architecture, data, etc.*

Global Outlook on Financing for Sustainable Development 2025

- ✓ ***Establish the facts*** *– a primer for negotiators, informed UN FfD4 elements paper: where progress has been made, where it lagged, where changes are*
- ✓ *One* ***factsheet*** *and one* ***statistical annex*** *per action area (covering +70 relevant SDG targets and proxy indicators – 10 directorates, never done before)*

2.1. Data Dashboard

Key Trends

Tax-to-GDP ratios in a majority of countries worldwide rebounded despite the negative impact of the COVID-19 pandemic on revenues.

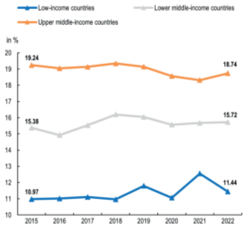
From 2015 to 2022, tax revenue as a percentage of gross domestic product (GDP) increased from 16.5% to 17.1% on average in developing countries (UN, 2024[1]). The tax-to-GDP ratio increased in both low-income countries (LICs) (+4%) and lower middle-income countries (LMICs) (+2%) or from 11% to 11.4% and from 15.4% to 15.7%, respectively, over the period. Despite this growth, the tax-to-GDP ratio in LICs remains below the effective 15% threshold (11.44% in 2022). The tax-to-GDP decreased (-3%) in upper middle-income countries (UMICs) or from 19.2% in 2015 to 18.3% in 2022 (Our World in Data, 2023[2]).

Between 2015 and 2021, tax-to-GDP ratios increased in three-fifths of the 130 economies included in the OECD Global Revenue Statistics database. However, in 86% of LICs and 43% of LMICs, revenues remain below the level required to finance critical social services and to invest in economic development (15% of GDP) (Benitez et al., 2023[3]; Choudhary, Ruch and Skrok, 2024[4]).

While tax revenues (excluding social security contributions) are the primary source of government revenue, non-tax revenues represent a significant share in all countries. According to International Monetary Fund (2024[5]) data, non-tax revenues make up one-third of government revenues in developed countries but nearly half of government revenues in developing countries.

Between 2015-22, total tax and non-tax government revenue in developing countries rose 20%, or 2% annually, from USD 3.15 trillion a record high of USD 3.79 trillion in 2022 (constant 2015 prices).

Figure 2.1. Tax-to-GDP



Note: Figures exclude social security contributions.
Source: Authors' calculations based on Our World in Data (2023[2]), *Tax revenues as a share of GDP (UNU-WIDER Government Revenue Dataset)*, https://ourworldindata.org/grapher/tax-revenues-as-a-share-of-gdp-unu-wider.

Annex 2.A. Domestic Public Resources

Annex Table 2.A.1. Assessment of the action area: Domestic public resources

AAAA paragraph	Commitment	Specific target or objective (quantifiable/ timebound)	Matching SDG target (where available)	State of implementation or progress made since 2015, using SDG or other relevant indicator (proxy)
20	Strengthen domestic enabling environments, including the rule of law, and combat corruption at all levels and in all its forms.	No	Target 16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all. Target 16.5 Substantially reduce corruption and bribery in all their forms. Target 16.10 Ensure public access to information and protect fundamental freedoms in accordance with national legislation and international agreements.	See also paras. 22-25. *Other targets and indicators not listed in this annex are also relevant. For more information, see https://www.sdg16hub.org/home and https://unstats.un.org/sdgs/report/2023/extended-report/Extended-Report_Goal-16.pdf.* SDG indicator 16.3.1 Proportion of victims of (a) physical, (b) psychological and/or (c) sexual violence in the previous 12 months who reported their victimisation to competent authorities or other officially recognised conflict resolution mechanisms. As of early 2024, only 53 countries have at least one data point on the reporting of any type of violence covered by indicator 16.3.1 since 2010 (UN, 2024[48]). SDG indicator 16.5.1 Proportion of persons who had at least one contact with a public official and who paid a bribe to a public official or were asked for a bribe by those public officials, during the previous 12 months. In 2022, the average prevalence of bribery was higher in lower-income countries. For example, the average prevalence in low-income countries (LICs) is 31.6%, 26.2% in lower middle-income countries (LMICs), 17.1% in upper middle-income countries (UMICs) and 8.9% in high-income countries (UN, 2024[48]). Transparency International Corruption Perception Index (CPI) Since 2011, 28 of the 180 countries measured by the CPI improved their corruption scores and the scores of 34 countries deteriorated significantly. In sub-Saharan

