PRESIDIUM MODEL UNITED NATIONS CONFERENCE 2021

Background Guide

United Nations Development Programme (UNDP)

Deliberation on the supply of COVID aid to developing nations with special emphasis on COVID vaccines

The COVID-19 world's contours

COVID-19 and the economic reaction have exacerbated and fundamentally altered the nature of development difficulties. Cooperation on global development should adjust accordingly. This study emphasises the critical need for new forms of development cooperation capable of delivering large-scale resource transfers while being transparent and accountable. It examines what is actually happening with key donor countries' development cooperation initiatives, identifies the significant gaps, and offers some suggestions for how to proceed, despite the obvious geopolitical tensions.

The most pressing issue is to maintain a level of financial support for countries devastated by the global economic slump. This is the broadest and deepest recession in the history of the world economy. The International Monetary Fund (IMF) forecasts a global GDP decline of 4.9 percent in 2020, and a comparable decline in emerging market and developing economies (EMDEs) excluding China. 1 According to the World Bank, 93% of the world's countries would enter recession by 2020. 2 Numerous emerging countries will experience double-digit GDP reductions, with some experiencing downturns unprecedented in peacetime.

Along with the immediate recovery crisis, COVID-19 exposed longer-term tendencies that had been pointing to a lack of sustainability—environmental, social, and governance—in the way economic development was unfolding in many areas, including advanced nations, for some time. The dramatic decline in productivity growth, the increasing degree of inequality, the extinction of biodiversity, land degradation, ocean overfishing, and, of course, climate change all point to the necessity of resetting plans and objectives. This was anticipated throughout the negotiations leading up to the 2015 adoption of the Sustainable Development Goals (SDGs). However, what was agreed upon at the time as a theoretical concept of an enhanced development route has given way to an acceptance that drastic change is now required if countries are to avoid destabilising forces.

This new picture has enormous implications for development cooperation in terms of scale, co-benefits between development and climate change, as well as openness and accountability. To begin, our perception of the magnitude of resources that may be made available has shifted. There had already been discussion of the additional resources required to achieve the SDGs (the "billions to trillions" debate), but such discussions were viewed as aspirational rather than foundational, and frequently disregarded as impractical. COVID-19 has altered this dynamic, with $12 trillion rapidly mobilised to address the virus's impact on key economies. The International Monetary Fund indicated that EMDEs would require at least $2.5 trillion. 3 For the next three years, the African Union has requested $100 billion per year for the continent. 4 Significantly greater amounts of resource transfers to developing nations must now be considered in global policy circles than existed prior to COVID-19.

Perhaps the most significant figure is the crisis's different fiscal response.Advanced economies intend to increase fiscal deficits by 9 percentage points of GDP in 2020 and to increase gross public debt by an additional 11 percentage points of GDP through loans and guarantees to keep their firms afloat. The equivalent figures in developing markets are three and two percentage

points of GDP, respectively, whereas in low-income countries they are one percentage point and negligible support. These disparities are not related to COVID-19's differing health or economic effects, but are entirely a result of financial availability. Governments in advanced economies enjoy the extravagant privilege of borrowing in their own currencies, whereas developing countries are reliant on official development assistance and global credit markets. Scaling up development funding has thus taken centre stage in a post-COVID-19 world. Advanced economies are under pressure to use their extravagant privilege to help others, including by their own civil societies in some circumstances. Whether they will continue to fight, as in the past, or attempt some accommodation, is critical to the COVID-19 discussion on development finance.

Second, the large-scale endeavour to connect climate change and development cooperation, as agreed upon in the SDGs, has important consequences for development cooperation. At the risk of oversimplification, climate change mitigation requires a front-loaded agenda, similar to how the International Finance Facility for Immunization (IFFIm) supplied front-loaded funding for vaccinations following its launch in 2003-2004. Demographic and urbanisation pressures necessitate the immediate construction of new infrastructure in the developing world. If done sustainably, there is a possibility of lowering carbon emissions as a result of the lock-in effect of sustainable infrastructure assets. However, sustainable investments are frequently more expensive up front, causing liquidity-strapped countries to prioritise cash-flow over cost-cutting in their infrastructure choices. This situation must alter.

