UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Response & Recovery Mobilizing Financial Resources for Development

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INTRODUCTION

Response and Recovery Mobilizing financial resources in the era of COVID-19 : Outcomes of the project

The COVID-19 pandemic has created a series of simultaneous and reinforcing shocks that has exposed and exacerbated economic, financial and debt vulnerabilities of low- and middle-income developing countries (LICs and MICs). In response to the needs of these countries, UNCTAD in partnership with Economic Commission for Africa (ECA), Economic Commission for Latin America and the Caribbean (ECLAC) and Economic and Social Commission for Asia and the Pacific (ESCAP), has undertaken the Development Account (DA) project *Response and Recovery : Mobilising financial resources for development in the time of COVID-19*. This project is one of the five Development Account projects the United Nations launched to provide technical assistance to member-countries amid the COVID-19 pandemic.

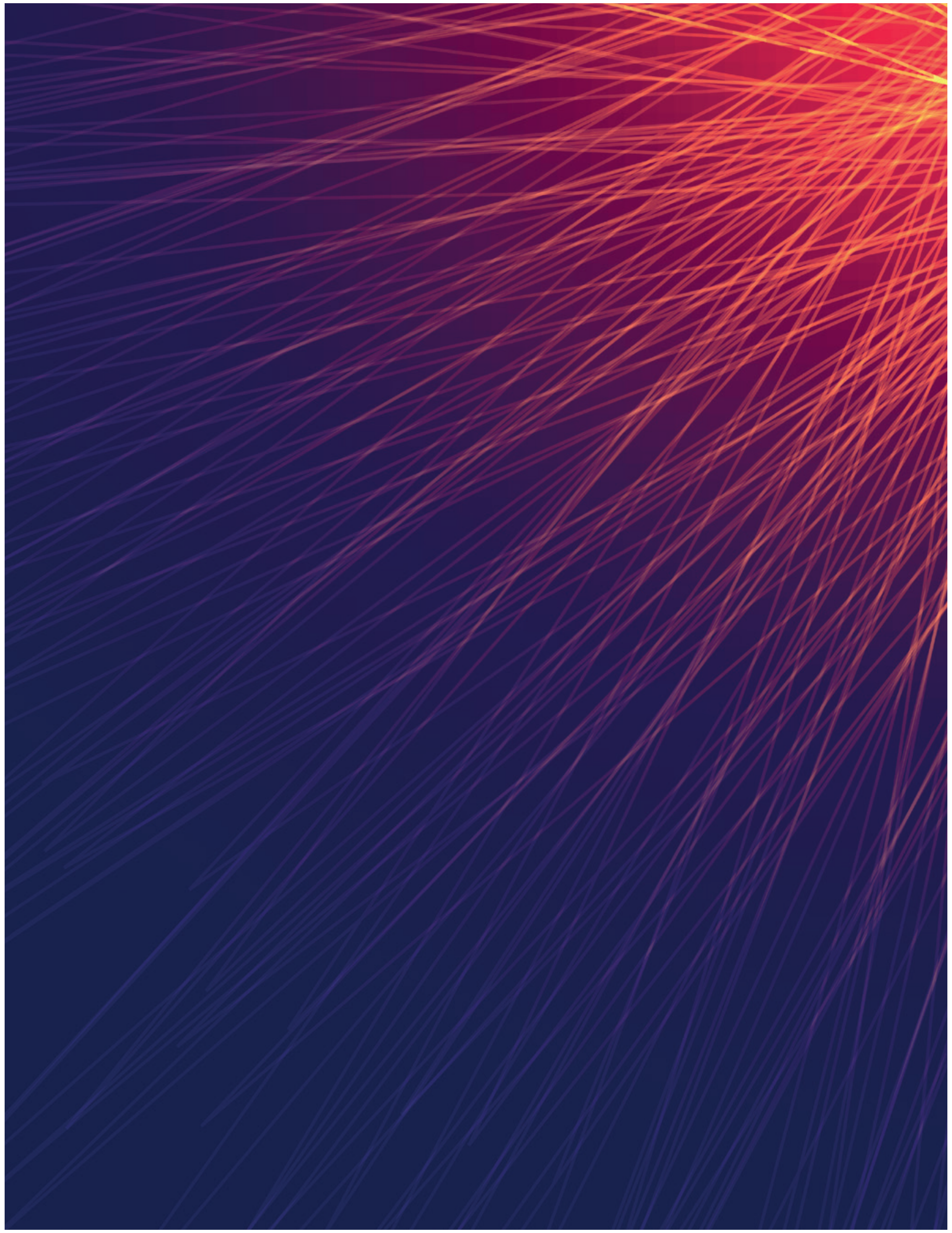
The project strengthened the capacity of policy makers in LICs and MICs from Africa, Asia-Pacific, and Latin America and the Caribbean to :

- Diagnose their macro-financial, fiscal, external financial and debt fragilities in the global context, and
- Design appropriate and innovative policy responses to the COVID-19 pandemic leading toward recoveries aligned with the achievement of the SDGs.

The project examines **macro-financial elements from a global perspective**, including an assessment of the world economic situation in light of the COVID-19 crisis, its impact on the financial conditions of LICs and MICs and the availability of emergency external liquidity sources to these countries. Then, it examines ways in **which external finance and debt** can work for development. Finally, it draws **policy recommendations** for recovery in the three developing regions on aspects of macroeconomic policy that the COVID-19 crisis put into stark relief : management of capital flows, macroprudential measures and fiscal policies.

