THE UNITED NATIONS SHOULD START PREPARING FOR THE FOURTH INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

Barry Herman[1]

The United Nations developed over twenty years ago an effective approach to intergovernmental and multistakeholder discussions about economic and financial policies of Member States, international institutions and other stakeholders in the financing of development. In light of the serious challenges to global economic cooperation for development at the present time, this paper argues for taking up this approach again in order to work toward consensus around a set of policy measures that could be politically endorsed at an appropriately scheduled fourth international intergovernmental conference on Financing for Development.

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Introduction

Over the past two decades, the United Nations has hosted a vital series of intergovernmental discussions called "Financing for Development" (FfD). For the most part, these discussions have not attempted to make decisions on specific financial and trade policies, as the UN is not a decision-making forum on most of those policies. Rather, those decisions are made in the ad hoc "clubs" of major economy countries, the Group of 20 (G20) and the Group of 7 (G7), or they are agreed in the negotiating committees of the World Trade Organization (WTO) or the Boards of Governors and Executive Boards of the International Monetary Fund (IMF) and the international development banks, or at the negotiation forums of the Organization for Economic Cooperation and Development (OECD), notably regarding international tax issues and official development assistance (ODA), or in central bank committees on financial regulation. In addition, international agreements that relate to FfD are reached in specialized treaty-based United Nations forums, such as on environmental policy and international cooperation against corruption, as well as in standing UN committees on technical matters, such as the Statistical Commission on standardizing statistical indicators and the United Nations Commission on International Trade Law (UNCITRAL), which is currently seeking to recommend improved procedures for settling disputes between foreign direct investors and their host states.

FfD is instead the forum where UN Member States that participate in any or all of these decision-making entities may come together with all other Member States to consider the net overall impact on the financing of development of, on the one hand, the policies adopted at the international institutions and forums, and, on the other hand, the relevant domestic economic and financial policies of Member States. In recent years, FfD has also been the intergovernmental space in which to assess the effectiveness and the coherence of international financial and trade policies with the ambitions of the Agenda for Sustainable Development (UN, 2015a) and its sustainable development goals (SDGs). FfD discussions seek to align domestic and international resource flows, policies and international agreements with the economic, social and environmental dimensions of sustainable development, as well as offer a framework to guide actions by governments, international organizations, businesses, civil society, and philanthropy. FfD has a norm-setting function, and it can initiate or call for multistakeholder collaboration on a variety of issues, as will be proposed in the substantive policy section of this paper below. FfD is thus a forum for assessment, but also for politically signalling broad agreement on the assessment, and sometimes a negotiated text will reflect a political agreement on specific actions that governments pledge to undertake either themselves or bring for decision in policy-making international institutions or forums.

Often, negotiated outcome documents, communiqués, and resolutions in intergovernmental discourse entail vague and general compromise wording that intentionally masks the absence of agreements to act. The main value of such documents is to express joint interest in the concepts considered and to signal inherent commitment to continue deliberating on the matter. Some of the texts adopted in FfD forums have been of this nature. Importantly, however, others reflected concrete political commitments to act. Focus on the texts per se would not necessarily tell the reader which is which. One learns that by watching what comes after.

Currently, the UN hosts annual FfD meetings in its Financing for Development Follow-up Forum, which meets under the auspices of the Economic and Social Council (ECOSOC).

Government representatives to the UN and to the Executive Boards of the IMF and the World Bank, sometimes including ministers of finance or development, assess the current situation. The discussion is guided by the comprehensive annual *Financing Sustainable Development Report*, which is produced by the Inter-Agency Task Force (IATF) on Financing for Development, conveying the views of the multilateral system of institutions, agencies, funds, programmes and offices on the progress being made and policy reforms warranting consideration (for example, see UN, 2022c). FfD invites participation in these discussions by members of civil society and business organizations, and then Member States adopt a consensus outcome document that assesses the current situation, recommends policy measures that might advance FfD, and requests further analyses by the IATF that the Forum would like to consider at its next session.

While the annual FfD meetings provide an important opportunity to monitor FfD and suggest issues needing further international attention, the FfD process has periodically met with higher ambition as a conference of heads of state and government. Three of those conferences have been held thus far, each of which produced a significant set of policy statements, a number of which have led to actual changes in policies, beginning with the Monterrey Consensus, adopted in Monterrey, Mexico (United Nations, 2002), followed by the Doha Declaration, adopted in Doha, Qatar (UN, 2008); and the Addis Ababa Action Agenda, adopted in Addis Ababa, Ethiopia (UN, 2015). The paper claims that it is time to begin preparing for a Fourth International Conference on Financing for Development (FfD4).

Indeed, the 2022 FfD Follow-up Forum invited the General Assembly to consider the need to convene FfD4 (UN, 2022e, para. 72). This represented less than a consensus to actually hold the conference. Nevertheless, it advances UN consideration of the question because the General Assembly would in any event have to decide whether or not to do so. The Assembly could decide to set aside the proposal or delay a decision on it. Alternatively, it could adopt a plan to hold it, including decisions on what such a conference should seek to achieve and how to prepare for it, as well as when, where and to what level of political ambition such a conference might aspire. Or it could decide to start a conference planning process in 2023 to address those matters without firmly committing to, albeit perhaps targeting, a conference end point.

This paper proposes adopting the latter option. It believes, based on experience, that to be successful the new conference will need to build a broad constituency and political enthusiasm among Member States. That, in turn, calls for taking enough time to work to the desired end point on a number of pending policy issues, both within FfD and in parallel policy forums. A conference without the broad buy-in and without agreements to advance a number of felt concerns would undermine confidence in the valuable FfD intergovernmental process, which Member States and international institutions have kept alive for 20 years.

It is thus proposed that the General Assembly endorse starting a set of substantive discussions that would later be gavelled into an agreed text when enough of the discussions ripen for agreement. Indeed, it is important to avoid a failed FfD conference as that would further undermine the multilateral system itself, including the United Nations at its core. The world really does not need another in a sequence of widely perceived disappointing outcomes of intergovernmental meetings. On the other hand, a successful “FfD4” would breathe new confidence in the possibilities of global cooperation for sustainable economic and social development.

Envisaging an FfD4 conference

While various groupings of heads of state and government or their key ministers meet in various configurations on a routine basis, leaders of governments also occasionally come together in special, one-off summits. FfD4 would be one such, but what should be its aim? How might it be organized? When should it take place?

What goals for an FfD summit?

There seem to be three types of aims that government leaders seek when they agree to come together for a special summit on policy matters affecting global economic and social concerns. The first motivation is for the leaders of the assembled nations to jointly acknowledge a major threat or challenge that they intend to collectively address through subsequent international dialogue, whether under ad hoc formulations or within established institutions. This was the nature, for example, of the 2020 initiative of the Prime Ministers of Canada and Jamaica and the UN Secretary-General, who called together the world's nations and major international institutions on 28 May 2020 "to identify priority actions to overcome the economic and social impacts of the Covid-19 pandemic." More than 40 government leaders made virtual statements at that meeting on the urgency and depth of the crisis, after which the Secretary-General established six intergovernmentally led working groups to "develop concrete solutions to finance the pandemic response and post-crisis recovery" (UN, 2020a). An intense flurry of working meetings followed, leading to the presentation of a large and rich menu of "options" at a second virtual summit meeting in September 2020 (UN, 2020b). After that, the Office of the Secretary-General organized a "roadmap" for further discussion of the proposals by six inter-agency working groups, each of which was asked to delve further into a cluster of the proposals. Further discussions have continued into 2022.

A second motivation for convoking a meeting of government leaders is that by announcing the meeting on an important but contentious topic and raising public expectations around the event, it may be hoped that government representatives will overcome remaining differences and reach consensus to take actions that will effectively address the identified problem. This is a risky motivation, as it is possible that countries will not reach agreement in time, that the consensus document adopted at the end of the meeting will lack sought-for concrete commitments, and that the meeting will be seen as a failure of global cooperation. One may say that this was the experience in raising to summit level the 2021 annual meeting of the contracting parties to the UN Framework Convention on Climate Change (COP26). In fact, 120 government leaders and 40,000 registered participants came to the UN Climate Change Conference in November 2021where the governments agreed to the Glasgow Climate Pact (UN, 2021d). The Secretary-General's assessment of the outcome is telling:

> "The approved texts are a compromise. They reflect the interests, the conditions, the contradictions and the state of political will in the world today. They take important steps, but unfortunately the collective political will was not enough to overcome some deep contradictions…We are still knocking at the door of climate catastrophe" (Guterres, 2021).

A third motivation for a summit of heads of state and government is to announce agreements

already reached or nascent to which the participating countries publicly commit themselves to work to adopt. That is how the original FfD conference functioned in March 2002 when governments endorsed the Monterrey Consensus. A number of policy reform processes had been developing in the years leading up to 2002, reflecting increasingly widely held views on failures of global economic governance, especially as it impacted the developing countries. Developing countries had become disappointed at the lack of attention to their trade policy concerns at the WTO. There was also broad recognition that the IMF had imposed excessive and extraneous policy conditions on countries in weak situations owing to the Asian and then Russian financial crises of the late 1990s, and they saw the abject failure of Argentina's IMF-endorsed policy by 2001. Developing countries thus demanded increased voice and participation in IMF decision making and reform of IMF policies.

Moreover, donor governments had increasingly acknowledged in light of the stagnation of their ODA efforts in the 1990s that it was important to increase their confidence in the effective use of aid by recipient countries. Furthermore, the perception was widespread that the sovereign debt crises of the heavily indebted poor countries were not being effectively addressed; neither were the negotiation processes involving private creditors working smoothly when middle-income countries fell into debt crisis. Finally, the vulnerability to shocks and instability of financial systems in countries with open financial markets raised the global salience of strengthened standards for financial regulation, which in turn required more appropriate forums in which to develop those regulatory standards.

Issues such as these and their inter-relationships were being discussed at the UN in the late 1990s in the emerging FfD process and in more detail in various specialized decision-making forums. Over time, a package of agreed policy reforms began to emerge, including agreement at the WTO in late 2001 to start a new round of trade negotiations that would give greater attention to developing country concerns. In addition, ODA donors began to draft their agenda on aid effectiveness at the OECD, and the ministerial committees overseeing the IMF and the World Bank began to listen more attentively to concerns about their governance. And while creditor governments together with the key international financial institutions agreed to "enhance" their debt workouts for heavily indebted poor countries in 2000, it would not be by enough, while the idea of a statutory approach to debt workouts that would be legislated at the IMF had entered into international discourse.

Finally, while the conference at Monterrey might have taken place in any event, after the terrorist attack on the World Trade Centre in New York and elsewhere on 11 September 2001, publicly adopting a package of pro-development reforms became an urgent symbol of how the world could come together and make a firm political commitment to development. And while some of the promises made in Monterrey went unfulfilled, especially as regards the trade negotiations, others were realized or at least seriously addressed in the relevant forums in each area. It does not seem one could have realistically expected more (Herman, 2006).

This author believes that global economic governance is currently in a parlous state. Even had major armed conflict not reached Europe in February 2022, the political, economic and social ties of globalization had been weakened by three years of pandemic and the dimmed commitments to collective action to stem global warming. Countries have been increasingly looking inward for solutions when the world is already so integrated that national actions alone

cannot resolve the burning policy challenges.

Although deep reforms appear warranted in many areas, what those reforms might be is far from agreed at this moment. The recent ad hoc international response to the Covid-19 pandemic points to some possible systemic innovations that might be adopted for addressing increasingly frequent catastrophes, as will be discussed below. So too, the promise that the search for further profit by the world's rich would meet the needs of financing for sustainable development has worn thin, without an evident solution. Also, the structures for returning debt-crisis countries to financial sustainability seem to be again failing, although it is not yet clear what reforms might be acceptable to creditors and their governments. And while some limited advances were agreed in 2021 on international tax cooperation, they are neither sufficient nor is their implementation assured, while the possibility of reaching agreement in global trade negotiations seem less and less likely.

