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Report of the Intergovernmental Group of Experts on Financing for Development on its fourth session

Held at the Palais des Nations, Geneva, from 25 to 27 January 2021

Contents

Introduction

The fourth session of the Intergovernmental Group of Experts on Financing for Development was held at the Palais des Nations in Geneva from 25 to 27 January 2021, with physical and remote participation.

I. Chair's summary

A. Opening plenary meeting

1. In his opening remarks, the Chair of the fourth session of the Intergovernmental Group of Experts on Financing for Development noted the timeliness of the session topic. The coronavirus disease (COVID-19) pandemic was affecting advanced and developing countries alike in unprecedented ways, as a health emergency and a deep financial and economic crisis. The triple crisis put a spotlight on deeply rooted structural inequalities in the global system of economic governance that exposed critical vulnerabilities of developing countries. UNCTAD, the International Monetary Fund and World Bank had long warned of rising debt burdens, which reflected interrelated systemic issues around hyperglobalization. There was a lack of affordable and concessional external financing for developing countries, while international policy frameworks that advocated fiscal austerity and export-led growth based on a "beggar-thy-neighbour" logic hampered the ability to earn foreign exchange and mobilize domestic financial resources for structural economic change. Developing countries had limited fiscal resources and limited possibilities to stem illicit financial outflows. Those broader issues were central to deliberations on addressing the fallout from the pandemic. Immediate responses to the pandemic took precedence, while averting serial sovereign debt defaults and keeping an eye on linking crisis responses to necessary structural reforms. A strengthened, more coherent and consistent multilateral framework to respond to those challenges would be essential to ensure a future of constructive peace rather than conflict and fragmentation.

2. The President of the Trade and Development Board noted that many of the systemic issues in the global economy had been central to recent deliberations of the Initiative of Financing for Development in the COVID-19 Era and Beyond co-convened by Canada, Jamaica and the United Nations. UNCTAD had provided in-depth analysis of the impact of systemic and structural weaknesses in the current system of financial global governance on the developing world over many years. The deep economic crisis would last long beyond the end of the pandemic in most developing countries, whose resources were insufficient to allow orchestration of a speedy recovery. For instance, many developing countries had seen already fragile external debt positions turn into unsustainable debt crises during the pandemic. Without concerted further efforts by the international community to provide more substantive debt relief to the countries most affected than was currently the case, as well as more consistent and unconditional liquidity support, serial sovereign debt default across the developing world was likely. The ongoing Group of 20 Debt Service Suspension Initiative had shown how difficult it could be to bring bilateral, private and multilateral creditors to the table to find equitable solutions. The debt architecture was marked by creditor bias rather than by a balanced approach and required urgent reform. Concessional and emergency funding to the poorest economies had come at a cost and with policy conditionalities, such as strict fiscal austerity that risked resulting in long-term debt traps for many countries. Thus, there was a need for deeper, more structural reforms of the international monetary and financial system. Other important areas noted in the secretariat's background paper included further progress on international taxation reforms, stemming illicit financial outflows from developing countries, more coherent and more strongly development-oriented trade and investment policies, and the facilitation of technology transfer to developing countries. Those interrelated systemic issues, coherent and consistent reforms in all areas and strengthening the voice of developing countries in forums such as UNCTAD would be essential to close the development and financing gap and reinforce the commitment to timely achievement of the 2030 Agenda for Sustainable Development.

3. The Deputy Secretary-General of UNCTAD emphasized that systemic issues had to be considered in the implementation of recovery strategies, especially when discussing how countries could get back on a development track following the COVID-19 crisis. The Addis Ababa Action Agenda on financing for development clearly noted the influence of economic, social and environmental factors on sustainable development. Several interdependent systemic issues were already evident before the pandemic, such as global financial instability and severe price volatility for commodities, increasing market power and debt-driven growth. Global debt reached its highest levels ever, at $275 trillion, in September 2020. The COVID-19 pandemic had made the world's interdependence more evident and further increased the imbalances and misalignments of the multilateral system in the areas of finance, investment, trade, development and the environment. Developed countries had mostly resorted to massive monetary and fiscal interventions; for developing countries, shutting down often predominantly informal economies had meant that millions of people saw drastic income reductions. Developing country central banks could not lend on the scale of developed countries, without the risk of massive currency devaluations and consequent macroeconomic destabilization. Without international reserve cushions, many developing countries remained reliant on international liquidity support in hard currency. The pandemic had exposed the inability of the existing international monetary and financial system to provide unconditional international liquidity to developing countries, which had prompted discussions on a more extended use of special drawing rights. Contraction in global trade also significantly undermined developing country access to foreign currency earnings. Reduced global aggregate demand and financial price speculation affected particularly commodity-dependent developing countries. There had been a virtual collapse of international tourism, a key foreign exchange earner and employer for many developing countries, particularly small island developing States. Remittances were also projected to drop by 20 per cent in 2020, while foreign direct investment into developing countries was expected to contract by up to 40 per cent. With developing country debt stocks currently at the highest level in history, immense debt service repayments along with health-related expenditure requirements were putting enormous pressure on domestic public budgets. The pandemic was an opportunity, though, to make progress on the Addis Ababa Action Agenda by promoting institutional transformation, improving policy coordination and coherence, addressing regulatory gaps and realigning incentives that restrained the scaling up of financing for development to further sustainable development with a view to achieving the 2030 Agenda. Doing so also required strengthening the voice and participation of developing countries in international economic decision-making and norm-setting of the governance and regulation of systemic issues through a revived multilateralism, as the Addis Ababa Action Agenda made clear.