Additionally, the majority of infrastructure financing is debt financing, which requires extended maturities and inexpensive rates. The world post-COVID-19 has already harmed the creditworthiness of a number of developing countries, and all indications are that the worst is yet to come in 2021.

Third, if the emphasis is shifted to sustained construction of sustainable infrastructure, which might account for 5% of GDP in developing countries, governments and state-owned utilities in developing nations will play a significantly larger role. Except for power production and ICT backbone infrastructure, the majority of sustainable infrastructure is implemented by the public sector or governmental organisations. However, there is no consensus on the definition of sustainable development investment. Already, there is fear that the massive amount of money being mobilised to aid the recovery effort may be unable to be appropriately tracked. With parliamentary and civil society oversight deteriorating in some countries, there is a need for more radical transparency and monitoring of development expenditure to reassure citizens in recipient and donor countries alike that money is being spent prudently. This is not "conditionality," which has been often criticised by donors in their interactions with developing countries. It is a request for greater transparency; in order for finance to be sustainable and popular, the link between expenditure and the development benefits it generates must be improved.

The remainder of this article examines development cooperation via the prisms of scale, climate change connections, and transparency and governance. The next section analyses

recent trends in development cooperation before delving into the existing gaps. The final part discusses several potential avenues for filling these deficiencies.

II. Recent modifications in the policy of development cooperation

The United States, the European Union, and the United Kingdom have all recently made significant changes to their development cooperation practises. This section summarises these modifications.

United States America

For many years, there has been a bipartisan consensus in the United States on development cooperation, resulting in various bipartisan efforts despite the present administration's divisive political atmosphere. The US passed the BUILD Act in 2018, renaming the Overseas Private Investment Corporation (OPIC) the US International Development Finance Corporation (DFC), and more recently the Global Fragility Act of 2019 to re-establish US leadership in the fight against extremism and violent conflict. Both pieces of legislation received widespread support from US development stakeholders.

However, there have been attempts to curtail development assistance. The Trump administration began a Foreign Aid Review, which included a controversial proposal to give the State Department additional authority over development cooperation. Its central tenet was to "rebalance foreign assistance in preparation for a new era of great power competition." Although the evaluation was never completed and is still ongoing, several of its principles imply a shift in direction: A commitment to friends and allies; a push toward self-sufficiency; ties with bilateral trade; and a voting record at the United Nations, among other things.

A case in point of this injection of foreign politics into development cooperation was the administration's decision to shut off aid to Northern Triangle countries—Guatemala, Honduras, and El Salvador—that refused to cooperate with the administration's immigration agenda.

One of the primary goals of US development assistance is to lower the degree of assistance. US support is among the lowest of any Development Assistance Committee (DAC) member countries at 0.16 percent of gross national income (GNI), but in absolute terms, the US remains the world's greatest donor. President Trump's administration has engaged in an annual dance with assistance budgets; the administration consistently produces a budget with significant aid cuts, frequently totaling to one-third reductions, while Congress similarly routinely restores money to previous levels. Current dance appears to provide each party with the necessary political cover, but what is evident is that this United States government has little desire for significant increases in aid. What's more alarming is that the US has also used its clout to stymie

other global initiatives aimed at increasing financial support to underdeveloped countries. The most egregious example is opposition to the IMF issuing new special drawing rights (SDRs), a move that would have cost the US Treasury nothing and could have been accomplished without a Congressional vote. The only scenario in which the US is likely to significantly increase its foreign assistance is if it is framed as a critical instrument for countering China's global dominance.

The United States' politicisation of foreign assistance has spilled over into global institutions. The World Bank, the Global Fund, GAVI, the World Food Program, and UNICEF continue to receive financial support from the United States. Those deemed to be impeding the advancement of administration initiatives, such as the World Health Organization, the Green Climate Fund, and the Global Agriculture and Food Security programme, have seen their US funding reduced to zero. Along with the decision to withdraw from the Paris Agreement and persistent reluctance to using the SDGs terminology, The United States continues to be at odds with a large portion of the development community.

Due to the fact that the majority of US development assistance is in the form of grants, the US's capacity to front-load is relatively limited. While the DFC may theoretically increase its operations, it currently shows little signs of becoming a significant factor. Its capital is capped at $60 billion, and it adheres to tight accounting standards. For instance, each dollar of equity includes a corresponding capital charge of one dollar. There is no such thing as "anticipated loss" accounting.