In short, the situation of global economic governance seems to be not unlike that in the late 1990s. As such, preparations for a fourth FfD conference might well follow the model that informed FfD in the first place, namely beginning preparatory work at the UN and encouraging complementary discussions elsewhere without committing to a date for the conference at this time. It is not necessary to call countries together to announce that the global system is failing, as would be the approach in the first motivation for a summit. The facts are known. It would also be exceedingly risky to adopt the second motivation for a summit, namely, to hammer out an agreement by the fixed date of the conference. Indeed, the Ambassadors of Grenada and Iceland, co-facilitators of the negotiations of the 2022 FfD outcome document, had proposed in their "zero draft" holding the conference in 2024 (UN, 2022d). That formulation did not survive in the adopted outcome document, which instead referred the matter of the conference to the General Assembly for action, as noted above (UN, 2022e, para. 72). The Assembly should initiate the preparatory discussion process, while eschewing unrealistic promises.

Recapture the "spirit of Monterrey"

The most important outcome of the first FfD conference was the intangible "spirit of Monterrey," a belief that emerged over years of discussion that bringing all the relevant constituents together with appropriate technical expertise and political good will could lead to useful results. In effect, if not design, Member States with different priorities made common cause around a package of policies, each of which was important to one or another constituency and none of which were violently opposed. That is the nature of multilateral diplomacy, finding the workable package that is seen to advance the general good, if not all the way to Valhalla.

The spirit of Monterrey drew on the deep collaboration of the key international institutions in preparing the Monterrey conference, acting almost as a UN-led joint secretariat. This assured Member States of due consideration of perspectives from Southern and Northern orientations. When the international system of agencies was seen to be working closely together, governments were encouraged to bring national experts from relevant ministries to New York for discussions about questions relating to their areas of responsibility. Policies pending in other forums would still need to be agreed in those forums, but a discussion of them at the UN in the broader context of the interrelationships in financing for development could be appreciated as relevant and useful. The inter-agency collaboration that began in preparations for Monterrey continues today

in the IATF.

However, the agencies cooperating in the lead up to Monterrey only agreed to work together intensively because it was to support a convincing initiative of Member States. That is, a group of delegates from the South and the North came together in the late 1990s to forge an effective alliance for FfD. One may say that there were strong economic incentives to do so, as the Asian financial crisis undermined the fastest growing economies in Asia, as the instability in major financial markets made Latin American and other developing economies worry about their own access to international market financing, as the content of multilateral conditionality drew criticism for exceeding the needs of balance-of-payments correction, as the priority of providing official development assistance, notably for the poorest countries, had retreated after the end of the Cold War, as international policy failed to return the heavily indebted poor countries to financial sustainability, and as international trade rules were increasingly seen to hinder national policymaking for development through trade.

The UN delegates who stepped forward to create FfD felt they had to try to initiate a political process that might create a more effective international system. They consciously took a risk and convinced their colleagues to avoid trying to negotiate consensus texts until the actual level of agreement had advanced close to consensus. They focused instead on informally building substantive agreement and political momentum on policy content. In time, the positive tenor of the FfD discussions grew into the “spirit of Monterrey.”

At the present time, it cannot be said that the spirit of Monterrey is strong enough to overcome centrifugal political forces. However, too much is at stake not to try to nurture that spirit and build it up once again. This would be greatly helped by a new “initiative from the floor,” meaning delegations from different countries stepping forward to mobilize their colleagues and ambassadors to convince their foreign and finance ministries that FfD4 preparations are worth supporting. Capitals often do not pay sufficient attention to how much might be accomplished through political dialogue at the UN. It might also help, as in the original Monterrey preparations, if such a cadre began by not being overambitious, but let its ambition grow in the train of successful discussions.

Such had been the strategy of the leadership cadre of the first FfD conference. The ever-cautious Second Committee of the General Assembly did not even promise at first to hold an FfD conference. Rather, in 1997, the Assembly only agreed on “the need for systematic, comprehensive and integrated high-level international intergovernmental consideration of financing for development” and to consider “the convening, *inter alia*, of a summit, international conference, special session of the General Assembly or other appropriate high-level international intergovernmental forum on financing for development” (A/RES/52/179).

The genius in this approach was to get the discussions started and then build confidence in the process. Substantive discussions that could lead up to FfD4 would not require five years of consultation, as the international community would not start from scratch. As in 1997, the best step would be to just initiate the process, which the General Assembly could set in motion this year. The Assembly might request, for example, that the 2023 FfD Follow-up Forum agree to an agenda of themes or topics that a preparatory process for the conference would seek to address through multi-stakeholder working groups. It might be helpful if the working groups were truly

informal, with limited reporting on their discussions so that delegations would not be held to their interventions being statements of national positions. That would come later at final-stage negotiations in an FfD4 preparatory committee. The Secretariat, with the assistance of the IATF and other stakeholders, would service the working groups, which would be tasked to report on their progress at the 2024 FfD Forum, which in turn might decide to fold the working groups into a formal preparatory committee of the whole to prepare the conference, or whether to continue some working groups for another year or whether to form additional working groups.

Some issues, however, may be too controversial even for a working group modality. One such that had to be addressed outside the FfD framework in the post-Monterrey years concerned "innovative" sources of financing for development, as they included highly controversial international tax proposals. The Leading Group on Innovative Financing for Development thus formed itself in 2006 alongside but not in the FfD process and, among other agreements, jointly adopted a proposal inspired by the Presidents of Brazil and France for a "solidarity levy" on air passenger tickets purchased in participating countries, proceeds of which are channelled to UNITAID, a UN purchasing facility for drugs and other health products (Song and Pyun, 2022). The Addis FfD conference welcomed the work of the Leading Group and additional countries were invited to join in adopting its innovative mechanisms (UN, 2015, para. 69).

Finally, it must be said that substantively preparing for FfD4 will have budgetary implications for the UN and for more than marginal participation of IATF members and Member States, and thus a measure of fund raising and/or reallocation of UN resources will be required. Even if current technologies makes fewer face-to-face meetings necessary, those virtual meetings are not free and some in-person meetings will be unavoidable. Thus, part and parcel of agreeing to work toward FfD4 is mobilization of financial—and indeed human—resources adequate to prepare the conference. Without the considerable assistance of a number of bilateral and multilateral supporters, Monterrey and its successor conferences would never have happened. That too was an expression of the "spirit of Monterrey."

A job for the UN, not the Group of 20

A potential argument against starting intergovernmental discussions that could lead to FfD4 must be addressed. Some Member State representatives might agree that the world economic and social situation merits improved international economic and financial cooperation, but object that the United Nations has long since lost its importance as a forum for agreeing economic and financial policy changes. They see the UN rather as a forum for setting broad goals such as the SDGs and for negotiating global treaties and updating their implementation, such as the United Nations Framework Convention on Climate Change.

The primary forum today for agreeing to packages of new international policies in the economic and financial realm is, indeed, not the UN but the G20. It can mobilize as needed the various ministries of its member countries (e.g., finance, central banks, labour, trade, development, agriculture, health, etc.), and in that way it has the potential for deliberations of broad scope, as at the United Nations. The G20 also invites selected non-member countries and the staff of major international institutions, including the United Nations Secretariat and UN agencies, to participate in its substantive working groups, and some of them are asked to prepare reports for its deliberations.

In addition, the G20 has recognized the interest in its deliberations of selected groups of non-state actors, beginning in 2008 with the “B20,” a business advisory group, and the “L20,” representing workers’ organizations. Other groups, such as the “C20” (civil society) formed themselves, but were not always recognized by the rotating presidencies as “official” as opposed to “informal” engagement groups (Alexander and Löschmann. 2016). With the broadening of the G20 agenda, additional groups were recognized. Thus, Indonesia’s 2022 presidency of the G20 has recognized groups representing business, science, labour, parliaments, civil society, “thought” (academics), youth, women, urban concerns and supreme audit institutions (G20, 2022).

While thus open to hearing the views of other States, international institutions and groups of stakeholders, the G20 remains a private club of heads of state or government whose original objectives were more limited than they are today. The G20 had been created in 1999 as a forum for technical discussion by finance ministries and central banks. It usefully served as a pre-set answer to the question of which countries to invite to an emergency meeting of political leaders in Washington in November 2008 as the global financial system was collapsing (Jokela, 2011). Originally focused on the quick mobilization of huge amounts of financing to push back against the nascent “great recession,” which they were uniquely qualified to do, the group then turned to strengthening the regulation of the world’s major financial markets, which were located in some of their countries, in order to fix the suddenly apparent regulatory shortcomings.

Over time, the group gave itself a broader and broader mandate. In 2010 it added guiding the external financing of development when it created the development working group, which in 2016 was asked to coordinate and monitor G20 policies related to the 2030 Agenda for Sustainable Development. Additional initiatives and working groups were subsequently created, including the engagement groups noted above. Today, the G20 operates through two separate sets of intergovernmental discussions. Most central to world economic governance is the original “finance track,” now focused on economic, financial, monetary and tax issues, drawing on five working groups of its own and led by the G20 finance ministers and central bank governors. Second is the “sherpa” track, which negotiates the texts of the leaders’ communiqués, drawing on inputs from the finance track, eleven working groups, one “initiative” group on women’s empowerment and the aforementioned engagement groups. The scope of the work of the sherpa track can be appreciated from the list of its current working groups: agriculture, digital economy, education, employment, tourism, development, energy transition, environment and climate sustainability, trade and investment and industry, anti-corruption, health, and a joint task force with the finance track on finance and health (G20, 2022).

While the rationale of the G20 finance track can be appreciated, the G20 as a whole suffers a stark lack of the legitimacy that is conferred on treaty-based international organizations. Even at the IMF and the World Bank, all member countries are represented in the Executive Boards, albeit with different levels of participation. The G20 certainly differs from the United Nations and the WTO where each member country has one vote. Indeed, reacting to the expansion of the G20 into development issues, a group of non-G20 delegations at the UN formed the Global Governance Group (3G) in order to raise the voice of the smaller countries in global development policymaking that were being excluded in the G20 (Cooper and Momani, 2014). In part out of concerns raised by the 3G, the sherpa of the G20 presidency annually briefs the General Assembly on the G20’s deliberations, most recently in November 2021, following the

Rome summit (Singapore, 2021).

Neither the G20 information briefings for the General Assembly nor the participation of the UN Secretariat as an observer in G20 working groups can substitute for the open substantive consideration of policy matters by Member States at the UN. The G20 would inevitably play an important role in discussions leading to FfD4, as it is the caucus of the Governments of the most economically powerful countries in the world. Any consensus reached at an FfD meeting at the UN will perforce also be agreed by the G20. However, that consensus will be after more and more diverse voices are heard in debate, potentially addressing issues that might not be fully considered at the G20, where many of those voices are absent. The FfD process includes the opportunity for every UN Member State, even small countries, to contribute insights and proposals, as well as respond to proposals from non-state stakeholders who are invited to participate in its open meetings. International deliberations are always a mixture of open and closed discussions. In the economic and social area, the UN maximizes the open ones and extends the broadest invitation to join its dialogues.

FfD in the shadow of multiple UN summits

The Secretary-General has proposed in his *Our Common Agenda* report several high-level meetings that would vie for attention with an FfD summit. They begin with a sequence of biennial summits at the level of heads of state and government between the members of the G20 and ECOSOC, and including the Secretary-General and the heads of the international financial institutions "to work toward a more sustainable, inclusive and resilient global economy…and make fuller use of the follow-up to the intergovernmental process on financing for sustainable development" (UN, 2021c, p. 54). It is not clear at this moment how broad or deep Member State support is for this proposal or when the series of meetings would begin. It is also not clear what the function of the meeting would be, as each member of the G20 is already a member of the United Nations. When limited membership bodies participate in UN meeting, such as OECD, they may be accorded observer status and it is their secretariats that represent them. There is no permanent secretariat of the G20, but instead a rotating chairmanship, and there is already a practice that the sherpa of the chair of the G20 informs the General Assembly of its deliberations during its chairmanship, as noted above.