The project has delivered three new toolkits for policy makers, including the Global Financial Safety Net (GFSN) Tracker, the UNCTAD New Generation Financial Conditions Indicator (FCI) and the UNCTAD Sustainable Development Finance Assessment (SDFA) Framework, as well as over 25 research papers and policy notes, and 15 workshops and webinars, over a period of two years. We begin with a discussion of the new toolkits.

For full details of the project, go to MobilizingDevFinance.org



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TOOLKIT 1

Global Financial Safety Net (GFSN)

The DA COVID-19 project made possible a regular update of the GFSN tracker from January 2020 to June 2022, allowing all UN member states to know their relative position in the GFSN and develop, negotiate and possibly expand their crisis response liquidity options.

The GFSN tracker, designed in collaboration with Boston University and the Institute for Latin American Studies - Freie Universität Berlin, is an **innovative tool with comprehensive information on the GFSN**, i.e., the network of global, regional and the bilateral emergency external liquidity sources (IMF lending lines, central bank swaps and regional financial arrangements (RFA)) that prevent or backstop a temporary balance of payment distress. It provides regularly updated information both on potential lending capacity and on actual utilization of international liquidity sources from the onset of the COVID-19 pandemic to June 2022 for all UN member countries.

Check the interactive website
gfsntracker.com

Transparent and comprehensive data on the potential lending capacity and actual use of the GFSN allows countries to know their relative position and to develop, negotiate and possibly expand their crisis response liquidity options with the IMF, their RFA and/or potential swap from partner central banks. Moreover, the GFSN tracker provide crucial information for designing policy options to build an equitable GFSN at regional and global fora.

No One Left Behind ? COVID-19 and the Shortcomings of the Global Financial Safety Net for low- and middle-income countries

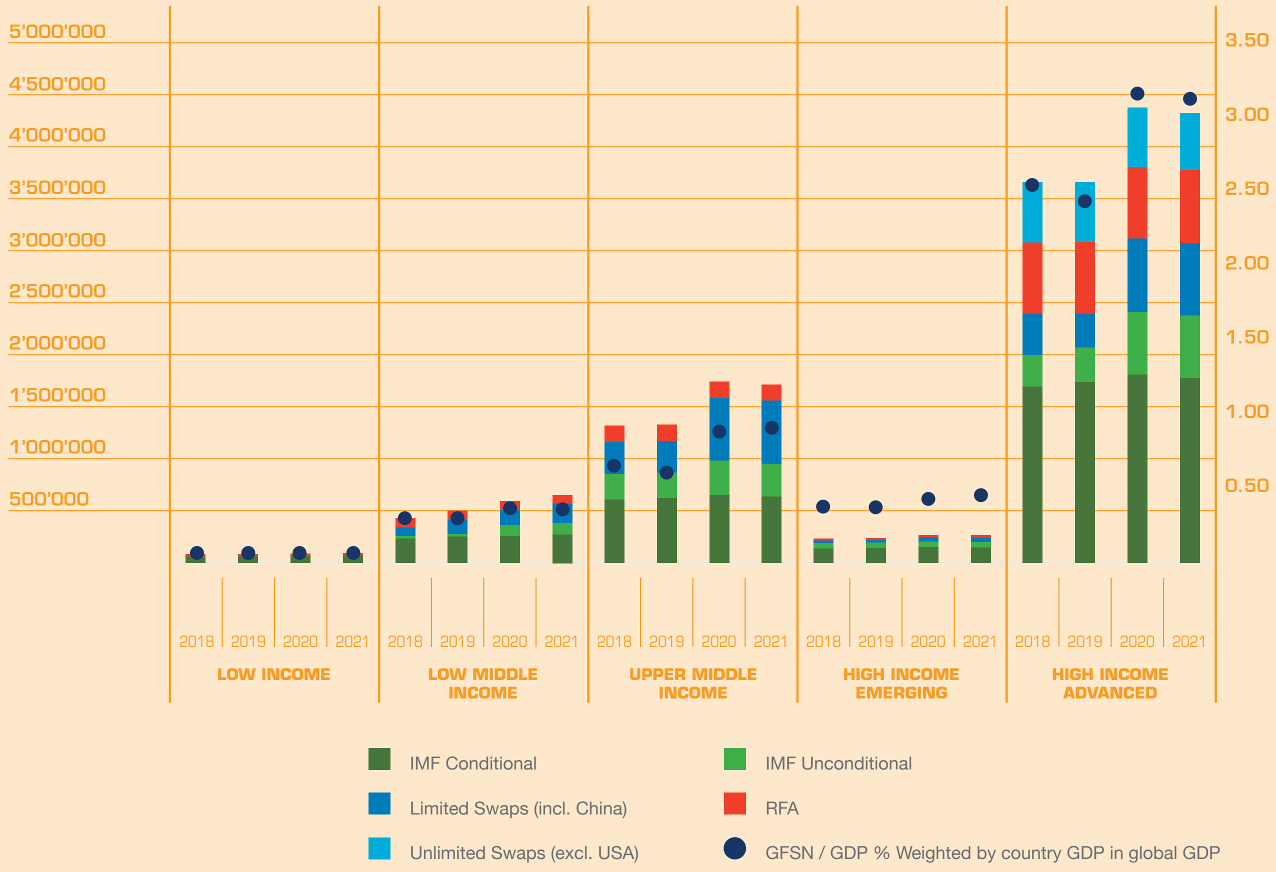
by Laurissa Muehlich, Marina Zucker-Marques, Barbara Fritz and William N. Kring

As part of the research related to the GFSN tracker, this policy paper reveals the inequalities in the GFSN across income-country groups and regions (see Figure 1):

- Access by LICs and MICs to international emergency finance was low throughout the COVID-19 period. Greatest access was available for advanced High-Income Countries (HICs), and to a limited extent upper MICs, which was largely driven by central bank swaps.

