

## Draft Outline

# 2023 Financing for Sustainable Development Report

## I. Global Economic Context

## II. Thematic Chapter: What will it take? Financing a sustainable and inclusive industrial transformation

### 1. Key messages and recommendations

### 2. Why now? A sustainable and inclusive industrial transformation as the key to achieving climate objectives and the SDGs

- Conceptual introduction: structural transformations and industrial policies in support of sustainable development and the SDGs.
- Where do we stand: Progress on SDG 9 on industrialization, innovation and infrastructure; contribution of structural transformation and industrial policies on progress on related SDGs, in particular SDG 8 on decent jobs and economic growth; work and economic growth; SDG 10 on equity; and SDG 13 on climate considerations
- Sustainable and inclusive transformations in a challenging global context:
  - longer-term trends: global value chains and digitalization, financialization, lack of policy space
  - concurrent global crises: macroeconomic challenges, geopolitical challenges, climate challenges

### 3. What will it take – national and international financing policies in support of sustainable and inclusive industrial transformation?

- Pre-conditions and cross-cutting priorities: state capacities; policy space and supportive global rules
- Policy design: a coherent strategy, responsive policy design
- Financing policies for sustainable and inclusive industrial transformations (across the action areas of the Addis Agenda, and including national actions, international support and measures to create international enabling environments):
  - public finance and investment, development banks
  - financial sector development
  - development cooperation and blended finance
  - investment, trade and technology policies
  - macroeconomic policies and international enabling environments

## III.A. Domestic Public Resources

### 1. Key messages and recommendations

- State capacity as a key theme

### 2. Revenue mobilization

- Framing – the link between revenue, debt (incl brief reference to SDG bonds), expenditure, and public investment
  - a. Taxation trends
  - b. Tax administration – trend data from ISORA 2018-2021 (covering 2016-2020)
    - i. Citizen & state relationship
    - ii. Voluntary compliance & simplified administration
  - c. Emerging trends and risks
    - i. Digitalization: Taxation of crypto-assets, monetary and payments system – impact on taxation (covering CBDCs)
    - ii. Tax policies to address the current macroeconomic context (windfall & energy taxes, solidarity/wealth taxes)
- 3. SDG-alignment of tax systems**
- a. The role of tax to contributing to state capacity and industrialisation
  - b. Building gender-responsive tax systems
- 4. Expenditure and budgeting for SDGs (including industrialization)**
- a. Budget credibility – execution and evaluation
  - b. BOX: SDG budgeting
  - c. Procurement policy (link to sustainable industrial transformation)
  - d. Doing tax expenditures right (link to sustainable industrial transformation)
  - e. Aligning agricultural subsidies with SDGs
- 5. International tax cooperation**
- a. Progress on tax transparency and exchange of information for tax purposes
  - b. International tax norms
    - i. Taxation of the digital economy
    - ii. Possible BOX: Digital taxation in the Arab world
    - iii. Responding to other emerging trends (e.g. international shipping)
  - c. Capacity building for domestic revenue mobilisation
- 6. Illicit financial flows**
- a. Policy advances on tax crimes
  - b. Countering anonymity - beneficial ownership information
  - c. Corruption and the role of budget transparency (open budget data)

## III.B. Domestic and International Private Business and Finance

### 1 Key messages and recommendations

**2 Intro:** The role of different types of finance (e.g., borrowing, direct investment, FDI) on productive capacity / sustainable industrialization)

### 3 Financial breadth: Ensuring an inclusive recovery

#### 3.1 Trends

3.1.1 Impact of a high interest rate environment on MFIs and other FIs

3.1.2

### 3.2 Policy solutions

- 3.2.1 Inclusive and sustainable growth (including gender and just transition considerations)
- 3.2.2 Access to finance (e.g., building on the 2021 Global Findex Database)
  - 3.2.2.1 Importance of use, quality, and financial health in addition to quantity
  - 3.2.2.2 Solutions: financial outreach to underserved groups, access to climate and sustainable finance, public sector's role in financial inclusion, financial mechanisms etc.
- 3.2.3 Cost of remittance transfers to meet accepted targets

## 4 Financial depth: Fostering investment and finance in future growth

- 4.1 Trends
- 4.2 Impact of different types of investment
- 4.3 Direct investment
  - 4.3.1 Bottlenecks to investment (why investment isn't happening in sufficient size in countries/areas of need)
  - 4.3.2 Policy solutions (Available policy tools / Broken down by bottlenecks addressed above / Domestic/Foreign)
- 4.4 Capital and financial market development (trends, local market development, questions around financialization... link to part 5)
- 4.5 Private investment in infrastructure [here or in another chapter]
  - 4.5.1 Principles for resilient infrastructure
  - 4.5.2 Role of investment prioritization tools (e.g., with Government of Jamaica)

