Report of the Inter-agency
Task Force on Financing
for Development

FINANCING FOR DEVELOPMENT: PROGRESS AND PROSPECTS 2018

United Nations

This report is a joint product of the members of the Inter-agency Task Force on Financing for Development (members are shown on page xi). The Financing for Development Office of the United Nations Department of Economic and Social Affairs serves as the coordinator and substantive editor of the Task Force report.

The online annex of the Task Force (http://developmentfinance.un.org) comprehensively monitors progress in implementation of the Financing for Development outcomes, including the Addis Ababa Action Agenda and relevant means of implementation targets of the SDGs. It provides the complete evidence base for the Task Force's annual report on progress in the seven action areas of the Addis Agenda (chapters III.A–III.G). The report is by necessity more concise and selective, and should thus be read in conjunction with the online annex.

The online annex of the Task Force also covers several key cross-cutting initiatives that build on the synergies of the Sustainable Development Goals in-depth:

- Delivering social protection and essential public services
- Ending hunger and malnutrition
- Closing the infrastructure gap
- Promoting inclusive and sustainable industrialization
- Generating full and productive employment for all
- Protecting ecosystems
- Promoting peaceful and inclusive societies
- Gender equality
- Investing in children and youth
- Addressing the diverse needs and challenges faced by countries in special situations
- Global partnership

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Chapter III.F

Addressing systemic issues

1. Key messages and recommendations

The Addis Ababa Action Agenda (hereafter "Addis Agenda") emphasises the importance of the coherence and consistency of the international financial and monetary and trading systems in support of development. To achieve the Sustainable Development Goals (SDGs), Member States of the United Nations need not only increased financing, but also fit-for-purpose national and international institutions that facilitate economic stability and sustainable development.

The 2008 world financial and economic crisis highlighted regulatory gaps and misaligned incentives in the international financial system. Reforms to financial system oversight proposed in the aftermath of the crisis have aimed to address these concerns. The Financial Stability Board (FSB) and the financial regulatory standard-setting bodies monitor implementation of post-crisis regulatory reforms, as well as the impact of reforms on financial intermediation, including for small and medium-sized enterprises (SMEs) and long-term financing. ***Member States should implement agreed financial regulatory reforms, while being watchful of unintended consequences as well as new regulatory gaps that may result from financial innovation.***

Post-crisis prudential financial measures, along with international macroeconomic policy coordination, have helped support a more stable international economic environment. Yet, as noted in chapter I, the world remains vulnerable to financial and economic volatility. After nearly a decade of loose monetary policies in many countries, rising global interest rates could lead to capital flight from developing countries, resulting in currency volatility, increased risk of debt distress, and real-sector economic impacts. Continued efforts are needed to further reduce systemic risks and promote a strong, stable and sustainable global financial and monetary system. ***Countries with systemically important economies should continue to develop mutually coherent macroeconomic and financial policies.***

At the same time, the world is increasingly challenged by disasters that cause humanitarian emergencies and reverse development progress. A number of initiatives taken over the past decade increased the availability of quick-disbursing international financial resources for use during economic and financial crises and after disasters. To facilitate stocktaking of these efforts, the 2017 ECOSOC Forum on Financing for Development Follow-up invited the Inter-agency Task Force on Financing for Development (hereafter, "Task Force") to prepare an inventory of existing quick-disbursing instruments that can assist countries, which is included as an annex to this chapter.

Some quick-disbursing instruments are part of the multilayer global financial safety net (GFSN) for addressing economic crises. While the GFSN has been strengthened at the national, regional and global levels in recent years, ***Governments should continue to work to remove gaps in GFSN coverage, ensure adequate levels of financing, increase its flexibility and strengthen its countercyclicality.*** The development of new regional institutions and bilateral instruments has expanded the availability of resources for many countries; however, many of the instruments are untested in practice. ***The Task Force recommends continued efforts to improve coordination between different elements of the GFSN, ensuring the combined responses would be adequate and agile enough to meet the depth of possible challenges.***

The inventory also describes programmes to pool risks related to disasters to be able to better manage them. Currently, the international community is serving like an "insurer of last resort" for emergencies through an ad hoc system of voluntary responses, but in some cases this financial response is slow or insufficient. These ex post measures also do not incentivize disaster risk reduction. ***Contributors to disaster response should work to realign their financing from ex post to ex ante provision of risk-pooling funds and instruments, improving efficiency, predictability and speed of response. An increased focus on preparedness should include developing instruments that build incentives for risk reduction into their design and facilitate "building back better".*** Expanding and diversifying risk pools can reduce the costs of protection and improve their sustainability. Insurance-like instruments can be a useful complement to pooled funds; although to effectively diversify risks, a sufficient number of countries need to participate. ***To increase coverage, the Task Force recommends that donors assist least developed and other vulnerable countries in participating in sovereign risk pools.***

The United Nations is also working to make itself fit for purpose for the 2030 Agenda for Sustainable Development, exemplified by a proposal of the Secretary-General for system-wide reforms to enhance United Nations institutional coherence with sustainable development, including achievement of gender parity at all levels. A central component of these reforms is a restructuring of the United Nations development system (UNDS), including proposals for revamping the Resident Coordinator system and introducing a Funding Compact. ***Adoption of UNDS reforms can help promote institutional coherence, increase the system's capacities, and enhance its partnership approach at country-level to help realize the ambition of the sustainable development agenda.***

2. Macroeconomic stability

As discussed in chapter I, the synchronized upturn in growth provides an opportunity for policymakers worldwide to address risks in the economic and financial systems as well as impediments to long-term investment (see chapter III.B) that hold back progress towards the SDGs. Continuation of the global growth trend in 2018 looks likely, but significant risks to the forecast remain. As noted, expected increases in interest rates in systemically important economies can have spillover effects on exchange rate stability, capital flows and ultimately growth in developing countries. As noted, social and environmental factors—for example, inequality and climate change—impact both the global macroeconomic environment and the financial system, and should be included in the stability agenda. Greater global macroeconomic policy coherence would help mitigate downside risks and reduce spillovers. The world has several systems in place that aim to promote macroeconomic stability and help mitigate some of the impact of risks. These include early warning systems, macroeconomic policy coordination, and global standards for regulation of the financial system. There are also tools available at the national level to help mitigate some of the residual risks.

The global early warning system

The main international process for monitoring vulnerabilities in the global financial system is jointly undertaken by the International Monetary Fund (IMF) and the FSB, the latter primarily focused on financial markets and institutions. The main mechanism of the FSB for identifying and assessing risks and vulnerabilities in the financial system is the Standing Committee on Assessment of Vulnerabilities (SCAV).[1] The SCAV focuses on macrofinancial-related vulnerabilities and risks arising from structural weaknesses in the financial system, such as misaligned incentives, amplification mechanisms or other forms of potential market

1 SCAV members include the International Monetary Fund (IMF), the Bank for International Settlements, the Organization for Economic Cooperation and Development and the World Bank, as well as members from forums of securities regulators (through the International Organization of Securities Commissions), banking regulators (through the Basel Committee on Banking Supervision) and insurance regulators (through the International Association of Insurance Supervisors).

stress. Its work focuses on the potential for international spillovers across financial systems that may be difficult to contain at a domestic or regional level. Where policy actions are deemed to be required to address vulnerabilities, the SCAV draws attention to them in relevant forums, FSB standing committees, and standard-setting bodies, as appropriate.

The IMF and the FSB also jointly conduct semi-annual early warning exercises (EWE) that consider a range of scenarios, including tail risks that may be less likely but potentially more disruptive.[2] The EWE does not attempt to predict crises, but rather seeks to identify vulnerabilities and triggers that could precipitate systemic crises, and suggests risk-mitigating policies.[3]

The IMF employs a comprehensive approach to detecting risks that make countries vulnerable to crises. As part of this assessment, Fund members are evaluated twice per year for underlying vulnerabilities in their fiscal, external and domestic non-financial sectors, and for potential price volatility in financial markets.[4] Quantitative toolkits tailored to each of three country groups — advanced economies, emerging markets and developing economies — are used to inform the assessment. In addition, countries are assessed for susceptibility to events that might spill over from other markets or countries, as well as for weaknesses in expected policy implementation that could impede an adequate response to an emerging crisis owing to political instability or gridlock.