- On a regional basis, while Europe and East Asia have varied and large GFSN elements to choose from, Africa, South Asia and Latin America and the Caribbean have far lower access to unconditional and readily disbursable swaps. Instead, they must rely on standard conditional IMF lending facilities.

Figure 1:
GFSN lending capacity by income groups (2018-2021; in USD million; left scale USD million; right scale: percent of GDP; weighted GDP averages*)



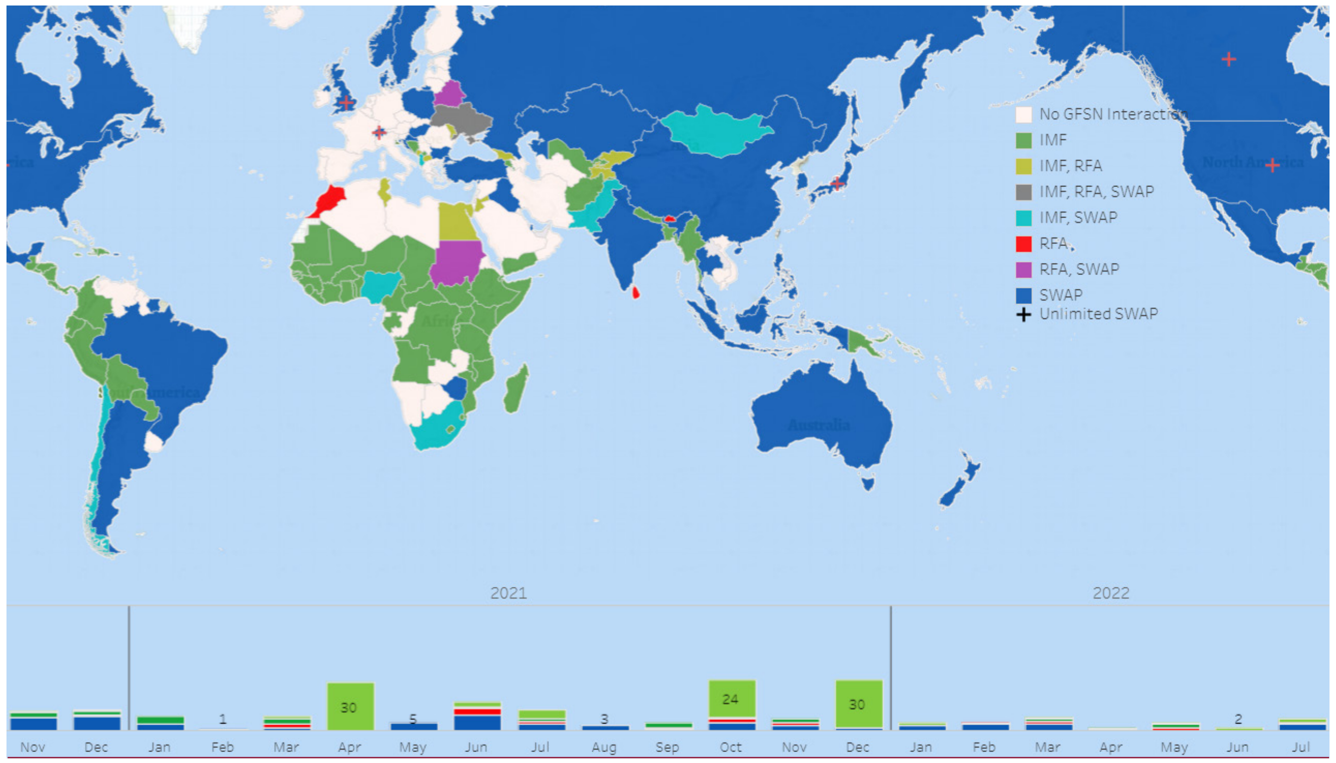
Source: Kring et al. 2021, https://gfsntracker.com/
*Note *Sum of value of loans and swap agreements as share of country GDP weighted by participation in global GDP; simple average per income group in %*

Check out the full paper here:
https://mobilizingdevfinance.org/research-material/no-one-left-behind-covid-19-and-shortcomings-global-financial-safety-net-low-and

"The Global Financial Safety Net Tracker» proved to be an essential resource for developing countries gauging their ability to draw on a variety of options for liquidity finance in the midst of one of the most fragile periods for developing countries in the 21st Century. The GFSN Tracker also proved to be important in the global policy discourse about the adequacy and symmetry of the GFSN in these times.
Moving forward as developing countries face potentially even more turbulent times with interest rate hikes and War in the West, the GFSN will continue to be a core resource for the developing world and beyond."