## 5 Mobilizing capital markets for sustainable development

- 5.1 Trends in sustainable investment markets
- 5.2 Required actions
  - 5.2.1 Strengthen sustainability reporting
    - 5.2.1.1 Capacity building for developing countries and MSMEs
  - 5.2.2 Reinforce the link between sustainability and profitability
  - 5.2.3 Make sustainable investment practices credible (i.e., verification)
  - 5.2.4 Fix sustainability ratings
  - 5.2.5 Reflect the investor's true sustainability preferences
  - 5.2.6 Lower debt financing cost on green bonds and others sustainability instruments

## III.C. International Development Cooperation

### 1. Key messages and recommendations

### 2. Official development assistance (COVAX progress, impact of war on Ukraine, food crisis, donor domestic economic conditions/inflation – increased pressures)

- Impact of COVID-19 allocations on 2020 (2021 – unlikely to be available) ODA by sector (health, education, economic, production, agriculture and food systems, gender, disaster risk reduction etc.), instrument (grants, loans), country programmable aid, country group (Africa, LDCs, LLDCs, SIDS), 2022 ODA estimates
- Box on ODA modernization (ongoing tracking of impact of debt rule changes, in-donor refugees, COVID-19 vaccine excess supply)
- Access criteria – Multidimensional Vulnerability Index update

### 2.1. Humanitarian finance (including tackling food crisis, gender perspectives)

- 2.2. ODA and sustainable industrialization analysis – ODA for investment, to support economic and rural transformation and industrial policy, R&D etc, ODA for state capacity (development coordination [DCF, GPEDC, INFF Survey results], instruments [budget support etc]), role of industrialization and graduation (LDCs/trade, SIDS challenges etc)

**3. MDB lending**

- By sector (economic, production), country group (including MICs), instrument (grant, loans, guarantees, equity etc.)
- G20 review of MDB capital adequacy frameworks
- Role of network of public development banks (MDBs, RDBs, NDBs) for sustainable industrialization

**4. Blended finance (infrastructure, food value chains, GCF case studies)**

**5. South-South cooperation (covering also triangular cooperation)**

- Box on country-led efforts to assess the effectiveness of South-South cooperation

**6. Climate finance (including OECD 2013-2020 analysis, GCF updates, gender perspectives)**

**7. Quality, impact and effectiveness of development cooperation**

- International cooperation on global public goods (outcome of SG's Our Common Agenda workstream)
- DCF and GPEDC Summit outcomes
- DCF Survey results and new GPEDC monitoring, including new assessment of private sector engagement and linkages with INFFs
- Box on effective partnerships as a compass and catalyst for addressing emerging challenges
- Box on broader measures of development support (Working Group on Development Support follow-up discussions in UNSC, TOSSD progress)

## III.D. International Trade as an Engine for Development

**1. Key messages and recommendations**

**2. [Trade and Industrial Policy – the theme of the FSDR2023]**

**3. Developments in international trade**

3.1. Trends in world trade & Trade policy responses to the global crisis

3.2. Regional trade agreements

3.3. International investment agreements

3.4. Trade finance

**4. Current Issues in the Multilateral Trading System**

4.1. Agreements at the WTO MC12

4.1.1. Fisheries subsidies

4.1.2. COVID-19 vaccines

4.2. Negotiations on agriculture

4.3. Future trends and effects on trade logistics and global value chains (blockchain, green fuels)

4.4. Discussions on special and differential treatment

4.5. Cross-border e-commerce

## 5. Strengthening Synergies between Trade and Sustainable Development

5.1. Food security

5.2. Climate change and energy transition

5.3. Women in trade

5.4. Aid for Trade

## III.E. Debt and Debt Sustainability

### 1. Key Messages and Recommendations

### 2. Debt trends: debt vulnerabilities in the context of multiple crises

- Overview of global debt trends
  - Global macro trends and debt levels (*including developed and developing countries; link to global context chapter and systemic issues*)
  - SDG investment needs, the role of debt financing and debt sustainability
- Debt levels in developing countries
  - Development of public and external debt levels of LDCs, SIDS, MICs, regions
  - Composition of debt: official debt, commercial debt, domestic debt
  - Aggregate and specific indicators of vulnerability (*public debt and debt service vs revenues; external debt/ financing requirements vs reserves*)
- Risk assessments of debt sustainability in developing countries
- Information ecosystems: credit ratings, debt sustainability assessments, public balance sheets
- Fiscal rules and (green) public investments
- Sovereign green/ SDG bonds: spectrum of instruments, opportunities and risks
- Off-balance sheet public investment: role of SOEs, managing and resolving SOE debt and other contingent liabilities

