

2021

Financing for Sustainable Development Report

Draft Outline

Overview and Key messages

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Introduction

The [Inter-Agency Task Force on Financing for Development \(IATF\)](#) brings together over 60 UN agencies and international institutions to report on progress on financing sustainable development and implementing the Addis Ababa Action Agenda, and advise Member States on progress, gaps and policy recommendations. Its annual report, the Financing for Sustainable Development Report (FSDR), is the major substantive input to the annual ECOSOC Forum on Financing for Development follow-up. For the 2021 FSDR, Member States invited the IATF “to examine the impact of the COVID-19 pandemic on financing for development as well as sustainable finance” (outcome of the 2021 ECOSOC Financing for Development Forum, E/FFDF/2020/3 para 17).

Due to the pandemic and its economic fallout, many of the risks and challenges that the Task Force has highlighted in recent years have now materialized. They include debt, excess leverage, and inequalities, compounded by growing disaster and climate related risks. Managing risk is at the heart of financing, for example, in investing and sustainable capital markets, debt management, and insurance – and yet risk considerations are not fully mainstreamed across the action areas of the Addis Agenda. The thematic chapter of the 2021 FSDR will adopt a risk lens to assess the impact of the COVID-19 pandemic, climate change and other risks to sustainable finance, and to provide guidance to Member States for ‘building back better’ toward a more resilient future. In addition, each chapter will, in its assessment of progress and policy recommendations, pay special attention to the immediate crisis response, longer-term recovery, and sustainability considerations.

The FSDR 2021 will also build on ongoing discussions on financing for development, including in the follow-up to the High-Level Event on “Financing the 2030 Agenda for Sustainable Development in the Era of COVID-19 and Beyond”, convened by the Prime Ministers of Canada and Jamaica and the UN Secretary-General.

Chapter II. (Thematic Chapter): Financing resilience

1. Introduction

- a. Covid pandemic has underscored the importance of understanding, managing risk, and the Importance of investing in risk reduction, and of increasing resilience of societies and economies
- b. The pandemic is but one example of an increasingly complex risk landscape; climate change will only further exacerbate this challenge going forward
- c. Risk is already at the core of investment decision making; it will also need to be incorporated into planning and policymaking
- d. Policies, including financing policies can be used to reduce risks and change incentives, where possible (e.g. mitigation); investment in infrastructure and institutions can help prepare for risks (e.g. adaptation/resilience); and financial instruments can be used to better manage risks

2. Making the case – the cost of doing nothing

- a. Quantifying the Covid shock: impact on FfD (public budgets, private finance and investment, and external flows)
- b. Quantifying earlier shocks
- c. Future costs of disasters/climate shocks
- d. Incorporating risk into planning (including investments in prevention) would be much much cheaper
- e. As we aim to “build back better”, we must aim to build more resilient, risk-informed economies and societies

3. Role of financing policies in reducing and managing risks [short theoretical/framing section]

- a. Understanding risk: different types of risks have different policy implications (underlying framework: external shocks vs. endogenous or policy-linked shocks; systemic vs. idiosyncratic risks)
- b. Risk framework: reduce the probability of shocks/events; reduce vulnerability, exposure and cost of shocks (i.e. reduce risks); for those that cannot be avoided, manage, transfer or share risks through instruments domestically or internationally
- c. Type of risk determines who is best placed to address it – local/ entity level, national, regional or international cooperation

4. Policies to address risk (pulled out from report and organized through risk lens)

- a. Understanding risk
 - E.g. improved reporting is necessary / building on private sector work
- b. Prevention/reducing probability of events (**addressing underlying causes of risk**)
 - Financing policies for climate mitigation
 - Financing policies for social risks (eg inequalities)
 - Economic risks, e.g. diversification of economies, and other drivers of risk (e.g. pricing externalities, investments in public goods)
 - Policies: national vs. international cooperation
- c. Reducing impact, vulnerability and exposure (**reducing risk**)
 - Climate: investing in resilience and climate adaptation,
 - regulatory measures to enhance resilience
 - addressing inequality (social protection systems, etc.)
 - strengthening institutions (e.g. social protection systems that can be ramped up during crises)