B. Addressing systemic issues: Strengthening the coherence and consistency of multilateral financial, investment, trade and development policy

(Agenda item 3)

4. Under the agenda item, discussions of the Intergovernmental Group of Experts on Financing for Development opened with the statements of high-level speakers followed by opening statements of delegations. The Intergovernmental Group of Experts then held five panel discussions.

Opening plenary meeting

5. The following high-level speakers made opening (video) statements: the Prime Minister of Pakistan, the Prime Minister of Barbados and the Vice-President of the Plurinational State of Bolivia.

6. The Prime Minister of Pakistan noted that the COVID-19 pandemic hit the poorest countries the hardest, with their response severely limited by constraints on their fiscal policy spaces. Reminding participants of the call he made for COVID-19 debt relief in April 2020, the Prime Minister outlined a five-point agenda for consideration by member States. The agenda included, most urgently, a plan to ensure equitable and affordable access

to vaccines for all. In addition, further efforts were required to increase efforts to deliver substantive debt relief to those countries with high and unsustainable debt burdens. A general allocation of $500 billion in special drawing rights should be considered to ease liquidity constraints, alongside renewed efforts to combat illicit financial outflows from developing countries and to achieve the goal of mobilizing $100 billion per year for climate action in developing countries, from both private and public sources in developed countries, as soon as possible.

7. The Prime Minister of Barbados warned of the dangers of inaction on international cooperation to address the current crisis, as well as underlying systemic issues, such as rising inequality and external indebtedness. Such inaction would deepen the already severe economic marginalization of vulnerable developing countries and could not therefore be considered an option at all, if better recovery and achievement of the Sustainable Development Goals was to be taken seriously. From the perspective of small island developing States and of low- and middle-income developing countries, she highlighted the need for natural disaster and pandemic clauses as an integral part of debt contracts and, among other measures, called for the promotion of a multidimensional vulnerability index.

8. The Vice-President of the Plurinational State of Bolivia also emphasized the need to refocus attention on the original ambitions underlying the Sustainable Development Goals and the 2030 Agenda for Sustainable Development to systematically promote structural transformation in developing countries. Currently, rising wealth inequalities, fast accumulating and, in many cases, unsustainable debt burdens, as well as unfair global taxation and trade regimes, undermined progress in developing countries towards inclusive and sustainable development. Those tendencies needed to be reversed and overcome, with important steps in that direction including the democratization of the current international financial architecture and a strengthened voice for developing countries in multilateral negotiations and decision-making.

9. The Director of the UNCTAD Division on Globalization and Development Strategies presenting the secretariat’s background note for the session, emphasized that many of the systemic challenges developing countries currently encountered in orchestrating their response to the COVID-19 pandemic were not new. Recalling the purpose of the foundation of UNCTAD in 1964, namely to strengthen the voice of developing countries in addressing the interdependence between national development strategies and global economic governance, he emphasized that older systemic challenges – such as addressing footloose capital, unfettered market concentration, rising income and wealth inequalities, and subsequent periods of global financial instability – had met with new challenges arising from recent technological advances and climate change. New and old challenges needed to be considered in conjunction to strengthen the original purpose and role of UNCTAD in promoting developmental interests in the global economy. The environment and health provision were classic public goods, requiring the use of new technologies for global public solutions to address both the COVID-19 pandemic and the climate crisis.

10. The following delegations then made opening statements: the representative of Afghanistan, speaking on behalf of the Group of 77 and China; the representative of Guatemala, on behalf of the Group of Latin American and Caribbean States; the representative of the Russian Federation; the representative of Nigeria; the representative of India; and the representative of Kenya. The representative of the Organization of Islamic Cooperation also made an opening statement.