Fund staff also analyse the transmission mechanisms from climate risks to financial stability, and help identify good practices for macroprudential stress tests reflecting climate risks. Various financial sector assessment programmes, from small island developing States (SIDS) to major jurisdictions, have included stress tests for effects of disasters on financial institutions.

Capital account management and macro-prudential regulations

One potential source of instability of special concern to developing countries resides in the capital account of the balance of payments. Large and volatile capital flows can give rise to systemic risks through many channels, with potentially substantial impact on the asset prices, exchange rates, debt sustainability and financial stability, often impacting the real economy. Historically, many developing countries—indeed, developed countries as well, in the early post-war decades—limited the flow of funds into and out of their economies, particularly short-term investments, out of concern for their destabilizing volatility. Over time, however, more and more countries removed restrictions on capital flows in expectation of greater financial inflows. While capital-account liberalization can deliver benefits through increased capital inflows, historically it has often been followed by rapid credit expansion and financial crises. The Addis Agenda notes that when dealing with risks from large and volatile capital flows, necessary macroeconomic policy adjustment could be supported by macroprudential and, as appropriate, capital-flow management measures.

In 2017, the IMF examined how macroprudential policies could help increase resilience to large and volatile capital flows[5] as a follow-up to its 2016 review on experience with its policy framework on capital-account policies.[6] The paper finds

2 The early warning exercises (EWEs) are not published, but IMF country, regional, and global surveillance activities follow up on EWE findings and policy recommendations.

3 Following discussion at the IMF Executive Board and with the Financial Stability Board (FSB), the EWE findings are presented to senior officials during the IMF-World Bank Spring and Annual Meetings; International Monetary Fund, "IMF Annual Report 2017: Promoting Inclusive Growth" (Washington, D.C., 2017), p. 34.

4 See International Monetary Fund, "Assessing Country Risk: Selected Approaches—Reference Note", 1 June 2017. Available from https://www.imf.org/en/Publications/TNM/Issues/2017/06/01/Assessing-Country-Risk-Selected-Approaches-44959.

5 Macroprudential policy options, mainly applied to banks, include countercyclical capital requirements (eased in economic downturns, increased during booms); capital requirements that differentiate risk by financial sector; measures to contain liquidity and exchange rate mismatches on bank balance sheets; and caps on permitted loan-to-value and debt-to-income ratios. They can also include tools traditionally associated with other policy fields, such as monetary policy (e.g., reserve requirements) and fiscal policy (e.g., levies imposed on wholesale funding).

6 See the discussion in the 2017 report of the Inter-agency Task Force on Financing for Development.

that macroprudential policies, in support of sound macroeconomic policies and strong financial supervision and regulation, can play an important role in helping countries harness the benefits of capital flows while mitigating systemic financial risks and improving the capacity of the financial systems to safely intermediate cross-border flows.[7] The IMF is building a new macroprudential database that will deepen understanding of how macroprudential measures can increase resilience to systemic risks associated with capital-flow volatility. Going forward, it will also continue to engage with its members in dialogue on capital flow issues.

3. Financial regulation

When the 2008 world financial and economic crisis struck, it became clear that regulatory frameworks were insufficient to address systemic risks in the financial system. A significant portion of the financial sector had exposure to assets that were much riskier than most financial sector analysts or regulators understood, especially in the housing sector in certain developed countries. The response was to strengthen regulations on risk-taking by financial institutions (while giving financial support to prevent bankruptcy to some large financial institutions with systemic implications), while also taking steps to strengthen consumer protection.

Now, almost a decade after the reform process was initiated, policy development for the agenda endorsed by the Group of Twenty (G20) is largely complete. The FSB, which brings the major regulatory authorities together in one forum, has concluded that the "G20 reforms are building a safer, simpler, fairer financial system".[8] The remaining gaps in implementation, the risk of reform fatigue or even reform rollback, combined with new and emerging risks to financial stability, underscore the importance of dynamic and effective implementation of financial regulation to ensure the regulatory framework keeps pace with a changing financial system, mitigates crisis risks, and aligns with the sustainable development agenda.

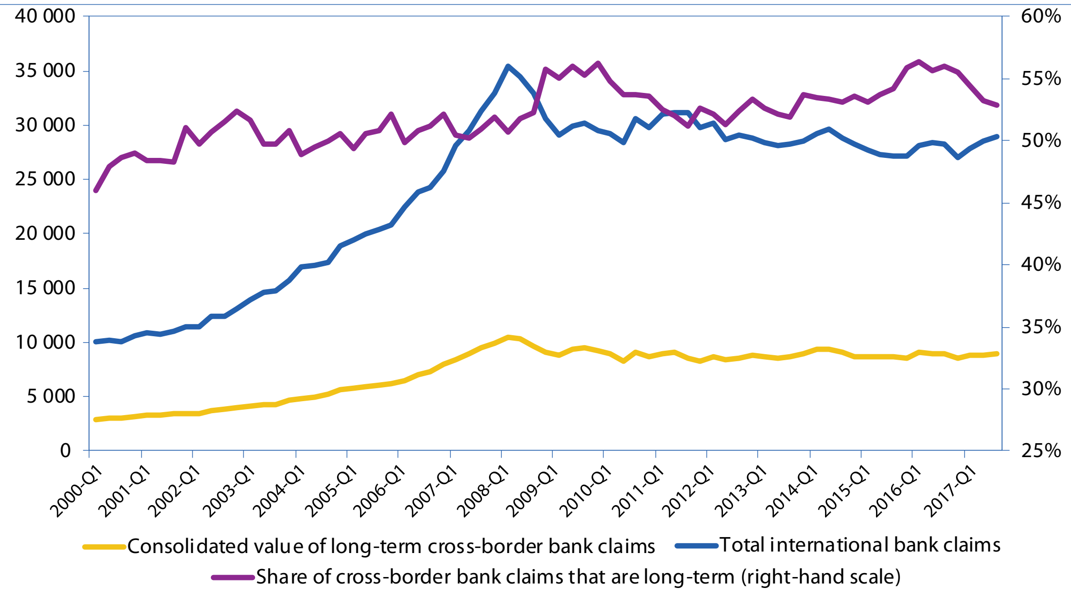
Robust regulatory frameworks are essential for the stability of the international financial system, and a prerequisite for implementing the 2030 Agenda for Sustainable Development. To achieve the SDGs, the international financial system needs to intermediate credit towards sustainable development in a stable manner, balancing the goals of access to credit with financial stability. Ultimately, stability and sustainability are mutually reinforcing: long-term investment should contribute to a more stable financial and monetary system; without a stable system, the development agenda risks being derailed by future crises. At the same time, regulations create incentives—including incentives on the allocation of capital, with potential unintended consequences on access to credit for implementation of the SDGs, such as to underserved SMEs (see section 3.1 below), trade finance (see chapter III.D), long-term financing for infrastructure (see chapter III.B), and flows to developing countries. However, there have not yet been full evaluations of these impacts. Concerns have been compounded by low levels of global investment, with many companies spending their earnings on dividends and stock buybacks, rather than investing in productive capacity (see chapter III.B).

The FSB has been monitoring whether updated regulations constrain access to credit; it has found that, overall, higher financial resilience is being achieved without impeding the supply of credit to the real economy. Cross-border banking exposures have declined (see figure 1), driven particularly by declining cross-border exposure of European banks. However, cross-border bank claims in all other regions have continued to increase. Some emerging market and developing economies continue to report concerns about the reduction in global banks' activity in their domestic markets. To date, this decline does not seem to have significantly impacted their overall credit growth.

7 International Monetary Fund, "Increasing Resilience to Large and Volatile Capital Flows—The Role of Macroprudential Policies", IMF Policy Papers (Washington, D.C., 2017). Available from https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/07/05/pp060217-increasing-resilience-to-large-and-volatile-capital-flows.

