

Financing for Development in the Era of COVID-19 and Beyond

Menu of Options

Part I

SEPTEMBER 2020

Preamble

On 28 May 2020, the Prime Ministers of Canada and Jamaica and the Secretary-General of the United Nations co-convened world leaders at the United Nations and called for urgent action to address the socioeconomic impacts of the COVID-19 pandemic. They urged that creative solutions be found to finance the recovery and build back better, underpinned by global solidarity and a commitment to multilateralism.

Since then, the urgency for action has only increased.

While meaningful measures have been taken to mitigate the devastating socio-economic impacts of the pandemic, the world is still awaiting global solutions at the scale required to overcome the debilitating hardship and recover better. In the meantime, public finances have rapidly deteriorated and the looming risks associated with a global depression are increasing.

The response and the recovery require international coordination, driven by a spirit of global solidarity, multilateralism and collaboration among all stakeholders.

Support for the most vulnerable countries, including Small Island Developing States, Least Developed countries and Landlocked Developing Countries, and vulnerable people and communities within all societies, is essential.

Meanwhile, as the world continues to await a much-needed vaccine, the crisis has reached all regions of the world, with devastating and long-term effects on the most vulnerable. The COVID-19 pandemic, with now more than 30 million confirmed cases, has claimed around 1 million lives¹ and is fast turning into a humanitarian crisis in some parts of the world.

Hunger and famine are reaching historic proportions. Two hundred and seventy million more people could face acute food shortages by the end of 2020². Twelve thousand people per day could die of hunger linked to COVID-19, potentially more than from the disease itself.³ Children affected by school closures might expect a 3 percent lower income over their lifetimes⁴ and many, especially girls, will never return to school, losing a lifetime of opportunities.

The marginal progress made on women's participation in the labour force might be reversed, with a significant increase in unpaid care and domestic work, a persistent wage gap and higher participation in sectors most affected by the crisis.

¹ WHO COVID Dashboard <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

² Figures from the World Food Programme (<https://http://www.wfp.org/news/world-food-programme-assist-largest-number-hungry-people-ever-coronavirus-devastates-poor>)

³ Oxfam Policy Brief, The Hunger Virus: How COVID-19 is Fueling Hunger in a Hungry World (<https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621023/mb-the-hunger-virus-090720-en.pdf>).

⁴ OECD, The Economic Impact of Learning Losses 2020 (<http://www.oecd.org/education/the-economic-impacts-of-learning-losses-21908d74-en.htm>)

Extreme poverty will increase for the first time since 1998⁵.

While countries that could afford massive stimulus packages are weathering the storm better than those with limited resources, mass unemployment has affected most countries. Nearly 500 million full-time jobs were lost in the second quarter of 2020. Lower-middle-income countries are expected to be the hardest hit, routed by decline in jobs of over 16%⁶.

The six open Discussion Groups that were formed as part of this initiative examined issues related to external finance; remittances; jobs and inclusive growth; recovering better for sustainability; global liquidity and financial stability; debt vulnerability; private sector creditors engagement; and illicit financial flows.

Co-led by Member States and comprised of a wide range of non-governmental entities, the Groups have worked relentlessly over the past four months with the UN System, regional organizations, institutional partners and observers, and global thought leaders.

They deepened the understanding of what is needed to respond and recover better, guided by the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, the Sendai Framework and the Paris Agreement.

The Groups produced a menu of options to enable leaders to take the ambitious responses needed to address the COVID-19 pandemic.

Political leadership at the highest levels is now needed to take this initiative forward and translate unprecedented levels of ambition into concrete action. As the Deputy Secretary-General remarked during a historic Meeting of Finance Ministers on 8 September 2020, “the world has yet to show the unity and solidarity called for by the Secretary-General and which is required for a global response unparalleled in recent history.”

The time to act is now.

⁵ World Bank figures published in June 2020 (<http://pubdocs.worldbank.org/en/461601591649316722/Projected-poverty-impacts-of-COVID-19.pdf>)

⁶ ILO September 2020 Update.

Executive Summary of Discussion Group Outcomes

The process

Following the High-Level Event convened by the Prime Ministers of Canada and Jamaica and the Secretary-General of the United Nations on 28 May 2020, which was attended by over 50 Heads of State and Government, the co-conveners set up six Discussion Groups:

1. **External finance, remittances, jobs and inclusive growth**, co-led by Bangladesh, Egypt, Japan and Spain, and facilitated by UNCTAD
2. **Recovering better for sustainability**, co-led by the European Union, Fiji, Rwanda and the United Kingdom, and facilitated by UNDP
3. **Global liquidity and financial stability**, co-led by Costa Rica, Ghana and the Maldives, and facilitated by the UN Economic Commission for Africa
4. **Debt vulnerability**, co-led by the African Union, the Netherlands and Pakistan, and facilitated jointly by UNCTAD and UN-DESA
5. **Private sector creditors engagement**, co-led by Antigua and Barbuda and Senegal, and facilitated by UN-DESA
6. **Illicit financial flows**, co-led by Barbados and Nigeria, and facilitated by UN-DESA.

Discussion Groups had open membership that included regional organizations, dozens of participating Member States and over 50 institutional partners including international financial institutions, think tanks, academic institutions, civil society organizations and relevant UN entities. Their main collective output is a menu of policy options that provides guidance on concrete actions that all stakeholders can undertake to overcome the crisis and steer the recovery towards the attainment of the 2030 Agenda for Sustainable Development.

Discussions were enriched at a round table of experts held on 19 August 2020 in which over 50 global thought leaders in development and finance were invited to discuss and provide comments on the recommendations. The summaries of the menu of policy options were further refined and distilled to reflect the views expressed by Finance Ministers from all continents following the first-ever Meeting of Ministers of Finance at the United Nations, held on 8 September 2020.

Unlike negotiated resolutions or decisions, the policy options included below do not result from the endorsement or adoption by United Nations Member States. Instead, consistent with the spirit of collegiality and inclusivity of the initiative, it reflects the full richness of the discussions. Including the entire range of policy options presented allows countries to select those that can be best adapted to national contexts, thus enabling them to tailor solutions to their needs and bolster national ownership.

The Menu of Policy Options

This initiative builds on and feeds into global processes to manage the socio-economic crisis occasioned by the response to the COVID-19 pandemic, including the G7, G20, OECD, IFI processes, the Finance in Common Summit and the United Nations Financing for Development process. A follow-up meeting will be held in the first half of December to benchmark progress and delivery on the Financing for Development Initiative in relation to the 2030 Agenda.

The discussions have highlighted the following main issues for the attention of Finance Ministers and Heads of State and Government:

- Some options could provide additional financial support to developing countries, but political will and international leadership is needed to get them over the line
- Most recovery packages emphasize speed and support to existing structures underpinned by strong financial backing, but in this critical juncture it is essential to review existing structures and develop new approaches conducive to inclusive, resilient and sustainable development pathways
- In light of the potential harm of the predominance of short-term financial interests, global markets should be aligned with the SDGs to enhance the ability of public and private capital to contribute to building a better future.

Main Issues

The global response to the current socio-economic crisis caused by COVID-19 includes two cross-cutting components: (i) **Response** - urgent measures and resource mobilisation to respond to the current emergency or “survival stage”; and (ii) **Recovery and Resilience** - the allocation of such resources to ensure an inclusive recovery and a resilient and sustainable future.