- ✓ ***Put the current FfD4 negotiations into perspective****, with up-to-date macroeconomic and geopolitical trends, including SDG financing gap prospects, in an attempt to help negotiators* ***identify the right balance between ambition and political reality*** *for the best possible outcome in Seville.*

And beyond the Global Outlook:

- ✓ ***Support to members during negotiations*** *– collection of comments on zero draft from 10 directorates through whole-of-OECD task force*
- ✓ ***Identification and adoption of actions*** *in committees to feature in Seville*

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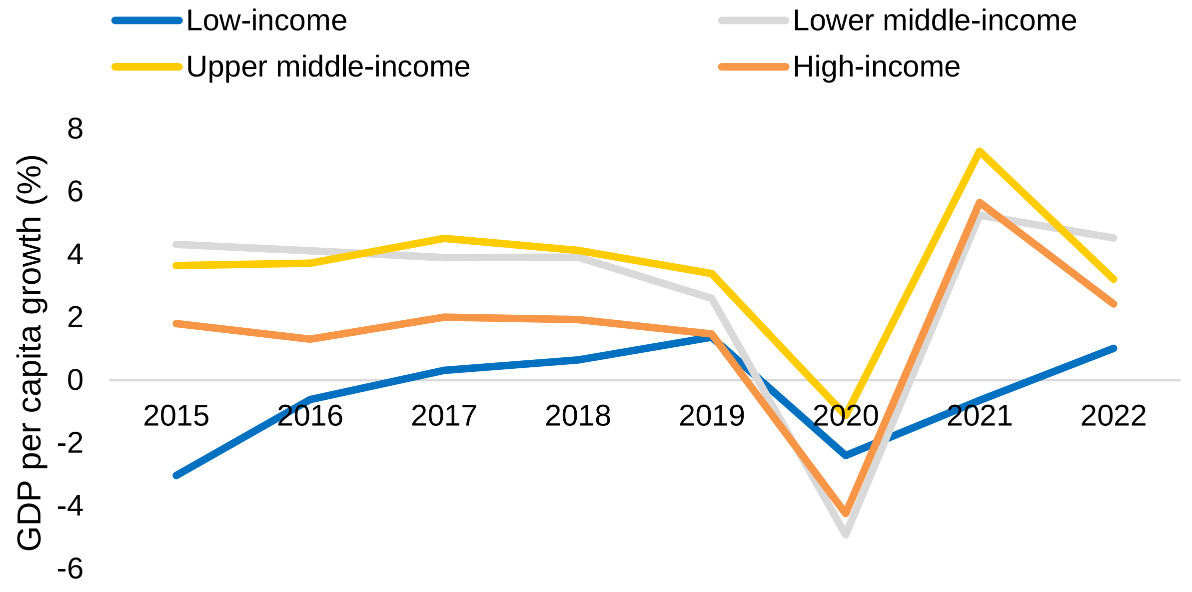
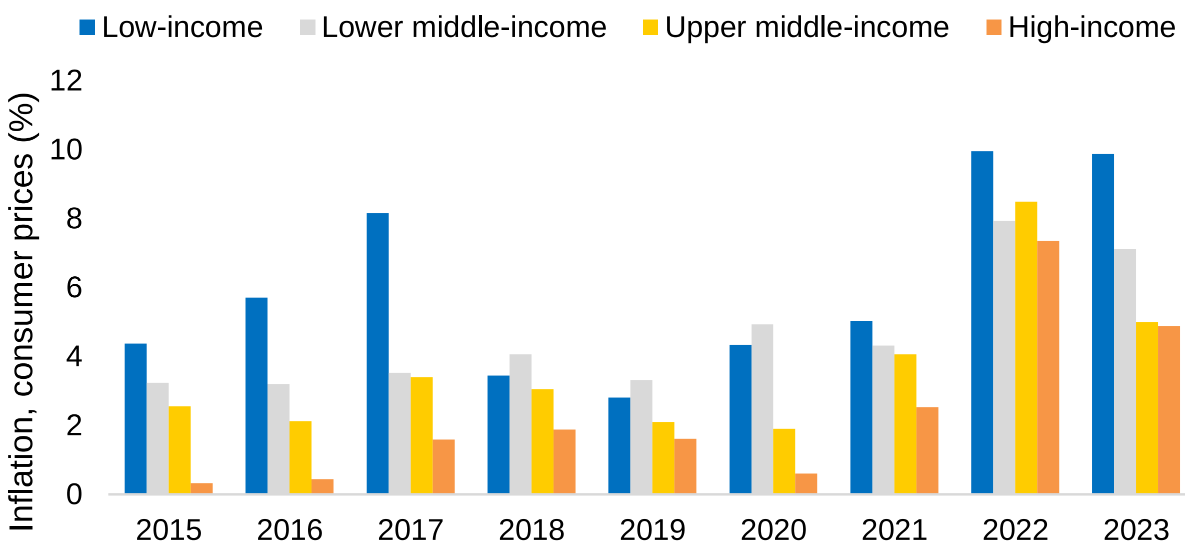
Key message 1: Growing inequalities amidst geo-economic tensions