In addition, the Secretary-General has proposed two one-off summits, the first of which would "most appropriately be held in conjunction with the high-level week of the 78th session of the General Assembly," i.e., in September 2023 (UN, 2021c, p. 66). That meeting, called the "Summit of the Future," would focus on addressing challenges in reforming global governance to better deal with a range of issues, some of which have been addressed in FfD since Monterrey, notably under the rubric of "systemic issues." If the proposed Summit of the Future were instead to focus on strengthening the functioning of the UN and the multilateral system as a whole in global governance for peace and security, including in outer space as the Secretary-General proposed, the overlap would be lessened with sustainable development and its financing. In this way, the initiative might be seen as a successor to an initiative of an earlier Secretary-General who proposed adopting an "Agenda for Peace" (Boutros-Ghali, 1995), which was complemented by a separate "Agenda for Development (Boutros-Ghali, 1995a). The first led to discussions in the Security Council and the adoption of "An Agenda for Peace" in the General Assembly (resolutions 47/120 A and B, and 48/37 and 48/42). The second led to adoption of "An Agenda

for Development" in the General Assembly, the last paragraph of which anticipated FfD, saying, "Due consideration should be given to modalities for conducting an intergovernmental dialogue on the financing of development..." (resolution 51/240, para 287).

The other one-off proposed summit could complement a fourth FfD conference, namely the call for a World Social Summit in 2025 (UN, 2021c, pp. 29-30). That meeting would seek to update the 1995 Copenhagen Declaration on Social Development, "covering issues such as universal social protection floors, including universal health coverage, adequate housing, education for all and decent work." The Addis Agenda introduced the concept of a social compact and its financing into the FfD process (UN, 2015, para. 12), and discussions of the mobilization of domestic public resources and international cooperation in support of the social compact have periodically been features of FfD discussions, highlighted by the recurrent need to address emergencies such as the current pandemic. If the proposed social summit maintained the broad scope of the 1995 summit, such as in encouraging macroeconomic coordination and other policies for global full employment (UN, 1995), it could nicely complement FfD4. Nevertheless, although FfD4 in 2025 might be opportune, more time might be needed to arrive at an appropriate FfD policy package. Member States could thus decide as 2025 approached whether the time was yet ripe for holding the FfD conference.

That said, the problems that the world is facing do not allow the luxury of despondency. The challenges are perilous and well known. They were reflected at the beginning of this year in the World Economic Forum's survey of its network of academic, business, government, civil society and "thought" leaders. The risks that their network thought would become "critical threats to the world" in the next zero to two years included extreme weather, livelihood crises, climate action failures, social cohesion erosion, infectious diseases, mental health deterioration, cybersecurity failure, debt crises, digital inequality, and the bursting of asset bubbles (World Economic Forum, 2022, p. 25). They did not foresee war in Europe and its global consequences for food and energy insecurity.

Indeed, the end of the Covid-19 pandemic is still not on the horizon, especially in those developing countries where most people remain largely unprotected, and while increasingly horrific weather events take place more frequently around the world. Meanwhile, the goals of the sustainable development agenda seem to slip further and further out of reach. And while the wealth of the ten richest men doubled between March 2020 and November 2021, the incomes of 99 per cent of the world declined (Oxfam, 2022). This is not politically, let alone socially, sustainable.

The United Nations can help address these challenges by once again mobilizing its FfD partners in the finance, foreign affairs, development and trade ministries of its Member States, along with all the relevant international institutions and other stakeholders to begin discussions at working level towards an adequate policy package that could be strongly supported politically and formally adopted at a new FfD conference. While it may be hard at this moment to imagine the global enthusiasm necessary for an FfD conference, it will come. It has to come.

Policy issues for a new FfD conference

The "spirit of Monterrey" arose not only because progress was made in intergovernmental discussions of important policies in global development, but also owing to the willingness of Member States to address issues in which the UN had heretofore not been a substantive policy forum, notably on "systemic" issues involving the "coherence and consistency of the international monetary, financial and trading system" (for example, see UN, 2022, chapter III.F). The Addis conference added additional global policy matters regarding innovation and capacity building in science and technology (UN, 2015, action area II.G), aligning FfD more with the Sustainable Development Agenda (UN, 2015a). Delegations will need to forge agreement on what to seek to address in preparations for FfD4. Some of the areas warranting policy improvements might be amenable to agreement arising from within a UN discussion, per se, while in other cases FfD4 might provide a political signal that a nascent policy advance was within reach in another international forum, such as in the governing structures of the Bretton Woods institutions or the WTO. Yet other concerns might be addressed through political commitment to principles and practices that assembled nations at the UN might hold up as good practice in order to encourage individual governments to adopt as their own. Without attempting to cover all topics, the following discussion suggests issues that might be made foci of attention. It is wholly a personal set of proposals.

International financial cooperation in responding to catastrophes

The most salient global challenge today is to respond more successfully to multi-country emergencies. There is little controversy that the world's response to the Covid-19 pandemic has been underfunded as regards efforts to assist developing countries to confront their public health and economic counter-crisis needs (UN, 2022). Initiatives were adopted to ease debt-servicing burdens and emergency loans were readily extended by the IMF, the World Bank, and the other international financial institutions (IFIs). A major initiative was the allocation of US$650 billion worth of special drawing rights (SDRs) at the IMF, discussed below. However, as a new FfD conference would not take place until the current crisis is hopefully history, the policy focus as regards financing for emergencies should be on how to prepare international cooperation better for the next crisis.

Temporary external debt relief

For governments to respond adequately to emergencies like the current pandemic, they have to be able to adequately expand their "fiscal space" for additional public spending. The higher income countries were able to do so in 2020-2021 through immense increases in public borrowing. Developing countries had far fewer options as they typically already carried heavy sovereign debt loads, faced small domestic financial markets, expensive terms for foreign borrowing, received modest offers of international assistance, and thus faced hard budget constraints. To a limited degree, governments can free up fiscal space by postponing budgeted activities. Deferred maintenance and postponed investment are frequent approaches, albeit ones with potentially high cost if the delay is prolonged. Cutting social spending and shedding public-sector workers would be self-defeating, which does not mean they are not done. In addition, tax revenues plummet as economic activity is curtailed by the crisis. The one expenditure that could be reduced with the least immediate domestic harm is paying debt servicing falling due on

external sovereign obligations.

Developing country governments cannot unilaterally postpone debt servicing without triggering what is known on Wall Street as a "credit event" and a debt crisis, most likely including the loss of access to any further market funds. In recognition of this reality in the current pandemic, the G20 and the Paris Club of government creditors offered to postpone debt servicing falling due during 2020 and 2021 on sovereign obligations that a list of low-income countries owed to them, while they and other official lenders provided new loans. The G20 also invited private creditors and multilateral institutions to similarly offer to "reprofile" their claims on low-income country governments (G20, 2020). Only the IMF responded in this spirit, even going a step further by forgiving rather than postponing the repayment obligations as they fell due, albeit for a small group of countries. In all, IMF forgave US$851 million worth of debt servicing in 2020-2021 (IMF, 2022).

The speed with which the G20 acted on its debt relief programme was laudable, deciding on the policy by April 2020 after the depth of the crisis only began to be appreciated in February. However, it was an ad hoc policy measure and only open to the approved list of countries. Also, neither bondholders nor international development banks joined the initiative. A better approach for the next crisis would be to put a clause into a wide variety of bond and loan contracts that would specify a trigger mechanism to automatically postpone debt servicing for specified periods when crises of named types occurred. Decisions of more permanent relief could be taken later on a case-by-case basis as needed (see below). Examples of such financial instruments exist in the private sector, but the approach could well be generalized (Herman, 2022).

That is, a working group on sovereign debt could be organized as part of the discussions that could lead to FfD4. Among its concerns might be investigating concrete proposals to standardize this type of "state-contingent" debt. It could invite and discuss financial industry proposals for term sheets and standard contract clauses, with a view to urging multilateral and bilateral lenders, as well as the private sector, to include such terms in their loan agreements. The multi-stakeholder nature of FfD discussions provide an appropriate forum at which the different classes of creditors, Member States and civil society could work toward a working consensus.

Emergency official assistance

Postponing debt servicing may potentially be the quickest way to increase fiscal space in developing countries in emergency situations (depending on when payments fall due), but additional cash from foreign sources is usually also required for an adequate response. Large amounts of international official funds were indeed mobilized to fight the pandemic, including donor cash contributions for purchase of vaccines and personal protective equipment, and delivery to developing countries. In addition, a substantial volume of multilateral loans was extended to developing countries to help them pay for enlarged outlays in the health sector and for expanded social protection cash transfers and food aid to help counter the loss of jobs and income owing to the crisis. Nevertheless, this was not enough. By January 2022, COVAX, the international vaccines facility, reported it could not accept new vaccine doses for distribution because it was short about US$5.2 billion needed to deliver the vaccines (Financial Times, 2022). Moreover, most of the official financial support provided to individual countries was in the form of loans, albeit interest free in the case of IMF loans for low-income countries and there

were some grants by the World Bank for the poorest countries. Nevertheless, all the loans were repayable, adding to already high national debt burdens in many cases.

Addressing humanitarian crises is usually considered a separate category of international solidarity, but it is one that also must be noted. In these cases, the United Nations usually estimates financial needs in individual countries and then convenes a donors' meeting to collect voluntary pledges of support. In 2020, the number of UN humanitarian appeals rose to 55, compared to 36 in 2019, but the assistance "flatlined" for the second consecutive year, meeting only 52 per cent of the UN-coordinated appeals (Development Initiatives, 2021). Much of the need was independent of the pandemic; indeed, pandemic responses drew resources away from other requirements in a number of cases. Nevertheless, these crises cry out for support.

Adding together total bilateral donor assistance, donor flows to multilateral institutions and bilateral debt relief, the volume of official development assistance rose only 3.5 per cent in 2020 in dollars of constant purchasing power (OECD, 2021). While donors differed in their size and timing of their responses, the uncertain nature of bilateral assistance flags how unsatisfying it is as the primary mechanism for addressing international emergencies. Individual donor country responses may be slow, or countries may assume others will take the initiative to address international public health, economic and humanitarian crises, leaving open the possibility of a moral and political failure of international cooperation. Indeed, the donor community largely looked to the multilateral institutions to provide the crisis funding rather than boost their own assistance budgets.

One complication is that most ODA and IFI lending is for specific projects or programmes and thus there are limited abilities—although there are some—to quickly expand or redirect assistance to meet emergency needs out of existing budgets and programmes. The IMF is best situated to expand assistance for emergencies, as the funds it provides are unrestricted balance-of-payments support that governments can use to boost crisis spending. Indeed, the IMF provided US$171 billion to developing countries in 2020-2021 in quick-disbursing loans with minimal policy conditions required to receive the funds (IMF, 2022). Continuing assistance will be provided through more traditional loans that will be conditioned on adoption of macroeconomic adjustment programmes as the crisis eases.

It is clear that IMF financing can be expanded substantially, quickly and without undue policy constraints on the borrowing countries, but that still adds to borrower debt levels. Also, unlike usual sovereign borrowing to finance investment that increases the debtor nation's capacity to repay, these loans are for what is denoted by dour economists as "consumption smoothing;" that is, countries borrow now during the downturn to repay later when the economy has recovered. While FfD4 would undoubtedly call for more and more sustainable financial cooperation in emergencies, that in itself is unlikely to change behaviour. Happily, there is an international non-debt creating alternative.

