

Global Solidarity Subject to Donor Constraints: The Role of International Financial Institutions

Nick Kolev | Published on LinkedIn | October 30, 2025

This article explores global solidarity in a world in which donor countries face increasing government debt and decreasing economic growth. It seeks to balance, by comparing and contrasting, two different worldviews: the worldview of the aspirational, according to which advanced countries (ACs) have infinite resources and meet all of the needs of developing countries (DCs), and the worldview of the operational, according to which limited development aid is channeled jointly by ACs and DCs to address humanitarian emergencies and structural problems. The role of international financial institutions (IFIs) is examined, and a specific approach is proposed.

The Aspirational Worldview

The Jubilee Report of 2025 is a wonderful expression of the aspirational worldview:^[1]

The developing world is facing dramatic debt and development crises. A debt crisis should not be narrowly defined as a matter of countries defaulting on their obligations to creditors. For many nations, the real default is not a legal or financial one, but a social and development one: They are defaulting on their people, their environment, and their future. ... To meet obligations to their external creditors, debt-distressed countries are sacrificing investments in education, healthcare, infrastructure, and climate resilience. Core aspects of national sovereignty are put into question as economic policy serves creditors rather than citizens. National politics is delegitimized if fiscal and financial policies are in the service of finance rather than in the service of development. ... All sides share responsibility for the current debt situation: Debtor governments ...; creditors ...; and international financial institutions

The article *Transforming International Financial Institutions* echoes the aspirational worldview of *The Jubilee Report* with an emphasis on the IFIs.^[2] According to the article, IFIs have numerous issues:^[3]

The current policies and practices of IFIs present several challenges: they drive increasingly burdensome public debt for many developing economies, retain governance structures that often privilege the voices and decision-making of Global North countries, and have a history of promoting policies that deepen inequality and reduce the fiscal space for long-term investment in public goods. ... Instead, to transform the international development ecosystem and support a more just global economic system, stakeholders across the public, private and multilateral sectors need to take action to reimagine IFIs, implementing the ambitious proposals

being put forward by scholars, civil society representatives, and historically marginalized Global South leaders. To date, change has been stymied by numerous obstacles, including stagnant institutions and the interests of the Global North and the private sector. ... In particular, more equitable, effective governance of the IFIs needs to address the lack of representation and decision-making power of borrower and aid-receiving countries; how to increase lending capacity without incurring debt; and the impact and legacy of economic policies that have undermined growth and quality of life.

The Operational Worldview

An expression of the operational worldview would be to replace “developing world” with “developed world” in *The Jubilee Report*:

The developed world is facing dramatic debt and development crises.

Without providing a novel and elusive definition of “default,” a reference to the October 2025 issue of the *Fiscal Monitor* of the IMF can be made.^[4] According to the IMF, the following are the countries, groups, and regions with general government gross debt exceeding 100% of gross domestic product (GDP):

2025 General Government Gross Debt (% of GDP)

1	Japan	229.6
2	Sudan	221.5
3	Singapore	175.6
4	Greece	146.7
5	Bahrain	142.5
6	Italy	136.8
7	Maldives	131.8
8	Major Advanced Economies (G7)	125.7
9	United States	125
10	Senegal	122.9
11	North America	120.4
12	France	116.5
13	Western Hemisphere	114.9
14	Canada	113.9
15	East Asia	110.7
16	Advanced Economies	110.2
17	Ukraine	108.6

18	Belgium	107.5
19	Cabo Verde	106
20	Bhutan	105.6
21	United Kingdom	103.4
22	Spain	100.4

Developing countries shaded blue | groups and regions shaded grey | advanced countries unshaded

Of seventeen countries, eleven are ACs—donor countries that are classified as High Income Countries (HICs).^[5] Among the six DCs, which are also known as recipient countries, one is a Low Income Country (LIC) – Sudan; two are Lower Middle-Income Countries (LMICs) – Bhutan and Senegal; and three are Upper Middle-Income Countries (UMICs) – Cabo Verde, Maldives, and Ukraine.^[6] The Group of Seven (G7) is more indebted than Bhutan, Cabo Verde, Senegal, and Ukraine.