The actions of US government agencies are extremely transparent Publish What You Fund rates the Millennium Challenge Corporation (MCC) and USAID as very good and good on transparency, respectively—and the US is a vocal supporter of the Open Government Partnership.

Government-to-Government Partnership that promotes instruments for tracking and reporting on SDG achievement. However, the absence of uniform terminology — a global issue — continues to impede assessment of the United States' contribution to the SDGs. Without a crystal-clear message about the benefits realised, the narrative for increasing US support becomes a muddled combination of national security, promotion of democratic values, and humanitarian help.

According to polling data, the American people feels the US should increase its aid spending and is willing to pay greater taxes to do so. A University of Maryland poll conducted in October 2019 found that Republicans and Democrats alike support increasing US aid for the purpose of eradicating hunger, providing universal vaccine coverage, and providing access to safe drinking water and sanitation, as long as other countries contribute their fair share. Polling indicates two things: a clear and strong connection between spending and programme

objectives is required to create support for a scaled-up programme; and collective action is favoured over national action.

The Biden administration has identified several of these flaws and taken steps to boost development cooperation's profile. It wants to increase financing for international assistance, particularly in the health sector, in its upcoming budget proposal. Additionally, it has been extremely clear in connecting the themes of sustainable development and climate change together.

European Union (EU)

The European Union's development cooperation footprint for the period 2021-2027 is outlined in its Multiannual Financial Framework (MFF). This implies a little rise in development cooperation throughout the 2004-2020 period. Over the next seven years, the "Neighborhood and the World" heading will get 118.2 billion euros, slightly more than 10% of the overall EU budget. Given the UK's withdrawal, the EU framework represents a significant boost in aid from all other member states, even though the majority of European countries continue to fall short of the 0.7 percent target they approve in principle. 7 The EU is the world's second largest aid giver, trailing only America, and is likely the least volatile of large aid donors.

Along with its own funding, the EU has assumed the lead in convening a worldwide response to the Coronavirus. The EU and United Nations-sponsored Access to COVID-19 Tools Accelerator aspires to raise $35 billion to provide equal access to vaccinations, diagnostics, and treatments.

Despite the expected increase in aid, the MFF allocates less money to development cooperation than the Commission technocrats' first proposal. It allocates substantially larger sums for humanitarian assistance but extremely small sums for development support.for migration, and for the preservation of peace and fragility. The enormous Next Generation Europe recovery fund will be inaccessible to developing countries. Aid to Africa, which is currently in decline, will not increase.

If the EU were to significantly boost its development cooperation, it will almost certainly be through the European Investment Bank's operations (EIB). Already the world's largest development finance institution, the EIB has extensive experience lending to small and medium-sized businesses and has committed to supporting 1 trillion euros in climate action projects over the next decade. While the majority of investment will inevitably remain within Europe, the EIB has already issued loans to 162 countries, accounting for approximately 10% of its portfolio. The formation of an allied European Development Bank is being actively considered in order to bolster Europe's capacity to respond to global and regional economic crises beyond its limited fiscal firepower.

Europe aspires to be the first major continent to achieve climate neutrality and has committed 400 billion euros to assisting member states in implementing the European Green Deal. From this vantage point, the EU fully supports the concept of a with-COVID-19 build-back-better programme that is environmentally sustainable and socially inclusive. A Just Transition Fund is available to assist Central and Eastern European economies in transitioning away from coal and fossil fuels.

The EU is developing rules and standards to guide its transition to sustainability. It focuses on energy (renewables and energy efficiency in buildings), transportation, and land use (carbon sinks and natural capital). By establishing targets in each area and associating their performance with its spending tools, the EU exemplifies the type of transparency and governance that will be required on a global scale.

The United Kingdom (U.K.)