- d. Preparedness (***managing risk***)
 - For risks that cannot be prevented or reduced
 - Financial instruments: risk transfer and risk sharing instruments, international public finance and quick disbursing mechanisms, self-insurance (national vs. international depending on type of shock)
 - Instruments can also create risks/managing risk at the instrument level
 - Other instruments: financing early warning and emergency preparedness
- e. Recovery/ reconstruction (***investing in resilience***)
 - Informed by new approach to resilience: ability of systems to anticipate, absorb, recover from, and adapt to a wide array of systemic threats
 - Role of digital technologies
 - Highlight key opportunities: equity and diversification as creators of 'redundancy' to enhance resilience
 - Etc.

Chapter III.A Domestic Public Resources

1. Key Messages and Recommendations
2. Public Expenditure in Response to COVID-19
 - COVID-19 response and challenges (*analyse stimulus packages by country group, highlight experiences/challenges, including gender impacts*)
 - Health system financing (*assess impact of COVID-19, forward-looking implications*)
 - Social protection (*assess impact of COVID-19, forward-looking implications*)
 - National Development Banks in the time of COVID-19
 - Lessons for public finance risk management and sustainability
 - Budget transparency (*cover work of supreme audit institutions*)
3. Domestic Resource Mobilisation in the COVID-19 era (*assess impact of COVID-19, forward-looking implications*)
 - Impact of COVID-19 on taxation trends, reform (*tax measures to reduce health costs/health-related taxation, progressivity, gender and tax opportunities*) and MTRS (*ensuring country-owned, linked to INFF*)
 - Role of taxation in economic recovery
 - Tax avoidance and evasion
 - Tax compliance and revenue administration
4. International Tax Cooperation
 - Progress on tax transparency, BEPS implementation and other initiatives
 - Platform for Collaboration on Tax activities
 - Corporate tax avoidance
 - Taxation of the digital economy
 - Capacity building
5. Illicit Financial Flows (*link to work of FACTI Panel and also HLE Discussion Group VI - IFF*)
 - Volume estimates
 - Financial and beneficial ownership transparency
 - Tax matters related to IFF (*including international tax norms and corporate tax abuse/tax avoidance*)
 - Bribery and corruption
 - Money-laundering
 - Confiscation and disposal of the proceeds of crime
 - Asset recovery and return
6. Climate change and fiscal policy (*link also to work of HLE Discussion Group II – Recovering Better for Sustainability*)
 - Green fiscal policy (*green measures – current spending i.e. green public work programs; green investment – renewable energy, energy efficiency, retrofit of buildings, etc., gender and climate dimensions*)
 - Carbon pricing (*post-COVID-19 opportunity, address inequality issues*)
 - Taxes to promote environmental sustainability
 - Extractives and resource sector
 - Fossil fuel subsidies
 - Disaster risk reduction

Chapter III.B. Domestic and international private business and finance

1. Overview, key messages and recommendations
2. Investment trends and the impact of Covid-19

This includes assessing the impact of Covid-19 on FDI and remittances with a focus on developing countries
3. Private sector development strategies
 - 3.1. Preserving and creating jobs in the private sector (including assessment of recent trends and events on low skilled workers and SMEs as well as longer trends that the Covid crisis might have accelerated)
 - 3.2. Addressing financial constraints (including impact of bailout programmes, financial inclusion and remittance transfer costs per corridors)
 - 3.3. Mobilizing quality direct investment aligned the SDGs and climate goals (e.g. renewable energy and resilient infrastructure)
 - 3.4. Enhancing legal and regulatory environment (including health and safety issues, labour rights, human rights and gender gaps to enhance business practices and accountability), including strengthening the enabling business environment in developing countries
 - 3.5. Reducing non-economic risks (DRR, climate, pandemic)
4. Financial systems
 - 4.1. Addressing short-termism in capital markets (including the risk of overleveraging for non-productive investments)
 - 4.2. Developing carbon markets
 - 4.3. Promoting sustainable investment and enhanced corporate disclosure

Box: Carbon accounting: where we are and where we should be

Box: Do SDG-aligned companies outperform competitors during a crisis?