Kevin Gallagher
Director, Boston University Global Development Policy Center

Figure 2:
The Global Financial Safety Net Tracker



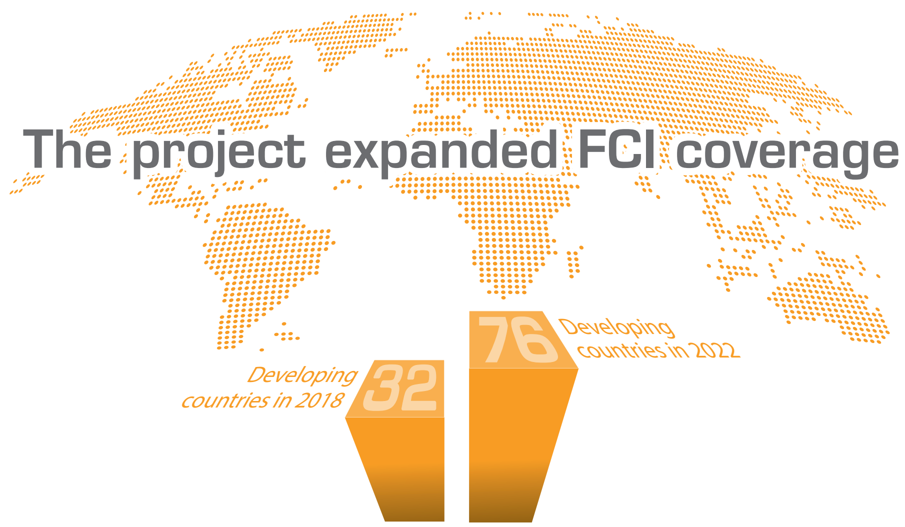
TOOLKIT 2

UNCTAD New Generation Financial Conditions Indicator (FCI)

Under the DA-COVID-19 project, UNCTAD expanded the country coverage of the FCI to 76 developing countries, providing a useful tool for diagnostic and policy design for more member states.

Monitoring financial conditions in developing countries provides an early warning of "financial stress", potentially allowing policy makers to design responses before the economy is adversely affected. The new generation UNCTAD FCI, developed under this project, enables the assessment of the financial conditions for clusters of developing countries based on a single indicator built on high-frequency or monthly data. This indicator synthetizes a wide range of financial variables from various sources, such as real interest rates, stock and bond market indices, commodity and market prices, volatility indices, exchange rates, residential real price index, debt service ratios and capital flows.

The "clustering" of countries with similar financial conditions enables UNCTAD to circumvent constraints related to the scarcity or poor quality of financial data. Therefore, the new generation UNCTAD FCI offers a useful tool for diagnostic and policy design for countries whose data inadequacies preclude country-specific analysis, which is the case of many LICs and MICs.



This innovative methodology identified five clusters for a sample of 76 developing countries between January 2015 and January 2021. The analysis of the five FCI clusters revealed different degrees of vulnerability of each cluster of countries to external shocks and enabled drawing tailored policy recommendations to each of them.

For example, the study identifies the first cluster, including such countries as Ghana, Brazil, Mexico and Peru, as vulnerable to global monetary and financial conditions, as well as commodity price shocks. Hence, for this group, it recommends the implementation of capital controls to insulate the economy from the vagaries of international finance and setting up swap lines and credit facilities with the main currency areas' central banks. For the second cluster, which is exposed to other vulnerabilities, such as Mali, Niger and Lesotho, it suggests more policy emphasis on diversifying the economy through industrial policy and improving regional integration.

TOOLKIT 3

UNCTAD Sustainable Development Finance Assessment Framework (SDFA)

The UNCTAD SDFA framework provides an innovative tool for policy makers in developing countries to assess their external and public sector financial needs while promoting the SDGs.

The capacity of developing countries to sustain a growth path that enables structural transformation depends on their ability to manage external liabilities, avoiding an explosive debt path. Unsustainable debt growth may occur independent of the specific form of external liabilities (external debt, foreign direct investment (FDI) and foreign portfolio investment) in a country.

The UNCTAD SDFA framework, developed under this project, provides a tool for developing country policy makers to assess the country external and public sector financial needs compared to the investment requirements to achieve the most essential SDGs with external debt sustainability. (This current version considers SDGs 1-4 - no poverty, no hunger, good access to health services and access to quality education).

As such, the SDFA goes beyond the standard Debt Sustainability Assessments (DSAs) in three key areas : (i) it assumes that for developing countries the balance of payments (BoP) constraint restricts output and growth; (ii) it considers not only exports of goods and services as a source of foreign currency free of cost, but also gross remittances; (iii) it encompasses all sources of foreign capital that finance the country's current account deficit, including external debt, FDI and portfolio investment.

> "I am positive it will be an important addition to the modelling toolkit for policymakers in developing economies."
>
> ***Antoine Godin,***
> *Senior Economist at the French Agency for Development (AFD) and expert on macroeconomic modelling tools*

In this project, the UNCTAD SDFA framework was applied to two beneficiary countries (Sri Lanka and Pakistan) to see whether past and projected scenarios deliver a sustainable outcome. Moreover, the project developed a **policy maker's dashboard** (see Figure 3), which allows policy makers to assess the impact of changes in possible SDG commitments and evaluate the implications for output, growth and debt sustainability. In the future, other member states can benefit from an SDFA analysis and a **policy maker's dashboard**.

> "The UNCTAD Sustainable Development Finance Assessment Framework (SDFA) is built on novel yet robust theoretical advances and has a strong empirical applicability. The data requirements and the straightforward way in which the framework can be applied to different countries reinforces its usefulness to conduct public policy dialogue around debt sustainability."