11. The representative of one regional group noted that long-term systemic barriers in the global economy, which had led to growing inequality, rising public and private indebtedness and insufficient investment in the real economy, hobbled the ability of both developed and developing countries to respond to the COVID-19 pandemic. The regional group supported the view that, while the pandemic had not discriminated among its victims, it was clear that the vulnerable had suffered most, and the imbalances and inequities of the global system had been put into sharp relief, especially for low-income countries and small island developing States. The regional group noted that lack of fiscal policy space had meant that developing countries had been unable to advance support for their citizens in the same way developed countries had done. Some regional groups and one delegate said that

advancements towards the Sustainable Development Goals had been reversed in a matter of a few days and weeks, with finance for development becoming finance for survival.

12. One delegate stated that, to adequately deal with the pandemic and recover better, a viable framework to enable the extension of the vaccine to all was necessary, so that developing countries would not be torn between addressing the pandemic and servicing their debt. One regional group and one delegate said that debt vulnerabilities needed to be addressed – through a global initiative on debt relief – to create fiscal space and revive economic growth, including a moratorium on debt repayments until the end of the pandemic, and mentioned restructuring of public-sector debt under an agreed and inclusive multilateral framework and debt cancellation. One regional group, several delegates and the Director said that, in the long-term, sovereign debt restructuring was called for.

13. One regional group and one delegate said that donor countries needed to re-double their commitment to official development assistance as a critical source of finance of poor countries. Another delegate said that, while triangular and South–South cooperation could be an important contributor to financing for development, it was not a substitute for official development assistance flows from developed countries to developing countries.

14. Several delegates concurred that, regarding domestic resource mobilization and achievement of the Sustainable Development Goals, the ability to tax economic activity was key and that global cooperation to stem illicit financial outflows from developing countries required global cooperation for a robust legal framework. One delegate noted that the measures taken to combat corruption should be strengthened. Another delegate stated that, tied to that was the need to take calls to establish a United Nations taxation authority to ensure fairness in taxation seriously.

15. One regional group noted that the international community needed to promote multilateral coordination, given its importance in limiting the damage from natural disasters; improve and reform the system of global economic governance; and enhance multilateral coordination of national policy efforts to boost domestic and external markets.

Systemic issues in the current global economy: An overview

16. During the four-member panel discussion, the panellists stressed a strong call for a unified global response to the COVID-19 pandemic and to underlying systemic issues. They warned about the risks of premature fiscal consolidation – as had occurred in the aftermath of the global financial crisis of 2008/09 – of deepening wealth inequalities during the pandemic and of unequal access to vaccines, all of which were set to intensify the pandemic's global health, economic and social impacts. Thus, the panellists emphasized instead that a proper recovery required a proper response to the pandemic, including fiscal measures directed to investments in public and private infrastructure, for achieving a more sustainable and inclusive economy.

17. One panellist stressed that health technologies should be treated as global public goods, and vaccines should be free and available to everyone around the world. Another panellist stressed that developed countries held the majority of patents and proposed the waiving of intellectual property rights regimes to maximize global production and facilitate universal access to vaccines and therapeutic medicines in developing countries.

18. All panellists also presented policy recommendations to tackle the simultaneous economic and social crisis. Developed economies should coordinate their policies while providing liquidity support to middle- and low-income countries. The International Monetary Fund should translate its expansionary fiscal policy recommendations to be able to apply them to its country programmes; a new allocation of special drawing rights was also necessary to help developing countries face their external liquidity constraints. One meeting participant expressed concern about developing countries' current levels of debt. Responding, the panellists proposed bolder action, such as extending the Debt Servicing Suspension Initiative of the Group of 20 until 2024 and debt relief for countries that already faced unsustainable debt burdens prior to the pandemic and were spending more on debt service payments than on health.

19. One panellist stressed that the current crisis was also an opportunity to focus on ways to address underlying structural and power imbalances and enable the achievement of the Sustainable Development Goals. Noting that the recovery should be green and sustainable, the panellist identified UNCTAD as the proper forum to facilitate the massive scaling up of public and private financing to carry out large-scale transformation.

20. The representative of one civil society organization asked how private financing in investment related to the Sustainable Development Goals could be fostered. One panellist suggested that multilateral financial institutions could play a role in mitigating the risks of those investments: for instance, multilateral financial institutions could set guidelines to mitigate project risk, and the International Monetary Fund could mitigate exchange rate risk in countries that did not issue reserve currencies.

21. One delegate asked which financial modalities developing countries could use for financing for development. The panellists stressed that a tax reform at the international and domestic levels was an essential component for mobilizing resources for financing development. Tax havens had created growing inequalities that were exposed and reinforced by the COVID-19 crisis as the ultra-rich had become richer and the poor, poorer. Greater taxation of the ultra-wealthy (by even a marginal amount) could provide an important source of financing for development. There was thus a need for greater international cooperation. In that regard, one panellist proposed a global tax authority within the auspices of the United Nations.