Chapter III.C. International Development Cooperation

1. Key Messages and Recommendations
2. Sources of international development cooperation and COVID-19 (*experiences, lessons and forward-looking implications, including supporting a green recovery, link also to work of HLE Discussion Group I – External Finance*)
 - ODA (trends - *allocation, concessionality [graduation, transition finance], contribution to DRR (link to DCF study) and SDGs, gender equality etc., ODA modernization, including treatment of debt relief and update on TOSSD/Working Group on Development Support, counter-cyclical role during COVID-19 although 2020 ODA figures may not be available*)
 - MDB response to COVID-19 and future implications
 - Blended finance
 - South-South cooperation
 - Humanitarian finance
3. Quality, impact and effectiveness of development cooperation in a COVID-19 world
 - Development coordination and cooperation (*results of DCF and OECD Surveys*)
 - Country level action and learning (*link to DCF and GPEDC work*)
 - Risk-informed, climate smart development cooperation (*link to DCF forthcoming studies on ODA and risk-informed climate smart development cooperation*)
4. International financial support for health: Lessons and implications of COVID-19
 - Trends and impact of COVID-19
 - Instruments
 - Philanthropy and crowding in private finance
5. Climate change and disaster risk reduction finance (*with forward-looking implications, link also to work of HLE Discussion Group II – Recovering Better for Sustainability*)
 - Climate finance
 - Climate finance flows (*by type - adaptation, mitigation, grants/loans/other; by vulnerable groups – LDCs, SIDS, Africa; by sources – multilateral climate funds Green Climate Fund etc., bilateral climate finance, MDB and DFI climate finance, private climate finance mobilized*)
 - Development-climate nexus in the COVID-19 era and beyond (*additionality, measurement issues, gender dimensions*)
 - Options for strengthening and scaling up climate finance flows (*balancing adaptation/mitigation, improving access, blended finance, e.g. role in resilient infrastructure finance, MDBs/DFIs – role for NDBs*)
 - Financing loss and damage
 - Disaster risk reduction finance
 - Disaster risk reduction finance (*ex-ante and ex-post finance instruments*)
 - Resilient infrastructure
 - Resilience funds (*link to DESADSDG/UNOHRLLS study for SIDS*)

Chapter III.D. International trade as an engine for development

1. Key messages and recommendations
2. Developments in international trade
 - 2.1. Trends in world trade with focus on commodity and tourism-dependent countries as well as LDCs (including the need for diversification) and the impact of COVID-19 on global value chains, service trade and employment in developing countries
 - 2.2. Trade restrictive and facilitating measures under the Covid-19 era (including the impact on the flow of vital medical supplies, critical agricultural products, and other goods and services across borders)
 - 2.3. Trade, technology and climate change (e.g., 3D printing and e-commerce)
3. The multilateral trading system (progress on multilateral trade negotiations and WTO reform)
4. Bilateral and regional trade and investment agreements
5. Facilitating international trade
 - 5.1 Trade finance gaps and instruments
 - 5.2 Aid for trade
 - 5.3 Trade facilitation
6. Promoting international trade that is consistent with the Sustainable Development Goals
 - 6.1 Competition policy and consumer protection policy in support of inclusive and sustainable growth
 - 6.2 Women as producers and traders
 - 6.3 Trade, jobs and vulnerability, including the impact upon migrant workers and remittances
 - 6.4 Trade as a lever/driver for a transition to a more circular economy