1. Response: emergency measures and resource mobilization

A global response to the health crisis

As a health crisis first and foremost, the search for and the equitable distribution of an effective COVID-19 vaccine remains by far the most efficient means of ending the pandemic. 156 economies have already either committed to or are eligible for the COVAX Facility, a global initiative that brings together governments and manufacturers to ensure eventual COVID-19 vaccines reach those in greatest need, whoever they are and wherever they live. While waiting for a vaccine to be developed, effective COVID-19 testing and tracing systems remain an extremely cheap alternative to costly wholesale lockdown measures.

Addressing liquidity shortages and the debt crisis

Faced with a potential wave of sovereign debt defaults, the members of the G20 and the Paris Club responded with the Debt Service Suspension Initiative (DSSI), the IMF with increased lending to the poorest countries, and the World Bank and regional and national development banks with greater financial resources for developing economies. While providing vital liquidity,

these measures may not prevent all countries from entering into debt distress, particularly those with pre-existing debt vulnerabilities.⁷

In order to address **global liquidity** problems, proposals included:

- General allocation of new Special Drawing Rights (SDRs) or voluntary redistribution of existing SDRs under a more flexible disbursement protocol for loans
- New funds and facilities such as:
 - A Liquidity and Sustainability Facility to inject liquidity into developing economies and support sustainable investments
 - A Fund to Alleviate COVID-19 Economics (FACE) to provide financing to developing economies through concessional finance and investments from development banks
 - Other funds such as regional resilience funds, a tourism fund and a Global Fund under the existing UN Joint SDG Fund.

Regarding **debt**, many participants called for:

- The DSSI to be extended at least until the end of 2021 and expanded to all vulnerable countries, including MICs and SIDS
- The maintenance of net positive flows from MDBs to developing economies – and recapitalization of these banks if necessary.

In order to engage private sector creditors, including credit rating agencies, in debt standstills, suggestions included a voluntary credit facility and a global asset purchasing programme to help countries maintain market access.

Anticipating future debt crises

Near-term debt relief measures proposed included the reduction of the net present value of debt to deal with sovereign debt overhangs, as well as debt-for-SDG or debt-for-climate swaps and buybacks of commercial debt. General guidelines could be issued to help countries benefit from these instruments.

Reversing the drop in public and private financial flows

In order to reverse the drop in private financial flows, there were calls for:

- The establishment of a global coordination and cooperation mechanism to promote joint trade and investment for recovery and reconstruction.
- Declaring remittance services essential for the short-term and reducing transfer costs to close to zero, as well as fully mobilizing diaspora investments.
- Developed economies to strive to fulfill the commitment by many to achieve the target of 0.7% of GNI for ODA, including 0.15% to 0.2% for LDCs, while also recognizing the needs of other vulnerable categories such as SIDS.
- Accurate data on all financial flows to developing countries was emphasized as a prerequisite for ensuring transparency and fair burden sharing.

Combating illicit financial flows

⁷ Debt and COVID-19: A Global Response in Solidarity. UN Policy Brief, 17 April 2020 (https://www.un.org/sites/un2.un.org/files/un_policy_brief_on_debt_relief_and_covid_april_2020.pdf)

It was widely recognized that the global financial architecture could not be fixed without addressing leakages such as illicit financial flows, especially as emergency measures release large amounts of liquidity, further increasing the risk of the misuse of funds. A rapid transparency response was proposed to:

- Prioritize fiscal transparency and national measures to address tax avoidance
- Establish anti-corruption, anti-money laundering and anti-tax evasion solutions to protect funds released to address the current emergency, including aid and stimulus measures.

2. From a sustainable and inclusive recovery to a resilient future

Vision for a better future. The COVID-19 pandemic is an unprecedented opportunity to build a cleaner, greener, healthier, more resilient and more inclusive future, with the 2030 Agenda for Sustainable Development and the Paris Agreement as a collective compass.

The following guiding principles were suggested:

- Creating strong, resilient and inclusive health systems, underpinned by Universal Health Coverage.
- Creating environmentally sustainable, inclusive and dynamic economies, driven by clean, resource-efficient and climate-resilient growth.
- Investing in digitalization and new technologies, with a focus on open, inclusive, affordable and secure access to digital technology and developing digital literacy and skills for all.
- Creating fairer, more equal societies, especially for women and girls, children, people with disabilities and marginalized and crisis-affected groups.
- Expanding support for the most vulnerable, including through social and financial protection, and education and health systems, so that no one is left behind.
- Engaging, leveraging and strengthening the financial system to meet these goals, drawing on public and private sources and governed by updated global standards and norms.
- Improving the integration of climate, environmental sustainability and resilience to future risk into national planning processes, development finance, and private sector business models and investment.

Governments and the private sector alike must ensure that every financial decision fully takes account of environmental and social impacts. There is a need to ensure that financial systems and entire economies undergo a sweeping transition to a more sustainable, inclusive, and resilient future, with human rights and gender equality at their centre.

The unprecedented destruction of jobs brought about by the COVID-19 pandemic requires large-scale action and strong financial support. Faced with large-scale unemployment and overburdened health systems, some called for public funds to:

- Ensure a Universal Basic Income
- Generate employment
- Strengthen people-centred businesses which underpin the social economy
- Provide targeted support for the informal economy

- Ensure equal access to finance and economic opportunities, education and skills development, especially for women.

However, **governments that have seen their fiscal space dry up in recent months are now faced with existential dilemmas over whether to allocate their scarce public resources to immediate relief or to invest in a more inclusive recovery.** In order to overcome this, several options were put on the table to bridge the short term with the long term.

Bridging short and long terms

Options for bridging the short and the long term included:

- Ensuring that recovery packages build in objectives of medium-term sustainability and inclusivity
- Adopting global standards and certification systems for alignment and disclosure
- Aligning budgets with SDGs and the Paris Agreement
- Designing integrated national financing frameworks (INFFs)
- Updating national disaster risk reduction strategies
- Revising upwards the ambition of nationally determined contributions (NDCs) to the UNFCCC
- Amending the legal mandates of development banks to align their activities with the SDGs, the Paris Agreement and the Sendai Framework.

Addressing climate change and ensuring environmental sustainability

The following options and instruments were proposed:

- Designing carbon pricing instruments
- Phase out fossil fuel subsidies⁸
- Create or expand sustainable finance instruments such as green bonds and SDG bonds.
Incentives to encourage private investment in sustainable opportunities such as:
 - Affordable renewable energies
 - Safe, smart and sustainable mobility
 - Nature-based solutions, including conserving and restoring natural ecosystems and biodiversity
 - Inclusive and equitable health systems
 - Digital technologies
 - Inclusive education systems
 - Sustainable, climate-smart agriculture.

⁸ Some recommended to phase out inefficient fossil fuel subsidies

The role of private finance

- Private investment in developing countries could be promoted by enabling environments that ensure transparency, legal stability, and predictability to investors.
- Private companies could adopt climate-related financial risk disclosures when providing information to investors, lenders, insurers and other stakeholders.
- Credit rating agencies could progressively incorporate SDG-aligned indicators into agency ratings.

The role of public finance

Public finance could play a catalytic role in leveraging private finance, notably by:

- Supporting institution-building for economic growth
- Leveraging domestic and private funds
- Promoting environmental and social sustainability
- Building resilience
- Improving trade and investment environments.