22. One panellist noted that the session served as a reminder of the central role of the United Nations as a forum where the voice of developing countries could be heard. He called for a rethinking of the financing of the United Nations system and suggested a tenfold in increase in the core budget.

23. Most panellists raised the issue of the need for political will and global leadership to implement those ambitious reforms. One panellist noted that recent initiatives gave some reason for optimism, including the call of the United Nations Secretary-General for COVID-19 vaccines to be a global public good, regional alliances in Africa to respond collectively to the crisis, the technology knowledge-sharing initiative of Costa Rica in partnership with the World Health Organization and the creation by Norway of a multi-donor COVID-19 fund under the United Nations.

The impact of the COVID-19 pandemic and crisis responses: Going beyond "business as usual"

24. During the discussion, a three-member panel addressed the topic, "The impact of the COVID-19 pandemic and crisis responses: Going beyond 'business as usual'" from different angles. All panellists emphasized that the pandemic had caused a profound economic shock that impacted all developing countries, without regard to the prior macroeconomic fundamentals of those countries.

25. One panellist summarized the pandemic's impact on the global economy, stressing that the measures taken to contain the coronavirus had led to a collapse of consumption and investment, and cessation of production. As global demand fell, commodity prices dropped, tourism stopped, remittances declined and developing country foreign earnings plummeted. Unprecedented capital outflows induced large exchange rate depreciations and huge increases in sovereign borrowing costs.

26. Another panellist emphasized that developed countries had taken decisive countercyclical action by means of expansionary monetary and fiscal policies to address those shocks. Developing countries were, however, not able to react in a similar manner given the reduced policy space they had. The asymmetry in the ability of countries to react to shocks such as the global pandemic was one of the main problems of the current global economic architecture.

27. Some panellists stressed that the uncoordinated but simultaneous easing of monetary conditions by central banks had provided liquidity to financial systems and boosted market confidence. That reversed the outflows of capital from developing countries and brought commodity prices more in line with the prevalent supply and demand conditions. Sovereign

risk was currently almost back to levels prior to the COVID-19 shock, but exchange rates remained volatile.

28. As a policy recommendation, one panellist suggested that developing countries should aim at fiscal consolidation as soon as the pandemic was over in order to regain the confidence of the markets and be able to again attract foreign investment.

29. The other panellists instead warned against returning to business as usual, including commoditizing development, by de-risking projects. One panellist emphasized that de-risking by the State to attract investors to finance the Sustainable Development Goals could easily become a budgetary time bomb. Cash-flow guarantees for investors meant that the State would assume all risks for projects and investors would reap all benefits.

30. One panellist said that fiscal resources in particular were needed to cover demand and political risks, while the central banks of developing countries had to assume bond liquidity and currency risks. He mentioned Ghana, Nigeria and Senegal as examples of countries where public–private partnerships had resulted in large and ongoing fiscal costs. Instead, developing countries should adopt policies to end unequal partnerships and to regulate finance. Rather than a de-risking State, developing countries should build a developmental State which would use those countries' scarce resources for public investment aimed at transitioning to a green economy.

31. Another panellist went further, arguing that returning to business as usual would be damaging. An important lesson from the pandemic was that there could be no return to economic prosperity without full control of the current and future pandemics. That called for unprecedented international cooperation in public health and a redesign of most national health-care systems, along with the relevant financing. It was even possible that a new mode of development would emerge, centred on health, education and culture.

32. Another panellist said that public international funding was needed and could be a countervailing force against the short-termism of private capital flows. That would imply a rebalancing of public policies in the direction of sanitary security, a reassessment of the boundaries between national competencies and international cooperation and a reduction of structural asymmetries between developed and developing countries.

33. During the discussion, one delegate noted issues of unilateral coercive measures that further reduced the financing options of developing countries, while another delegate raised the question of updating the Addis Ababa Action Agenda in a post-COVID-19 period. Some other delegates raised the question of the future direction of the reform of the global financial architecture and the pros and cons of public–private partnerships.

Tackling structural inequalities to finance development: Towards a development-friendly trade and production architecture

34. During the panel discussion, one panellist said that, over the last decades, structural and political forces had progressively shifted bargaining power away from labour to mobile and footloose capital, reducing the labour share of national income in most countries and fuelling rising income and wealth inequality in much of the world. The moderator said that the COVID-19 crisis had in turn amplified those fault lines, increased inequality on several dimensions and exposed the fragility of the global production structure.

