

South-South Is the Way to Global Financial Reform

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Despite all the talk of reforming the global financial architecture to address development needs across the Global South, little progress will be made without a fundamental change in perspective. After all, the problem with the current system is that it disregards the conditions most developing countries face.

BEIJING – In international affairs, particularly development finance, words like “recognition” and “visibility” tend to be used metaphorically. But for many developing countries across the Global South, these terms describe real-world experiences. Upon moving to Beijing in 2014, I, as a Kenyan, immediately recognized the hawkers on the street as “informal” entrepreneurs. The same informality was common in Nairobi – and made my Chinese colleagues feel “at home” when they traveled to Kenya.

Such mutual recognition explains why South-South partnerships often feel more potent, holistic, and attuned to each party’s needs. It also sheds light on why today’s global financial system continues to fail many of us. The international financial architecture is broken not just because of institutional inertia or bureaucracy, but because it fails to recognize the conditions many developing countries face. In fact, it would be accurate to say that global finance is an engine of “othering.”

For example, the International Monetary Fund’s Debt Sustainability Analysis (DSA), which is used to determine eligibility for IMF or World Bank financing, purports to assess whether countries can sustain debt over time. But it often overlooks the complex realities facing developing economies, prioritizing narrow fiscal metrics over context-specific challenges.

In contrast, when the Export-Import Bank of China evaluates an infrastructure project in Africa, it recognizes potential benefits such as the job creation, increased trade

capacity, or the political stability that a road, port, or railway might bring. This is not just a technical divergence; it reflects the difference between seeing a country as a set of numbers and seeing it as a living, growing, dynamic organism.

Moreover, credit rating agencies, which have outsized influence on borrowing costs, routinely exhibit the same blindness. The recent case of Ghana and Afreximbank is an obvious example. In restructuring its debt, Ghana sought relief on some of its loans owed to Afreximbank. Credit rating agencies responded by improving Ghana's credit rating and downgrading Afreximbank's. A debtor was rewarded for threatening a lender it originally helped create.

Would this have happened if the creditor had been European or North American rather than African? I doubt it. The Afreximbank downgrade reflects a systemic failure to recognize the role and credibility of African institutions. Such treatment is deeply corrosive, discouraging financial and institutional innovation, and punishing solidarity in the Global South.

Now consider what happens when two southern countries work together. Whether it is Kenyan firms taking their innovative e-payment platforms to Ethiopia, or Brazil and Mozambique cooperating on agriculture, what we see is mutual respect, an alignment of priorities, and a recognition of each other's agency and development opportunities. There is no presumption that one partner knows best or is less developed, nor is there any overreliance on rigid metrics that ignore domestic political imperatives or the potential for long-term socioeconomic returns.

The same can be said for developing countries working together to create new financial mechanisms. Consider the Common Leveraging Union of Borrowers (the CLUB), recently launched by the Addis Ababa-headquartered Organization of Southern Cooperation. Inspired by the Nobel laureate [Muhammad Yunus's villager-lending model](#), member countries pool their borrowing needs to negotiate with lenders as a single entity, potentially securing more favorable interest rates and repayment terms than they could have gotten on their own.

What, then, can be done to fix the global financial architecture? First, we must fundamentally redesign the DSA methodology to account for local knowledge and development priorities. Multilateral financial institutions should recognize that debt

used to build productive infrastructure is qualitatively different than debt used to finance recurrent expenditures. By failing to consider potential endogenous returns – be they social, economic, or political – these institutions are signaling that they do not take seriously recipient countries’ own development strategies.

Second, the jurisdictions that host the major credit rating agencies – namely, the United States and the European Union – should introduce legislation requiring them to maintain permanent, well-resourced offices in the countries they rate. If you do not sit in the countries you assess, how can you possibly claim to understand them? Mandating a local presence would help combat the biases and blind spots that have plagued sovereign ratings.

Third, as South Africa prepares to host the G20 summit in November – the first ever on the continent – its partners across the Global South must ensure that the final communiqué acknowledges these problems and lays the groundwork for reform. They can build on the recent [T20 communiqué](#), which called for debt-architecture reforms, a stronger voice for developing countries, and context-sensitive rating systems.

Finally, we must devote more resources to those mechanisms that already do facilitate South-South collaboration, for example by putting more low-cost capital into African multilateral financial institutions or borrowers clubs.

Critics might argue that recognition is a soft, even sentimental, concept in the hard world of finance. They are wrong. Recognition is power. It determines which voices are heard, which policies are implemented, which projects are funded, and which futures are pursued. When African, Asian, and Latin American countries collaborate, they recognize each other’s challenges, opportunities, and dignity, building from shared experiences rather than imposing judgments on each other.

Delegates to multilateral gatherings speak often about reforming the global financial system. But without a foundational shift from othering to recognition, any reform effort will merely be papering over the cracks. To be effective, the international financial architecture must be redrawn from and for a southern perspective.