8 See the FSB chair's letter to the G20, available from http://www.fsb.org/2017/07/fsb-chairs-letter-to-g20-leaders-building-a-safer-simpler-and-fairer-financial-system/.

Figure 1
Cross-border banking exposures, 2000–2017
(Billions of United States dollars, percentage)



Source: BIS, UN/DESA calculations based on BIS data.

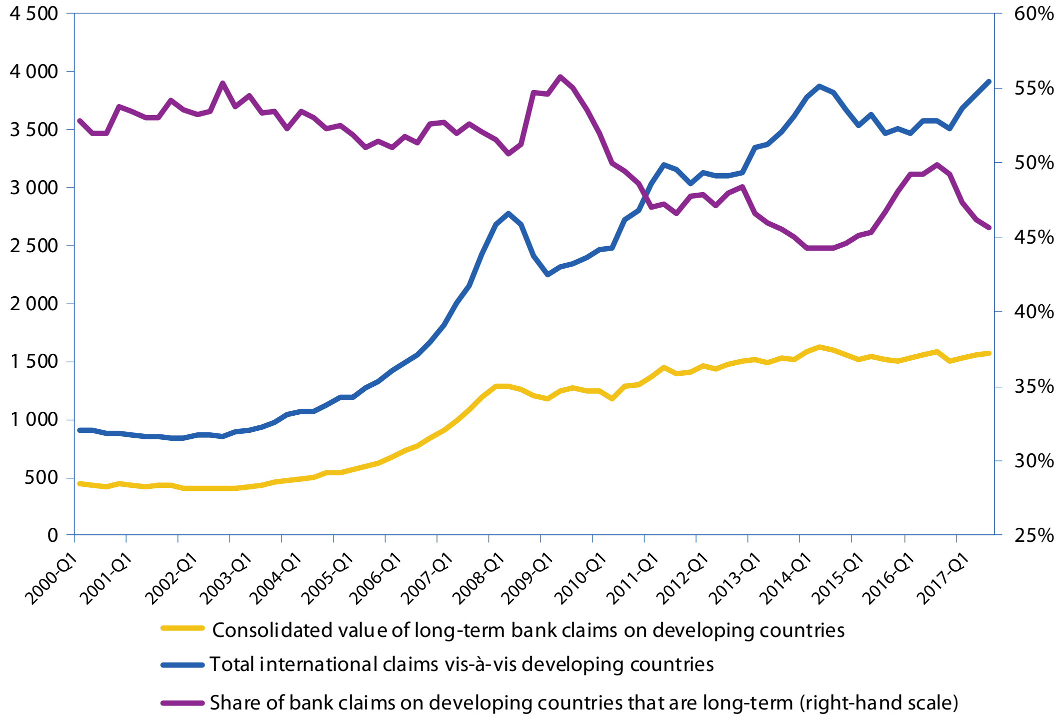
Figure 2 shows that total cross-border bank claims on developing countries have continued to rise, although the shares that are long-term have decreased, and trends vary across countries. Continued monitoring and analysis, including of liquidity during periods of stress, is needed in order to determine if countries are experiencing unintended consequences. Going forward, the FSB expects to increasingly focus on monitoring regulatory implementation by national authorities, and evaluating the effects of the reforms, using its framework for post-implementation evaluation published in July 2017.[9] The framework will guide analyses of whether reforms are achieving their intended outcomes, and help identify material unintended consequences that should be addressed. The FSB is currently evaluating trends in the financing of infrastructure investment including, to the extent possible, the effects of financial regulatory reforms on this financing.

3.1 Regulating financial institutions

One of the main aims of banking regulations is to ensure that commercial banks hold sufficient capital and liquidity to cover potential losses in the bank's portfolio and absorb liquidity shocks, and thus better withstand financial and economic stress. Various complementary requirements were agreed by the Basel Committee on Banking Supervision (BCBS) since 2009, including boosting the ratio of banks' capital to its risk-weighted assets (i.e., its loans portfolio, with higher risk weightings for riskier assets in order to incentivize banks to reduce risky activities); increasing banks' capital relative to total assets (leverage ratio); assuring banks have enough high-quality liquid assets to meet potential short-term net cash outflows (liquidity coverage ratio); and requiring banks to maintain a sustainable funding profile—that is, relying primarily on sources of funding that are generally stable, like some retail deposits, in contrast to those that are more volatile, like some unsecured wholesale funding (net stable funding ratio). As may be seen in figure 3 and figure 4, higher levels of additional capital and liquidity coverage were gradually attained and the shortfalls measured against the new standards were largely eliminated. In addition, a countercycli-

9 Financial Stability Board, "Implementation and Effects of the G20 Financial Regulatory Reforms, 3rd Annual Report" (Basel, 3 July 2017). Available from http://www.fsb.org/wp-content/uploads/P030717-2.pdf.

Figure 2
Cross-border banking exposures to developing countries, 2000–2017
(*Billions of United States dollars, percentage*)



Source: BIS, UN/DESA calculations based on BIS data.

cal factor, which increases capital requirements during boom times and reduces them during times of economic bust, was added to the regulators' toolkit and is currently being phased in.[10]

Final standards were adopted by the BCBS in December 2017 to reduce excessive variability in banks' risk-weighted assets.[11] With respect to the standardized approach for credit risk,[12] which is used by the majority of banks in countries that apply Basel standards, the reforms improve the granularity and risk sensitivity of the risk weights to take into account more information about the underlying asset and/or counterparty. Notably, the BCBS introduced a lower risk-weight for loans to SMEs, in recognition of the important role they play in generating growth and jobs, and in contributing to sustainable development. These reforms will take effect from January 2022.[13]

Other areas of reform also reflect progress on the FSB agreed agenda. For example, the latest

10 For an explanation of the policy and current countercyclical positions, see Bank for International Settlements, "Countercyclical capital buffer (CCyB)", 18 February 2018. Available from https://www.bis.org/bcbs/ccyb/.

11 For details, see Bank for International Settlements, "Governors and Heads of Supervision finalise Basel III reforms", press release, 7 December 2017. Available from https://www.bis.org/press/p171207.htm.

12 The standardized approach is the simplest approach to estimating credit risk, as banks apply risk weights based on the type of borrower and the type of credit exposure.

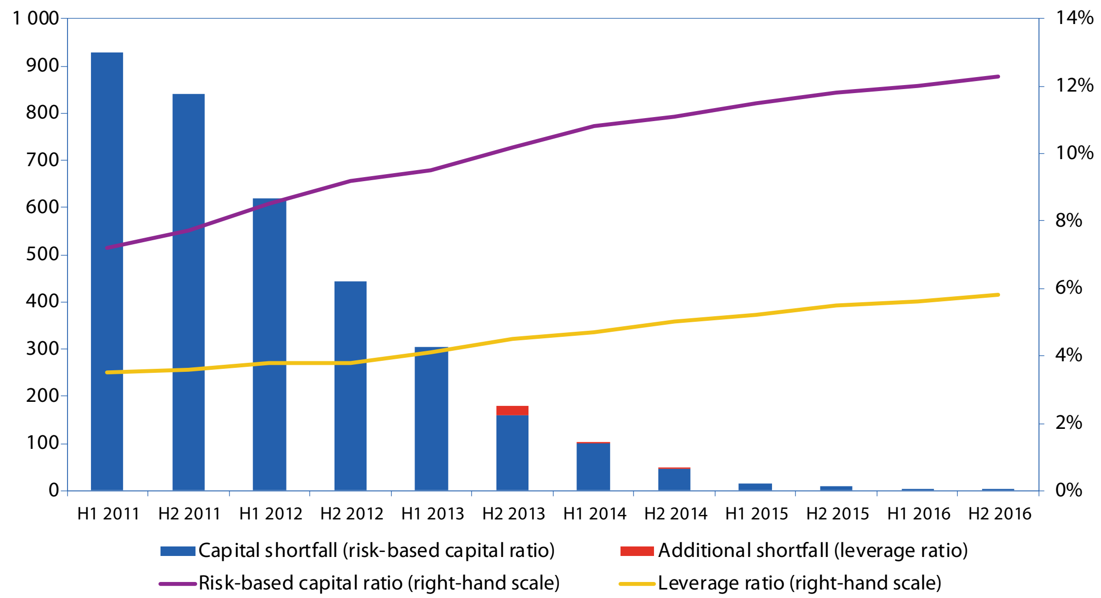
13 With regard to the internal-ratings-based approaches for credit risk, which are used by the largest and most complex banks, the December 2017 reforms to take effect from January 2022 remove the ability to use advanced approaches for exposure to financial institutions and mid- and large-sized corporates and specify a number of input parameters. The reforms also remove the use of internal model approaches for operational risk. In addition, the reforms introduce an output floor that limits the extent to which banks can lower their capital requirements relative to the standardized approaches, which will be phased in from 2022 to 2027. See Bank for International Settlements, "Basel III: Finalising post-crisis reforms" (December 2017). Available from https://www.bis.org/bcbs/publ/d424.pdf.