Special drawing rights

The lesson that one draws from the preceding is that emergency international assistance is a necessary category of international cooperation, but that the main channels for its provision are unreliable voluntary national donations and/or debt-creating loans, mainly from multilateral

institutions. Issuance of special drawing rights (SDRs) offers another source of assistance.

SDRs are assets created by the IMF and allocated to its member countries. They can exchange SDRs for hard currencies and spend them for essential imports or hold them as buffers against exchange-rate instabilities. SDRs were created in the late 1960s to fit the need of a different monetary era. However, the only occasions in which issuance of SDRs has been seriously considered in the current century were to help address a different sort of global crisis than had originally been envisaged (Herman, 2020a).

SDRs are attractive assets in that if a country converts SDRs that it holds into foreign exchange, it never has to convert them back. Whenever a country holds less than its accumulated allocation of SDRs, there is an interest charge on the amount of the shortfall (or interest is received on a surplus), although the interest rate is extremely low (0.22 per cent per year as of 24 February 2022). Nevertheless, there are two shortcomings in the SDR under current IMF legislation. To issue new SDRs, the IMF must find that there is a long-term global shortage of official reserve assets, and those SDRs are allocated to countries in proportion to their "quotas" (borrowing access) in the IMF, itself primarily a function of the economic size of countries. Thus, the SDRs cannot in principle be allocated to meet funding needs for a short-term disaster, and the countries that need them the least receive most of them.

The fact that US$650 billion worth of SDRs were issued in 2021 indicates that the first condition can be finessed as long as the IMF Executive Board remains flexible. The world is currently struggling with the outcome of the second condition, as the international community is putting itself through complex contortions to allow countries with large excess holdings of SDRs to channel some of them back to IMF and possibly to international development banks for support of developing countries (Andrews, Hicklin and Plant, 2021; Hicklin, 2021). One can also envisage high-income countries using surplus SDRs—or more simply, other reserves now in surplus owing to the SDR windfall—to fill a trust fund at individual IFIs to pay the debt servicing falling due to them by eligible countries during emergencies, drawing on the model of the Catastrophe Containment and Relief Trust at the IMF (Herman, 2020).

One may envisage, however, a change in the SDR to make it a source of emergency liquidity to help address certain types of crises affecting some minimum number or proportion of member countries. The decision to allocate additional SDRs would still be made by the IMF Board of Governors on the finding of total need and allocated to countries as per a revised measure of country need. Once agreement is reached, an SDR allocation could be made quickly; for example, the most recent decision was agreed on 2 August 2021 and the SDRs were allocated on 23 August (IMF, 2021a). One may even imagine SDRs no longer being conceived as exclusively a "reserve asset," thus giving recipients more flexibility in how to use them and giving countries already holding SDRs well beyond any realistic need the ability to transfer those idle resources to an appropriate use.

Adopting any of these proposals would require amending the IMF's Articles of Agreement, a major undertaking, although one successfully completed seven times already. This is not something that can be decided in an FfD context at the UN, but it is something that an FfD discussion in a working group preparing for FfD4 could flesh out, possibly leading to a proposal around which political support might be mobilized and at which FfD4 could invite the IMF to

consider adopting.

Mobilizing for "multicoloured" recovery

Professor Jayati Ghosh recently coined the term "multicoloured new deal" (Ghosh, 2020). She argues that governments should concentrate on economic policies that privilege economic activity that is simultaneously green (environmentally sound), blue (preserving the earth's bodies of water, while assuring clean water for households), purple (structurally improving the "care economy", including appropriately compensating care workers and providing for adequate skills enhancement) and red (redistributing income away from the appallingly rich to provide the rest of the economy with better access to nutritious food, essential public services, and employment opportunities). The Addis Agenda and the SDGs are at least implicitly "multicoloured" in this sense. The challenge is to deliver adequately on these priorities. To begin with, this requires a well-functioning government, adequately financed by a fair revenue system and committed to a socially and environmentally sustainable path of development.

Strengthening implementation capacity

The experience under the Covid-19 pandemic underlines how much states need effective and honest governments that the population trusts to provide essential public services adequately and efficiently, as well as arrange public investments that maintain and expand infrastructure and other long-term investments needed for sustainable development. Failing this, citizens lose confidence in their governments.

When trust is lost, citizens are less likely to pay their fair share of taxes, are less likely to invest in their home economy, and are more likely to look for foreign locations to hold or hide their wealth. In addition, without trust in the government, citizens in the informal sector who could join the formal economy are more likely to remain outside it, give up access to often poor-quality public services and avoid paying taxes. For Member States to discuss these issues at the UN would be for many of them like "washing their dirty linen in public." However, governments do seek reform and there is thus something here to discuss at the UN.

The international community has devised a rich portfolio of public administration tools to assist States that seek to bring about more effective, efficient and fair government. They include integrated national financing frameworks (INFFs) for planning and policymaking with respect to flows of domestic and international, public and private financing for development (UNDP, 2021). They also include the widely used medium-term expenditure frameworks for government planning and budgeting (World Bank, 2013) and the medium-term revenue frameworks more recently introduced by the Platform for Collaboration on Tax (PCT), a secretariat-level initiative of the IMF, the OECD, the United Nations and the World Bank (PCT, 2017), in which about 25 countries were engaged as of 2021 (PCT, 2021). Additional tools have been created by the UN system, other international organizations and civil society, including gender-responsive budgeting (see Oxfam, 2018), fiscal incidence analysis, which measures the net impact of tax and expenditure policies on poverty and income distribution (Inchauste and Lustig, 2017), sovereign debt transparency (World Bank, 2021b), and public financial management and its associated Public Expenditure and Financial Accountability (PEFA) programme (PEFA, 2020).

An FfD working group on coherence of the tools for effective policy making and public administration can be a unique opportunity for countries, institutions and civil society stakeholders to jointly take stock of these initiatives and make recommendations to their different institutional homes to assure they are adequate, appropriate, mutually consistent and available to all countries that wish to make use of them. These tools are ostensibly technical in nature, but they are at the same time deeply political, as they affect the basic functioning of government. They thus warrant discussion in a forum that could address political sensitivities to assessing the design and use of the tools.

Social protection

One particular area of national policy whose importance has been underlined by the pandemic is government ability to provide an adequate floor of social protection, which is to say public transfers in cash or kind (e.g., food, housing) for basic income security and access to essential health care for all in need at all stages of the life cycle (ILO, 2012). Governments have agreed that they have a human rights obligation to provide adequate social protection to their populations (formally, the right is to "social security"). However, the limits of fiscal resources and administrative capacity in many States have also been recognized. It was thus expected that many governments would have to progressively realize over time their obligations to deliver on these rights (UN, 1966, Article 2.1). The Addis Agenda sought to help countries advance toward that goal in announcing a new social compact that included the provision of "fiscally sustainable and nationally appropriate social protection systems and measures for all, including floors" (UN, 2015, para.12).

During the current pandemic, the world discovered that "shock-responsive" social protection systems are not only warranted for human rights reasons, but they also provide semi-automatic mechanisms through which to counter the domestic impact of global catastrophes. This applies not only to replacing some of the income that families lost during the catastrophe and thus moderating the aggregate economic decline, but also in delivering the public health services essential to combat the pandemic and stem the international transmission of disease (ILO, 2021). It is thus in the global interest that all countries now have effective social protection systems. Member States already committed in the Addis Agenda to provide strong international support for country efforts to strengthen their social protection systems (UN, 2015, para. 12). But have they?

The international community has raised the saliency of assuring sufficient support for social protection and social spending, including through the adoption by the IMF of a new institutional view on social spending (IMF, 2019). In a review of recent IMF advice and policy conditions for loans, staff of the International Labour Organization (ILO) found that "IMF has supported increased expenditure on health care and cash transfer programmes, often on a temporary basis, even when it meant [a] higher fiscal deficit and public debt. However, [their report] also finds that the IMF has supported fiscal consolidation and reduction of public debt even more frequently, in 129 of the 148 reports examined" (Razavi, 2021).

It seems that as further experience accumulates with country programmes at the IMF, as well as at the World Bank and other IFIs, it would be important that the international community give further guidance, first on protecting social protection during inevitable periods of

macroeconomic adjustment, but also to adequately grow spending on social protection and other social services in line with existing commitments, such as the SDGs. Discussions on financing social protection among national finance officials, international financial institutions, the UN family and civil society could build on national experiences. Such a discussion seems well designed for an FfD discourse, one that could inform and be informed by preparations for the proposed social summit, noted earlier, that the Secretary-General has proposed for 2025.

A working group preparing for FfD4 could thus take stock of national efforts and international initiatives on financing social protection in light of the experience during the pandemic and aim to build to a political commitment to intensify efforts, not only to ease the normal risks to life during the life cycle, but also to prepare bettor to be able to suddenly expand social protection in response to new catastrophes. Such a working group could assess the state of international cooperation and agree to means to increase international assistance, whether that be through a new international social protection fund, as recently proposed by the UN Special Rapporteur on Extreme Poverty and Human Rights (De Schutter, 2021), or an expansion of the window for support of social protection floors of the Joint SDG Fund (ILO, 2018), or other mechanisms.

Sources of public revenue

It is clear that effective government requires revenue systems that are successful in raising revenues, efficient in holding down administrative cost, and are perceived as equitable by the majority of taxpayers. In practice, especially in low-income countries, there is usually a tension in the taxation of households between adopting more costly to administer yet more fair "progressive" income taxes that have increasing marginal tax rates on higher and higher incomes, versus administratively more efficient but unfair sales or value-added taxes (VATs), in which the rich and poor pay the same tax on the same purchase. There is also frequently a tension in company taxation between collecting a fair payment that contributes toward the infrastructure, education and health of workers, which benefit companies as well as society at large, and offering tax breaks to companies to locate or remain in their local tax jurisdiction. In addition, companies that operate across borders face numerous tax complications (discussed in a later section).

While the pros and cons of various issues in domestic taxation are much debated, there is an increasingly accepted view that many developing countries can and should increase their overall tax effort. The IMF has promoted a view that countries that collect tax revenues equivalent to at least 15 per cent of gross domestic product experience higher economic growth, in part reflecting higher social spending (Coady. 2018). While it is unlikely that countries would agree to an explicit international target for tax effort or for social spending, as budget issues are the essence of sovereign responsibilities, there may be opportunities to help countries raise their public revenues through intensified international cooperation.

In particular, there has been a great deal of international discussion—albeit limited action—on curtailing "illicit financial flows," especially those drained from developing country public finances. Clearly there is need to boost international cooperation to stem those flows, especially outright illegal flows, and to promptly recover stolen public assets. The General Assembly adopted a detailed resolution to that effect in December 2021 (A/RES/76/196), following adoption of the political declaration to prevent and combat corruption, including through

strengthened international cooperation (A/RES/S-32/1, Annex). The challenge is to deliver on those commitments.

Governments and international institutions are also in dialogue with civil society on anti-corruption, such as in the support offered by the UN Office on Drugs and Crime (UN, 2020), by the World Bank's follow up when there are charges of corruption involving its projects (World Bank, 2021), and by the advocacy of 97 civil society organizations on how the IMF should monitor corruption in the use of its loans (Human Rights Watch, 2020).

And yet, is there any indication of reduced illicit financial flows and corruption of the public interest? What seems necessary is more public evidence of corrective action, both through restricting the operations of enterprises that engage in the illicit transfer and hiding of funds, and by bringing more cases to judicial review and punishments severe enough to discourage the practices. Greater and sustained enforcement actions against illicit flows and corruption could yield a further benefit if they help delegitimize such behaviours, which are now largely tolerated and from which some economic sectors benefit.