35. The panellist further said that the main sources of ever-rising inequality were the acceleration of trade agreements in the 1990s and beyond, the huge global labour supply shock when China joined the global production system and the socialist bloc collapsed and the widespread deregulation of labour, financial, product and service markets at both the national and global levels. To recover, domestic policy should explicitly aim at expanding incomes and consumption, as China successfully did since the early 2000s managing to raise the living standards of the country's citizens and expand domestic consumption demand. The dramatic wage increases of China had allowed countries such as Viet Nam and Mexico to raise wages without sacrificing their competitiveness. Trade policy was important as it could support or undermine domestic policy space, and that was why the World Trade Organization and other multilateral trade and financial organizations should incorporate measures to counter the harmful and dangerous rise of inequalities and promote

policies to increase the labour share and incomes of workers, support full employment and guarantee greater space for pro-worker policies. UNCTAD could play an important role in advancing such policies.

36. Another panellist noted that different types of inequality endangered social welfare and development. The different types were mainly educational inequality, income inequality in the access to good jobs and resource inequality in the access to different types of assets (credit, land, government programmes and so on). Multiple horizontal inequalities based on gender, ethnicity and race, and in some contexts religion, had created a caste system that could only be dismantled by deliberate industrial policy and infrastructural investment, including both physical infrastructures, as for clean water, sanitation and electricity, and social infrastructures (for example, education and child-care centres). Such policies should be regarded as enhancing productivity in the long term, and a longer time horizon should be applied in the evaluation of their efficacy. The failure to address inequality had been shown to have negative effects on growth.

37. Another panellist said that proactive management of domestic debt markets could help in reducing structural inequalities. After restoring debt sustainability and stabilizing its domestic market, the Government of Argentina was currently trying to increase financial inclusion in the country while preparing the groundwork for a new model of sustainable finance. The supply of financial services was still severely biased along social, geographical and gender dimensions, and the pandemic aggravated those difficulties. Argentina had adopted a national strategy for financial inclusion and had launched a technical round table for sustainable finance that would identify the regulatory changes and the policy toolset needed to contribute to sustainable development.

38. During the ensuing discussion, one panellist suggested that mandatory wage increases could boost productivity as they could push the private sector to invest in equipment and organization that would help to increase the productivity of workers and thus guarantee positive profits. Other panellists and the moderator made policy suggestions, such as finding ways for Governments to enforce minimum wages through, for instance, industrial policies and increasing government influence by means of financial regulation to ensure banks that supported marginalized groups and firms. They emphasized the importance of multilateral action to address inequalities, together with the importance of regional and South–South cooperation to increase the bargaining power of developing countries vis-à-vis large multinational enterprises.

39. As the discussion concluded, most panellists pointed to a positive element by stressing that the pandemic had created the context for re-examining some of the forces that led to inequality, with structural forces currently pushing in the direction of equality. They argued that an increase in wages could stimulate productivity and have a virtuous cycle on effective demand, without sacrificing competitiveness or leading to loss of employment. That could also create the possibility of rebalancing trade agreements to enhance the well-being of citizens more explicitly.

Financing for development: Towards a development-friendly international monetary and financial system

40. During the discussions, a four-member panel emphasized a number of issues, saying that the current international monetary and financial system was hindering both developed and developing countries. The lack of aggregate demand that had stalled economic recovery since the global financial crisis of 2008/09 was caused by a financial system that had raced ahead of the capacities of the current political system and was disconnected from the productive economy. The COVID-19 pandemic had come at a time when the financial sector was already failing to convert surplus liquidity into long-term productive investments, and wages were still too low to lift aggregate demand. To get out of the current structural liquidity trap, the world needed to reverse the long-term decline in the share of global labour income relative to capital, especially for the “bottom 50 per cent”, and to increase long-term investment, especially green investment. The panellists further noted the irony that central banks of the reserve currency nations could create trillions of dollars’ worth of liquidity which was destined for short-term use or large corporations that used it for financial gain, but not productive investment.

41. The panellists also noted that, at the same time, the current international debt architecture did not serve developing countries well and needed urgent reform. As the pandemic had triggered multiple crises throughout the world, Governments in developing countries were exhausting monetary and fiscal tools to cope with the fallout from the pandemic and had little room and policy space left to manoeuvre. Facing alarmingly high debt levels and unprecedented debt burdens, many Governments feared systemic debt crises and debt restructurings in the coming years. Exacerbating the problem was the fact the system had no structured debt workout mechanism. Efforts on debt relief had largely focused on debt moratoriums offered by the Debt Service Suspension Initiative of the Group of 20, but that had not created debt relief. In addition, many developing countries that should benefit from the Debt Servicing Suspension Initiative chose not to participate for fear of being downgraded on sovereign credit ratings.