progress report showed that almost all FSB member jurisdictions have substantively implemented the principles and standards on the deferral and use of compensation tools to more effectively align the compensation of employees with the long-term interests of their firms in order to reduce excess risk-taking.

To remove the problem of financial institutions being "too big to fail," recovery and resolution standards have been developed to ensure no financial institution is so big that it cannot be resolved; additional loss-absorbency standards have been developed as well. Global systemically important banks (G-SIBs) will need to meet standards about the total loss-absorbing capacity they will need to hold. Should a systemically important institution fail, it would need to be wound up, or "resolved," in an orderly fashion across many countries, with the goal of avoiding a ripple effect throughout the global financial system. While reforms in this area have progressed, further work is required to build effective resolution regimes and to operationalize resolution plans for cross-border firms.

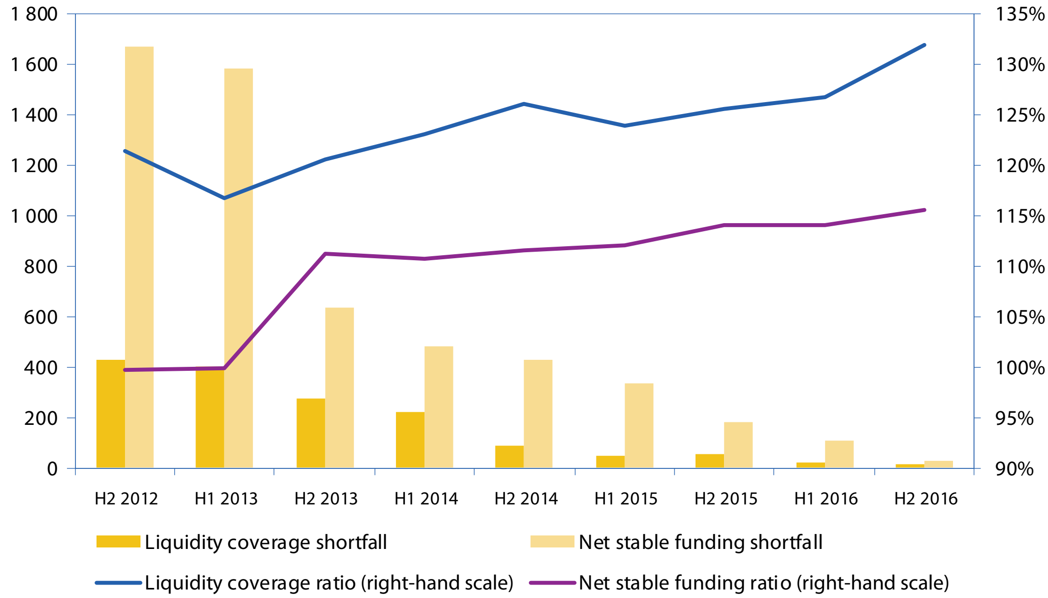
In addition, the International Association of Insurance Supervisors (IAIS) is working to develop an activities-based approach to systemic risk in the insurance sector, rather than a size-based approach. This may have significant implications for the assessment of systemic risk in the insurance sector and hence for the identification of global systemically important insurers (G-SIIs) and for related policy measures. Thus, the FSB, in consultation with the IAIS and national authorities, has decided not to publish a new list of G-SIIs for 2017. The policy measures set out in the FSB 2016 communication on G-SIIs, as updated in February 2017 as concerns the higher loss-absorbency standard, will continue to apply to the firms listed in the 2016 communication.

Figure 3
Implementation of Basel III risk-based capital and leverage ratios, 2011–2016
(*Billions of euros, percentage*)



Source: September 2017 BCBS Basel III Monitoring Report.
Note: Data for Group 1 banks that are internationally active and have Tier 1 capital of more than €3 billion. The September 2017 survey included 105 such banks. The capital ratio is based on CET1 capital and is weighted by risk-weighted assets, leverage ratio is weighted by leverage-ratio exposure. The bars show shortfalls for total capital at the target level.

Figure 4
Implementation of Basel III liquidity and stable funding ratios, 2011–2016
(*Billions of euros, percentage*)



Source: September 2017 BCBS Basel III Monitoring Report.
Note: Data for Group 1 banks that are internationally active and have Tier 1 capital of more than €3 billion; the consistent time series includes 87 banks for the liquidity ratio and 91 banks for the stable funding ratio. Liquidity ratio is weighted by total net cash outflows; the stable funding ratio is weighted by the required amount for stable funding.

3.2 Regulating derivatives and shadow banking

Shadow banking, which falls outside the regulatory framework for regular banks,[14] and derivatives can also pose systemic risks to the global economy. Implementation of reforms agreed in the FSB with regard to over-the-counter derivatives is now well progressed, although this has taken longer than originally intended due to the scale and complexity of the reforms and other challenges. The main criticism of derivatives markets was that they were opaque, with insufficient knowledge of counterparty exposures. Central clearing (which has increased markedly in interest rate derivatives and, to a lesser extent, credit default swaps) is simplifying much of the previously complex and opaque web of derivatives exposures, and the central counterparties supporting that clearing are more resilient. In addition, more collateral is in place to reduce counterparty credit risks within the system. Progress has also been made in improving transparency. Central clearing frameworks, as well as margin and interim capital requirements, have been implemented in most FSB jurisdictions, while platform trading frameworks have been implemented in half of FSB jurisdictions. The FSB is currently evaluating incentives for central clearing of over-the-counter derivatives.

Reforms to shadow banking are being implemented. While much progress has been made, as of June 2017, 14 FSB jurisdictions were behind schedule in implementation of at least one area of shadow banking reform.[15] The shadow banking work of the FSB examines non-bank credit intermediation

14 The FSB defines shadow banking as "credit intermediation involving entities and activities (fully or partly) outside of the regular banking system" (see http://www.fsb.org/what-we-do/policy-development/shadow-banking/). Some authorities and market participants prefer to use other terms such as "market-based finance" instead of "shadow banking" for this segment of activities.

15 Financial Stability Board, "Implementation and Effects of the G20 Financial Regulatory Reforms, 3rd Annual Report" (Basel, 3 July 2017).

involving bank-like activities, such as maturity/liquidity transformation and/or leverage, that can become a source of systemic risk. Such non-bank credit intermediation involving bank-like activities tends to be more active in advanced economies. This risk can be compounded where non-bank activities have links to the banking system. While non-bank financing can be a welcome source of diversification of credit supply, it can become a source of systemic risk if it is involved in bank-like activities. To address risks to financial stability, the FSB has been working to "transform shadow banking into resilient market-based finance"[16] through system-wide oversight and developing policy recommendations. The recommendations focus on addressing banks' involvement in shadow banking, liquidity or maturity mismatches, leverage in the system, incentive problems and opaqueness associated with shadow banking, notably securitization.