Amid a global recovery, low-income countries are still struggling with low growth rates and high inflation

Panel A: GDP per capita growth rates by country group, 2015-22



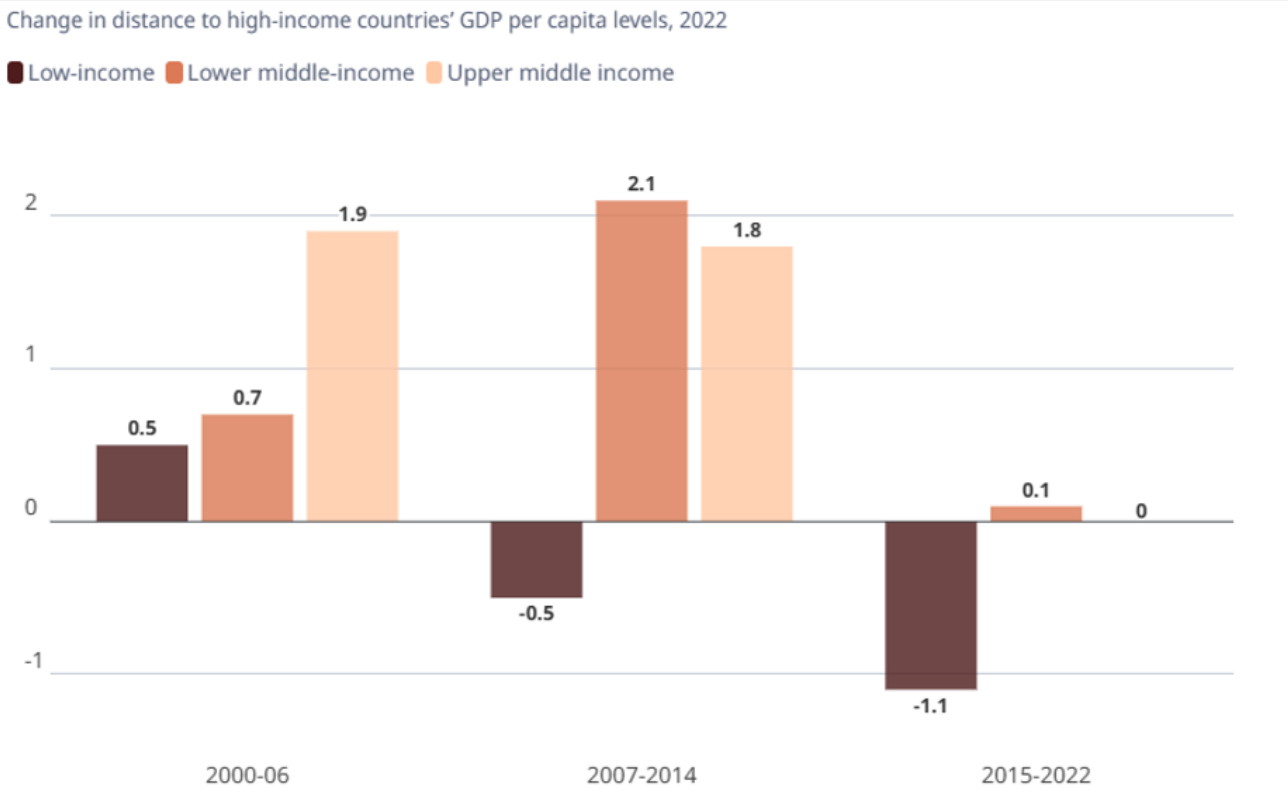
Panel B: Consumer price inflation rates by country group, 2015-23



Source: Authors' calculations based on World Bank Group (2024[6]), *Data Bank, World Development Indicators* (database), https://databank.worldbank.org/source/world-development-indicators.