The article *“Across the rich world, fiscal crises loom”* outlines the numerous challenges facing ACs.^[7] These challenges are not new, and they are reflected in the credit ratings of G7 countries (Fitch/Moody’s/S&P): Canada – AA+/Aaa/AAA; France – A+/AA3/A+; Germany – AAA/Aaa/AAA; Italy – BBB+/Baa3/BBB+; Japan – A/A1/A+; United Kingdom – AA-/Aa3/AA; and United States (US) – AA+/Aa1/AA+. The European Union—the world’s largest donor—is dealing with a major war on its borders. France is going through a period of political turmoil.^[8] After experiencing negative growth in 2023 and 2024, the German economy is unlikely to expand notably in 2025.^[9] In addition to being more indebted than DCs, ACs are growing slower than DCs.^[10] In 2024, ACs grew at 1.8%, while DCs grew at 4.3%. In 2025, ACs are expected to grow at 1.5%, while DCs are expected to grow at 4.1%. The pattern is projected to continue in 2026, with ACs expanding at 1.6% and DCs expanding at 4%.

Although it has become impossible for many ACs to support DCs without incurring debt themselves, because of the COVID crisis, official development assistance (ODA) increased in the four-year period of 2020-2023, and the US established a record by providing almost 65 billion US dollars (USD) in 2023.^[11] Of course, the combination of increasing government debt and decreasing economic growth makes it impossible for ACs to set ODA records constantly. Besides, ACs’ credit rating downgrades affect IFIs adversely. IFIs, which provide smoothing mechanisms through their countercyclical operations, depend on highly rated ACs for their triple-A ratings, and some IFI SGO products depend on IFIs’ borrowing costs.

In their SGOs, IFIs offer grants and loans to governments. Both grants and loans are contractual agreements: if any party is unhappy, it can walk away. Specifically, if the terms of a loan are not acceptable to a borrower, the borrower is free to source financing elsewhere. Moreover, grants cannot possibly be burdensome. Similarly, loans extended by IFI funds, such as ADF and IDA, cannot be burdensome: their overall costs are lower than the comparable costs paid by the US when borrowing USD.^[12] This means that the US has to borrow USD at over 4.5% so that ADF and IDA countries can borrow USD at under 1.4%.^[13] Loans extended by IFI banks, such as AfDB and IBRD, are marginally more expensive than the cost of US borrowings.

IFI grants and concessional loans to governments cannot possibly promote inequality because governments are responsible for programs and projects. IFIs do not control governments: governments control IFIs. Still, in 2005, the IMF and the World Bank launched the Debt Sustainability Framework (DSF) for LICs^[14]; both debtors and creditors may use the DSF, and ADF uses the DSF to determine eligibility for grants^[15]. Nobody forces anyone to borrow. According to established legal and social norms, debt is subject to contracting:

borrowers choose from available options (loan amount, interest rate, loan tenor, repayment schedule, lender reputation, and so on), but they must make interest and principal payments as scheduled or default on their contractual obligations. IFIs offer governments grants and concessional loans, which is why government demand for IFI products is virtually infinite. Private creditors, who do not receive preferred creditor treatment like IFIs do, have duties to their investors—investors who are real people with ordinary concerns and responsibilities, including related to education and healthcare, of their own. These are the people who, both in the Global North and in the Global South, pay the taxes that finance governments.

The claim that IFIs have governance structures that often privilege the Global North at the expense of the Global South is questionable. While a governance model in which the borrowers determine how a bank's resources should be deployed is fundamentally flawed, every regional MDB that operates in the Global South—AfDB, AsDB, and IADB—is majority owned by its borrowing member countries. The only regional MDB that is majority owned by non-borrowing member countries—EBRD—is in the Global North. Founded in 1991, EBRD had a political mandate to promote democracy, was designed for non-sovereign guaranteed operations, and was majority owned by European Community (EC) members, the EC, and the European Investment Bank.^[16] In their charters, unlike EBRD, all other regional MDBs recognize the political independence of their members and repudiate any interference in the political affairs of their members.