42. One panellist and one delegate highlighted the enormous power that credit rating agencies had over the international financial system, playing the roles of both jury and judge. Well-known problems such as oligopoly, conflict of interests, lack of transparency and accountability could be regulated with the creation of a public credit rating agency that could provide an independent and public perspective on the creditworthiness of sovereigns as well as of regional and multilateral development banks.

43. Another delegate pointed out that financial deregulation was making poorer countries more vulnerable and said that the global South needed a proportionate voice in global standard setting and financial bodies. The panellists suggested other reforms, including a significant increase in finance for development banks and multilateral institutions, such as the International Monetary Fund, and establishment of a global pandemic recovery fund similar to the Marshall fund Plan, financed by the liquidity of central banks, and creating and offering such funding to partners as long-term equity or debt.

44. One panellist suggested use of quantitative easing to finance a raise in the minimum wage, coordinating it across a large number of countries (for example, the Group of 20) so as to avoid beggar-thy-neighbour concerns. She also suggested the creation of a new global trading system whereby countries with net trade imbalances would pay a fine to be used to provide finance for the South, along with a levy on capital flows. One delegate also asked how to boost aggregate demand; the panellists discussed the importance of persuading the largest economies in the world that it was in their interest to revive global aggregate demand.

45. The panellists expressed support for a campaign to raise awareness of the positive effects of boosting wages, raising aggregate demand and recycling trade and capital surpluses to deficit countries.

Towards a more coherent and consistent multilateral system: Priority policy proposals

46. During the discussion, a four-member panel presented proposals for making the multilateral system more coherent and consistent to help developing countries recover from the current health, economic and social crises in a greener and more inclusive manner that was aligned with the achievement of the 2030 Agenda for Sustainable Development.

47. One panellist, in his role as President of the United Nations Economic and Social Council, proposed a point-by point plan, for the short and long term, to address the current crisis and long-standing systemic issues. In the short run, the plan included stepping up efforts to provide significant additional liquidity to developing countries, fully support and close financing shortfalls of around $20 billion for the COVID-19 Vaccine Global Access (COVAX facility), a call on the International Monetary Fund to use its lending facilities to widen rather than restrict fiscal space in developing countries and extension of the Debt Servicing Suspension Initiative of the Group of 20 to include crisis-stricken middle-income countries and small island developing States. He emphasized the inclusion of private creditors in the Debt Service Suspension Initiative, through closer engagement with the main credit rating agencies. While domestic resource mobilization could play an essential role in bolstering national capital markets, advanced countries had a central role in

facilitating the extended use and reallocation of special drawing rights, recapitalization of multilateral development banks and meeting commitments to fund climate change in developing countries with $100 billion per year. In the medium term, a new financial architecture needed to be created with the following elements: (a) international guidelines and institutional arrangements for sovereign debt crisis resolutions beyond the Common Framework for Debt Treatments of the Group of 20; (b) a fair international taxation system, including with regard to taxation rules for the digital economy, not least to combat illicit financial outflows from developing countries systematically; (c) reversal of unequal bilateral and regional investment treaties and adjudication procedures to resolve investment disputes; (d) better use of existing investment platforms at the World Bank and the Group 20 and the creation of a public–private investment facility under the United Nations umbrella and utilization of country offices and the convening power of the United Nations to facilitate sustainable infrastructure investment in developing countries; and (e) a more development-oriented multilateral trading system consciously aligned with the Sustainable Development Goals.

48. The other panellists and the moderator recalled the smaller policy space of developing countries vis-à-vis developed countries to adopt countercyclical measures stressed in the previous panel discussions. The multilateral initiatives launched so far to alleviate the liquidity and solvency problems of developing countries were welcome, but insufficient to provide them with the policy space required to face the current crisis and recover from that in shape to promote longer-term developmental goals. One panellist recalled that bolder initiatives were adopted in the aftermath of the global financial crisis of 2008/09.

49. The panellists and the moderator discussed various ways to boost the initiatives proposed in the short and in the longer run. One panellist suggested that, in bringing together public and private financing of vital developmental projects, there was a need to strengthen the financial firing power of the multilateral system and to pay more attention to issues of quality financing and of changing modalities for contributions to the multilateral system to strengthen the voice of developing countries. Moreover, multilateral and national development banks needed to maximize their synergies to deliver on leveraging private finance and direct “blended financing” to the poorest developing countries and to core social sectors. All panellists expressed concerns regarding blended finance as, so far, only a limited amount of the resources mobilized through the mechanism had gone to the least developed countries.

50. Another panellist highlighted the importance of recent initiatives of the Group of 20, including the Debt Servicing Suspension Initiative and the Common Framework for Debt Treatments beyond the Debt Servicing Suspension Initiative, endorsed also by the Paris Club. The Common Framework for Debt Treatments in particular was important, as it set guidelines to facilitate a case-by-case approach to debt treatment, with the participation of all creditors, for countries eligible for the Debt Servicing Suspension Initiative. However, the Common Framework for Debt Treatments did not have mechanisms to ensure the involvement of the private sector.