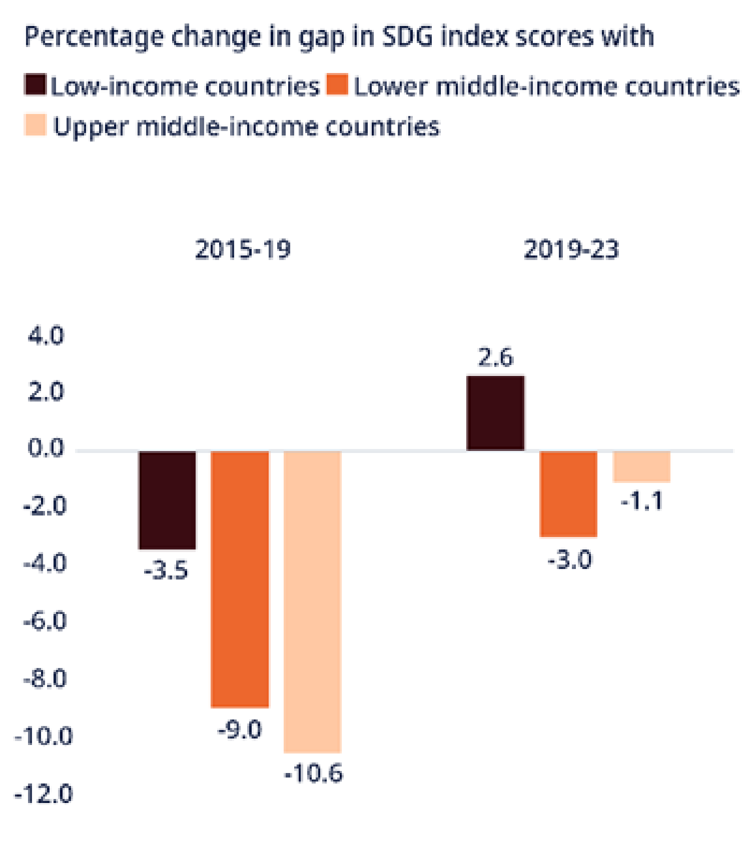
Economic and SDG convergence between countries has slowed and even reversed

Economic convergence between countries has slowed and even reversed



Note: * The 2023-30 ratios are OECD projections.
Source: Panel A: Authors' calculations based on OECD internal model and forecasts..

Poor countries' development progress is reversing



Source: Authors' calculations based on Sachs, Lafortune and Fuller (2024[25]), *Sustainable Development Report 2024: The SDGs and the UN Summit of the Future*, https://sdgtransformationcenter.org/reports/sustainable-development-report-2024.

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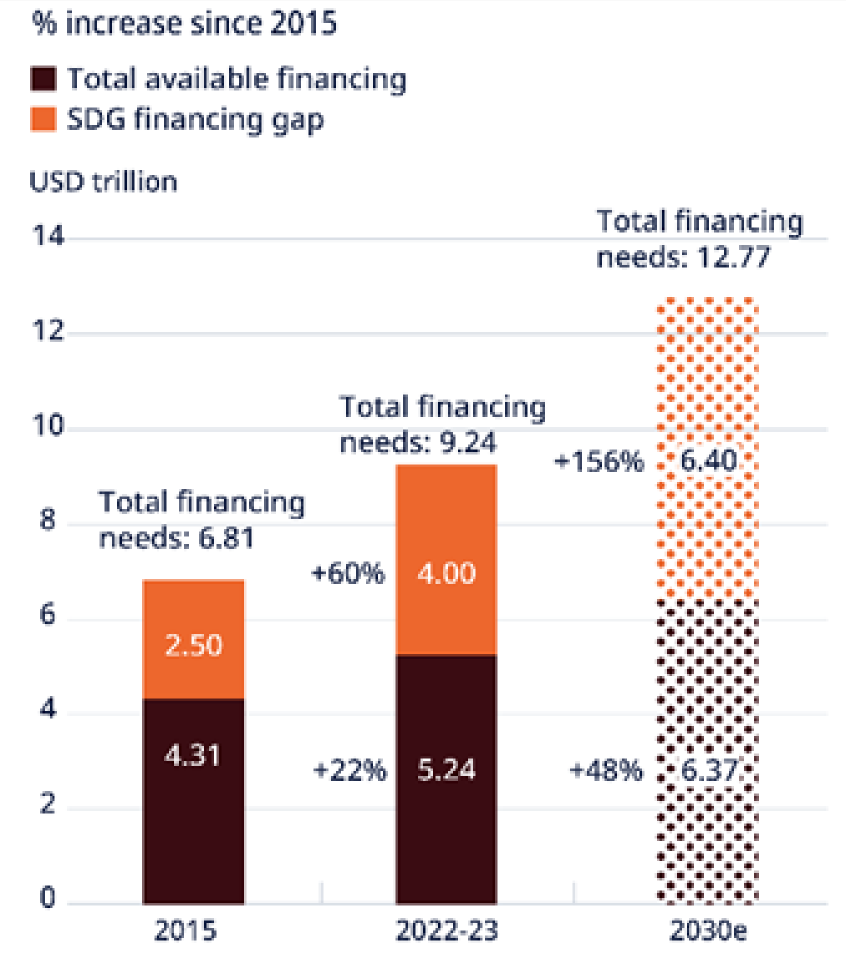
Key message 2: Resources are growing, but not fast enough