The aspects of shadow banking generally considered to have contributed the most to the 2008 world economic and financial crisis have declined significantly and are considered by the FSB to generally no longer pose financial stability risks.[17] Since the crisis, however, assets held in collective investment vehicles that are susceptible to runs (such as open-ended fixed income funds, credit hedge funds, real estate funds and money market funds) have grown or remain relatively large. Such collective investment vehicles grew by 11 per cent in 2016, slower than the compounded annual average assets growth of about 13 per cent a year since end-2011.[18] The considerable growth has been accompanied by a relatively higher degree of credit investment as well as some liquidity and maturity transformation. In January 2017, the FSB published its policy recommendations to address structural vulnerabilities from asset management activities, which are currently being operationalized by securities regulators.

As referenced in chapters III.B and III.G, an emerging class of technology firms are engaging in financial intermediation outside the normal perimeters of banking regulation. At the same time, traditional financial institutions are digitalizing services, which may also significantly accelerate the speed and volume of financial transactions. Together, these technology-enabled financial innovations, often called "fintech," mean that regulators may need to complement their focus on financial institutions and markets with increasing attention to financial activities, as these services are increasingly provided by a diverse group of firms and market platforms.[19] Regulation will also need to consider the impact of virtual currencies (see chapter III.A). Regulatory innovation will be important, and Member States should share lessons learned, including those from so-called regulatory sandboxes and other innovation facilitators. With the blurring of boundaries among entities, activities and jurisdictions, policymakers may wish to consider whether new common standards and legal principles are warranted to assure that the activities align with national and international priorities.

4. Shocks financing instruments

The Addis Agenda urged Member States, international institutions, and all relevant stakeholders to work to prevent and reduce the risk and impact of financial crises, as well as to better prevent and manage risks from disasters. Member States committed to promoting innovative financing mechanisms to allow countries to better prevent and manage risks and develop mitigation plans. To help take stock, the 2017 ECOSOC Forum on Financing for Develop-

16 See http://www.fsb.org/what-we-do/policy-development/shadow-banking/.

17 Financial Stability Board, "Assessment of shadow banking activities, risks and the adequacy of post-crisis policy tools to address financial stability concerns," 3 July 2017. Available from http://www.fsb.org/2017/07/assessment-of-shadow-banking-activities-risks-and-the-adequacy-of-post-crisis-policy-tools-to-address-financial-stability-concerns/.

18 Financial Stability Board, "Global Shadow Banking Monitoring Report 2017", 5 March 2018. Available from http://www.fsb.org/2018/03/global-shadow-banking-monitoring-report-2017/.

19 For a deeper discussion on the potential regulatory responses to fintech, see D. He et al. "Fintech and financial services: initial considerations", International Monetary Fund Staff Discussion Note, SDN/17/05 (June 2017); and Financial Stability Board, Financial Stability Implications from FinTech: Supervisory and Regulatory Issues that Merit Authorities' Attention" (June 2017).

ment Follow-up requested "an inventory of domestic and international financial instruments and funding modalities, and existing quick-disbursing international facilities and the requirements for accessing them".[20]

There are diverse types of shocks, which can broadly be classified as those resulting from economic or market activity and disasters. For both types of shocks, the financial responses can be characterized by availability, predictability, speed, cost and volume.[21]

Predictability and speed are critical in shocks response, as slow responses can cost lives. Households could, for example, experience unrecoverable health impacts or be forced into ruinous asset sales.[22] Businesses can face bankruptcy, with unrecoverable impacts on employment. While national responses can be organized relatively quickly, there are insufficient financial means in many cases, necessitating a call on international resources. Yet provision of international resources can take weeks if not months to be agreed. For disaster response, most international emergency efforts remain on an ad hoc and voluntary basis and, as reported in chapter III.C, many calls for humanitarian contributions go without sufficient donor commitments or timely disbursements. The delays to disbursement ultimately raise the costs of shocks response.

This underscores the advantages of preparing for crises in good times with both prevention and establishing quick-disbursing financial facilities for response. Prevention efforts need to take place at the local, national and international levels. In relation to economic shocks, this entails strengthening macroeconomic policy frameworks and financial regulations nationally, and cooperating to reduce risk and volatility arising from the international financial architecture, as discussed above. For disasters, climate change mitigation and adaptation and disaster risk reduction and preparedness are critical, including the development of institutional frameworks and financing mechanisms.

In relation to financial facilities, countries still mostly rely on national self-insurance models as opposed to multi-country risk pooling, thus not taking advantage of the benefits of diversification. Domestic instruments should be part of the response; however, they are too numerous to list in an inventory, as they differ in each country. Some examples include fiscal reserves, foreign exchange reserves, and national insurance programmes. Experience shows that the effectiveness of any shocks response is significantly enhanced when a country has an already operating social infrastructure in place, as setting up ad hoc disbursement systems is slow, prone to errors and susceptible to corruption. Social protection systems for all, which were agreed to in both the Addis Agenda and 2030 Agenda for Sustainable Development, provide a permanent infrastructure that reduces costs in cases of shocks. Chapter III.A includes a discussion of many types of domestic financing modalities, including a specific section on financing for national systems of social protection, including floors.

In terms of international facilities, as shown in the inventory, many international institutions offer some quick-disbursing instruments, and some institutions have resources that can be tapped in the case of both economic shocks and disasters. However, different programmes and instruments were created to meet different needs. Each facility in the inventory has a unique combination of the five characteristics (availability, predictability, speed, cost and volume). The causes and responses to economic shocks and disasters are sufficiently different to warrant separate analysis.

20 "Information note by the President of the Economic and Social Council on arrangements for the 2017 Economic and Social Council Forum on Financing for Development follow-up" (E/FFDF/2017/3, para.7). A version of the requested inventory covering international financing instruments is included as an annex to this chapter, while a more detailed version is available from https://developmentfinance.un.org/inventory-quick-disbursing-international-instruments.

21 "Availability" refers to whether countries have access to the finance or eligibility for the instrument, while "predictability" is about whether financing is provided under unambiguous conditions, for example without negotiation, and in response to specific events.

22 Daniel Clarke and Ruth Vargas Hill, "Cost-benefit analysis of the African Risk Capacity Facility", IFPRI Discussion Paper 01292 (International Food Policy Research Institute, September 2013).

4.1 International instruments for addressing economic shocks

The multilayered GFSN provides resources for addressing economic shocks. Figure 5 shows its constituent components, including IMF resources, those of regional financial arrangements (RFAs), and bilateral financial arrangements. The GFSN, however, needs to be more comprehensive, coherent and coordinated to be effective in serving its purpose. Many countries, including some large emerging markets and those that could act as transmitters of shocks, continue to lack adequate access to predictable and reliable funding. Improvements to the GFSN would be more effective if agreed in advance of crises rather than in the midst of them.

Figure 5 also shows that countries in a position to do so have built substantial stocks of foreign exchange reserves, which can be drawn upon in a crisis, but maintaining such self-insurance is costly. One initiative that spread during the 2008 world economic and financial crisis was the creation by many central banks of bilateral swap lines, which are promises of two nations to swap up to predetermined amounts of their currencies as needed over a specific time period. These swap lines were highly effective because of their predictability once established, speed of disbursement, low cost and relatively high volumes of resources. While some swap lines were discontinued once the crisis subsided, as shown in the annex to this chapter, many are currently in effect, although coverage is far from universal.