### **BOX: Debt financing, productive investments and structural transformation – accounting for the use of proceeds**

### 3. Addressing the ongoing crisis – debt and debt service relief

- International response to date – updates, assessment and proposals on Common Framework, other initiatives
- New IMF financing instruments for sustainable development in the context of rising vulnerabilities – Resilience and Sustainability Trust Fund, Food Shock Window [covered in depth in the systemic issues chapter]
- Additional proposals to address the crisis and create fiscal space for the SDGs and climate action: further debt service suspensions, maturity extensions; swaps; debt stock reductions

### 4. Preventing the next crisis

- Debt management and debt transparency – improving debt coverage, capturing hidden debt
- Sustainable financing and responsible borrowing and lending

- Sustainable financing and debt management – integrating sovereign ESG bonds into debt management policies
- State-contingent debt: Financing instruments to relieve debt service burdens during crises

**BOX: Taking vulnerabilities into account in international financing frameworks: Update on the multidimensional vulnerability index**

**5. Addressing gaps in the debt resolution architecture**

- Progress on market-based solutions
- Other options for progress: improving the Common Framework; institutionalizing standstills, debtor/creditor dialogues, statutory approaches

## III.F Addressing Systemic Issues

### 1. Key messages and recommendations

### 2. International financial architecture

- 2.1. Strengthening the global financial safety net
  - SDRs *[follow-up and way forward]*
  - IMF financing mechanisms
  - Regional Financing Arrangements
- 2.2. The role of global reserve currencies *[incl. recent review of SDR basket (new weights)]*
- 2.3. Managing capital flow volatility
  - Role of financial flows vs. real investment *[link to thematic chapter]*
  - Review of IMF Institutional View on the Liberalization and Management of Capital Flows
  - *New developments with crypto-assets [link to section 4]*

### 3. Financial market regulation for sustainable development

- 3.1. Implementation of agreed reforms
- 3.2. Addressing growing risks in non-bank financial intermediation *[incl. link to section 4]*
- 3.3. Addressing climate change
  - *Mitigating climate risks*
  - *Supporting a sustainable transition*
  - *Box (or subsection) on monetary policy options*

### 4. Digital finance and currencies

- 4.1. Digital financial services *[focus on systemically relevant aspects, link to tech chapter]*
- 4.2. Cryptoassets and so-called “stablecoins”
  - *incl a box on DeFi*
  - *Spillovers to traditional financial markets*
- 4.3. Central bank digital currencies *[linking back to 2.b (global reserve currencies)]*

### 5. Global governance and policy coherence

- 5.1. Governance at international institutions and standard-setting bodies
- 5.2. Improving coordination and policy coherence

## III.G Science, Technology, Innovation and Capacity Building

### 1. Key messages and recommendations

### 2. STI for sustainable and inclusive industrialization

- 2.1. “Green” technologies for a sustainable transition and industrialization
- 2.2. Digital technologies for sustainable industrialization
  - Digital technologies in manufacturing
  - Fintech and financial inclusion
- 2.3. Sharing knowledge and technology for sustainable and inclusive industrialization

### 3. Fostering an enabling environment for STI [*incl. with a view to absorptive capacities*]

- 3.1. Innovation systems
- 3.2. Quality education for all
- 3.3. Strengthening R&D and absorptive capacities
  - Role for public policies [*incl. for directing innovation, e.g., towards green innovation, social inclusion, jobs (“labour augmenting innovation” – refer to FSDR 2020)*]
  - Role of public investment in R&D [*esp. in green tech...; building on past experiences*]

### 4. Development cooperation and United Nations actions on STI

- 4.1. Actions by the United Nations System and others [*again: including updates on COVID-19 action; possible effects of WTO Trips waiver for local vaccine production (see also trade chapter)*]
- 4.2. The Technology Facilitation Mechanism
- 4.3. United Nations Technology Bank for Least Developed Countries

## IV. Data, Monitoring and Follow-up

### 1. Key messages and recommendations

### 2. Data frameworks, measurements and collection (including any ongoing COVID-19 impact and strengthening pandemic resilience, as well as impact of Ukraine war, food crises etc)

- 2.1. SDGs indicator framework
- 2.2. Monitoring the economic and financial sector (G20 Data Gaps Initiative 2.0 [tbc], debt statistics)
- 2.3. Sustainable industrialization statistics
- 2.4. Gender statistics
- 2.5. Measures of sustainable development beyond GDP (UNSC updates, MVI)

### 3. Accessibility, discoverability and innovation (open data, big data and new technologies, leveraging private sector data)

### 4. Strengthening national statistical systems

- 4.1. Statistical Performance Indicators, including availability of gender statistics (country group analysis, e.g., LDCs/SIDS/LLDCs/Africa), data governance issues and frameworks, missing data analysis
- 4.2. Gaps and funding for statistical capacities (country group analysis, Cape Town Global Action Plan, Bern Network on Financing Data for Development, World Bank Global Data Facility)