Policies to support this approach include giving civil society and the press sufficient space to bring instances of illicit or corrupt behaviour to light, and through practices of maximum transparency, including on beneficial ownership of companies, on sovereign debt obligations, and on shared information on corporate tax payments to different national jurisdictions. An FfD working group bringing together engaged legal and financial authorities with civil society, legal and business organizations might not only share experiences and lessons learned but also build momentum toward support at the highest political levels. Words included in an FfD4 agreed text could be supportive, but even more so would be agreement on a sustained follow-up public information campaign to fight illicit flows, including "naming and shaming" that imposes "reputational harm" on enabling enterprises that have not themselves broken laws. Delegitimizing illicit and corrupt finance requires "show me, don't tell me."

Financing sustainable capital formation

Carrying out the sustainable development agenda has required seeking to align the world's for-profit and non-profit investment with the environmental, social and economic development goals. It also has required adding vast new investments that would not have materialized in a "business as usual" world, requiring mobilization of such large amounts of additional financing that the total private funds involved would increase "from billions to trillions" of US dollars (Development Committee, 2015). As of 2022, it seems the optimism in that phrase was unwarranted, and that private investment has yet to align well with the SDGs.

While "investment" is a term with many meanings, the most important one for sustainable development is "capital formation," what economists call fixed investment, beginning with structures, plant and equipment, but also "intangibles" that add value to enterprises (research capacity, patents, marketing, logistical systems, computer software, management effectiveness). According to the Sustainable Development Agenda, all such capital formation should be "sustainable." And yet, the world is still far from prioritizing sustainable capital formation.

Most capital formation is undertaken by profit-seeking firms of all sizes in their domestic

market, which they finance with increased equity (including their own retained earnings) or debt. A small portion of it is carried out across borders as foreign direct investment (FDI). Some of the capital formation by larger firms in one country may be financed by creditors or purchasers of newly issued equity shares in another country. Another share of the world's capital formation is undertaken on a not-for-profit basis by governments, principally for infrastructure, and for the government's own buildings and equipment, or by non-state associations, such as universities or hospitals in some countries. Governments and non-profits may finance the investment through their budgets or more commonly for large projects by issuing debt securities on capital markets or borrowing from financial institutions. All need to make their investment sustainable.

Aligning private investment with the SDGs

A principal approach to aligning for-profit capital formation with sustainability has been to ask management to inform the owners of the equity shares and bonds of the firms about the environmental and social impact of their firms and the quality of their corporate governance (ESG). The effort is meant to encourage the leaders of companies to accept responsibility to care for the planet and for people, and thus to value attaining high scores for their firms on ESG indicators.

There is also a theory that high-ESG firms will be more profitable in the long run, and so purchasers of their equity shares should be rewarded with more rapidly rising share value, but this is far from proven. It appears that one reason that high-ESG firms have been found historically to perform better than low-ESG firms is that many of the former are in the high-tech sector that has led the growth over recent decades in profit and equity share performance. The low-ESG firms are more likely in the extractive sector (Pucker, 2021). For ESG reporting to have a positive environmental and social impact, it needs to discourage investing in the low-ESG firms in *each* industry.

Whether investors make more or less money from high ESG firms, the demand to hold such securities has grown strongly, and an ESG-informed sector of the global financial industry has arisen to service that demand. While most asset managers respond to that demand by purchasing the shares of high-ESG firms for the portfolios they manage, some asset managers also file shareholder resolutions promoting ESG-aligned activity in corporations they hold. Taken together, the class of "ESG-mandated" assets under management has grown to an estimated US$46 trillion in 2021 in the world as a whole, or almost 40 per cent of all assets under management (Deloitte, 2022).

While investor interest in ESG investing is clear, it is not clear what the investors are getting, as a high ESG score can mean many things, especially self-reported measures. "Green washing" is a term well understood in the ESG community. Indeed, at the end of 2021, Morningstar, a well-respected financial markets research firm, removed 1,200 firms, worth US$1.4 trillion, from its list of European sustainable investment firms, based on finding inappropriate ambiguities in their filings under European ESG disclosure rules (Quinio, 2022).

Despite these ambiguities, the ESG movement has been useful in highlighting certain common accounting practices that should be eschewed, in particular as regards the environmental impact of extractive industries. That is, coal and petroleum producing firms have been accused of

misrepresenting their financial performance by overvaluing their coal and oil reserves in the ground, ignoring the prospective fall in the future demand for their environmentally harmful products. Such accounting practices pose an unnecessary risk to financial systems and have thus become a focus of financial regulatory policy, as banks that lend to such firms might be taking on more credit risk than they would have otherwise taken had the firms reported more appropriate valuations (TCFD, 2017).

The concern of financial regulators in correctly accounting for risks pertains to more than publicly traded corporations. It encompasses the environmental and social impact of small and medium-sized firms that borrow from banks and other regulated financial institutions as well as large firms. In fact, the international community of bank regulators is interested in ESG indicators. However, when the Irving Fisher Committee (IFC) on Central Bank Statistics at the Bank for International Settlements recently surveyed the state of ESG reporting in 28 developed and 31 emerging economy countries, it found almost 80 ESG metrics created by official and unofficial sources, mostly on environmental impact, that central banks found of particular relevance (IFC, 2021). This seems to point to a systemic need for more robust and harmonized ESG measures and more informative corporate accounting. Regulatory changes to take account of this would likely help reduce vulnerability of financial systems by requiring larger reserve buffers of lending banks, causing them to pass on the cost by increasing the financing cost of low-ESG firms.

Nevertheless, the potential impact of ESG financial regulations on actual environmental and social trends remains unclear. We may expect that many low-ESG firms will remain profitable enough to accept the higher borrowing cost and that the positive impact on ESG would only be at the margin. Thus, while both institutional and household wealth holders may instruct their asset managers to avoid companies with poor ESG scores, it seems there are enough socially and environmentally indifferent wealth holders in the world to continue to finance all companies, including those with the worst ESG scores.

The main benefit of the ESG movement seems to be in raising public awareness of ESG issues. This may help focus people and their legislators on the need for more effective approaches, including policy-based incentives to encourage high-ESG investment, and disincentives, including mandatory and legal restrictions, as opposed to the assumption that public information about voluntary reporting on corporate social and environmental responsibility is adequate to align investment with the SDGs. That said, if ESG reporting becomes required and reliable, then governments will be better able to use ESG impact reports in their regulatory efforts. A working group preparing for FfD4 might encourage deeper thinking about how in fact to align private investment with the SDGs.

Private funds for public investment

It is appropriate and typical that much capital formation in the public sector is financed by long-term borrowing from financial institutions or by purchasers of public sector bond issues. In this way, the beneficiaries of the investment—for example, of urban light rail systems, public housing, postal systems, hospitals and schools—pay over time for the project, providing at the same time an income stream over time for the lenders. Many loans for long-term projects will entail mandatory sovereign repayment obligations, including loans given by the international

development banks and loans taken by sub-national public or private entities that are guaranteed by the national government. Other loans or securities will only promise debt servicing out of the revenues of the prospective project (non-recourse financing), while yet others will entail a mixture of borrower obligations (limited-recourse financing). These are all standard mechanisms for the private financing of public investment, whether organized by financial institutions (project financing) or financial markets (debt securities). Many additional options have been developed to expand the ways that private resources may finance public investment. Some of them have been and will remain controversial.

Least controversial has been the issuance of “green” or “social” or “sustainability” bonds. S&P Global Ratings projects that over US$1.5 trillion of such bonds will be issued in 2022 (S&P Global, 2022). While this would represent a 50 per cent increase over the bonds issued in 2021 and more than double the volume of bonds issued in 2020, they would still account for only about 17 per cent of global bond issuance.

There are basically two types of such bonds. “Use of proceeds” bonds specify the green or social (or combined) benefit of the project that the proceeds will finance. “Sustainability-linked” bonds provide unrestricted funds to the issuer who specifies an environmental or social target it intends to achieve by a specified date. In the latter case, the bondholder receives a financial reward or awards a financial benefit to the borrower if the target is met. Green bonds are the dominant type, especially for funding green infrastructure and renewable energy, especially in Europe and the United States. As the market develops, more developing country issuance should be expected and for additional purposes. Indeed, on 16 November 2021, UN Women, the International Finance Corporation of the World Bank (IFC) and the International Capital Markets Association (ICMA) launched a guide on how both types of sustainable bonds could support finance strategies and projects that advance gender equality (UN Women, IFC and ICMA, 2021).

The more controversial means for arranging private financing of public investment generally involve instances in which a for-profit partner operates the created public investment. It has been said that not all governments—in developed as well as developing countries—have the capacity or ambition to operate all their public investments and thus some will contract with for-profit entities to manage some of them. A traditional arrangement in this regard is the “build-operate-transfer” (BOT) structure, in which a private firm agrees to build and operate a public project for a defined long period (e.g., 20 years), after which the built facility reverts to the public contracting entity. The private operator expects to profit from the arrangement, as by negotiating with the government profitable prices, as in electricity and potable water projects. The public oversight authority expects to regulate operations to protect the public interest through the life of the project. In some cases, the private operator provides the funding as well as operates the project, known as “build-own-operate-transfer” (BOOT). As may be imagined, these are only two examples of a large variety of ways to combine public and private financing with public and private responsibility for project operations, collectively called “public-private-partnerships (PPPs).

One concern with PPPs is that governments need the technical capacity to ensure that the partnership operates in the public interest, which has not always been the case. In addition, funding by the private partner in a PPP may well be kept outside the budgetary accounts of the government, even when there is formal or informal government guarantee of those funds. In this

regard, PPPs can be the enemy of transparency in government debt statistics.

Participants in FfD meetings have advocated for (and against) PPPs since the earliest years of FfD. Although more commonly seen as a way to promote hard infrastructure investment, they have also been advocated as ways to provide basic education, health, and clean water and sanitation (World Economic Forum, 2005). Programmes to promote and oversee PPPs in the public interest have been featured by the World Bank and other IFIs, and by major donor countries. PPPs have also been roundly criticized by civil society organizations, public interest foundations and prominent academics, such as Public Services International (Hall, 2014), the Heinrich Böll Stiftung (Eurodad, 2018) and Professor Ricardo Hausmann (2018). Perhaps more telling, both the number and value of such projects has stagnated since their peaks in 2012, not even counting their decline during the pandemic (World Bank, 2021a).

It light of the mixed experience, governments have been thinking more about the alternative of strengthening their public systems and devising other modalities for drawing on private sector expertise and finance. Innovations for more effective, efficient, reliable and fair modalities for arranging private financing for public investment are warranted. Considerations that emphasize mobilization of private funding have been a focus of discussion within the G20 since 2014 (Global Infrastructure Hub, 2022). Broader stakeholder consideration under the FfD umbrella, as envisaged in the Addis Agenda's "global infrastructure forum" (UN, 2015, para 14), remain warranted and could be reinvigorated through a multistakeholder preparatory process for FfD4.

Official funds for capital formation

In the early decades after the second world war, before the reconstitution of international banking and international financial markets, inter-official flows and FDI served the macroeconomic function of raising overall investment in developing economies beyond what could be paid for out of domestic saving. In other words, official flows were especially important components of the net transfer of financial resources to developing countries, for example, accounting for 60 per cent of the net transfer during 1950-1959 of the 31 developing countries for which data were available to the UN at that time (UN, 1961). Foreign official loans and grants thus served as an important supplement to domestic saving for the overall financing of investment. Today, except for the poorest countries and during periods of difficulty that IMF lending seeks to ameliorate, private—not official—international flows serve the macroeconomic function of filling in the difference between overall national savings and investment. Indeed, in many cases and typically in times of economic stress when private finance flees developing countries for safe havens, the net transfer is out of the country, reducing the volume of domestic savings that can be applied to domestic investment.