51. The panellists agreed that a multilateral system that would be responsive to developing countries was needed and could be adopted in the medium term. A reform of the international financial architecture was required, including a statutory approach to debt resolution, such as the international sovereign debt authority proposed by UNCTAD. Although the current market-based approach that built on collective action clauses was relatively successful in recent debt restructurings, it did not shield developing countries from hold-out creditors. One panellist stressed that a broader global financial safety net would help developing countries to face liquidity problems, increasing the resilience of the international financial system.

52. Some panellists emphasized the need for a fair international tax system that would enable the taxation of the digital economy, hinder tax shifting by multinational corporations and prevent other kinds of illicit financial flows, and eliminate tax competition. They agreed that the international trading system would also need to be reshaped to encompass online transactions and become aligned with the Sustainable Development Goals.

53. The representative of one civil society organization discussed the political feasibility and implementation of those initiatives. He also raised the concern that political momentum could be lost if additional steps were not taken regarding, for instance, the high-level Initiative of Financing for Development in the COVID-19 Era and Beyond, co-convened by Canada, Jamaica and the United Nations from May 2020.

Closing plenary meeting

54. The representative of one regional group noted that the topic and guiding questions for the fourth session of the Intergovernmental Group of Experts on Financing for Development were not discussed at its third session due to the lack of time. He noted that, while the guiding questions were not discussed, the Trade and Development Board subsequently took note of the report, which included the guiding questions. He expressed concern that, in the view of his delegation, the appropriate process had not been adequately followed and requested documenting the matter in the report of the fourth session.

III. Organizational matters

A. Election of officers

(Agenda item 1)

55. In accordance with the provisions of United Nations General Assembly decision 74/544 of 27 March 2020, the election of officers of the fourth session of the Intergovernmental Group of Experts on Financing for Development was conducted through a silence procedure concluded on 22 January 2021. At its opening plenary meeting, on 25 January 2021, the election of Mr. Khalil-ur-Rahman Hashmi (Pakistan) as the Chair and Mr. Abderrahim Ait Slimane (Morocco) as the Vice-Chair-cum-Rapporteur of the Intergovernmental Group of Experts on Financing for Development was confirmed by the elected Chair.

B. Adoption of the agenda and organization of work

(Agenda item 2)

56. Also at its opening plenary meeting, on 25 January 2021, the Chair of the fourth session of the Intergovernmental Group of Experts recalled that the provisional agenda, as contained in document TD/B/EFD/4/1, had been adopted through a silence procedure concluded on 21 January 2021. The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Addressing systemic issues: Strengthening the coherence and consistency of multilateral financial, investment, trade and development policy.
4. Provisional agenda of the fifth session of the Intergovernmental Group of Experts on Financing for Development.
5. Adoption of the report of the Intergovernmental Group of Experts on Financing for Development on its fourth session.

C. Provisional agenda of the fifth session of the Intergovernmental Group of Experts on Financing for Development

(Agenda item 4)

57. At its closing plenary meeting, on 27 January 2021, the Intergovernmental Group of Experts on Financing for Development decided that, in view of the current situation and impacts of the COVID-19 pandemic on developing countries, and thus on debates about how best to finance development, as well as preparations for the fifteenth session of the

United Nations Conference on Trade and Development, the secretariat would provide an overview of possible topics and guiding questions for future consideration by the International Group of Experts. The overview would be based on agreed policy recommendations and deliberations of past sessions of the Intergovernmental Group of Experts as well as current developments and annexed to the report of the fourth session (see annex I).

58. The Chair noted that regional coordinators and member States were encouraged to consult on the proposals with a view to reaching an agreement on the topic and guiding questions for the fifth session of the Intergovernmental Group of Experts on Financing for Development. The final topic would be submitted to the Trade and Development Board for approval, together with a provisional agenda of the fifth session reflecting the chosen topic.

D. Adoption of the report of the Intergovernmental Group of Experts on Financing for Development on its fourth session

(Agenda item 5)

59. Also at its closing plenary meeting, on 27 January 2021, the Intergovernmental Group of Experts authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report on its fourth session after the conclusion of the session.