Chapter III.E. Debt and Debt Sustainability

1. Key Messages and Recommendations
2. Debt trends: impact of pandemic and global recession on debt sustainability
 - Global debt levels (including developed/ developing countries; link to global context and systemic issues)
 - Debt levels in developing countries: Development of public and external debt levels of LDCs, SIDS, MICs, regions; composition of debt; aggregate and specific indicators of vulnerability (external debt/ financing requirements vs reserves; public debt and debt service vs revenues)
 - Impact of the COVID-19 crisis on developing countries' debt sustainability
 - Risk assessments of debt sustainability in developing countries, taking into account different Covid scenarios
3. International response to the Covid-19 pandemic and global recession
 - Moratorium and debt relief: DSSI, IMF CCRT, High-level Event on Financing for Development in the context of Covid-19 and beyond, and follow-up
4. Alternative/ additional solutions to address the immediate crisis
 - Additional proposals for debt service suspension/ moratoriums; debt swaps; debt reprofiling; buybacks; debt relief
5. 'Building back better': Sustainable debt and investing in recovery and the SDGs
 - Financing needs and debt sustainability revisited in the context of recovery and SDGs; liquidity vs. solvency issues; debt sustainability and relief in the context of financing strategies for recovery and the SDGs
 - Debt crisis prevention – better managing debt risks:
 - debt sustainability assessments, debt management strategies and risk management; debt transparency
 - soft law principles on responsible borrowing and lending
 - financing instruments to share risks
 - Debt crisis resolution
 - Progress on market-based solutions
 - Other options for progress: institutionalizing standstills, debtor/creditor dialogues, statutory approaches, etc.

BOX 1: Climate and debt – proposals to enhance resilience and debt sustainability of countries strongly affected by climate change (ECLAC initiative, hurricane clauses and other state-contingent instruments, debt to climate swaps, targeted debt relief, etc.)

BOX 2: How to involve private creditors in action on debt: dialogue and creditor coordination mechanisms; material/ financial incentives; legal mechanisms

BOX 3: Debt Sustainability – Speed of debt accumulation matters (ECA)

BOX 4: Asset Liquidity, credit risk: composition of spreads for African countries (ECA)

Chapter III.F Addressing systemic issues

1. Key messages and recommendations
2. International monetary system and global financial safety net
 - Crisis response *[flows, impacts and measures taken]*
 - The global financial safety net *[actors and cooperation]*
 - Managing economic and non-economic risks *[forward-looking]*
3. Macroeconomic management
 - Monetary policy
 - Macro-prudential regulations
 - Currency risk management *[incl. capital account management]*
4. Financial policy and the SDGs
 - Implementation of agreed regulatory reforms *[including impact: lessons learned, gaps, ...]*
 - Financial policy and sustainable finance *[including regulation and monetary policy]*
5. Digital finance
 - Fintech regulation *[emerging issues and evolving solutions]*
 - Digital assets and currencies *[incl. stablecoins and central bank digital currencies]*
6. Global governance and policy coherence
 - Governance at international institutions and standard-setting bodies *[incl. role of UN as a platform for discussion/decision-making on global financing issues]*
 - Improving coordination and policy coherence *[incl. on fintech, e-commerce, digital taxation, migration; environmental risks; ...]*