Long-term measures to address illicit financial flows

Proposals to fight illicit financial flows included:

- Improving tax administration through digital technologies
- Taxing the digital economy
- Considering a move to unitary taxation of multinational corporations
- Strengthening the implementation of the UN Convention Against Corruption and other international frameworks
- Strengthening the collection of information and transparency of data on beneficial ownership at national level, consistent with Financial Action Taskforce (FATF) standards.
- Continued dialogue, including within the United Nations Committee of Experts on International Cooperation in Tax Matters and the Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel).

	Discussion Group	Co-leads	Focal point entity	Participating and Observing Member States	Institutional Partners and Observers	UN entities
I	External finance, remittances, jobs and inclusive growth	Bangladesh, Egypt, Japan, Spain	UNCTAD	Argentina, Botswana, Cabo Verde, Canada, China, Haiti, India, Indonesia, Jamaica, Kazakhstan, Malawi, Nigeria, Portugal, Russia, South Africa, Switzerland, United Kingdom	OECD as principal contributor, APFWLD, CSO-FfD, Education Commission, FATF, Green Climate Fund, ICC, IMF, IsDB, Les Eaux Minérales d'Oulmes, Reality of Aid Africa, SID, World Bank, World Benchmarking Alliance	IFAD and ILO as principal contributors, DCO, DESA, ECA, ECE, ECLAC, ESCAP, ESCWA, IOM, Office of the UN Youth Envoy, UNCDF, UNDP, UNESCO, UNIDO, UNODC, UN Rwanda, UN Women, WIPO
II	Recovering better for sustainability	European Union, Fiji, Rwanda, United Kingdom	UNDP	Algeria, Bangladesh, Belize, Brazil, Canada, China, Denmark, France, Germany, Haiti, Indonesia, Ireland, Italy, Jamaica, Japan, Kazakhstan, Malawi, Mexico, Morocco, New Zealand, Nigeria, Republic of Korea, Saint Lucia, South Africa, Russia, Spain, Sweden, Switzerland, Thailand	Arabia CSR Network, Bread for the World, CAN international, European Bank for Reconstruction and Development, Global Financial Markets Association, Les Eaux Minérales d'Oulmes, Green Climate Fund, Green Digital Finance Alliance (GDFA), IDFC, IFAD, IMF, ICC, IsDB, ITUC, OECD, Oxfam, SID, Standard Chartered, World Bank, World Benchmarking Alliance, World Resources Institute, WWG on FfD	DCO, DESA, ECA, ECE, ECLAC, ESCAP, Office of the UN Youth Envoy, Secretariat of the Convention on Biological Diversity, SG-CAT, UNCDF, UNCTAD, UNDRR, UNESCO, UNODC, UN Office of the Special Adviser on Africa, UN-PRI, UN Women
III	Global liquidity and financial stability	Costa Rica, Ghana, Maldives	ECA	Antigua and Barbuda, Canada, China, Colombia, Costa Rica, Germany, Ghana, Haiti, India, Jamaica, Kazakhstan, Malawi, Maldives, Nigeria, Norway, Peru, Russia, United Kingdom	Emirates Environmental Group, Civil society, FSB, G20, G24, Green Climate Fund, IMF, International Chamber of Commerce, Madhyam, OECD, Peterson Institute, SID, SOMO, World Bank	DCO, DESA, ECA, ECLAC, ESCAP, IDEP, UNCTAD, UNDP, UNODC
IV	Debt vulnerability	African Union, The Netherlands, Pakistan	UNCTAD, DESA	Antigua and Barbuda, Belize, Brazil, Cabo Verde, China, Ethiopia, France, Haiti, Kazakhstan, Malawi, Saint Lucia, Senegal, Russia, United States of America	Asian Peoples' Movement on Debt and Development, Banco Centroamericano de Integración Económica, Consejo de Ministros de Finanzas o Hacienda del SICA, Eurodad, Global Policy Forum, ICC, IMF, Jubilee USA Network, OECD, South Centre,	DCO, ECA, ECLAC, ESCAP, ESCWA, OHRLS

					World Bank	
V	Private sector creditors engagement	Antigua and Barbuda, Senegal	DESA	Brazil, China, Haiti, Kazakhstan, Malawi, Morocco, Saint Lucia	EMTA, Global Policy Forum, ICC, ICMA, IIF, IMF, Jubilee USA Network, LATINDADD, OECD, SID, South Centre, World Bank	DCO, ECA, ECLAC, IFAD, OHRLLS, UNCTAD
VI	Illicit financial flows	Barbados, Nigeria	DESA	Algeria, Bahamas, Belize, China, Equatorial Guinea, Haiti, Indonesia, Japan, Kazakhstan, Lesotho, Liberia, Luxembourg, Malawi, Mauritius, Mexico, Mozambique, Norway, Papua New Guinea, Russia, South Africa, United Kingdom, United States of America	African Tax Administration Forum, Bread for the World, CIAT, Coalition for Dialogue on Africa, Consejo de Ministros de Finanzas o Hacienda del SICA, FATF, IMF, IsDB, Jubilee USA Network, LATINDADD, OECD, Oxfam, SID, Standard Chartered, Tax Justice Network Africa, World Bank	DCO, ECA, ECLAC, ESCAP, ESCWA, UNCTAD, UNDP, UNODC

Discussion Group I:

External Finance, Remittances, Jobs
and Inclusive Growth

Coordination

Co- Leads:

- Bangladesh, Egypt, Japan, Spain

Institutional Partners:

- UNCTAD (focal point), with IFAD (for remittances), ILO (for jobs and inclusive growth), and OECD (for ODA)

Coordination and guidance:

- Special Envoy on Financing the 2030 Agenda, and EOSG Coordination Hub

Contributions received (through three open meetings and the Expert Meeting):

- José Antonio Alonso; CSO-FfD Group; UNECE; UNECLAC; UNESCAP; Green Climate Fund; India; Indonesia; IOM; RT PAY; Switzerland et al.; UNCDF; UNESCO; United Kingdom; UN Office on Drugs and Crime; UN-Women; UN Youth Envoy; World Benchmarking Alliance

The Effects of COVID-19 on Development Finance and Jobs

1. Global FDI flows forecast to decrease by up to 40% (in developing economies by up to 45%) and disruption of global supply chains (impact on SMEs)
2. SDGs financing is scaling down and at a slower pace (except for health)
3. Remittances flows forecast to decrease by 20%, affecting hundreds of millions of family members in low-middle-income countries (LMICs)
4. Official development assistance could decline by up to 8%
5. Employment could be reduced by up to 400 million (full-time jobs); 1.6 billion informal workers will be negatively impacted



No one-size-fits-all solution. Need to take into account particular vulnerabilities of each country and to place ownership and empowerment of recipient country as basic principle of international cooperation.

Key highlighted Policy Options

- Establish a **global coordination and cooperation mechanism** for joint trade and investment promotion for crisis-relief, economic strategy for recovery and sustainable reconstruction, and mobilize all sustainability-themed funds, including pension funds.
- Enact a set of **enhanced measures to ensure easier and expanded access to remittances services** and their linkage to financial services for remittance families.
- Engage all sources of international official support in a transparent manner and maximize aid effectiveness. Capitalize on the DAC commitment to strive to protect ODA levels, and implement the Addis holistic approach by **optimizing ODA allocation and effectively leveraging with other sources of financing**.
- Capture the trend of development finance and other forms of assistance, drawing a transparent and data-driven picture of overall financial flows from all sources.
- Strategically **prioritize public financing to job and income support**, particularly for vulnerable groups and workers in the informal economy, especially women, including through implementing job-retention/creation programmes and scaling up and extending social protection

Private finance and investment:

Short and medium to long-term policy options

Short-term:

Establish a global coordination and cooperation mechanism for joint trade and investment promotion for crisis-relief, economic strategy for recovery and sustainable reconstruction, and mobilize all sustainability-themed funds, including pension funds, sovereign wealth funds, private equity funds, and impact investment.