There is no pressing need for “stakeholders” to “reimagine” the IFIs through “action”: the concept of “stakeholder” is poorly defined, and IFIs’ governance is operating in line with well-established principles. People elect and finance governments. Governments control and own IFIs on behalf of their people. As shareholders of the IFIs and servants of their people, governments have fiduciary duties and are accountable to their electorates. People express their opinions at the ballot box and delegate execution to politicians and technocrats. There are due processes through which governance failures can be resolved.

Solidarity Anxiety

One might think that any anxiety about global solidarity is due to a projected decrease in ODA for a second consecutive year in 2025.^[17] This does not seem to be the case because it is difficult to find an article about ODA breaking a record in which the good news is not followed by a “but” or a “however.”^[18] Rather, the nervousness appears to be largely due to a 1970 UN General Assembly resolution that urges each “economically advanced country” to increase its ODA progressively to a minimum of 0.7% of gross national product (GNP).^[19]

Naturally, it is improbable that a number estimated over half a century ago is still relevant. For instance, in 2005, Michael Clemens and Todd Moss reached the following conclusion:^[20]

When we use essentially the same method used to arrive at 0.7% in the early 1960s and apply today's conditions, it yields an aid goal of just 0.01% of rich-country GDP for the poorest countries and negative aid flows to the developing world as a whole.

Furthermore, LICs, LMICs, and UMICs have been evolving. According to the World Bank, the percentage of LICs in Sub-Saharan Africa has decreased from 75% to 45%, and Seychelles has achieved HIC status.^[21]

Since no end date to the 0.7% of GDP target has been set, it is helpful to put the target in perspective. If the US had provided 0.7% of its GDP as ODA in 2024, US ODA would have amounted to over USD 205 billion. As a result, 2024 US ODA would have been more than three times the world record-setting 2023 US ODA of around USD 65 billion. The ODA amount would have represented just under 4.2% of US federal income^[22],

and it would have been almost 38% greater than the sum of ODA provided by all other members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development^[23].

An examination of the 0.7% target, as well as ODA rules, is long overdue. The realm of Development Finance, which has expanded rapidly, has to be demarcated. The concept of “development impact” requires a definition.

Development Impact and IFI Reforms

Defining “development impact” is crucial because development impact is what global solidarity aims to generate. On its own, ODA—calculated either in USD or as a percentage of GNI—changes nothing. While it is a measure of global solidarity, ODA is merely a proxy for desired change. It is an input that generates development impact. Therefore, development impact should be maximized as a function of ODA, and ODA should be forecast subject to donor constraints. Instead of solidarity anxiety, the world needs global solidarity estimation and development impact maximization.

Previous approaches have established goals and targets—with different units—and demanded the global solidarity necessary to deliver.^[24] The proposed approach advocates for a definition of development impact, the estimation of ODA, and the maximization of development impact as a function of ODA. The difference is significant: previous approaches were aspirational, while the proposed approach is operational.

IFI reforms should be focused on maximizing development impact, eliminating mission creep, and rationalizing operations. Any person with a conflict of interest should be allowed to contribute to IFI reforms only after the conflict of interest is revealed and cleansed. IFI employees, as well as UN Development System employees, are inherently conflicted: their livelihoods depend on the existence of their organizations, and they receive tax-free compensation.^[25] It is easy to ask governments, which are primarily financed through tax revenue, to spend—and, therefore, tax—more when one does not pay income taxes.

Conflicts of interests are partially responsible for the mission creep in which almost every IFI and the UN have engaged. With initial mandates unfulfilled and with IFI banks and funds having gone through numerous general capital increases and replenishments, respectively, reasonable questions about the metamorphosis of solidarity arise.^[26] All organizations involved in Development Finance should propose transparent plans and strategies, along with sunset clauses, which demonstrate the optimality of their operations.