Chapter III.G. Science, technology, innovation and capacity building

1. Key messages and recommendations [*ca. 500 words*]
2. STI for disaster risk reduction and resilient societies [*link to framework in thematic chapter – differentiation between resilience and risk management*] [*ca. 2500 words*]
 - STI for economic resilience [*STI for sustainable infrastructure, economic diversification and technological upgrading, knowledge diffusion and innovation*]
 - STI for social resilience [*socially compatible technology systems, social safety nets, parametric insurance and other financial risk management instruments*]
 - STI for environmental resilience [*mission-driven innovation and new technologies to address environmental degradation and climate change mitigation and adaptation*]
3. New and emerging digital technologies in times of COVID-19 and beyond [*ca. 2500 words*]
 - Opportunities and risks of digital technologies [*e.g. efficiency gains, inclusion; but also safety and privacy concerns, bias, exclusion; including fintech*]
 - Impacts on labour markets, trade and development perspectives [*acceleration of existing trends; some rethinking regarding gig-economy and value chains?; implications for development models (could work well as a transition to section 3.c...)*]
 - Towards inclusive digital economies [*forward-looking; building on FSDR 2020 thematic chapter*]
4. Opportunities and risks of STI for other action areas of the Addis Agenda [*ca. 2000 words*]
 - The financial sector [*private business and finance; debt and debt sustainability; systemic issues*] [*including fintech: technology-enabled financial innovation and fintech-enabled technology*]
 - Domestic public finance
 - Development pathways [*private investment; trade; international development cooperation (incl. ODA for STI and capacity building; SS cooperation)*]
5. Overview of related UN system actions on STI under the Addis Ababa Action Agenda [*ca. 1500 words*]
 - Overview and international cooperation [*showcasing joint UN actions and how actions of individual UN entities are complementing each other; general update on STI instruments mandated by the Addis Agenda process*]
 - Actions on new and emerging digital technologies in times of COVID-19 [*including actions on fintech*]
 - Actions on STI for building resilience and disaster risk management

With boxes on: (i) key work by the UN Technology Facilitation Mechanism; (ii) the UN Technology Bank for Least Developed Countries; (iii) Commission on Science and Technology for Development; (iii) STI for health; (iv) others?

Chapter IV. Data, monitoring and follow-up

1. Introduction/Executive Summary: key messages and recommendations
2. Progress in strengthening data frameworks, measurements and data collection
 - 2.1. Responding to COVID-19 in the context of weak data infrastructures
 - Impact of COVID-19 on the operational activities of national statistical offices in developing countries based on UN/WB joint survey to NSOs on COVID-19 [BOX: The Safe People + Data Initiative] [UNSD proposes to add a BOX on the use of new tools for household surveys during COVID-19]
 - Interoperability and integration of statistical and geospatial information to address data needs in the COVID-19 response and recovery efforts
 - Basic data and service delivery systems for targeted policy implementation – citizen ID, financial inclusion, income data, including discussion on gender
 - Impact of the Covid-19 pandemic on the SDGs and the need for timely and accurate, disaggregated data to address inequalities
 - 2.2. Progress on the SDG indicator framework
 - Changes to the global indicator framework reviewed by the United Nations Statistical Commission in March 2020
 - Highlight progress in the areas of health-related indicators
 - Update on changes to indicators for SDG 17
 - 2.3. Monitoring the private sector
 - G20 data gaps initiative
 - Discussions on debt transparency and data requirements – potentially linking to the INFF work
3. New sources of data and evolving national statistical systems (NSS)
 - 3.1. Opportunities and challenges around new sources of data for public policy
 - New data solutions for the Public Good
 - Examples: Using new data solutions and private data to measure COVID-19 spread, and address impact and mitigation.
 - The value of private sector data in documenting the economic consequences of the Covid-19 impact (e.g. transactions data from BBVA on expenditures, Googles community mobility reports)
 - Opportunities and challenges of “open data for public good” initiatives for public policy making
 - Data integration
 - 3.2. Data driven disaster risk preparedness
 - How can open data initiatives contribute to the preparedness/ adaptation/ resilience to disaster risks?
 - Examples: Open Data for Resilience Initiative (DRI)
4. Funding for data for sustainable development

4.1. Priority areas of the Cape Town Global Action Plan for Sustainable Development Data (CTGAP)

- Six priority areas for strengthening national statistical systems to achieve the 2030 Agenda
- Capacity building and funding needs to implement the CTGAP [*linking to open data for public good initiatives*]
- Dubai Declaration and Outcome statement of the UN WDF 2020

4.2. Innovative funding mechanism for the data needs for the 2030 Agenda

- Report on development of the Bern Network on Financing Data for Development that are expected at the Third United Nations World Data Forum in October 2021
- Recommendations