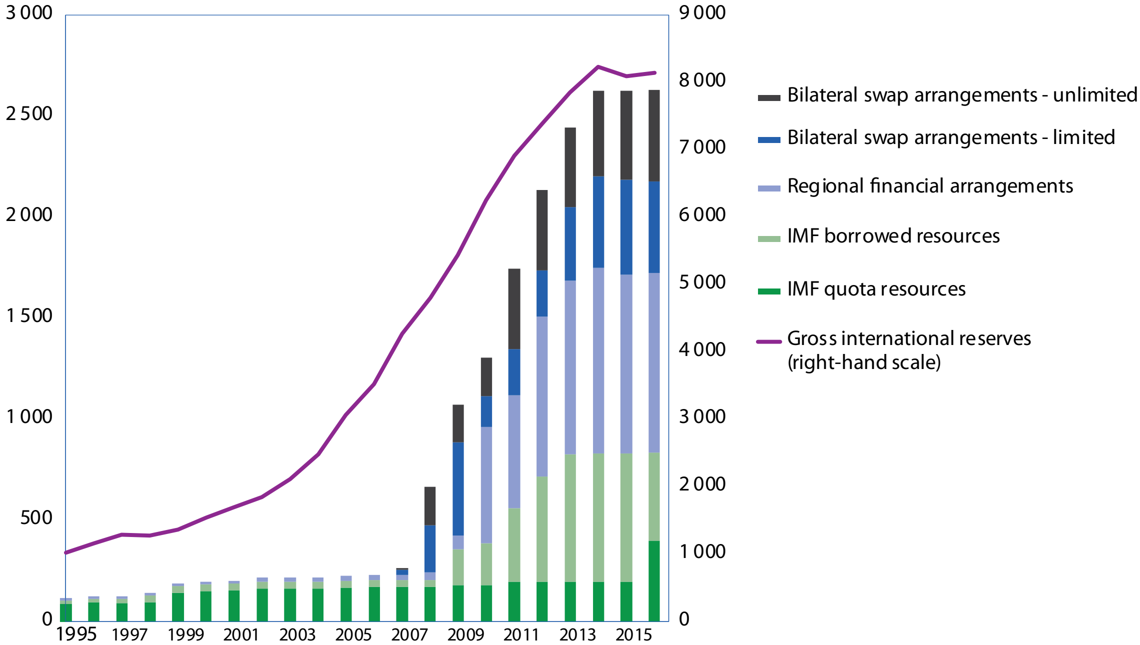
The IMF has taken steps to help reduce remaining gaps in the GFSN, including, in May 2017, strengthening its quick-disbursing instruments the Rapid Credit Facility and Rapid Financing Instrument. In July 2017, it introduced a new Policy Coordination Instrument, which is a non-financing tool designed to signal commitments to reforms and catalyse financing from other sources. In November 2017, IMF staff presented a blueprint for a future liquidity backstop. To enhance crisis prevention, staff developed a proposal for a new facility, called the Short-term Liquidity Swap (SLS), to provide members with very strong policies with predictable and renewable liquidity support against potential, short-term, moderate capital flow volatility. The SLS was designed as a revolving credit line, and included several other innovative features. However, the proposal was not adopted by the IMF's Executive Board. The IMF also discussed a possible role for a new Time-Based Commitment Fee in response to concerns about prolonged use of high-access arrangements on a precautionary basis, but this proposal was also not adopted.

Additional options for GFSN reform could build on regional reserve pooling. Synchronization among the IMF, RFAs, multilateral development banks, and other sources of quick-disbursing funds and facilities has begun, with a number of efforts at coordination and learning among the different facilities. In 2017, the IMF proposed a new framework for more structured collaboration with RFAs. However, more can be done to prepare joint strategies and share experiences, especially as most RFAs have yet to be seriously tested with a crisis. Further sharing of lessons among RFAs and wider preparation on how future activity might be coordinated are warranted.

It is an open question whether the total value of the GFSN as shown in figure 5 and listed in the inventory is sufficient to respond not only to limited national crises, but also to multi-country, systemic crises. While IMF resources have increased significantly since the 2008 crisis, they are lower today than they were before the mid-1990s, both as a share of world gross product and as a share of gross global capital flows. In the previous crisis, multilateral development banks stepped in with additional countercyclical financing in a limited number of countries. However, that is not their primary mission, which is more focused on long-term infrastructure and financing policy change, and they are increasingly under capital constraints.

One additional option that would increase anti-crisis liquidity involves IMF special drawing rights (SDRs). Indeed, the previous allocation of SDRs was made in the wake of the 2008 crisis. Following a note prepared for the G20 in 2016 that outlined initial considerations on a greater role for the SDR in the smooth functioning of the international monetary system, a high-level external advisory group of prominent academics, former policymakers, and market practitioners was convened by the IMF to advise on this issue. IMF staff are currently ana-

Figure 5
Evolution of the global financial safety net, 1995–2016
(*Billions of special drawing rights*)



Source: IMF, "Collaboration between regional financing arrangements and the IMF", IMF Policy Paper (Washington, D.C., July 2017). Available from https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/07/31/pp073117-collaboration-between-regional-financing-arrangements-and-the-imf.

Notes: Unlimited bilateral swap arrangements are estimated based on known past usage or, if undrawn, on average past maximum drawings of remaining central bank members in the network. Two-way arrangements are only counted once. Limited bilateral swaps arrangements include all those with an explicit value limit and excludes Chiang Mai Initiative Multilateralization (CMIM) arrangements. Two-way arrangements are only counted once. Regional financial arrangements are based on explicit lending capacity/limit where available, committed resources, or estimated lending capacity based on country access limits and paid-in capital; and includes CMIM arrangements. Prudential balances are not included in the calculation of IMF resources, quota resources are only for countries in the Financial Transaction Plan.

lysing the potential scope for a broader role for the SDR for IMF Executive Board consideration in 2018.

A notable feature of each of the international facilities discussed thus far is that they would all increase the external debt of the country drawing on them, which is of particular concern in some SIDS (see chapter III.E). The Task Force identified several policy options for providing relief of these obligations in the event of a shock, and particularly recalls its 2017 discussion of the possibility of official lenders introducing state-contingent debt instruments, which would tie a sovereign's net payment obligations to its payment capacity (see chapter III.E). State-contingent debt instruments could be a useful complement to the GFSN because they are highly predictable and speedy, while not changing perceived creditor priority.

4.2 International instruments for addressing disasters

The international community is collectively committed to sustainable development and provides significant resources to respond to disasters. Yet the international system's overall financial response to disasters remains insufficient and inefficient. The inventory of quick-disbursing instruments identifies many innovations in financial instruments for addressing non-market-triggered emergencies in the last 15 years. In addition to new funds—such as the United Nations Central Emergency Response Fund (CERF), a grant-making facility started in 2006 to fund very early responses to humanitarian emergencies and to support humanitarian response activities within an underfunded emergency—there has also been ad hoc institutional collaboration. Institutional pooled funds and insurance-like instruments can play complementary roles, and greater provision of international resources to both of these types of instruments could bring many benefits and greater efficiency compared to the current practice of ex post disaster response.

Disaster risk is increasing and economic losses are rising. The IMF estimates that the average annual cost of natural disasters in low-income countries is equal to 2 per cent of gross domestic product, or four times the impact on larger economies. While many disasters are sudden, disaster risk can often be modelled. Where the probability of a disaster is not known, or the scale overwhelms efforts at risk management and the response capacity of the affected country, it is important that there be resources available to respond quickly, such as through the CERF and other forms of pooled funding. Global loan or grant funds will be less costly to operate than regional or subregional funds owing to greater diversification and scale. The international community could more rigorously assess the overall level and terms of international support for emergencies, not least because crises are likely to grow in number and intensity because of global climate change.[23] Shifting to more pooled funding could simplify and speed emergency response.

When disaster risk is not made explicit to public and private investors, hidden contingent liabilities often only become evident in the event of a disaster, when it is too late. Clarification of incentives of relevant stakeholders and quantification of the cost associated with inaction or late action can help promote disaster risk reduction. Current international financing instruments do not sufficiently clarify who bears the risks of disasters. The human cost is of course borne by residents, with households often uncertain about the level of financial assistance that might be available in the case of a disaster. National Governments bear much of the risk, but in some cases, policymakers with limited fiscal space may have low incentives for long-term investment in disaster risk reduction and resilience when they are also facing a multitude of immediate needs related to poverty, hunger and other aspects of the sustainable development agenda. Donors providing development assistance respond to requests for humanitarian and disaster relief after emergencies; in doing so, they are implicitly acting like insurers of last resort, but without the benefits of predictability and speed that insurance-like instruments provide.