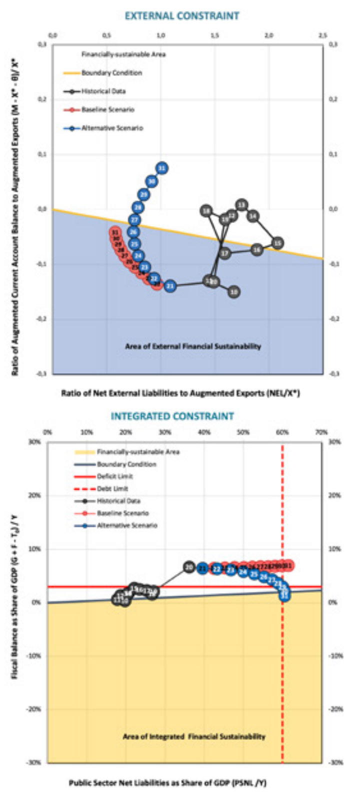
Antoine Godin,
Senior Economist at the French Agency for Development (AFD) and expert on macroeconomic modelling tools

Figure 3:
UNCTAD Sustainable Development Finance Assessment (SDFA) Framework Policy Dashboard

	External Constraint	Average value/ Average change 2010 - 2021	Trend in Underlying Data: 2010 to 2021	Baseline Scenario (2031 value = 2010 - 2021 avg)	Alternative Scenario (Value in 2031 or Avg: 2021 - 2031)	Trend of Alternative Scenario: 2021 to 2031
1	Import propensity (Imports as share of gross domestic product)	21,2%		21,2%	23,0%	
2	Export propensity (Exports as share of gross domestic product)	21,8%		21,8%	21,0%	
3	Compensation of employees credit (Avg annual change)	2,5%		2,5%	5,0%	
4	Personal transfers credit (Avg annual change)	2,8%		2,8%	3,0%	
5	Cost of Net External Liabilities (Avg % p.a.)	7,6%		7,6%	10,0%	
6	Ratio of Net External Liabilities to Augmented Exports	1,63		0,58	0,84	

	Public Sector Constraint	Average value/ Average change 2010 - 2021	Trend in Underlying Data: 2010 to 2021	Baseline Scenario (2031 value = 2010 - 2021 average)	Alternative Scenario (Value in 2031 or Avg: 2021 - 2031)	Trend of Alternative Scenario: 2021 to 2031
1	Government Spending Excluding Additions (Avg % change p.a.)	10,5%		10,5%	6,0%	
2	Additional government spending (SDGs, Green Agenda etc) % of GDP	0,0%		0,0%	4,5%	
3	Government Revenue to GDP ratio	15,4%		15,4%	18,0%	
4	Ratio of Public Sector Net Liabilities to GDP	24,8%		24,8%	53,1%	
5	Annual growth in GDP at constant prices (Avg over period)	4,5%		4,5%	3,2%	
6	Average annual cost of Public Sector Net Liabilities (β)	-0,2%		-0,2%	1,0%	

	Integrated Constraint	Average value/ Average change 2010 - 2021	Trend in Underlying Data: 2010 to 2021	Baseline Scenario	Average Value: 2021 to 2031	Trend of Alternative Scenario: 2021 to 2031
1	Growth in real GDP consistent with external sustainability (gBP)	1,9%		1,9%	0,6%	



SUCCESS STORIES FROM REGIONAL COMMISIONS

The DA COVID-19 project was undertaken in partnership with ECLAC, ECA and ESCAP. Each regional commission engaged in specific themes of paramount importance to the region. These are short accounts of how the project impacted countries in the area and supported policymakers in designing policies to recover better from COVID-19.

ECLAC

Roll with the punches: Mitigating external macroeconomic shocks in Latin America and the Caribbean

In the past 15 years, the financing needs of developing countries have significantly expanded, which is reflected in an increased accumulation of debt. Latin America and the Caribbean region remains particularly susceptible as, according to UNCTAD estimates, in 2021 their total debt corresponded to 160% of exports – only slightly lower than Sub-Saharan Africa with 172% and almost twice that of East Asia and the Pacific with 82%. High debt levels make countries particularly vulnerable to changes in international lending conditions and the risk perceptions of investors, increasing capital flow volatility and making countries more liable to sudden reversals. This pre-COVID-19 trend placed a significant constraint on government responses to confront the urgency of the pandemic and, in the medium-term, restricts their capacity to recover in the face of emerging shocks.

Under the DA COVID-19 Project, ECLAC supported the Latin America and Caribbean region to mitigate the external vulnerabilities by undertaking research in three areas that are highly relevant to the region: capital controls, macroprudential policies and innovative financing instruments.

The work on capital controls and macroprudential policies provided a regional comparative analysis that included 19 countries in Asia-Pacific, Africa and Latin America and the Caribbean regions. These studies provided a basis on which policymakers can draw important policy lessons and guidelines regarding the feasibility and effectiveness of capital controls and macroprudential policies for recovery. Moreover, the work on innovative financing instruments explored policy alternatives to alleviate the liquidity constraints and debt burdens in the region.

"The DA COVID-19 Project provided an opportunity for ECLAC to support countries in the region to build forward better for a sustained recovery."

Esteban Perez,
Chief of the Financing For Development Unit, ECLAC

The ECLAC research has been disseminated among policymakers in the region on different occasions, including at the permanent missions of Latin American and Caribbean countries in United Nations Headquarters and the Summit of Heads of State and Government of the Community of Latin American and Caribbean States (CELAC). Moreover, the project underpins technical assistance in the region. The research on macroprudential policies led to the development of an economic model for Latin America to analyze the impact of different macroprudential policies. This model is currently being used as a part of an ECLAC technical assistance requested by the government of Honduras.

ECA

United Nations Economic Commission for Africa

Minding the gap: Enhancing domestic resource mobilization in Africa

Even before the pandemic, many African countries had a narrow tax base, which jeopardized their ability to pursue a development path and implement the Agenda 2030. Moreover, an inadequate tax system can threaten debt sustainability once governments can become more reliant on borrowing and with time debt service can burden the government budget.

The COVID-19 made it imperative that countries rethink how they mobilized domestic resources and undertake reforms in their tax systems.