Mid- to long-term:

- (1) Develop solid institutional and regulatory framework with transparency, legal stability, and predictability.
- (2) Shift policy for investment towards regional value-chain based export expansion.
- (3) Adapt investment promotion strategy to the new investment-development paradigm.

Promoting investment in the SDGs:

- (4) Mainstream SDGs into national and international investment policies.
- (5) Foster new forms of partnerships and sustainability-themed financial instruments and provide incentives for ESG investors such as tax benefits.
- (6) Deepen SDG and ESG integration into capital markets and international direct investment through effective systemized mechanism and a universal sustainability matrix.

Public finance and investment:

Short and medium to long-term policy options

Short-term:

Renew emergency public financed relief packages, including to support relief efforts in developing countries.

Ensure Quantitative Easing and lower interest rates benefit the poor; avoid distorting effects in developing countries

Boost public investment in urgently needed infrastructure

Long-term:

Scaling up finance for multilateral, regional and national development banks; support green and gender bonds

Increase collaboration among public finance institutions; integrate national development goals into public development banks and non-bank entities

Revise public banks' portfolio allocations and mandates, especially for social infrastructure, gender and climate; ease credit rating requirements; reform MFI governance structures

Increase public bank effectiveness; encourage more triangular and South-South cooperation.

Remittances:

Short and medium to long-term policy options

Immediate Relief Measures:

(1) Declare remittances services essential; (2) seek further reduction in remittance transfer costs; (3) support remittance service providers; (4) improve data availability; (5) waive taxes on remittances transactions; (6) incentivize use of digital remittance products.

Remittance family measures:

(1) Provide financial inclusion to remittance families in gender-sensitive financial and digital education programmes; (2) consider the contribution of migrant returnees.

Measures for more competitive and resilient remittance markets and an enabling environment:

(1) Make information on costs accessible and transparent; (2) review policy framework of payment systems; (3) include international support for migrant workers, including through reskilling and reintegrating.

Officially supported international resources, including ODA:

Short and medium to long-term policy options

Short-term:

- (1) Identify and gather in one place access to respective funding mechanisms
- (2) Strengthen the role of ODA that supports institution building for economic growth, stimulates domestic funds, leverages private financing.
- (3) Make every effort to meet the 0.7 ODA/GNI target, with a focus on the LDCs, explore expanding access to concessional finance to most in need, and better use of reverse graduation processes
- (4) Support international public goods in response to the pandemic, especially inclusive and accessible health.

Mid- to long-term:

- (1) Capture and exploit all sources and methods of official support (including through TOSSD)
- (2) Invest in quality infrastructure in accordance with international standards.
- (3) Promote the alignment of finance with the SDGs, particularly blended finance and innovative financing

Decent jobs and inclusive growth:

Short and medium to long-term policy options

Short-term:

(1) Support jobs by providing strategic priority of public financing to programmes that produce better jobs and income support outcomes, especially for vulnerable groups; (2) scale up and expand social protection to the uncovered and strengthen it for all; (3) provide targeted job and income support to informal workers; (4) Support GVC linked workers and firms, including by fulfilling the 97% DFQF market access for LDCs products; (5) Ensure equal access to finance and economic opportunities for women.

Mid- to long-term:

(1) Consider a multilateral framework on universal social protection and prioritize the “100% decent work initiative”; (2) Encourage all countries to participate in Business and Human Rights Instrument (3rd draft); (3) Extend social protection for all; (4) provide technical, vocational education and training to informal workers; (5) address supply chain disruptions, including through technology support for LDCs; (6) ensure equal opportunity for women in policy options and financing strategies at all levels.

Discussion Group II:

Recovering Better for Sustainability

Coordination

Co-Leads:

- Fiji, Rwanda, United Kingdom, European Union

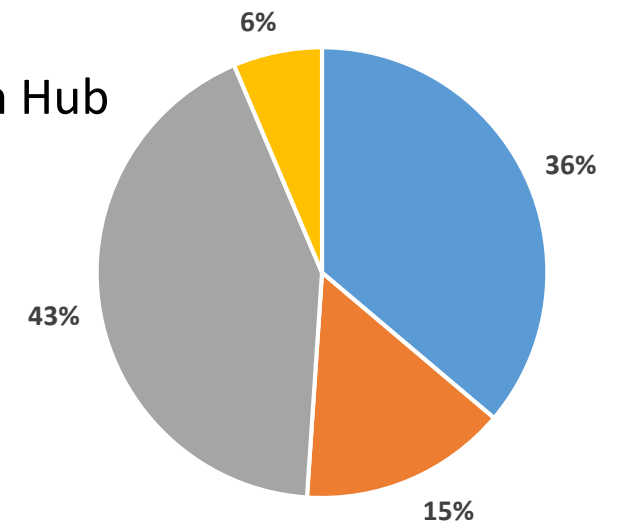
Institutional Partners:

- UNDP was the focal point for this Group. Partners also Member States, civil society, international organizations, and the private sector.

Coordination and guidance:

- Special Envoy on Financing the 2030 Agenda, and EOSG Coordination Hub

DGII Member Breakdown (%)



The Effects of COVID-19 on Sustainability

4 Key Objectives and Guiding Principles to Recover Better from the Impact of COVID-19

- **Resilient Health Systems:** Strong and resilient health systems, underpinned by universal health coverage, that focus on equitable access, quality and financial protection.
- **Climate and environment:** Environmentally sustainable, inclusive and dynamic economies, driven by clean, resource-efficient and climate-resilient growth that reduces emissions, protects our biodiversity and natural capital and promotes sustainable consumption and production patterns.
- **Digital:** Digitalisation and new technologies, with a focus on open, inclusive, affordable and secure access to digital technology and developing digital literacy and skills for all, to better address today's societal challenges.
- **Inclusion:** Fairer, more equal societies, especially for women and girls, people with disabilities and marginalised and crisis affected groups; places with accountable, inclusive, transparent and resilient institutions.

The Effects of COVID-19 on Sustainability

Policy areas considered:

- **Global standards and norms for alignment, disclosure, carbon pricing**
- **National planning, including:**
 - Nationally Determined Contributions, adaptation plans, biodiversity plans
 - Disaster risk reduction
 - Financial planning
 - Fiscal reform
 - Enabling environment for business
 - Priority areas for investment (e.g. health, digital, climate, environment, inclusion)
- **Private sector corporate strategies/business models, plus credit ratings agencies**
- **International development institutions, particularly PDBs**

The Effects of COVID-19 on Sustainability

Policies under DGII were guided by these principles:

- Build on agreed international and regional frameworks, taking Agenda 2030 and the Paris Agreement as its core guiding frameworks.
- Are driven by a spirit of global solidarity, multilateralism, collaboration between governments, international organisations, international financial institutions, civil society and the private sector, to get our shared goals back on track.
- Focus on leaving no-one behind and supporting the most vulnerable, including SIDS, LDCs and Africa.
- Engage, leverage and strengthen the positive role of the financial system in meeting these goals, drawing on public and private sources.

Global Standards and Norms: Alignment, Disclosure and Reporting & Carbon Pricing

Short and medium to long-term policy options

Alignment

- Countries should commit to developing comparable frameworks for aligning finance with the SDGs and the Paris Agreement.
- Frameworks should: address inequality and exclusion, including for women and girls; be in line with the best available science; and address the needs of vulnerable countries, taking national and regional contexts into account.