Appropriately designed insurance contracts have been used in the private sector for centuries to help clarify the burden of risk, share burdens fairly and set incentives for risk reduction.[24] Where sufficient information is available on the probability of a disaster occurring, insurance-like programmes can be a complement to pooled funds. International risk pooling, whether in multiple-country insurance, loan, or grant facilities, is one of the great advantages of international cooperation. In an insurance scheme, by grouping together well-diversified risks into a single risk pool, the cost of insuring against those risks (and thus the premiums that participants have to pay) can be greatly reduced. Well-designed parametric insurance,[25] with parameters relevant to different national contexts, can improve the efficiency of the resources that are available because of their speed and incentive for early recognition of the severity of intensive disasters. The contracts can also be designed to align incentives for prevention of emergencies by requiring policymakers to undertake disaster risk management, such as creating early warning systems, retrofitting, enforcing building codes and preparing contingency plans in advance.[26] While the resources provided by insurance after a disaster might not be sufficient to address all economic losses, these techniques can be applied at the sovereign level to help improve the incentive structure and increase the efficiency of emergency response. Successful sovereign risk insurance facilities have been operating for many years in the Caribbean (Caribbean Catastrophe Risk Insur-

23 Intergovernmental Panel on Climate Change, *Climate Change 2014: Impacts, Adaptation, and Vulnerability*, Fifth Assessment Report, Working Group II (2014).

24 David Jenkins and Takau Yoneyama, *The history of insurance* (London, Pickering & Chatto, 2000).

25 Parametric insurance is an insurance contract that disburses automatically once an event trigger has occurred.

26 These incentives can contribute to disaster risk reduction, but disaster risk management also requires dedicated financing.

ance Facility) and in sub-Saharan Africa (African Risk Capacity).

Many of the innovative instruments and facilities for sovereign insurance for disasters operate regionally, which constrains the diversification of the risk pool, given that hazards can cross borders and often impact several countries in a region together. For insurance to be effective and sustainable it requires diversification to manage risk. This requires involvement of sufficient numbers of participants with different risk profiles. The involvement of more countries in sovereign risk insurance programmes would increase their diversification, sustainability and efficiency. This could be done either through a global risk facility or through public or private reinsurance. However, it would require strengthening (and in some cases creating) regional facilities.

Not all countries are able to afford the necessary insurance premiums, especially least developed countries with limited revenue-raising capacity. Donors have been reluctant to pay the premiums for various reasons, including "moral hazard" concern, even though ex ante insurance would, in many contexts, be more efficient than the current ex post disaster response. Donor subsidies, conditional on the at-risk poor country agreeing to undertake effective disaster risk management, could boost participation in the insurance scheme, further diversifying risks and increasing efficiency. Partial payment of premiums by the insured can be used to further align incentives. Such an arrangement would prove beneficial to the entire system and provide a strong contribution towards risk-informed sustainable development.

5. Institutional and policy coherence at the United Nations

The General Assembly recognized the need for significant institutional adjustments to the UNDS to effectively respond to the 2030 Agenda for Sustainable Development in its quadrennial comprehensive policy review.[27] To that end, the Secretary-General has presented a vision, paired with concrete measures for change, in his June and December 2017 reports on repositioning the UNDS. The reports are part of the broader reform agenda of the Secretary-General, which includes the peace and security architecture and Secretariat management.

At the heart of the reports is the proposal to build a new generation of United Nations country teams to be more responsive to sustainable development needs on the ground, led by an empowered and independent Resident Coordinator, and supported by a revamped regional approach and other measures at global level to better support in-country sustainable development results. A system-wide strategic document was developed by the United Nations Development Group in tandem with the reports. The Secretary-General also proposes to strengthen Member States' horizontal guidance and oversight of the UNDS, and to agree a Funding Compact to ensure better quality, quantity and predictability of resources, with commensurate commitments from the UNDS to increasing transparency and accountability.

The overarching reform package seeks to achieve greater coherence and accountability and generate integrated action and enhanced synergies across the UNDS. The Secretary-General has already taken immediate discretionary steps in this direction, including the revitalization of the United Nations Development Group and the creation of a Joint Steering Committee to advance collaboration of development and humanitarian efforts.

United Nations engagement and coherence with non-United Nations partners will be critical to contributing effectively to sustainable development efforts at the country level. Acknowledging the proliferation of development actors, the Secretary-General is actively pursuing a stronger system-wide approach to partnership. Leveraging and harnessing the complementary strengths of international financial institutions, civil society, philanthropic actors and the private sector is critical to mobilizing the means of implementation for the 2030 Agenda for Sustainable Development. This will maximize the reach and impact of the UNDS at country, regional and global levels.

As Governments look to mobilize partners and investments of all kinds — public and private, local to global — the UNDS also needs to step up its own capacities as well as the scale and approach of its

27 A/RES/71/243.

partnership engagements to realize the ambition of the sustainable development agenda.

6. Global economic governance

From the beginning of the Financing for Development process in Monterrey, Mexico, in 2002, Governments committed to a package of global economic governance and policy reforms and have expended sincere efforts to implement them. While there have been achievements in governance reforms since then, along with the creation of new mechanisms of intergovernmental coordination through the G20, the Addis Agenda recognized the need to further broaden and strengthen the voice and participation of developing countries in international economic decision-making and norm-setting. There have also been complementary efforts to develop new regional and cross-regional institutions of international cooperation.

At the IMF, a member country's quota determines its maximum financial commitment to the IMF, its voting power, and has a bearing on its access to IMF financing. IMF Governors agreed in December 2016 to work towards completing the Fifteenth General Review of Quotas by the 2019 Spring Meetings and no later than the 2019 Annual Meetings, a process that began in 2010 after the agreement on the last reforms to IMF governance. The Executive Board's first progress report on the Fifteenth Review was submitted to the IMF Board of Governors in October 2017. The World Bank also agreed in 2010 to a reform of shareholding, which was to be fully phased in by March 2017. The shareholding of developing countries in the International Bank for Reconstruction and Development, the World Bank's main lending arm, grew from 38.1 per cent in 2010 to 38.8 per cent as at the end of June 2017.[28] In a 2015 review of shareholding, it had been decided that an agreement on further reform would cover both a selective capital increase in order to rebalance shareholding among member countries and a potential general capital increase to address the financial needs of the World Bank Group. The World Bank Executive Board September 2017 progress report called on the Board to bring these discussions to a successful conclusion by the 2018 Spring Meetings.

To address impediments to further reforms of global institutions, in April 2017, the G20 established an Eminent Persons Group (EPG) on Global Financial Governance, which will conduct a high-level review of the global financial architecture, including the optimal role of the international financial institutions. The EPG recommendations will cover the mandates, coherence, transparency, and accountability issues at international financial institutions related to attaining strong, sustainable balanced and inclusive growth, assuring financial stability, and financing global public goods. The EPG will present its conclusions in a report to the G20 finance ministers and central bank governors by the time of the IMF/World Bank 2018 Annual Meetings.

Stronger efforts are also being made to improve the diversity of international institutions, their gender diversity in particular. The United Nations Secretary-General launched a road map for achieving gender parity at all levels of the Organization in September 2017. It seeks to increase the recruitment and advancement of women—particularly in middle to senior management levels, where the gaps are the greatest and a glass-ceiling persists. In January 2018, the United Nations reached full gender parity, far in advance of the targets in the strategy, in the 44-member United Nations Senior Management Group, which brings together leaders of United Nations departments, offices, funds and programmes. The IMF is also making progress towards enhancing diversity at both at the Executive Board and among staff. The Executive Board issued its first report to the Board of Governors on the Executive Board's gender diversity in July 2016, calling on member countries to consider gender diversity when nominating candidates for Executive Directors and their staff. Female representation on the Board in 2017 reached 2 of 24, an increase from 1 of 24 in 2015.[29]

28 See https://unstats.un.org/sdgs/indicators/database/?indicator=10.6.1; and World Bank Group, "International Bank for Reconstruction and Development subscriptions and voting power of member countries", July 2017. Available from http://siteresources.worldbank.org/BODINT/Resources/278027-1215524804501/IBRDCountryVotingTable.pdf.