While there are unresolved controversies on how to manage the net transfer of financial resources through flows of private capital in and out of developing countries (Erten, Korinek and Ocampo, 2021), authorities these days mainly look for the solution elsewhere than countervailing official international finance. Instead, official international finance mainly serves a "microeconomic" or sectoral function, focused on building capacity in specific economic sectors or geographical locations. Nevertheless, adequate flows of official international finance remain essential for sustainable development, including support for recurrent expenditures as such food aid or unrestricted budget support, but mostly to support public capital formation in developing

countries.

The international development community has focused most attention on the level and use of one part of inter-official flows, namely official development assistance. International support has been voiced without a pause since the 1970s for striving to reach the international goal of providing ODA equivalent to 0.7 per cent of donor gross national income, albeit updating what is counted as aid and how it is counted (OECD, 2022). Nevertheless, the traditional donor countries, which meet together as the Development Assistance Committee (DAC) of the OECD, have not met half that goal since the early 1980s, including most recently in 2021, although five European countries met the target indicating that it is indeed achievable (OECD, 2022a).

However in recent decades, additional governments have become aid donors and there are multiple other official financial flows, some of which are also relevant to development, both concessional and non-concessional. Indeed, one of the controversies addressed and not fully resolved in the Addis Ababa Action Agenda was how to construct and whether to monitor a broader measure of the "total official support for sustainable development" (TOSSD) as a prominent indicator of official cooperation for sustainable development (UN, 2015, para 55).

There is an important political point in TOSSD. Since its founding in 1945, the World Bank has been making loans for development at semi-commercial interest rates but with longer maturities than generally available from other sources. This is clearly "FfD." The funds that are lent are not contributed by donor governments, but are raised through World Bank bond issues sold to the international private sector. However, the States that are members of the Bank contribute the paid-in equity and the callable capital of the institution (if necessary), which thus provides the effective guarantee that the bonds have very low risk of non-payment. Those equity contributions are thus also, if indirectly, FfD. Moreover, in 1960, the member governments of the Bank created the International Development Association (IDA) which offers loans and some grants that are highly concessional and do qualify as ODA. Today the World Bank thus offers non-ODA financing, ODA financing, and for some countries a blend of ODA and non-ODA financing. What is true for the World Bank is true for each of the other international development banks. All of this is clearly "FfD."

Nevertheless, when the OECD began promoting TOSSD as a second measure of development cooperation alongside ODA, many observers saw it as a way to distract political attention from the shortfall in DAC provision of ODA relative to the UN target (e.g., Oxfam et al., 2021). Moreover, some of the items that OECD proposed including in TOSSD were controversial, such as export credits that had a primary commercial intent even if supportive of FfD, and private financing mobilized in cooperation with public financing (OECD, 2015). Was TOSSD sincere or an attempt to make the amount of cooperation seem larger than perhaps it was? In response to the criticism, OECD convened a task force in 2017 drawn from donor governments, developing countries, and multilateral institutions to further develop the concept, determine how to measure and monitor its performance, and foster its adoption (TOSSD, 2021).

Meanwhile, when the UN Statistical Commission selected the set of official indicators to monitor financial cooperation toward achieving each of the SDGs, it largely excluded the non-ODA bilateral flows that are part of TOSSD (UN, 2021), with the explicit exception only of support for the agricultural sector (indicator 2.a.2) and infrastructure (indicator 9.a.1), and implicitly in

monitoring the developed country commitment to mobilize US$100 billion per year for climate finance (13.a.1).

More recently, however, some components of TOSSD entered into an additional UN indicator. That is, the UN Statistical Commission has been working toward a more precise measure of progress toward SDG target 17.3, "Mobilize additional financial resources for developing countries from multiple sources" and this new work builds on the work on TOSSD. The original indicator for target 17.3 had included FDI, ODA and South-South cooperation. The Statistical Commission recently agreed to accept the recommendation of its Inter-Agency and Expert Group on Sustainable Development Goal Indicators and has thus broadened the indicator to include the gross receipts by developing countries of official sustainable development grants, private grants, concessional and non-concessional official sustainable development loans, FDI, and on an experimental basis mobilized private finance (UN, 2021a, para. 37).

The Statistical Commission still needed to decide what to include as official sustainable development loans, as loans can be for a variety of purposes. Criteria for inclusion of an official financial flow as supporting sustainable development were thus recommended (UN, 2021a, Annex II). The criteria draw on but differ from those defining TOSSD. They will henceforth apply to those flows originating in developing countries (South-South) as well as developed ones. The Commission welcomed the new measure as an initial conceptual framework for South-South cooperation and requested further work on it, including for global reporting (UN, 2022b). The Statistical Commission will review the full new indicator in 2025.

There is less controversy about measuring the development contribution of the international development banks per se, although there is good reason for also taking stock of their collective impact on ESG issues. Informed observers indeed wish that the managements of the IFIs sought more assiduous prioritizing of the agreed goals of the international development strategy, aligned their lending better with the need to reduce global carbon emissions, took greater account of the voices of people directly impacted by funded investment projects, and better coordinated their programmes and financing (recent examples of a vast literature on these topics include Eurodad, 2021 and Lee and Aboneaaj, 2021). Addressing these and other concerns in a working group preparing for FfD4 could lead to commitments that would strengthen the contribution of official financial cooperation to sustainable development.

Debt relief for public investment

There is a variation on the "sustainability" or "green" bonds that is receiving increased international attention lately. It inverts the bond contract. Instead of extending finance for a socially or environmentally approved project, this innovation cancels obligations of the borrower in exchange for its commitment to use the saved debt servicing for an approved project. Such "debt swaps" have been used since the 1980s to re-channel debt-servicing payments of developing country governments into approved development projects. These swaps often involve monies owed to bilateral official creditors, but also swaps of privately held debt. In this latter case, multilateral entities, such as UNICEF (Griffith-Jones, 1989), or non-governmental organizations (NGOs) organize the debt swap.

When the debt to be cancelled is held in private hands, it is usually available on a market for

purchase and often at a steep discount from face value when there are doubts about the government's ability to meet its repayment obligations. Thus, if the swap organizer can mobilize sufficient funds, it can purchase enough of that debt so that when it is delivered to the debtor government, it will cancel substantial debt-servicing obligations.

If the debt in the swap was being serviced and was not in default, it would thus redirect fiscal spending from debt servicing to the agreed project. It would not free up fiscal space to mitigate austerity pressures if the country was in a debt crisis. Indeed, if the debt was already in default and debt servicing was not being paid, spending funds on the swap programme further reduces fiscal space for other expenditures. In those cases, the benefit to the debtor government is the quid pro quo of being released from the legal obligation to pay the defaulted debt. The net contribution to "fiscal space" aside, the debt swaps can have a separate benefit if they can strengthen domestic political support for a project, such as for the environment, that business interests would otherwise effectively oppose (Cartwright, 1989).

In the current financial environment in which governments borrow primarily through bond issues, the structuring of the swap can become complicated. The much commented upon recent swap of sovereign debt for ocean protection struck for Belize illustrates the approach. In this case, Credit Suisse, working with the Nature Conservancy, a US-based NGO, issued a US$364 million bond whose proceeds were dedicated to purchase at a discount the entire issue of an outstanding bond of Belize. The Credit Suisse bond was guaranteed by the International Development Finance Corporation of the United States, which increased the bond rating to investment grade. It pays "blue" bondholders an annual interest coupon rising from 1.6 per cent to 4.47 per cent (Global Capital, 2021).

Credit Suisse transferred the proceeds from issuing the bond to the Nature Conservancy, which lent the funds to the Government of Belize. The Government used the proceeds to pay the holders of its bond 55 cents per dollar of face value in a pre-negotiated deal. It is claimed that the promise to use the savings from cancelling the bond for ocean protection convinced bondholders to accept a lower recovery value than the 60 cents on the dollar they had earlier demanded (Gulati, 2021). This is hard to know, although there had been considerable publicity around the deal as it was shaping up and increased publicity around ESG finance, which may have influenced some of the bondholders.

The Government was thus freed from paying further debt servicing on the paid-off bond, but it instead pays interest to the Nature Conservancy to cover its obligation on the Credit Suisse bond. As that bond is covered by a US agency guarantee, the interest rate is lower than Belize would have had to pay had it made a conventional debt restructuring swap of old for a reduced value of new bonds. In addition, Belize has committed to spend, in total, US$180 million on "blue" projects over the next 20 years, including funding a "blue" trust fund. Belize will expand coastal and marine protection measures and expand its biodiversity protection zone from almost 16 per cent to 30 per cent of its ocean area by 2026 (Landers and Lee, 2021). Well and good, but the cancelled bond left unaddressed 73 per cent of Belize's unsustainable sovereign debt (Munevar, 2021).

Other financial structures are used when cancelling debts owed to government creditors. The least complicated approach has been that of the French Government in a programme devised at

the beginning of the century called *Contrats de Désendettement et de Développement* (C2D). Here, debt servicing obligations remain, but France pays back to programme countries the debt servicing they pay on covered ODA loans; the French grant funds are pledged to projects committed in negotiated C2D contracts (Platforme, 2021). This approach may be understood as high conditionality, albeit for a project that the debtor also values, even if it would not necessarily have chosen it if France had provided the grant as unrestricted budget support. In other words, the swap does not free up any fiscal space. Moreover, the debt remains on the country's books as a legal obligation, and France can discontinue the grants for one reason or another. Moreover, it is possible that funds provided under C2D agreements may substitute for funds that might have otherwise been provided as new ODA.

In 2007, the Global Fund to Fight AIDS, Tuberculosis and Malaria devised "Debt2Health," a less restrictive model for swaps of obligations owed to governments that arrange to partner with the Global Fund. In this case, the donor agrees to cancel a debtor's obligation on specific loans on condition that the debtor government transfers to the Global Fund the local currency equivalent of half the debt servicing owed. The Global Fund, in turn, uses those funds for programmes it supports in the debtor country. As the Global Fund works on projects approved by the debtor government, it will value the increased funding of such projects, although they are restricted to combatting the three diseases that comprise the mandate of the Global Fund. As of September 2021, Australia, Germany and Spain have cancelled debts in 10 developing countries leading to increased Global Fund outlays of nearly US$232 million (Global Fund, 2021). However, the nominal value of the debt is what is cancelled, and this determines the local-currency payment obligations of the debtor to the Global Fund. While the local currency payments may be stretched over a decade, they have tended to be front loaded, at least in early Debt2Health arrangements; indeed, the present value of local currency payments to the Global Fund may well exceed the present value of the debt servicing forgiven (Cassimon, Renard and Verbeke, 2008).

The complex deal structures necessary to bring about the dual outcome of additional targeted public investment and sovereign debt relief are essential characteristics of this approach to debt relief (Caliari, 2020). One may be unkind and characterize these deals as taking advantage of economically vulnerable countries that agree to make investments that are not their own priority but that of the donors. This is deemed acceptable because the creditors have legal and recognized claims on the debtors but choose not to enforce them in exchange for a quid pro quo that the international community values. However, as these deals apply to financing specific investments, there is nothing in them to assure sufficient relief overall to address a situation of insolvency. How realistic is it, after all, to kill two birds with one stone? Preparations for FfD4 could take stock of these deals and perhaps lead to a warning about their limited efficacy for debt relief.

Rules and rulemaking: taxes, debt and trade

The discussion of policy measures thus far has been about different components of domestic and international financial flows undertaken by public and private actors. FfD also addresses international rules and practices, many of which might form part of a new international consideration of FfD. The discussion to follow notes a selection of what appear to this author as salient items. Some of them have matured to the point that actions are being taken or seem within reach and might be strengthened. Others are more contentious, but should not be ignored.

Taxes and dispute resolution in cross-border business

Two of the policy challenges that are being addressed but could benefit from a further strengthening include more appropriately taxing the profits of corporations operating in multiple tax jurisdictions, and more equitably resolving disputes between foreign direct investors and their host governments.