Footnotes

1. <https://ipdcolumbia.org/wp-content/uploads/2025/06/Jubilee-Report-7.17.pdf>
2. IFIs are treaty-based supranational institutions, such as African Development Bank (AfDB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD), and International Monetary Fund (IMF). The banks, which are known as multilateral development banks (MDBs), are often paired with funds; for example, AfDB is paired with African Development Fund (ADF), and IBRD is paired with International Development Association (IDA). The World Bank is comprised of IBRD and IDA. While MDBs' sovereign guaranteed operations (SGOs) are concessional, funds are significantly more concessional.
3. <https://globalgovernancereimagined.com/2025/10/03/transforming-international-financial-institutions/>
4. <https://www.imf.org/en/Publications/FM/Issues/2025/10/07/fiscal-monitor-october-2025>
5. In the context of the IFIs, donor countries are often referred to as non-borrowing member countries or non-regional member countries, while recipient countries are referred to as borrowing member countries or regional member countries.
6. <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups> Senegal and Sudan are classified as Least Developed Countries (LDCs) by the United Nations (UN): <https://www.un.org/ohrlls/content/list-ldcs>
7. <https://www.economist.com/special-report/2025/10/13/across-the-rich-world-fiscal-crises-loom>

8. <https://www.reuters.com/business/moodys-revises-frances-outlook-negative-stable-political-instability-risks-2025-10-24/>
9. https://economy-finance.ec.europa.eu/economic-surveillance-eu-member-states/country-pages/germany/economic-forecast-germany_en
10. <https://international.canada.ca/en/global-affairs/corporate/reports/chief-economist/quarterly/2025-q2>
11. https://www.oecd.org/en/publications/development-co-operation-profiles_04b376d7-en/united-states_884f742e-en.html
12. The Asian Development Fund offers only grants: <https://www.adb.org/what-we-do/funds/adf>.
13. See <https://www.afdb.org/en/documents/adf-applicable-lending-rates-fourth-quarter-2025> and <https://thedocs.worldbank.org/en/doc/e4625f9763f77ba4568dedd76546581d-0410012024/related/IDA21-Terms-effective-10-01-2025.pdf>.
14. <https://www.imf.org/en/About/Factsheets/Sheets/2023/imf-world-bank-debt-sustainability-framework-for-low-income-countries>
15. <https://www.afdb.org/en/about/overview/african-development-fund-adf/debt-sustainability-and-adf-grant-eligibility>
16. <https://www.congress.gov/crs-product/IF11419>
17. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/cuts-in-official-development-assistance_e161f0c5/8c530629-en.pdf
18. See <https://www.devex.com/news/what-to-make-of-the-2020-dac-stats-99641>, <https://www.thenewhumanitarian.org/maps-and-graphics/2023/01/11/aid-richest-countries-record-high-ODA>, https://desapublications.un.org/sites/default/files/publications/2024-04/2024_FSDR_ChIIIC.pdf, and <https://focus2030.org/slight-increase-in-official-development-assistance-in-2023>.
19. [https://docs.un.org/en/A/RES/2626\(XV\)](https://docs.un.org/en/A/RES/2626(XV)) Nowadays, instead of GNP, gross national income (GNI) is used.
20. https://www.cgdev.org/sites/default/files/3822_file_WP68.pdf
21. <https://blogs.worldbank.org/en/opendata/understanding-country-income--world-bank-group-income-classifica>
22. <https://fred.stlouisfed.org/series/FYFRGDA188S>
23. <https://www.norad.no/en/news/news/2025/the-usa-as-an-aid-donor--facts-and-figures>
24. <https://www.un.org/sustainabledevelopment/development-goals>
25. When employees are subject to taxation, IFIs usually offer tax allowances; for example, see <https://www.imf.org/external/pubs/ft/bl/bl14.htm> and <https://thedocs.worldbank.org/en/doc/430251375284206438-0220012011/render/LoAEnclosureTaxAllowanceforU.S.StaffOnly.pdf>.
26. ADF is in its seventeenth replenishment, and IDA has completed twenty-one replenishments.