36%

surge in financing needs between 2015 and 2022, driven in part by climate change

22%

growth in available funding over the same period to reach a total of USD 5.24 trillion in 2022

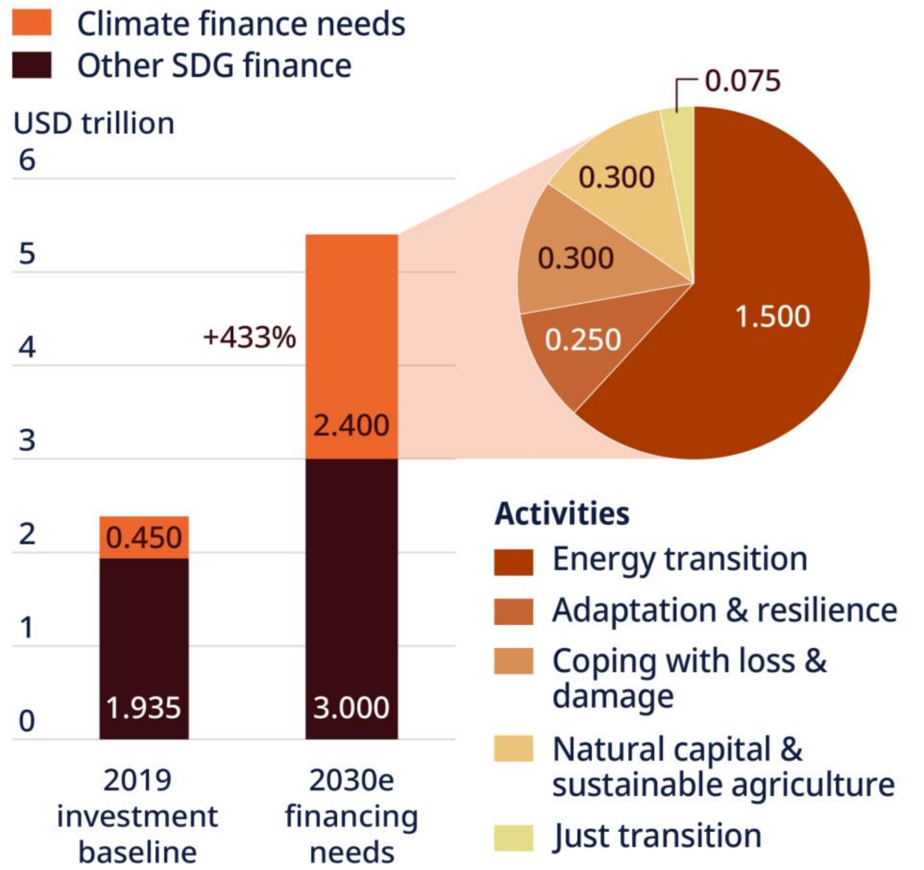
$6.4 trillion

financing gap projected by 2030 without major reforms

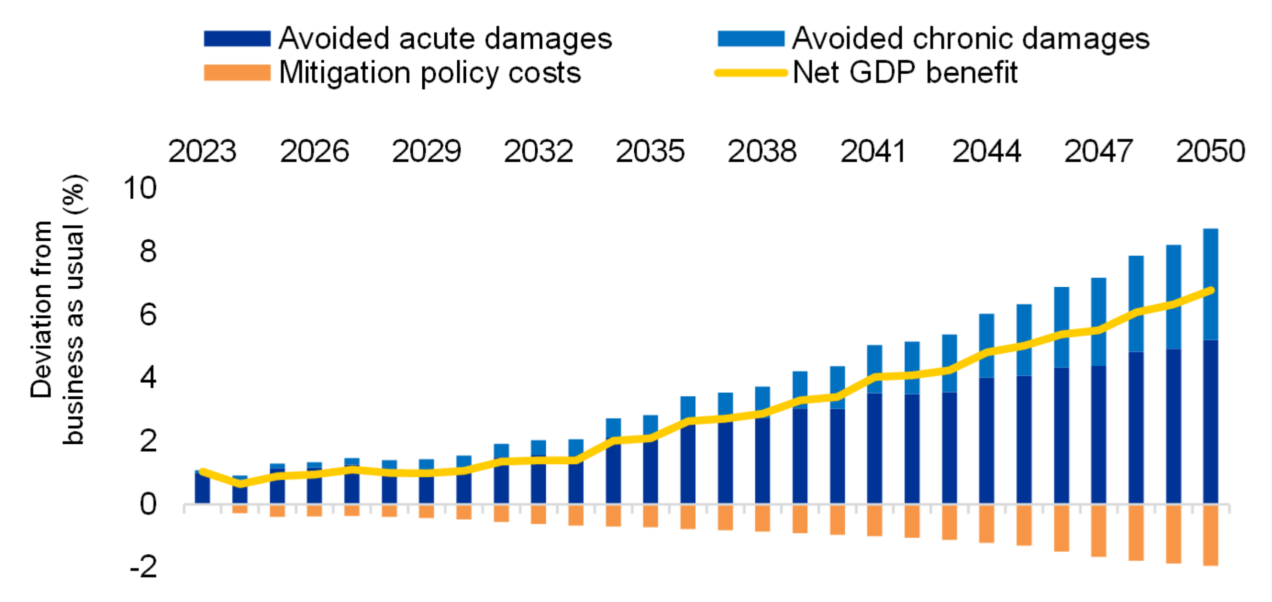
Note: For the second column, total available financing is based on 2022 figures, while the SDG financing gap is assessed for 2023. The 2015 and 2023 SDG financing gaps are based on UNCTAD estimations. Total available financing figures are based on authors' calculations and 2015 constant prices. Authors' calculations for the estimated 2030 financing needs are based on the growth rates for total available financing and the SDG financing gap from 2015 to 2022.
Source: Authors' calculations and UNCTAD (2023[47]), *World Investment Report 2023: Investing in Sustainable Energy for All*, https://unctad.org/publication/world-investment-report-2023.

Annual climate financing needs could more than quadruple by 2030

Projected annual climate financing needs by 2030, by activities, versus other SDG financing needs