The standard principle applied to taxing trans-border company operations is to tax the profits of the firms in the countries where they are earned. However, this need not lead to a fair apportionment of the overall taxation of a multi-country firm, owing for example to benefits to the company as a whole from shared services, shared research, or marketing advantages from common trademarks, let alone misspecifications of how much profit is ascribed to each affiliate of the firm. Thus, the Independent Commission for the Reform of International Corporate Taxation has recommended an alternative "unitary" principle for taxing multinational enterprises (MNEs), in which the firm's total profits would be calculated before any profits tax is paid and the amount taxable by each national authority in which the firm has an affiliate would be assigned according to some agreed principle, such as each affiliate's share of employment or the value of assets in the jurisdiction (ICRICT, 2018).

In fact, it is no simple matter to ascribe a company's profits to separate operating affiliates. What price should be assigned to the inputs received from an affiliate in another country or output shipped to an affiliate in a third country? The prices are accounting devices, as there are no actual purchases or sales. The standard approach of tax authorities is to require that the affiliate apply an "arms-length" price to the transfers, mimicking the price the affiliate would have paid or received in an actual transaction. Sometimes the transfer prices are neither arm's length nor arbitrary. Famously in the case of the "Seven Sisters" cartel of international petroleum firms, their transfer price for crude oil shipped to refineries served as a global market control device, leading to the well-known maxim when an independent oil market began to develop in the 1950s and 1960s that "only fools and affiliates pay posted [list] prices" (Herman, 1974, p. 124).

Transfer pricing opens massive opportunities for MNEs to minimize their overall taxation by choosing the transfer prices that show most profit in the lowest tax jurisdiction. A further challenge arises when there is no market guide to set the transfer price leading to a vast literature and tax practice on best ways to set the transfer price (UN, 2021b). Limiting tax abuses through transfer pricing has thus been a constant concern of tax authorities, leading finally to an agreement in 2015 under the G20/OECD Base Erosion and Profit Shifting (BEPS) Project to call for standardized country-by-country tax reports, establishing a peer review process to counter harmful tax practices and endorsing minimum standards (OECD, 2017). As of November 2021, 141 countries and tax jurisdictions collaborate on implementing the BEPS package of tax policies, and 96 countries and jurisdictions had signed a multilateral instrument to legally harmonize the BEPS package in their countries (OECD, 2021b).

The OECD/G20 process further agreed in 2021 to a reform that takes a small step beyond just ascribing profits to affiliates by adding a new layer of profits tax. Thus, for covered MNEs, some of the profits above those taxed at the level of the individual affiliates, denoted "residual profits," will be subject to tax in different jurisdictions according to sales of the final product in those jurisdictions, whether or not the firm has an affiliate in the jurisdiction (OECD, 2021a).

The new policy will apply only to MNEs with the equivalent of over 20 billion euros of annual sales (about 100 companies), possibly reduced in time to 10 billion euros, excluding all firms in extractive industries and regulated financial services. The firms covered are also limited to those that report overall pre-tax profit above 10 per cent of worldwide sales. Then, 25 per cent of the amount of profit above the 10 per cent level will be subject to allocation to specific jurisdictions according to sales of the final product in those jurisdictions, where it will be taxed at the local rate. Importantly, as part of the agreement, participating countries will have to drop taxes now applied on domestic sales by foreign entities through e-commerce (“digital services taxes”).

A second pillar of the OECD/G20 reform for the first time addresses the self-defeating tax competition in which countries offer excessive and unnecessary tax benefits to attract or retain foreign direct investment. It is now agreed to set the minimum corporate profits tax at 15 per cent of profits of each affiliate, at least for those MNEs with the equivalent of over 750 million euros in global annual revenue (some tax incentives will still be permitted). The new rule will not require countries with lower tax rates to raise their tax to 15 per cent, but if they do not “top up” their tax rate, the top up amount will be collected by the tax authority of the parent entity, providing an incentive to the host government to top up its tax rate, which will perforce apply to all corporations operating in their jurisdiction. OECD estimates that developing countries, especially low-income countries, will gain significant tax revenue from the two pillars of the reforms, although revenue will fall from discontinuing taxes on digital sales.

The reforms were agreed by 136 countries and are meant to be implemented on a priority basis by 2023 (OECD, 2021a), which however depends on governments quickly agreeing to complex implementing details (which may be hard for developing countries with less in-house expertise to assess) and then enacting legislation on what has to be a highly political issue. As of June 2022, the minor prospective benefits that developing countries were likely to gain and the political opposition to tax changes in some developed countries have slowed implementation, perhaps signalling the potential value of a further international effort to design such a deal (McCarthy, 2022).

It must be noted that the tax policy reforms discussed thus far have all been negotiated in an intergovernmental forum led by the OECD. While that forum has been opened in recent years to a degree of participation by non-member countries, it is not per se a universal forum. International cooperation on tax matters began in the most universal forum at the time, the League of Nations, but OECD, not the UN, became the primary international tax forum after the second world war. The Member States of the UN, including OECD members, have collaborated on international tax matters at the UN through the Committee of Experts on International Cooperation in Tax Matters. Its members, unlike at the OECD, do not sit as Member States but as experts from Member States, albeit sometimes comprising the same individuals who attend the OECD meetings for their Governments. While opposition to upgrading of the UN Committee to an intergovernmental forum seems out of date, OECD member countries seem wedded to its opposition. However, there is no good reason why they should not support strengthening the capacity of the UN Committee to carry out its mandate. This question would be an inevitable topic of discussion in a new FfD preparatory process.

Indeed, the work of the UN Committee is highly respected technically and is used in formulating tax policies, as in periodically updating the United Nations Model Double Taxation Convention

between Developed and Developing Countries, or in devising the United Nations code of conduct on cooperation in combating international tax evasion (E/RES/2017/3), or in developing a new handbook on taxation of extractive industries, and more (Hearson, 2017). Most recently the committee offered an alternative to the first pillar of the 2021 OECD/G20 initiative that may be more beneficial to developing countries; that is, it added Article 12B to the UN Model Double-Taxation Convention which if adopted in revised double-taxation agreements would protect the right of governments to tax digital services that were not provided through a corporate affiliate physically located in the country (UN, 2022a).

Whether originating in the OECD/G20 process or UN recommendations, reforms in taxation of multinational enterprises must be entered into national law. One uncertainty is whether MNEs will challenge changes in tax law as violating commitments under bilateral investment treaties (BITs) or other international investment agreements (Rolland, 2019), a power that domestic enterprises do not have. Indeed, this is only one—and perhaps not the most central—among a host of policy protections given to MNEs by trade and investment agreements. Developing countries entered into a large number of BITs to assure foreign direct investors that their interests would be protected against adverse policy changes, a practice that has been increasingly questioned. Changes in tax law that reduce MNE profits are only one area in which corporate affiliates might wish to challenge their host government. Other areas have included public health policies that restrict profitability, as in restricting tobacco marketing, or limiting permission of privately owned utilities raising consumer electricity tariffs. Under most of the investment agreements, the host government agrees to settle investor complaints through arbitration in an international body, such as the International Centre for the Settlement of Investment Disputes (ICSID) at the World Bank. Usually, the investor is seeking compensation for the loss of profits owing to the policy change.

While many cases are dismissed or settled without a formal conclusion of the arbitration, 57 per cent of those ending in decisions on the merits of the claim from 1988 to 2020 found for the investor and awarded monetary damages (UNCTAD, 2021). The arbitration processes for resolving these disputes have been much criticized for being out of the public purview (in contrast to a court proceeding), pitting often under-resourced developing country attorneys against well-resourced MNEs, and overweighing commercial interests over social and economic imperatives. Responding to the critiques the UN Commission on International Trade Law (UNCITRAL) agreed to take up the issue of investor-state dispute settlement (ISDS) in its Working Group III, which among other topics is considering whether to recommend establishing a standing multilateral investment tribunal and how it might be structured (Johnson, 2022). While this step would standardize procedures and consistency, there is much concern among academic and civil society experts that it would further solidify the pro-corporate sentiment that seems to characterize the existing arbitration processes (Public Services International, 2018).

Considerable attention is being paid to these matters at the UN and elsewhere, which suggests that a working group focused on the issue could lead to agreements in FfD4 that would give political guidance toward an approach that best meets the needs of sustainable development while protecting legitimate property rights.

The mechanism for recovery from sovereign insolvency

In considering how to help developing countries emerge from sovereign debt crises, Member States said in the Monterrey Consensus that they "would welcome consideration by all relevant stakeholders of an international debt workout mechanism, in appropriate forums, that will engage debtors and creditors to come together to restructure unsustainable debts in a timely and efficient manner" (UN, 2002, para. 60). The most recent iteration of this consideration is the "Common Framework for Debt Treatments beyond the DSSI," agreed by the G20 and the member countries of the Paris Club of bilateral creditors in November 2020 (G20, 2020a). While there are design flaws in the Common Framework, such as limiting eligibility to the countries that had already had access to the Debt Service Suspension Initiative (DSSI), the most unfortunate aspect is it seems to be inordinately slow in bringing relief to insolvent countries.

As of 31 May 2022, the IMF and the World Bank have jointly assessed 38 of the 70 low-income or vulnerable countries as being at "high risk" or "in debt distress" based on their most recent debt sustainability analyses (IMF, 2022). Nevertheless, in the period since the G20 policy was announced in November 2020 to April 2022, only three of those countries have sought to benefit from the Common Framework (Chad, Ethiopia, and Zambia). As of end April, none have.

The Common Framework aims for the insolvent countries, working with the IMF, to determine an effective path out of debt crisis, which IMF and other providers would support with loans, complemented by debt restructuring by government and private creditors. In most cases, the Common Framework envisaged debt restructuring to involve reduced interest rates and maturity extensions, but it also made provision for debt stock reduction in the "most difficult cases." Thus, while the DSSI had only offered temporary postponement of debt-servicing obligations in light of the pandemic, as noted earlier in this paper, the Common Framework recognized that outright reduction in debt-servicing or debt stock had become necessary for some countries.

Most of the Common Framework follows standard procedure for internationally supported debt workouts of low-income countries, seeking to balance the interests of the debtor country in securing recovery with growth in jobs and income versus the interests of the creditors to recover as much of their loans as feasible. New loans can improve the situation of debtor and creditors, but they add to an already existing insolvency and so must be used sparingly, while grant financing is usually scarce. What the Common Framework adds to this standard approach is coordination of the official creditors, including China and other new creditors.

The workout begins with negotiation of a policy reform package that the IMF will agree to support with new loans on condition that creditors also agree to accord relief. In the case of Chad, agreement on a recovery programme was reached with IMF staff on 27 January 2021 (IMF, 2021). Chad then reached agreement under the Common Framework process with its bilateral official creditor committee (comprising China, France, India and Saudi Arabia), representing all its government creditors on 11 June (Paris Club, 2021). All that remained was to reach agreement with its private creditors on comparable terms. They have resisted in Chad and there is no mechanism in the Common Framework to force the private creditors to negotiate. Eventually, the IMF's Executive Board agreed to provide a large loan to Chad on 10 December, hoping, apparently, that Chad's private creditors would reach agreement by March 2022 (IMF, 2021b). There is no indication that such an agreement has been reached as of end April.

One reason for the delay in Chad is indicative of a more general problem that will increasingly face other heavily indebted countries, middle as well as low-income, when they need to restructure foreign private debt obligations. Traditionally, the standard sovereign loan, whether a bond or a bank loan, is guaranteed only by the "full faith and credit" of the borrowing government. All such loans have a common standing for repayment and there are well-worn paths to negotiated outcomes. Increasingly, however, governments are offering collateral to lenders, wherein the creditor can attach the collateralized assets in the event of non-payment. The creditors then have less incentive to renegotiate the debt rather than take the collateral.