29 International Monetary Fund, "IMF Annual Report 2017" (Washington, D.C., 2017).

Annex:

Inventory of quick-disbursing international instruments

Institution	Facilities	Jurisdiction eligibility	Access type/conditions
Central bank swap lines			
National central banks	Developed country bilateral swaps with developing countries (examples)	Australia/China, Australia/Indonesia, Australia/Republic of Korea	Australian dollar swaps
		ECB/China	Euro swaps
		Japan/India, Japan/Malaysia, Japan/Thailand, Japan/Indonesia, Japan/Philippines, Japan/Singapore, Japan/Republic of Korea	Yen swaps
		United States/Mexico[a]	US dollar swaps
People's Bank of China	China bilateral swap lines	China/Albania, China/Argentina, China/Armenia, China/Belarus, China/Chile, China/Egypt, China/Hungary, China/Indonesia, China/Kazakhstan, China/Republic of Korea, China/Malaysia, China/Nigeria, China/Pakistan, China/Qatar, China/South Africa, China/Sri Lanka, China/Suriname, China/Thailand, China/China/Turkey, China/Ukraine, China/United Arab Emirates	Renminbi swap lines
Quick-disbursing multilateral loans			
Multilateral and regional financing arrangements			
IMF	Flexible credit line	189 Member States	Precautionary facility for only very strong performers who meet ex ante qualification criteria
	Precautionary and liquidity line		Precautionary facility for strong performers who meet ex ante qualification criteria
	Rapid financing instrument		Support for urgent balance of payments needs without formal adjustment programmes and designed for situations where a full-fledged economic programme is either unnecessary or not feasible.
	Rapid credit facility	70 PRGT-eligible Member States	Concessional support for urgent balance-of-payments needs without formal adjustment programmes and designed for situations where a full-fledged economic programme is either unnecessary or not feasible.
	Stand-by arrangement	189 Member States	Facility for all countries facing external financing needs, and includes high access precautionary arrangements (HAPAs), a type of insurance facility against very large potential financing needs

Institution	Facilities	Jurisdiction eligibility	Access type/conditions
	Extended fund facility		Augmentation of this existing facility is possible in case of shocks to a country already experiencing serious payments imbalances because of structural impediments, or with slow growth and an inherently weak balance-of-payments position
	Standby credit facility	70 PRGT-eligible Member States	Concessional facility for countries facing an immediate or potential balance-of-payments need, can be used as precautionary instrument
	Extended credit facility		Augmentation of this existing concessional facility is possible in case of shocks to a country with a protracted balance-of-payments problem
Fondo Latinoamericano de Reservas (FLAR)	Liquidity, contingency and treasury credits	Bolivia (Plurinational State of), Colombia, Costa Rica, Ecuador, Paraguay, Peru, Uruguay, Venezuela	On approval of Executive President
	Balance-of-payments (and debt restructuring) loans		On approval of Board of Directors, within 32 days
Chiang Mai Initiative Multilateralization (CMIM)	CMIM precautionary line	ASEAN +3 countries	Decision within two weeks of request, 30 per cent of total access available as quick disbursing
	CMIM stability facility		Decision within two weeks of request, 30 per cent total access available as quick disbursing
BRICS Contingent Reserve Arrangement (CRA)	Precautionary instrument	Brazil, Russian Federation, India, China, South Africa	Potential short-term BoP pressures; 30 per cent of total access on request
	Liquidity instrument		Short-term BoP pressures; 30 per cent on request
European Union Balance of Payments Facility	Loans	9 European Union member states outside the euro area	For countries experiencing or threatened by difficulties regarding their balance of payments; economic policy conditions will be set that must be met before funds are released
European Stability Mechanism (ESM)	Loans	19 States in the euro area	Conditional upon the implementation of macroeconomic reform programmes
	Precautionary credit lines		To support sound policies and prevent crisis situations from emerging
	Recapitalization of financial institutions		Both direct recapitalization by lending to the private sector, and indirect recapitalization through loans to the sovereign
Eurasian Fund for Stablization and Development (EFSD)	Financial credits	Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan	In support of anti-crisis and stabilization programmes
Arab Monetary Fund (AMF)	Short-term liquidity facility	22 AMF member states	For countries with a track record of structural and economic reforms that face temporary liquidity shortage due to unfavourable developments in global financial markets
Multilateral development bank lending			
World Bank	Deferred drawdown option	IBRD-eligible countries	Precautionary instrument agreed pre-shock and available for drawdown on cyclical/financial or catastrophe reasons

Institution	Facilities	Jurisdiction eligibility	Access type/conditions
	Immediate response mechanism	IDA-eligible countries	For countries in crisis, but requires prior inclusion of contingent emergency response components in selected IDA projects and adoption by the recipient of an IRM Operations Manual
	Special development policy financing	IBRD-eligible countries	Offered to countries that are approaching crisis or are in a crisis with substantial structural and social dimensions and that have an urgent and extraordinary financing need
	Crisis response window	IDA-eligible countries	Additional financing available in two stages for large economic crises, natural disasters or public health emergencies
Inter-American Development Bank (IDB)	Development sustainability contingent credit line	IDB borrowing members	Precautionary facility to support countries facing exogenous systemic economic shocks or exogenous country-specific economic shocks
	Deferred drawdown option	Middle-income IDB borrowing members	Optional precautionary facility used with policy based loans and available for any general financing need
	Contingent credit facility for natural disaster emergencies	IDB borrowing members	Covers urgent financing needs that arise immediately after a natural disaster, until other sources of funding can be accessed; requires active integrated disaster risk management programme
	Contingent credit line for natural disasters	IDB borrowing members	Covers urgent financing needs that arise immediately after a natural disaster, until other sources of funding can be accessed, but with a relatively low limit on resources
Asian Development Bank (ADB)	Precautionary financing option	Middle-income ADB countries	Delayed disbursement of a countercyclical support facility
African Development Bank (AfDB)	Emergency Liquidity Facility (discontinued)	AfDB regional members	For urgent financing needs, available for public and private sector clients – discontinued in December 2010
Corporación Andina de Fomento (CAF)	Contingent credit line for financial emergencies	17 States in Latin America and the Caribbean	Precautionary facility available for natural and economic shocks
Quick-disbursing grants			
IMF	Catastrophe Containment and Relief Trust	Either PRGT-eligible members with per capita income below IDA cutoff, or small States with per capita income below twice the IDA cutoff	IMF debt repayments relief and possible IMF debt stock relief for countries hit by a catastrophic disaster
World Bank	Pandemic Emergency Financing Facility	IDA-eligible countries	Donor funded facility with ‘insurance’ window covering outbreaks of six viruses; cash window for the containment of other diseases
United Nations[b]	Central Emergency Response Fund	193 Member States	Fast, predictable and flexible funding to United Nations agencies for humanitarian crisis response; rapid response window and underfunded emergencies window
	Peacebuilding Fund Immediate Response Facility	Member States on the agenda of the Peacebuilding Commission, those declared eligible by the Secretary-General	Fast, flexible and risk-tolerant financing to United Nations efforts supporting political solutions aimed at preventing the lapse and relapse into conflict

Institution	Facilities	Jurisdiction eligibility	Access type/conditions
Insurance/re-insurance			
African Risk Capacity (ARC)	ARC Insurance Company, Ltd	African Union members	Drought insurance for African Governments, paid by government premiums; reinsures risk
Caribbean Catastrophe Risk Insurance Facility (CCRIF)	CCRIF SPC	Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Nicaragua, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago, Turks & Caicos Islands	Insures Caribbean Member States against hurricanes, earthquakes and excessive rainfalls
Pacific Catastrophe Risk Assessment and Financing Initiative	[In development]		

a Expired swaps: United States/Brazil, United States/Republic of Korea, United States/Singapore.

b For a full list of multi-donor trust funds and other facilities, see Annex 1 of United Nations Development Program", Financing the United Nations Development System: Pathways to Reposition for Agenda 2030" (Dag Hammarskjöld Foundation and the United Nations Multi-Partner Trust Fund Office, September 2017). Available from http://mptf.undp.org/document/download/18649.