Disclosure and Reporting

- Countries should commit to a sustainability-related disclosure framework that aligns with global standard-setting initiatives, including those related to natural capital accounting, for all public and private market actors to increase transparency on available resources, how they are applied to sustainable activities and to assess what their impact is, so as to increase the scale and Impact of finance.

Carbon pricing

- The international community should establish and promote common methodologies and guidelines for carbon pricing instruments.

Governments:

Short and medium to long-term policy options

Alignment of national planning, spending and implementation

- Update and enhance Nationally Determined Contributions (NDCs) and other national plans and reflect this ambition in COVID-19 recovery plans.
- National Disaster Risk Reduction Strategies, with appropriate financing, should be established or revised, incorporating multiple, inter-related risks including climate change.
- To promote sound financing, Integrated National Financing Frameworks (INFFs) are useful tools.
- Translate plans into specific policies and investment plans, in line with the SDGs and the Paris Agreement, with inclusion and gender at the heart of financing and recovery plans.
- Increase access to financial resources for local governments and sub-national authorities.
- Amend the legal mandates of development banks to align their activities with the SDGs and Paris Agreement.

Central banks and financial supervisors – within their mandates and legal frameworks – could: integrate sustainability-, climate- and environment-, gender- and inequality-related risks into financial stability monitoring, macro and micro prudential supervision and macroeconomic models and forecasting tools and should integrate sustainability/climate factors in portfolio management.

Governments:

Short and medium to long-term policy options

Fiscal measures

- Improve the collection, use and distribution of resources to help address inequality.
- Use fiscal measures, with just transition plans for communities affected, to change incentives and phase out fossil fuel subsidies, wasteful consumption and other non-sustainable activities.

Enabling environments

- Create favorable conditions for responsible actions by the private sector by:
 - Developing a pipeline of sustainable projects, creating investment frameworks, increasing transparency and reducing investment risks.
 - Developing domestic financial and capital markets.
 - Attracting private capital through fiscal and regulatory tools to lower risk and enhance low-carbon and resilient investment opportunities.

Investment priorities

- Prioritize policies and investment for sustainable infrastructure and systems (e.g. renewable energy, sustainable consumption and production, nature based solutions, health systems and technologies, digital technologies, education systems, agriculture, etc.).

Private Sector:

Short and medium term to long-term policy options

Shift finance into low-carbon inclusive and resilient investment that maximises overall environmental and social benefits to meet the goals of the Paris Agreement, the SDGs and other international agreements. Support MSME's access to finance as enablers of job creation and local economic resilience for a sustainable recovery

Corporate Strategies and Credit Rating

- Invite corporate boards should review their corporate strategies and business models to:
 - Integrate commitments related to sustainable development.
 - Align investment portfolios with the SDGs and net zero carbon emissions.
 - Revise compensation structures to incentivize long-term objectives.
 - Strengthen scenario analysis to assess strategic resilience.
 - Protect the livelihoods of workers within global supply chains, and provide high-quality jobs.
- Credit rating agency regulators, with the agreements of the agencies themselves, should devise common guidelines to progressively incorporate longer-term SDG-aligned, social and environmental indicators into agency ratings.

International Development Institutions:

Short and medium term to long-term policy options

Strengthen the alignment of strategies and activities with the 2030 Agenda, the Addis Ababa Action Agenda, the Paris Agreement and the Sendai Framework. Strengthen the participation of developing countries in the governance of multilateral organizations.

Multilateral development banks, other development finance institutions and development agencies

- Align operations as a priority with the SDGs, the Paris Agreement and the post-2020 Biodiversity Framework.
- Ensure public finance is used efficiently and effectively, to support countries to recover from COVID-19 in a clean, safe, inclusive and resilient way.
- Encourage use of resources, knowledge and convening power to direct more investment, to countries more in need.

Indicative Timeframe	Policy group	Policy option
Short-term (2020)	Alignment of International Development Institutions	Commitments by Public Development Banks during Finance in Common Summit 2020
Medium-term (2021-2022)	Global Disclosure and Reporting	Alignment standards Standards for non-financial reporting Standards for climate-related financial disclosures (based on TCFD recommendations) and other ESG factors Public local, national and regional development banks and development agencies, TOSSD and International Community Transparency and Accountability in the Private Sector
	Carbon Pricing	Common methodologies and guidelines for carbon pricing instruments Introduction of internal carbon pricing
	Alignment of national planning, spending and implementation	Updating National Plans, including Nationally Determined Contributions Develop INFFs or similar to update financial planning
	National Disaster Risk Reduction Strategies	Establishing/Updating/Integrating Integration into National Planning and Financing Process International cooperation
	Fiscal Measures	Tax reform plans (including carbon taxation) and strategies International Cooperation – what does this mean?
	Enabling Environments	Legislative programme
	Investment Priorities	Specific Policies and Investment Plans Budgeting Consistent with International Practices and Guidelines Critical Investment Areas (continuing into long term)
	Private Sector	Corporate Governance, Strategy and Management (including Financial Sector) Credit ratings agency regulators
	Alignment of International Development Institutions	Non-PDB development finance institutions and development agencies
Long-term (2023-2030)	Carbon Pricing	Adoption and implementation of carbon pricing instruments
	National Disaster Risk Reduction Strategies	Operationalizing link to Financial Sector
	Fiscal Measures	Tax reform implementation
	Enabling Environments	Domestic Capital Markets Trade and mobility of goods, people and services
	Alignment of national planning, spending and implementation	Access of financial resources to local governments
Combination	Frameworks	Sustainable Financial Systems Frameworks
	Enabling Environments	Favourable Conditions for the Private Sector

Discussion Group III: Global Liquidity and Financial Stability

Coordination

Co- Leads:

- Costa Rica, Maldives, Ghana

Institutional Partners:

- ECA was the focal point for this Group. Other partners include Society for International Development (SID), Emirates Environmental Group, Green Climate Fund, Madhyam, SOMO, G24, IMF, FSB, G20, Peterson Institute, International Chamber of Commerce, OECD