In a variant of this approach, some developing country governments have pledged to repay their loans out of future commodity exports. This is the case in Chad. The major private creditor (and direct investor) in Chad is Glencore, a large Swiss-based mineral producing and trading firm. Its petroleum exports from Chad are pledged for repaying the loan that Glencore organized and partially syndicated to 16 banks and investment funds. Debt reduction in this case would seem to entail reducing how much of Chad's oil exports can be sold by Chad as opposed to its creditors. One can estimate present value equivalents of changes negotiated in a many-year flow of oil exports in order to compare that with outright reduction in debt owed to Chad's official creditors. The calculation is complicated, but doable. However, Glencore apparently was under little business pressure to enter into such negotiations, especially with the spike in oil prices in 2022 owing to the Russia-Ukraine war. Glencore was also apparently under no legal pressure to settle.

In general, neither governments nor their international financial institutions have the power to require private creditors to settle with the insolvent sovereign debtor. These debts are renegotiated through voluntary engagement of the parties representing the various classes of creditors with the debtor government. With standard sovereign-risk debt, the key challenge has been to obtain agreement of a sufficient number of creditors in each class to legally change the terms of all of the bonds in the class or, less commonly, syndicated bank loans. The debt contracts specify the rules for renegotiating the financial terms in "collective action clauses" (CACs), which assure that if a defined majority of creditors voting in a prescribed way agree to a restructuring, remaining bondholders will be forced by the terms of the contract to accept the deal. While an improved generation of CACs is now standard, they only apply to the credit instruments that have included them in their contracts. As older instruments are replaced with new issues, this problem will take care of itself, albeit only for the category of standard sovereign risk debt.

An alternative approach would be to emulate a bankruptcy court and bring together all the private creditors of a sovereign under a law mandating negotiation by each class of the debtor's creditors. Since different credits are extended under the laws of different jurisdictions, it would be necessary for all the major jurisdictions under which international credits are issued to adopt a comparable version of that law and that one of them, usually the jurisdiction under whose laws most of the credits were issued, would serve as the organizer of the negotiations for the insolvent debtor. This approach entails first negotiating a "model law" among the relevant jurisdictions, which each then adopts in some form into its domestic legislation. Although the idea is an old one among legal scholars, one such model law that was recently proposed (Schwarcz, 2015) has led to draft legislation in the New York State legislature (Senate Bill S6627 and Assembly Bill A7562). This is significant as much sovereign borrowing has been issued under the laws of New York State.

The New York draft law is frankly controversial, but it speaks to a need, as World Bank staff also recognized, when they noted that "The lack of measures to encourage private sector participation may limit the effectiveness of any negotiated agreement… [and] the Framework could also be strengthened by the enactment of statutory or legal measures to inhibit preferential recoveries by private sector creditors that are subject to comparable treatment requirements" (World Bank, 2022, p. 60). Something on the order of the New York initiative, coupled with parallel measures in other major financial market jurisdictions, could address these concerns. The case for the model law is that its "statutory" approach could help address problems that seem to differ in nature from those previously addressed through the "contractual" approach. This is a topic that could be fleshed out with all relevant stakeholders participating in the discussions in a working group preparing for FfD4.

Evolving national goals for trade policy

Perhaps the most difficult challenges in international cooperation for sustainable development relate to trade agreements. While the principles underlying why countries support financial cooperation for development seem widely shared, if imperfectly applied, the reasons for having a system of increasingly liberalized global trade seem questioned more widely than ever before. Consequently, countries seem less and less inclined to continue to pursue the goals of free trade through international negotiation.

Most economic thought, especially in the developed countries, has asserted that free trade would lead to the most efficient allocation of resources around the world and would raise national income in all countries relative to a world encumbered by policy barriers to trade. The international community thus worked assiduously since the end of the second world war to gradually realize the unrestricted international exchange of goods and services. The theory approved of temporary departures from free trade optimality for developing countries, as they needed to build up their economic structures in order to compete on an equal basis with developed countries.

The world's countries thus negotiated successive rounds of progressive reduction in their trade barriers, in an increasingly global forum, which became the WTO in 1995, as well as among smaller groups of countries that formed free trade areas or customs unions or even negotiated bilaterally. At the global level, provision had been made for "special and differential treatment" of developing country trade, for example, not requiring comparable tariff reductions to those agreed by developed countries, in addition to which developed countries offered preferential tariff treatment to help promote exports from developing countries. This was complemented by regional and other arrangements that accorded special benefits to developing countries, such as those negotiated by the European Union with 79 African, Caribbean and Pacific countries (European Commission, 2022), and the United States with 38 countries in sub-Saharan Africa (USTR, 2020).

However, the prospects for additional development promoting trade policies has become uncertain. Such policies were meant to be the focus of the "Doha round" of WTO negotiations, begun in November 2001, but were essentially wound up without significant results in 2015 (Davies, 2019). Moreover, United States authorities have argued in an official communication to the WTO that in its view the time has passed for according special status to many developing

countries in negotiations at the WTO, albeit recognizing that the special status of the least developed countries was written into the WTO's founding document (WTO, 2019). Furthermore, the contingent nature of special trade benefits was highlighted when the US terminated access of Ethiopia, Guinea and Mali to its programme of special trade benefits owing to the US assessment of their falling out of compliance with human rights, rule of law, pluralism or worker rights eligibility requirements (Biden, 2021).

In fact, the political commitment to free trade was never accepted without reservation by the countries that advocated it. In some sectors in which governments intervene heavily in their domestic markets, such as agriculture or military hardware, the free-trade presumption never applied. Also, protection of a nation's intellectual property has regularly been prioritized over unrestricted licensing of technology for production in foreign countries. This priority applies today in the ethically awkward inability to agree in WTO to waive restrictive property rights as they relate to diagnostics, therapeutics and vaccines to combat Covid-19, which are permitted by the WTO agreement on trade-related aspects of intellectual property rights (Third World Network, 2022).

Although the theory underlying free trade advocacy made room for special treatment of intellectual property and developing countries, it devoted little attention to there being winners and losers within countries from trade policy liberalization, or that the losers were more likely workers than owners of firms. Indeed, while high-wage areas of a country typically lose their attraction to employers who then move their firms to low-wage areas in a process as old as capitalism, the challenge in politically accepting this dynamic is an order of magnitude greater when the jobs move to another country. And when the loss of competitiveness had less to do with trade than with technical change, lower wage foreign workers serve as a useful scapegoat.

The unilateral tariffs imposed by the US Administration under President Donald Trump to protect specific industries spoke to this political phenomenon, and challenged the continued relevance of the liberal trade agenda (Davies, 2019). The Trump Administration also negotiated a bilateral agreement to not impose additional punitive tariffs on China in exchange for a commitment to specified increases in Chinese purchases of US exports, which in fact have not been realized (USTR, 2022). That type of managed trade was the exact opposite of the ideals embedded in the WTO.

Moreover, a further departure from WTO rules is being prepared by the European Union in its Carbon Border Adjustment Mechanism. It will impose tariffs on imports from countries that do not impose policies comparable to those of the EU to reduce greenhouse gas emissions. The EU policy is expected to initially apply to cement, electricity, fertilizers, iron and steel, and aluminium imports, principally from the Russian Federation, China, Turkey, the United Kingdom, Ukraine, Republic of Korea, and India (Hufbauer, Kim and Schott, 2021). While encouraging other countries to strengthen their carbon emissions policies is a laudable goal, this approach will be another unilateral diminishment of the liberal trade model.

If free trade is no longer an important political goal of most States, what set of shared goals might be pursued in trade negotiations? Trade policy, after all, is the extension beyond national borders of domestic economic policies and the neoliberal or "hands off" approach has shown itself sorely unhelpful lately, both as regards protecting societies from needless disease, and

countering natural tendencies in capitalism toward monopoly and massive accumulations of wealth and political power. Indeed, to encourage greater rethinking of economic theory and policy, four US-based foundations have recently pledged large-scale support to new economic thinking at US and overseas universities (New York Times, 2022). Might a new FfD conference encourage a global effort to solve this serious policy challenge through cooperative means?

Conclusion: The FfD4 challenge is worth accepting

A new FfD conference would be deemed a success if it developed political agreement on a set of policy concerns, including some policy measures that can be decided at the UN and others in which agreement at the UN would entail a political commitment to seek policy change in relevant other forums. This means the States that are members of the boards of those forums or institutions (and thus other ministries than regularly participate in UN meetings) need to be on board with the agreement at the UN.

As this paper suggests, there are many issues on which FfD4 could advance international cooperation. It could build on the experiences in confronting Covid-19 and lead to global policies that would offer better financing responses to future environmental, public health, financial and economic catastrophes, including by triggering temporary relief from external sovereign debt servicing and allocating SDRs under a rethought approach to this unique financial instrument. FfD4 could also better help governments strengthen their operations on multiple economic and social dimensions of development, both as regards current spending, as for social protection, and public capital formation, as for infrastructure. It could help harmonize appreciation of ESG consequences of business operations, reduce environmental risk to financial systems, and help governments think through how to guide businesses more effectively for the common good. It could better help countries sort through options for engaging with private financing of public investment. It could improve the way that sovereign debt crises are resolved so as to put financially compromised States on the road to sustainability while honouring social responsibilities and delivering adequate, inclusive and sustainable economic growth. It could work toward a fairer international sharing of the taxes that multinational corporations should be paying, and how to resolve disputes between MNEs and host governments. Perhaps it could even stimulate a reinvigoration of cooperation on international trade policies. No success is guaranteed, but failure is assured if not attempted.

Success will require informal as well as formal leadership and broad support among Member States. The approach initiated in the preparations for the Monterrey conference introduced informal meetings of the whole to thrash out different policy views on specific issues. Delegations increasingly had instructions from capitals or were represented by experts from capitals from their own or other ministries. As the review above of potential policy issues on which to seek progress through FfD4 indicates, participants from different national ministries and offices would be appropriate for different discussions. Staff members from the relevant international institutions and other stakeholders, including civil society and the private sector, participated in the discussions in the preparations for Monterrey and in every subsequent FfD preparatory process. They should be included again in the preparations for FfD4.

Only in the final stages of discussion in the lead up to Monterrey, after the extent of consensus

had become apparent, did Member State representatives negotiate how to specify the agreements in a nascent negotiated text. The delegations that prepared the Monterrey conference, it may thus be said, developed a praxis for preparing the outcome of an FfD conference. It should be applied again in preparing a fourth FfD conference.

However, there should be no expectation of "kumbaya" working group meetings but of serious struggle over the issues at hand because the issues are indeed serious and difficult. What held Monterrey and subsequent conferences together was a shared appreciation that failure to reach agreement on at least some issues of concern was not acceptable. Ambition is warranted, but compromise and disappointment are inevitable. The goal has to be to include enough of what enough Member States find useful in the final policy package for a consensus to call it a useful step forward.

There also should be no backsliding. Governments should not have the option of taking back through negotiations valued commitments made by one group of States or another in previous FfD conferences. While it is hard to envisage how the General Assembly might legislate a guarantee against backsliding, there could be an informal understanding among UN delegations to that effect. Member States could agree to initiate working group discussions on the informal understanding that any effort to roll back a previous commitment would kill or suspend the entire process. Indeed, an understanding that there was an "exit ramp" should the discussions prove exceedingly difficult, might strengthen confidence among Member States in starting the discussions toward FfD4.

Today, optimism about globalization has largely dissipated. It seems replaced by urges toward national self-reliance, along with fear of the foreign, whether in trade, finance or cross-border movements of people. And yet, the key challenges today can only be met with more intense international economic and financial interaction and that requires more effective cooperation. Failure should not be an option, but the dissolution of the international system is possible. Success can change the narrative into a belief that a "fair globalization" can be constructed (ILO, 2004), while also encouraging greater international comity, which is something the world is in desperate need of as this paper is being written. FfD4 can demonstrate that substantive multilateral cooperation can deliver more equitable, sustainable and sustained growth of income, jobs and wellbeing. That would be far better than the alternative.

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