Under the DA COVID-19 project, ECA has identified the main challenges that African countries face in improving their tax base. Moreover, ECA developed a framework to support three member states - Ethiopia, Zambia and Kenya – to assess the gaps in their tax system, enhance tax instruments, and include new forms of revenue mobilization (e.g. natural resources tax). Together with national specialists, ECA provided a detailed and evidence-based analysis of the tax regime in each beneficiary country, identifying policy options and strategies that could maximize direct revenue mobilization.

"With the COVID-19 there was an urgent need for us to help African countries in enhancing their fiscal space. Domestic resource mobilization was considered the most sustainable source of development financing in developing countries."

Hopestone Kayiska Chavula,
ECA Macroeconomics and Governance Division

The work undertaken by ECA provides a roadmap for countries willing to enhance their domestic resource mobilization, with a practical and theoretical foundation on how to improve tax systems. In the future, the analysis can be expanded to other countries in the developing world.

ESCAP

United Nations ESCAP Economic and Social Commission for Asia and the Pacific

Socially-oriented fiscal policies designed for Asia-Pacific countries

The pandemic imposed a heavy burden on developing countries' government budgets, squeezing their fiscal space. While increased government spending was paramount to enhancing social and health protection, the decline in economic activity directly impacted government revenue during a period when borrowing conditions were particularly adverse. Limited fiscal space is a problem familiar to policymakers from developing countries, but the COVID-19 crisis laid bare the need for a tool that helps design fiscal policy strategies under different funding scenarios.

Under the DA COVID-19 project, ESCAP work addressed this need, with targeted studies for three member countries - Pakistan, Samoa and Kyrgyzstan. ESCAP work encompassed governments' short and long-term needs. In the first instance, the project delivered a rapid assessment of the immediate impact of COVID-19, which was vital to measuring how much was needed to support the economy during the most critical period of the crisis. During the second stage of the project, ESCAP aimed at assisting countries in their recovery strategies. To focus on the achievement of the SDGs and debt sustainability, ESCAP developed a fiscal macroeconomic model to assist countries in designing recovery policies.

Apart from creating the model, ESCAP undertook a series of workshops for each beneficiary country, where policymakers could learn to apply the model and distribute the results throughout government ministries.

"Coming from the United Nations, we emphasize to governments how to include the SDGs in their recovery policies intead of purely looking at economic growth as an indicator of recovery. This macroeconomic tool developed by ESCAP is ideal to allow countries to include the SDGs in their fiscal policy planning coming out of the crisis."

Shuvojit Banerjee,
Economic affairs officer ESCAP

The analysis focused on addressing social inequalities, which were exacerbated during the COVID-19 crisis. To take into account the negative economic and social consequences of the COVID-19 impact on women in particular, the macroeconomic model and the studies conducted by ESCAP included social and gender aspects. The policy recommendations coming from the model assist policymakers in concretely addressing gender inequalities in the countries.

"The macroeconomic model was appreciated by the governments of the beneficiary countries and we received direct requests to provide follow-up assistance after the DA COVID-19 project ends."

Shuvojit Banerjee,
Economic affairs officer ESCAP

Beneficiary countries are willing to continue working with ESCAP to deliver workshops to policymakers at the central and local levels and use the model as a tool to support decision-making. The use of the ESCAP model will continue after the end of the DA COVID-19 Project, and in the future, it can be applied to other member countries in developing regions.

DEBT PREVENTION AND RESOLUTION

Revitalizing soft-law frameworks for responsible sovereign lending and borrowing

The DA COVID-19 Project opened a space for new dialogue on the old issues of debt prevention and resolution. It provided an opportunity to revitalize the UNCTAD Principles on Responsible Sovereign Lending and Borrowing in national and global contexts.

The UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing (PRSLB) (2012) and the UN Resolution 69/319 on Basic Principles on Sovereign Debt Restructuring Processes (2015) are considered foundational to the soft-law surrounding debt prevention and resolution. In the context of increasing sovereign indebtedness, and rising number of countries in or on the brink of debt distress, the project seeks to make recommendations to revitalize the UNCTAD PRSLB in both national and global contexts.

Activities and publications include:

- Workshops with parliamentarians and senior debt managers from National Treasuries to discuss the role of the PRSLB
- A policy note on soft law on sovereign borrowing and lending to sovereigns - Revitalizing UNCTAD Principles on the Promotion of Responsible Sovereign Lending and Borrowing
- A study on the implementation of the PRSLB in two developing Asian-Pacific countries, the Phillippines and the Maldives.

Check Responsible Sovereign Lending and Borrowing I UNCTAD

"Sovereign financing is one of the most underdeveloped areas of international law. This legal void has contributed to insufficient deterrence to irresponsible or sub-optimal sovereign lending and borrowing. The UNCTAD Principles set out clearly the co-responsibilities of both lenders to sovereigns and sovereign borrowers, covering all debt instruments used by sovereigns and by all categories of countries.

Yuefen Li,
former UN Independent Expert on Foreign Debt and Human Rights

"Strengthening the oversight role of parliament with regards to public debt and public debt management is of critical importance to improve debt governance, bring predictability and stability to the questions of public debt and enhance transparency and accountability. The UNCTAD project on revisiting the Principles of Responsible Lending and Borrowing plays a key role in laying the foundations for enhanced oversight and accountability."

Franklin De Vrieze,
Head of Practice Accountability, Westminster Foundation for Democracy (WFD)

https://unctad.org/system/files/official-document/gdsddf2012misc1_en.pdf

GLOBAL ANALYSIS

UNCTAD Global Policy Model (GPM)

Under the DA COVID-19, UNCTAD expanded its Global Policy Model to cover an additional 20 developing countries in Africa, Asia and Latin America, allowing a coherent and up-to-date assessment of the impact of global economic conditions on developing countries.