Annex I

Provisional agenda of the fifth session of the Intergovernmental Group of Experts on Financing for Development

Proposed topics and guiding questions

Proposed topic	*Proposed guiding questions*	*Action areas of the Addis Ababa Action Agenda* [a] *and corresponding chapters in reports of the Inter-Agency Task Force on Financing for Sustainable Development*
Building back better and greener: Mobilizing sustainable development finance beyond COVID-19	What lessons can be learned from the COVID-19 pandemic for the stable and reliable provision of long-term development financing? How can domestic and international, public and private financing instruments be improved to facilitate green industrialization and inclusive structural transformation in developing countries? Which additional and/or alternative multilateral policies and initiatives are required to ensure that the infrastructure gap is closed, at the same time promoting inclusive industrialization in developing countries and productive employment for all, while protecting the world's ecosystems? What are policies at the national and regional levels that countries can apply to enhance their industrial and technological policy space and long-term financial capacity to promote inclusive growth and sustainable structural transformation?	Addis Ababa Action Agenda, chapter I, paragraphs 14–17 and chapter II, action areas A–C Cross-cutting issues 4–7 in chapter 1 of the 2016 inaugural report of the Inter-Agency Task Force on Financing for Sustainable Development
Trade as an engine for development	What are the key issues at stake for developing countries in ensuring that the multilateral trading system facilitates and supports the financing of inclusive and sustainable development? What options are available to revive and "promptly conclude the negotiations on the Doha Development Agenda" (Addis Ababa Action Agenda, paragraph 83)? How can the participation in world trade of least developed countries, and of vulnerable developing countries, be increased to generate improved development outcomes, and how can the voices of these countries be enhanced in trade governance?	Addis Ababa Action Agenda, chapter II, action area D Chapter II, section D of the 2016–2020 reports of the Inter-Agency Task Force on Financing for Sustainable Development

[a] A/RES/69/313.

Proposed topic	*Proposed guiding questions*	*Action areas of the Addis Ababa Action Agenda* [a] *and corresponding chapters in reports of the Inter-Agency Task Force on Financing for Sustainable Development*
	What frameworks and policies are needed to improve affordable and effective access to trade finance? How can the objective to strengthen the coherence and consistency among bilateral and regional trade and among investment agreements be balanced with the requirement "not to constrain domestic policies and regulation in the public interest" (Addis Ababa Action Agenda, paragraph 91)?	
Making the international monetary and financial architecture work for inclusive and sustainable development: Looking beyond COVID-19	What lessons can be learned from the COVID-19 pandemic to strengthen the global financial safety net and reduce the vulnerability of developing countries to external shocks? What multilateral policies and reforms are required to enhance developing countries' access to unconditional international liquidity support in times of crises? What role is there for cryptocurrencies and other digital currencies in development finance? How can public and private debt instruments, and coordination in their design, be improved to enhance the long-term and environmentally supportive sustainability of developing countries' external debt burdens? What other reforms to the regulation and governance of international financial markets are required to promote a development-friendly international financial system? How can international tax cooperation be taken forward to ensure that a global taxation regime will support inclusive and sustainable development and domestic resource mobilization?	Addis Ababa Action Agenda, chapter II, action areas A, E and F Chapter II, sections A, E and F of the 2016–2020 reports of the Inter-Agency Task Force on Financing for Sustainable Development

Annex II

Attendance*

1. Representatives of the following States members of the Conference attended the session:

Afghanistan
Algeria
Angola
Argentina
Azerbaijan
Bahrain
Barbados
Bolivia (Plurinational State of)
Burkina Faso
Canada
Colombia
Congo
Côte d'Ivoire
Croatia
Cuba
Djibouti
Ecuador
Egypt
El Salvador
Ethiopia
Gambia
Guatemala
Holy See
Honduras
India
Iran (Islamic Republic of)
Iraq
Jamaica
Kenya
Kyrgyzstan
Lebanon
Lesotho
Malawi
Mauritius
Montenegro
Morocco
Mozambique
Nepal
Niger
Nigeria
Oman
Pakistan
Panama
Peru
Philippines
Portugal
Russian Federation
Saudi Arabia
Slovenia
Spain
State of Palestine
Sudan
Switzerland
Syrian Arab Republic
Thailand
Trinidad and Tobago
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
Venezuela (Bolivarian Republic of)
Viet Nam
Zambia
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

African Export–Import Bank
Common Fund for Commodities
Cooperation Council for the Arab States of the Gulf
European Union
Organization for Economic Cooperation and Development
Organization of Islamic Cooperation
South Centre

3. The following United Nations organs, bodies and programmes were represented at the session:

Department of Economic and Social Affairs
Office of the United Nations High Commissioner for Human Rights

* This attendance list contains registered participants. For the list of participants, see TD/B/EFD/4/INF.1.

4. The following specialized agencies and related organizations were represented at the session:

International Monetary Fund
International Telecommunication Union
World Trade Organization

5. The following non-governmental organizations were represented at the session:

General category

Association Africa 21
Consumer Unity and Trust Society International
International Network for Standardization of Higher Education Degrees
Village Suisse ONG