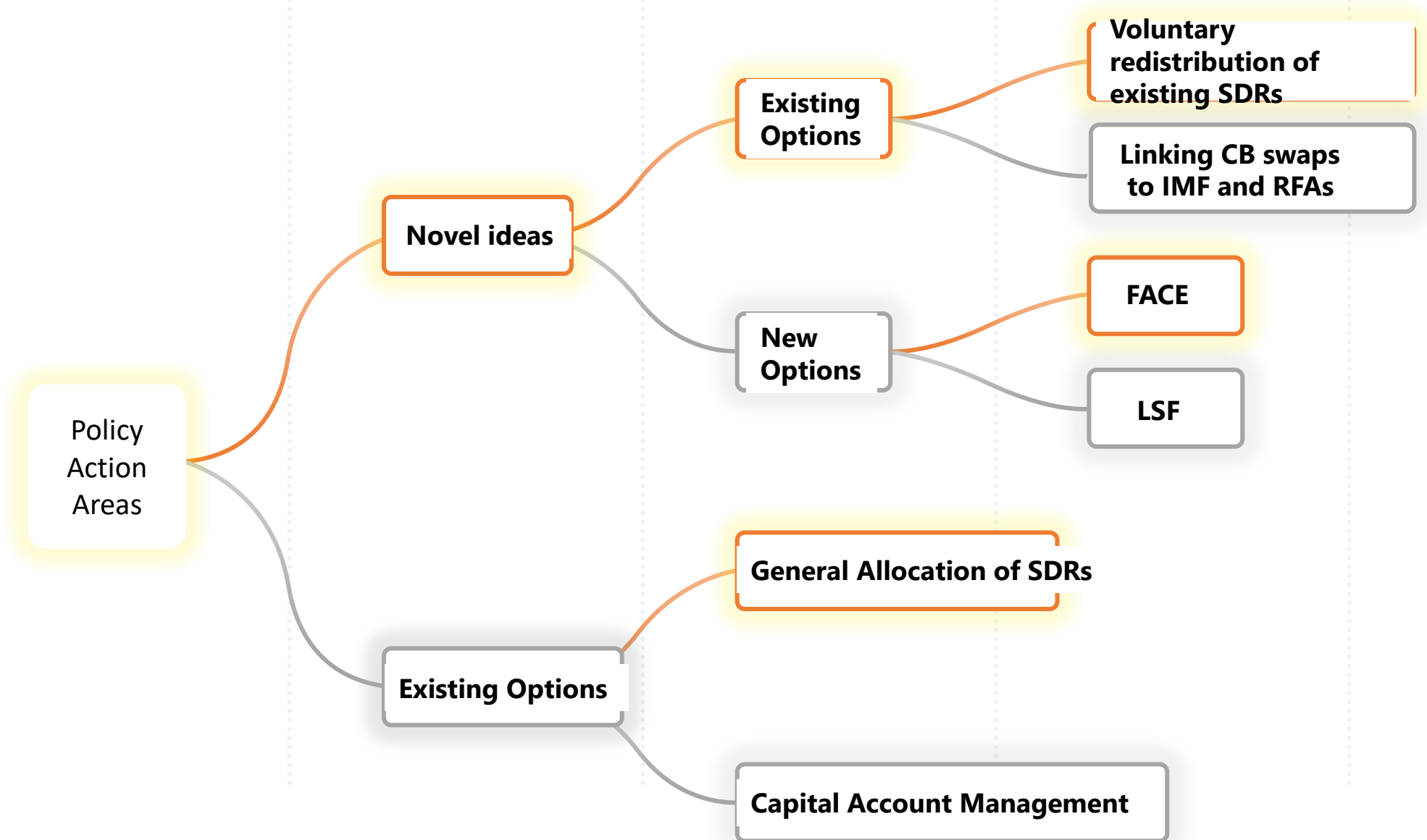
Coordination and guidance:

- Special Envoy on Financing the 2030 Agenda, and EOSG Coordination Hub

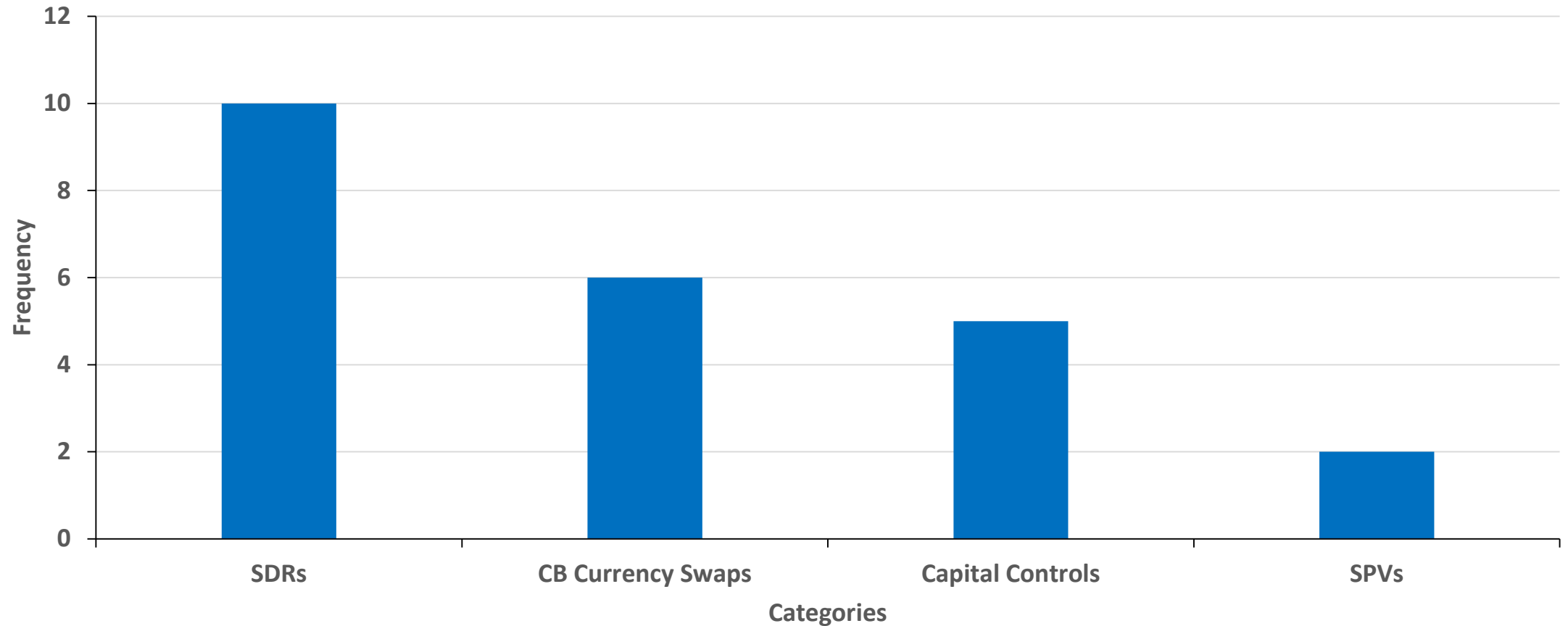
The Effects of COVID-19 on Global Liquidity and Financial Stability

- Covid-19 has had adverse effects on social welfare and the economy.
- Between January and March, intense market volatility with capital outflows of about US\$ 100 Bn – Markets have since stabilized.
- Nevertheless, for EMD countries, and especially for SIDs, limited access to markets, coupled with declining revenues have had consequences for debt sustainability.
- Initiatives such as the G20 DSSI and IMF debt forgiveness for the poorest countries, while very important, only extends to official debt.
- consequently, EMD countries continue to experience severe liquidity shortages.

Key Highlighted Policy Options



Proposed policy options, organized according to most frequent categories



Short Term Policy Options

- Rapid transparency response to the COVID-19 crisis
- Improve tax administration
- Strengthen implementation of UNCAC and other international frameworks
- Intensify cooperation on recovery and return of assets
- Strengthen beneficial ownership information collection and transparency

Short Term Policy Options

- General allocation of Special Drawing Rights and voluntary redistribution of Special Drawing Rights (actors: IMF, Central Banks)
- Central Bank Currency Swaps and Repos
 - (i) Existing CB swaps; (ii) RFAs; (iii) IMF; (iv) FIMA; (v) LSF (actors: Central Banks, IMF)
- Enlarge access to loans and grants
 - (i) FACE; (ii) IMF Gold Sales (actors: IMF, MDBs, Ministries of Finance)

Medium to Long Term Policy Options

- Capital Account Management
 - Actors: Central Banks, Ministries of Trade, Ministries of Finance

Discussion Group IV: Policy Options on Debt Vulnerability

Coordination

Co-Leads:

- African Union, the Netherlands, Pakistan

Institutional Partners:

- UN DESA and UNCTAD were focal points for this Group. Inputs were also received from 30 Member States and 22 UN entities, international institutions, and CSO representatives.