Potential economic benefits from net zero transition by 2050

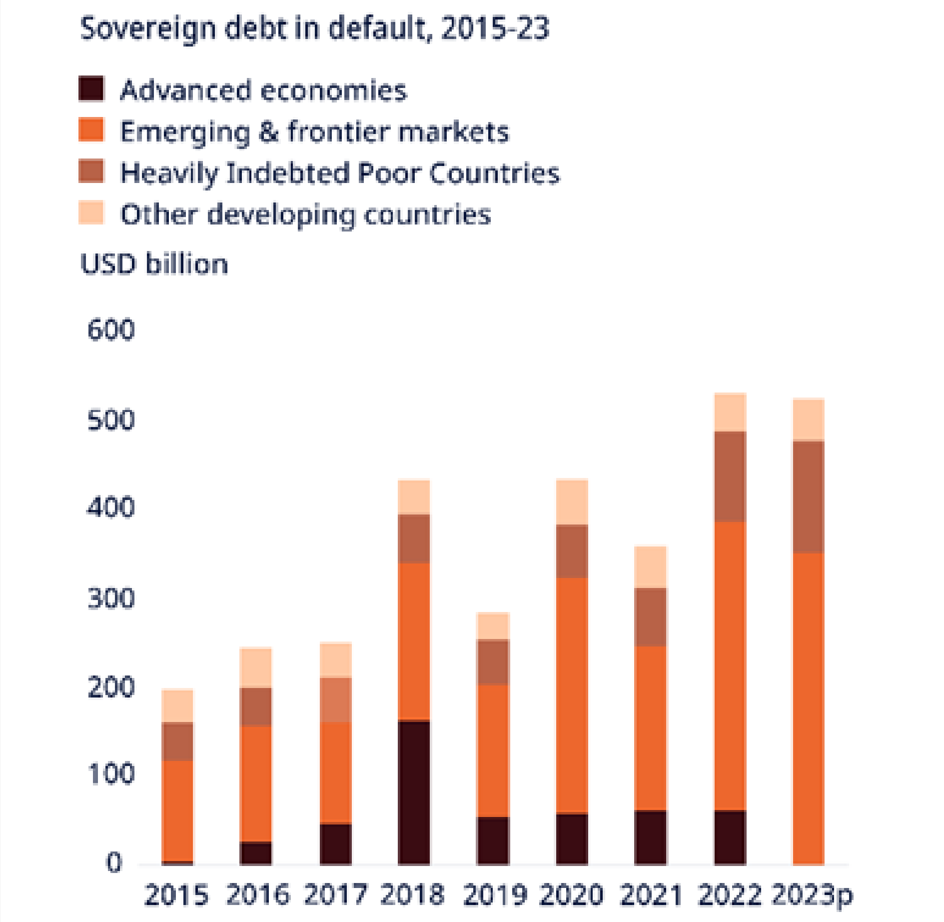


Source: Authors' calculations based on the GCAM model of orderly net zero transition in NGFS (2024[71]), *NGFS Climate Scenarios* (database), https://www.ngfs.net/ngfs-scenarios-portal/.

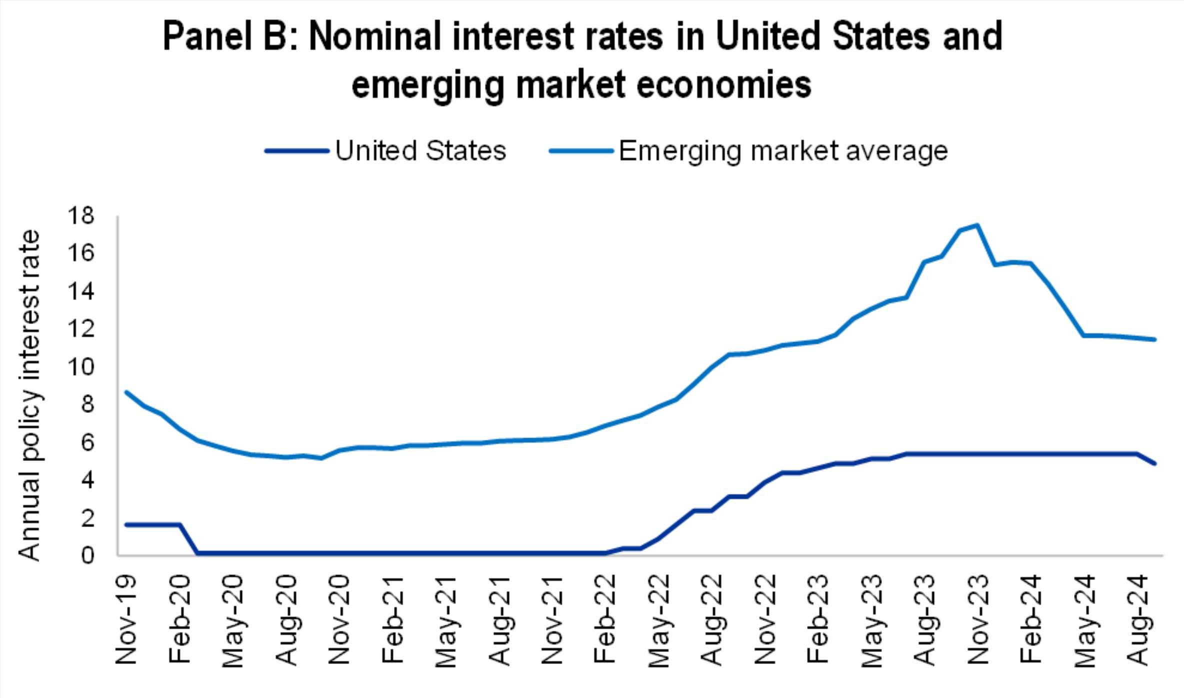
Note: The 2030 estimates reflect the annual needs.
Source: Bhattacharya et al. (2023[45]), *A Climate Finance Framework: Decisive Action to Deliver on the Paris Agreement – Summary*, https://www.lse.ac.uk/granthaminstitute/publication/a-climate-finance-framework-decisive-action-to-deliver-on-the-paris-agreement-summary/.