The UNCTAD GPM is a tool for the empirical investigation of historic trends, current conditions and possible future scenarios for the world economy. UNCTAD Division on Globalization and Development Strategies (DGDS) uses the GPM in its research and publications, including the flagship 'Trade and Development Report'.

Global macroeconomic developments affect developing countries in their options for effective domestic policy design. Under this project, the UNCTAD GPM was expanded to include the macroeconomic and financial conditions of additional 20 developing countries in Africa, Asia and Latin America (from a previous country coverage of 10 developed and 10 developing countries), resulting in a total coverage of 40 countries.

The expanded UNCTAD GPM allows for a coherent and up-to-date global macroeconomic assessment of the world economic situation in light of the COVID-19 crisis, and, in particular, of its impact on developing countries. This assessment considered the historical context of weak and fragile recovery since the global financial crisis and the increasing climate change challenges.

The expanded GPM was applied to produce the following results:

- Make projections concerning likely major economic and environmental challenges facing developing economies in their efforts to achieve the SDGs until 2030,
- Assess the macroeconomic and social impact of the COVID-19 crisis on three African countries: Zambia, Kenya, Ethiopia,
- Draw three scenarios for analysis of finance and development issues facing developing countries in the aftermath of the COVID-19 crisis,
- Examine the impact of climate change on the macro-dynamics of income, employment, and distribution for 30 developing countries considering their geographical location, level of economic development, demographic and climate characteristics,
- Project the economic prospects for 34 Developed and Developing Economies from 2022 to 2030.

Achieving Global Carbon Neutrality Together with Economic Development

by Terry McKinley

Drawing from the UNCTAD GPM, the authors formulate the following policy recommendations to help developing countries achieve the SDGs in a scenario of carbon neutrality by 2050:

- Undertaking massive direct public investment in low-carbon infrastructure and technology.
- Prioritizing long-term external financing geared to viable and environmentally friendly economic alternatives.
- Advancing regional cooperation that could include common regional negotiating positions vis-à-vis global firms to increase benefits from inward FDI and ensure rising local content as markets and scale expand.

Check out the full paper here:

https://mobilizingdevfinance.org/research-material/achieving-global-carbon-neutrality-together-economic-development

REGIONAL ANALYSIS:

LATIN AMERICA AND THE CARIBBEAN

Developing country capital account management: proposals for the post-COVID-19 era

Under the DA COVID-19 project, policymakers from developing countries had the chance to reassess and share experiences about the regulation of capital flows to mitigate external shocks as the COVID-19 crisis.

Capital account management measures are key to curb the risks arising from external shocks such as the COVID-19 crisis. Capital account management can attenuate the boom and bust of capital flows, hence reducing the volatility in exchange rates and domestic asset prices. Moreover, this measure can help countries avoid a new wave of external indebtedness.

ECLAC conducted a policy-oriented study on the regulation of capital flows in the context of the COVID-19 pandemic that provided:

- An evaluation of the use of measures to regulate capital flows in selected developing countries from Latin America and the Caribbean, Africa and Asia-Pacific.
- Policy recommendations on capital account management measures to maintain the policy space necessary to overcome the immediate economic impacts of the COVID-19 crisis while preparing for economic recovery in the three regions.

> After several decades of experience with deregulated capital accounts, it is now clear that developing countries require different and flexible forms of capital account management techniques to deal with current and future challenges.
>
> ***Jayati Ghosh,***
> *University of Massachusetts Amherst, USA*

A policy-oriented study on capital flow regulations

by Esteban Pérez Caldentey, Martín Abeles and Zebulun Kreiter

The paper offers the following key policy recommendations:

- Capital controls widen domestic policy space.
- The exclusion of capital controls from the policymakers tool-kit while undergoing liberalization undermine stability, fails to attract long-term capital flows, and does not lead to higher levels of investment or growth.
- Regional capital controls are worth exploring, even though they require a high degree of economic and financial cooperation, which is not present in developing economies.
- Prudential measures are not necessarily adequate substitutes for capital controls.
- An effective management of capital flows requires that countries have the freedom to impose controls on both capital outflows and inflows with different degrees of flexibility.

Capital control measures tend to be accompanied by other complementary measures (macroprudential regulations), which makes a case for including capital controls as part of a broader set of instruments at the disposal of governments.

Check out the full paper here:

https://mobilizingdevfinance.org/research-material/policy-oriented-study-capital-flow-regulations

A macroprudential agenda for beneficiary countries in Latin America and the Caribbean

With the DA COVID-19 project, countries from Latin America and the Caribbean benefitted from an in-depth analysis of their macroprudential measures, which was compared with frameworks from other regions. This analysis allowed countries to share lessons and experiences on how to improve fiscal space during crisis.

Many Latin American and Caribbean countries – mostly MICs – lack the fiscal space to effectively respond to the COVID-19 pandemic. Moreover, these countries have limited access to concessional financing. Considering the urgent need for macroeconomic stability, ECLAC conducted a study on macroprudential measures to support policy responses and strategies for beneficiary countries in Latin America and the Caribbean.

Based on an analysis of individual country contexts, comparative regional experiences and global economic and financial conditions, the study provided:

- A comparative assessment of macroprudential policies in Latin America and the Caribbean, Africa and Asia-Pacific.
- Macroprudential policy options to strengthen macroprudential frameworks for beneficiary countries in Latin American and the Caribbean.