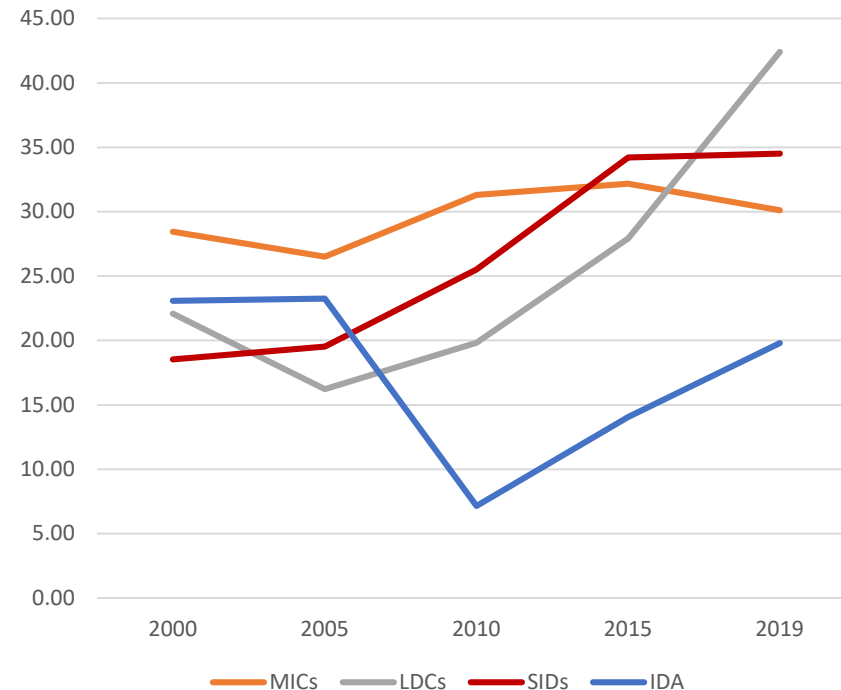
Coordination and guidance:

- Special Envoy on Financing the 2030 Agenda, and EOSG Coordination Hub

The Effects of COVID-19 on Debt Vulnerability

- **COVID-19 is exacerbating already high debt vulnerabilities:**
 - Debt service costs as a % of revenue are expected to rise further as revenues fall due to the crisis – impeding the crisis response
 - Public debt is expected to jump to at least 96% of gross world product due to COVID
- **DSSI is an important step, but not sufficient**
 - It doesn't address solvency issues/excludes some vulnerable countries/only bilateral creditors
- **Growing urgency to address both liquidity and solvency risks**

Debt Service % of Government Revenue



*Author's calculations based on IDS and World Bank data.

Key Highlighted Policy Options

Policy Option	Possible Actors	Time frame
<i>Debt Moratoria: Extension and Expansion of DSSI</i> <ul style="list-style-type: none"> • Extending the DSSI term to at least end of 2021. • Broadening the scope of beneficiary countries to include vulnerable countries • Providing equivalent measures for multilateral debt 	<ul style="list-style-type: none"> • G20 Creditors • G20 Creditors • MDBs 	Near term
<i>Debt relief</i> <ul style="list-style-type: none"> • Cancellations write-downs for official debt • Debt for COVID-relief/SDGs/Climate Swaps (for official and/or commercial debt) • Debt Buybacks 	<ul style="list-style-type: none"> • Bilateral/MDBs (i.e. IMF CCRT or equivalent) • MDB program/Regional (i.e. regional resilience fund)/bilateral (IFIs can draft term sheets) • MDBs 	Near term

Short-term and Medium/Longer-term Policy Options

Debt Moratorium (liquidity/near-term)		Debt relief measures (solvency/near term)
Bilateral Debt	Multilateral Debt	Multilateral and/or develop term sheets for bilateral: <ul style="list-style-type: none"> Debt cancellation for vulnerable highly indebted countries Exchange or reprofile debt to reduce debt service and/or write-down debt Debt swaps for highly indebted countries Debt buy-backs Support market access
Extending time horizon of DSSI Expanding eligibility of DSSI to additional countries/groups	Address multilateral debt in moratorium or equivalent measures	
	Private Creditors	Other measures and architectural issues (medium to long-term) <ul style="list-style-type: none"> Long-term debt sustainability assessments Debt crisis prevention: <ul style="list-style-type: none"> Improved public debt management Strengthening debtor/creditor transparency Strengthened use of international soft law principles State-contingent debt instruments (official and commercial debt) Debt crisis resolution: <ul style="list-style-type: none"> Other improvements to market-based approaches Legislative strategies Multilateral approaches to sovereign debt restructuring <ul style="list-style-type: none"> Voluntary Sovereign Debt Forum Sovereign Debt Authority or standing advisory
	Include private creditors (See DG V)	

DG V

Policy Options on Private Sector Creditors Engagement

Coordination

Co-Leads:

- Antigua and Barbuda, Senegal

Institutional Partners:

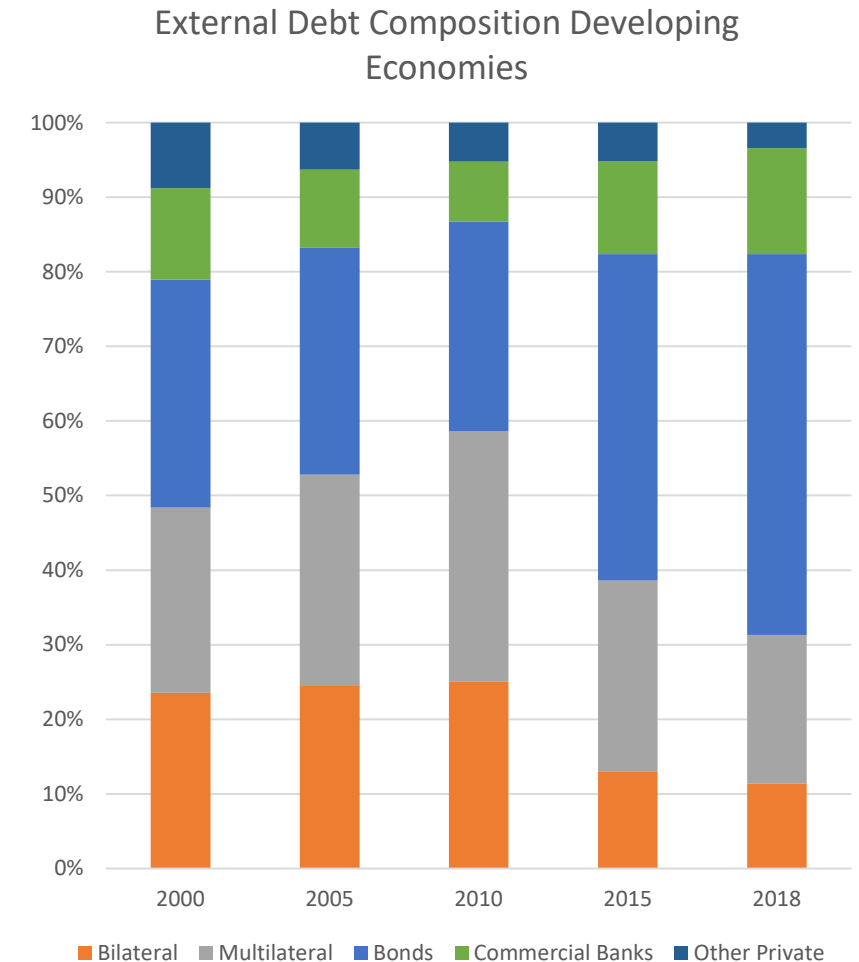
- UN DESA was the focal point for this Group. Other Discussion Group Members included 20 UN Member States + 20 UN entities, international institutions and CSO representatives