Concurrent crises have depleted traditional policy levers

The risk of external public debt distress has increased



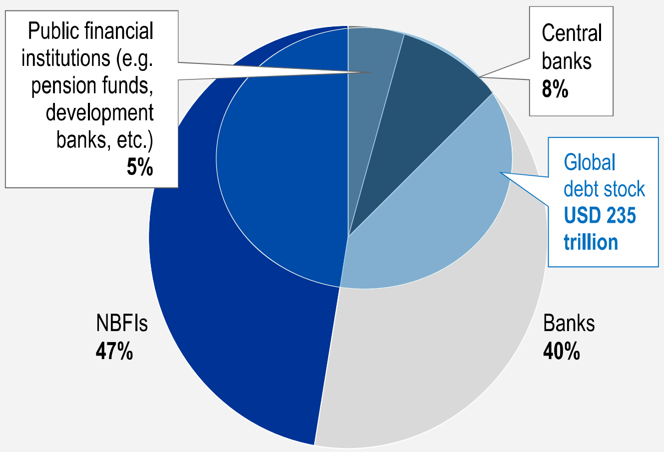
Monetary tightening dried up financing for developing countries



Panel B: Bank of International Settlements (2024[58]), Central Bank Policy Rates (database), https://data.bis.org/topics/CBPOL.

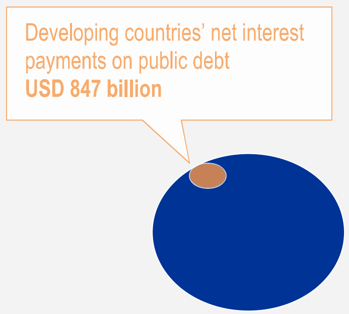
Note: A sovereign is in default or debt distress when it interrupts debt payments or seeks to renegotiate terms, including to reduce principal, lower interest rates or extend maturities. Once restructured, the debt is considered performing and not in default.
Source: Beers et al., (2024[1]), "BoC–BoE Sovereign Default Database: What's new in 2024?", https://www.bankofcanada.ca/wp-content/uploads/2024/07/SAN2024-19.pdf.

Conclusion: Accelerate the alignment of the trillions



Global financial assets (stocks)
USD 461 trillion

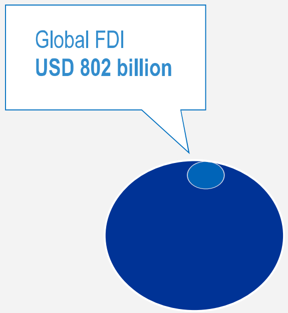
*Developing countries hold only **21%** of global financial assets despite being home to **82%** of the world population.*



Global government revenues
USD 31 trillion

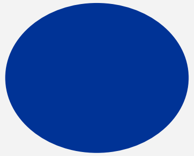
*The tax-to-GDP ratio in LDCs averages **13.2%**, below the **15% target** and less than half that of OECD countries (34%).*

*Sub-Saharan Africa's ten-year bond spread exceeds **1 000 basis points (bps)** in 2023 compared with approximately **100 bps** for Europe and roughly **400 bps** for Latin America and the Caribbean.*



Global gross fixed capital formation
USD 26 trillion

*LDCs attract only **3.6%** of total FDI flows to developing countries.*



Global trade
USD 25 trillion

*LDCs represent only **1%** of global trade yet comprise **13%** of the world population.*

Illicit financial flows
Global estimates in the trillions of US dollars

*Global revenue losses from individual tax evasion are estimated at **USD 255 billion** annually.*

Remittances to developing countries
USD 0.5 trillion

*The global average transfer costs of remittances is **6.35%,** more than twice the **3%** target set by the SDGs.*

Official development finance (ODF)
USD 0.3 trillion

***100%** of ODF provided by all donors (DAC, non-DAC and multilateral providers) aims to support developing countries.*

***24%** of ODF from all donors is allocated to LDCs and other LICs.*

Source: OECD (2025), Global Outlook on Financing for Sustainable Development 2025

What role for the parliaments?

1. **Alignment starts at home**
   - ✓ See OECD-UNDP Framework for SDG alignment of finance
   - ✓ Repurpose subsidies, business and investors duties and liabilities, taxonomies

2. **Allocation of ODA is a sovereign decision**
   - ✓ International and civil society pressure – IDC convention
   - ✓ Making the case for development cooperation, budget allocation with competing public policy objectives within tight fiscal space

3. **Restoring trust and accountability**
   - ✓ Closer to people, more transparent, democratic debate – including decentralised development cooperation
   - ✓ Greater impact through monitoring and mutual-accountability – role of SDGs in budgeting and financing strategies

Thank you.

Contact: olivier.cattaneo@oecd.org

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