This project has reviewed the capital account management measures and macroprudential policies implemented by several developing countries, and serves as a repository of knowledge for policy-makers all around the world who seek to prevent or mitigate the impact of external and financial crises in their own economies.

Pablo Bortz
National University of San Martín, Argentina

The project on capital account management and macroprudential regulation provides a check on conventional wisdom. The challenges imposed by capital flow liberalization should not be underestimated. The lesson of capital flow liberalization, and the recurrent crises in the periphery, is that a greater degree of policy autonomy can only be regained by promoting accumulation in domestic denominated assets, and curtailing capital flows in a more persistent way.
Accepting the notion that prudential regulation and capital controls are required as a norm, and not just in periods of crises, should be the logical conclusion of this project.

Matías Vernengo
Bucknell University

Innovative financing instruments and initiatives of the FfD agenda to face the effects of COVID-19 in Latin America and the Caribbean

Within the context of the FfD agenda, the DA COVID-19 project facilitated a dialogue among experts and policymakers to find concrete policy options that alleviate the liquidity constraints and debt burdens facing many member States in Latin America and the Caribbean.

This component of the project explored policy options developed during the Financing for the Development in the Era of COVID-19 and Beyond Initiative (co-convened by Canada, Jamaica and the United Nations) to alleviate the liquidity constraints and debt burdens facing many member States in Latin America and the Caribbean. Addressing these problems is a pre-condition for achieving more sustainable financing for development in the wake of the COVID-19 pandemic and ensure a robust recovery.

> "Many developing countries lack the means to fight the pandemic and to invest in recovery. […] All our efforts must go towards building sustainable and resilient pathways that enable us not only to beat COVID-19, but to tackle the climate crisis, reduce inequality and eradicate poverty and hunger."

UN Secretary General, António Guterres
28th May 2020, High-Level Event on Financing for Development in the Era of COVID-19 and Beyond

5 critical policy agendas for economic recovery in developing countries

On May 19th and 20th 2022, UNCTAD and ECLAC invited experts and policymakers to a workshop to discuss the role of innovative financing instruments to build forward better. Experts identified five critical policy agendas that can support economic recovery across developing regions in 2022:

1. Urgently re-channel unused SDRs and initiate a new allocation
2. Make state-contingent debt instruments more acceptable to improve liquidity and debt sustainability in times of shocks
3. Establish a multilateral credit rating agency to reorient financing towards productive investment
4. Increase South-South learning from development banks to share innovative recovery ideas
5. Deploy capital flow management to support productive investment and structural transformation for recovery.

Check out the blog post here:
https://mobilizingdevfinance.org/page/five-critical-policy-agendas-economic-recovery-developing-countries

REGIONAL ANALYSIS:

AFRICA

Strengthening Domestic Resource Mobilization after COVID-19: A Tax Policy Framework for African Countries

By providing country specific technical assistance and assessment of taxation gaps, the DA COVID-19 project supported selected beneficiaries in Africa to improve tax policy and foster domestic resource mobilisation.

Just before the COVID-19 crisis, African countries had taken deliberate steps towards fiscal consolidation to rebuild fiscal space. As African economies transition out of the COVID-19 crisis, it is imperative to adopt policies that restore fiscal space to ensure macroeconomic stability.

Under the DA-COVID-19 project, ECA supported three African beneficiary countries (Kenya, Ethiopia and Zambia) in improving tax policy to foster domestic resource mobilisation. The technical assistance included:

- An assessment of direct and indirect taxation gaps.
- An analytical framework on tax policy to widen fiscal space and enhance domestic resource mobilisation, considering gender and vulnerable members of society
- Country level technical advisory services and capacity building leading to the adoption and implementation of the developed taxation framework.

REGIONAL ANALYSIS:

ASIA-PACIFIC

Balanced and inclusive fiscal policy packages in Asia-Pacific

Under the DA COVID-19 project, beneficiary countries in the Asia-Pacific region received a tailored analysis of policy packages to ensure sustainable recovery

Steps required to ensure sustainable economic recovery for countries in the Asia-Pacific region were explored by using the UNESCAP Macroeconomic Model to study potential policy options. Through analysis of Kyrgyzstan, Pakistan and Samoa, ESCAP focused on:

- Enhancing fiscal space
- Using innovative and sustainable financing instruments and strategies
- Promoting regional cooperation
- Designing a "Build Back Forward" package based on digital access, green development and social service.

The key outcomes of the project included:

- Two country studies each for Kyrgyzstan, Pakistan and Samoa – a rapid assessment of each country's policy-response to the pandemic, and a deeper analysis of policy packages to ensure sustainable recovery using the ESCAP macroeconomic model
- A capacity-building workshop on fiscal policy held with each country in partnership with country stakeholders
- An overview paper that extends the country recommendations to the rest of the sub-regions in Asia-Pacific
- A regional meeting featuring presentations and panel discussions to showcase the project's findings and outcomes to policymakers, thinktanks and other stakeholders from the region.

Fiscal Stimulus for an Inclusive, Green and Forward-Looking Recovery, Leveraging the SDG Agenda - An Assessment for Pakistan

by Sajid Amin Javed, Sara Zafar Cheema, Dawn Holland

The studies made major policy proposals – for example in Pakistan, the recommendation was to:

- Expand social protection
- Mainstream gender in all approaches and measures
- Roll-out a mass COVID-19 vaccination campaign
- Shift to green transport
- Cut fossil fuel subsidies
- Achieve an inclusive digital transformation.

Check out the full paper here:

https://mobilizingdevfinance.org/research-material/fiscal-stimulus-inclusive-green-and-forward-looking-recovery-leveraging-sdg

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