Coordination and guidance:

- Special Envoy on Financing the 2030 Agenda, and EOSG Coordination Hub

The Effects of COVID-19 and Private Sector Creditors Engagement

- **COVID-19 is devastating public balance sheets... and exacerbating debt risks:**
 - Prior to COVID, almost ½ of LDCs/LICs were at high risk of or in debt distress.
- **with an increasing share owed to private creditors**
 - 69% of public external debt for developing countries overall (up from 41% in 2010)
 - 18 % of DSSI eligible countries (up from 5% 2010)
- **DSSI is an important step but insufficient**
 - To date, no private creditors participation



Key highlighted policy options

(to be targeted, depending on country needs and circumstances)

Policy Option	Possible Actors	Time frame
Mechanisms to facilitate private sector creditors engagement <ul style="list-style-type: none">• <i>Voluntary Credit Facility to incentivize participation in standstills when needed.</i>	<ul style="list-style-type: none">• MDBs – tranche in existing facility or stand stand-alone facility	Near term
Debt for crisis support /development swaps/ resilience funds <ul style="list-style-type: none">• <i>To channel debt service payments into investments.</i>	<ul style="list-style-type: none">• MDBs• Regional (through resilience funds),• Bilateral (as part of broader programs with IOs)	Near term
Legal support <ul style="list-style-type: none">• to help navigate complex of legal issues	<ul style="list-style-type: none">• MDGs (e.g. WBG DRF; AfDB's ALSF)• Voluntary programs	Near term
Package to support vulnerable countries/SIDS <ul style="list-style-type: none">• state-contingent instruments/risk management (along with swaps and legal support)	<ul style="list-style-type: none">• Official sector (MDBs and bilateral) to lead• Market players	Near term; medium term impact

Short and medium to long-term policy options

Private Creditor Participation in Debt Moratoria and Alternatives (Near Term)		Debt Relief/Architecture Issues (Medium to long-term)	
<p><i>A. Voluntary participation in DSSI</i></p> <p>Dialogue on credit ratings and other impediments</p>	<p><i>C. Alternative mechanisms to facilitate private sector creditors engagement</i></p> <p>Voluntary credit facility</p>	<p>D. Near term Debt Relief</p>	<p>F. Other medium/long-term and architectural issues**</p>
		<p>Buy backs**</p> <p>Debt swaps**</p>	<p>Improving market-based approaches</p> <p>State-contingent debt instruments</p> <p>Legal strategies</p> <p>Soft-law principles</p> <p>Sovereign debt forum</p> <p>Proposals for statutory approaches</p>
<p><i>B. Other mechanisms to support participation in Debt Moratoria</i></p> <p>Regulatory Approaches</p> <p>Necessity Defense</p>	<p>An asset purchasing programme to help maintain market access*</p> <p>Reprofiling of debt</p>	<p>E. Capacity support</p> <p>Legal support mechanism, (e.g. World Bank DRF/AfDB's ALSF)</p>	

* To be coordinated with Group III; ** To be coordinated with Group IV

Discussion Group VI: Illicit Financial Flows

Coordination

Co-Leads:

- Nigeria and Barbados

Institutional Partners:

- UN DESA was the focal point for this Group. Contributions were also received from international organizations and actors including UNCTAD, UNDP, UN ODC, FAFT, ECLAC, ESCAP, OECD, and Civil Society FFD Group.

Coordination and guidance:

- Special Envoy on Financing the 2030 Agenda, and EOSG Coordination Hub

The Effects of COVID-19 on Illicit Financial Flows

- IFFs exacerbate the sustainable development financing gap, and, in the context of COVID-19, may increase risks across the range of economic crimes related to supply chains, procurement, corruption, trade, the financial sector, and terrorist financing.
- National implementation issues and international architectural questions need to be addressed, albeit on different time scales.
- All actions require capacity building and resources. Donors can consider helping countries which need support. Innovation in capacity building should be encouraged, and successful initiatives expanded.

Key highlighted policy options

Action	Time scale	Actor	Explanation (what is critical, new, innovative)
Rapid transparency response to the COVID-19 crisis	Short-term, urgent	Finance ministry	This can help generate more efficient resource usage to help States overcome the socio-economic hardship imposed by the pandemic.
Improve tax administration	Short-term, recovery	Finance ministry, tax administration	Improved tax collection and compliance, deter potential perpetrators of tax crime, and facilitate a greater perception of trust in tax authorities.
Strengthen implementation of UNCAC and other international frameworks	Short-term, recovery	Cabinet-level, justice ministry, finance ministry, FIU	Reduction of corruption and financial crime, prevention of corruption and money-laundering into all sustainable development policies and economic policy making.
Intensify cooperation on recovery and return of assets	Short-term, recovery	Justice ministry, FIU	Increasing spontaneous disclosure, and enhancing legal frameworks for non-conviction based forfeiture.
Strengthen beneficial ownership information collection and transparency	Short-term, recovery	Parliament, finance ministry, tax administration, FIU	To underpin private or publicly accessible central beneficial ownership registers by accurate and up-to-date information.
Develop a whole-of-government approach to tackling IFFs	Medium-term	Cabinet-level, tax administration, FIU, financial regulators, justice ministry, all AML/CFT-relevant competent authorities, supreme audit institutions	Reenabling a more coordinated approach across government agencies and departments to tackling tax abuses and other financial crimes offers the potential for significant gains.
Support correspondent banking relationships	Medium-term	Financial regulators, banks	Improved financial inclusion, lower cost of remittance transfers and easier conduct of legitimate transactions.
Provide advice on tax policy for COVID-19 recovery and on digitalized tax administration	Medium-term	UN Tax Committee	To improve tax administration and on further options for using digital technologies.
Develop the political consensus to address systemic shortcomings related to IFFs	Medium-term	Cabinet-level, finance ministry, foreign ministry, FACTI Panel	Required to continue to develop the political consensus to address systemic shortcomings related to IFFs.
Capacity building – cross-cutting	Combination	Donors, South-South Cooperation providers, IFIs, UN System, other capacity building providers	Expertise available to everyone.

Proposed policy options, organized according to most frequent categories

1. Rapid transparency response to the COVID-19 crisis.
2. Develop the political consensus to address systemic shortcomings related to IFFs.
3. Capacity building, including provide advice on tax policy for COVID-19 recovery and on digitalized tax administration, and develop a whole-of-government approach to tackling IFFs.
4. Strengthen beneficial ownership information collection and transparency.

Policy option often mentioned in conjunction with other Discussion Groups:

- Support correspondent banking relationships.

Short Term Policy Options

- Rapid transparency response to the COVID-19 crisis
- Improve tax administration
- Strengthen implementation of UNCAC and other international frameworks
- Intensify cooperation on recovery and return of assets
- Strengthen beneficial ownership information collection and transparency

Medium to Long Term Policy Options

- Develop a whole-of-government approach to tackling IFFs
- Support correspondent banking relationships
- Provide advice on tax policy for COVID-19 recovery and on digitalized tax administration
- Develop the political consensus to address systemic shortcomings related to IFFs