The United Kingdom has the world's third largest aid budget and diplomatic network. In 2020, it made two of the most consequential reforms to its development partnership in decades. The primary headline was the United Kingdom's intention to merge the Department for International Development (DFID) and the Foreign and Commonwealth Office into a new Foreign, Commonwealth, and Development Office (FCDO). While stripping the development community of its desired Cabinet-level seat was a significant step for the UK, it signals a return to an institutional framework that is widespread throughout the world and is preferred by Conservative MPs. It formalises a trend among numerous assistance donors toward emphasising the link between aid and foreign policy in order to advance British interests and values abroad, an approach adopted by Canada and Australia in 2013. In this regard, the FCDO may break from the more technical viewpoints held by DfID; indeed, when Prime Minister Boris Johnson announced the merger, he specifically stated the expected outcome. ramifications; should the UK provide the same level of assistance to Zambia (for poverty alleviation) as it does to a strategically vital European neighbour like Ukraine?

Other countries' experience integrating development and diplomacy indicates that it can take substantial effort to reconcile the two cultures and experiences. The most recent merger of this type occurred in 2014, when Australia's AusAID was absorbed into the Department of Foreign Affairs and Trade (DFAT). According to an independent evaluation conducted five years later, the merger resulted in significant employee turnover and loss of talent—1000 staff years left the department immediately following the merger, and another 1000 staff years have since left. 9 Development specialists has particular planning and implementation abilities that foreign office generalists frequently lack. Against this negative, the study found a higher alignment with government priorities such as resource reallocation to the Pacific, infrastructure development, and humanitarian assistance.

A historical side: When President John F. Kennedy established USAID in 1961, one of his first acts was to transfer control of aid from the United States Ambassador in Seoul to a resident USAID administrator. With this movement, the United States' development cooperation evolved away from a primarily humanitarian mission and toward a more developmental one. A decade later, in 1971, the Korea Growth Institute was founded to provide stronger domestic input into research and planning for Korea's development route, something the State Department would never consider. The tug-of-war between diplomats and technocrats for control of development cooperation continues now as it has for 70 years.

The lesson for the United Kingdom is obvious. Even if wanted, scaling up support may be difficult. Scaling up requires resources, staff capacity to establish sound programmes in collaboration with trusted local government officials, and systems to speed execution. Each of these will be subjected to further scrutiny in the amalgamated office.

In terms of financial commitments, it is far from certain that the UK government will increase aid. The second major news event of 2020 was the government's announcement of up to 2.9 billion pounds in aid cuts, an 18 percent reduction from 2019 levels and an amount that is inconsistent with the forecast decline in UK GNI and the corresponding reduction in aid consistent with the legally-binding 0.7 percent aid floor. 10,11 The confusion around aid levels and objectives is exacerbated by the United Kingdom's recent history of attempting to count more of the government's peacekeeping, demining, and civil-military humanitarian spending as help.

In its efforts to align aid with national interests, the United Kingdom has made it abundantly apparent that it intends to assist poor nations in transitioning to a green economy. In 2019, Prime Minister Johnson announced a doubling of the United Kingdom's international climate financing obligations for the next five years at the United Nations General Assembly. 12 As host of the COP26 climate conference in Glasgow next year, the United Kingdom's Global Britain campaign will prioritise climate funding.

The United Kingdom is one of the most progressive countries in terms of tracking public sentiments regarding aid and basing messaging (and even policy) on the most effective messages. The Aid Attitudes Tracker and its successor, the Development Engagement Lab, demonstrate that the public's readiness to offer aid is very context-dependent. For example, in the United Kingdom, three times as many people claim that help should be given to those in greatest need and as a matter of morality as those who believe it will benefit UK businesses, jobs, or better trade relationships. 13 These respondents would take a dim view of Prime Minister Johnson's argument that help to Zambia should be reduced in favour of aid to Ukraine because the United Kingdom has a higher national interest in Ukraine.

As an indication of why the prime minister may have taken this position, prior surveys indicated that two-thirds or more of Britons believed that corruption rendered it worthless to contribute to global poverty reduction. Zambia would appear to be less enticing than Ukraine from this vantage point. The example demonstrates the critical need for a stronger link between expenditure and "build-back-better" if development cooperation is to be scaled up. Transparency, messaging, and effective governance will all be critical.

III. Global Development Gaps and Issues

The international commons

Perhaps the most glaring gap in global development is the lack of a mechanism for debating burden sharing and responsibility for the global commons. This is a long-standing concern that encompasses peacekeeping, health research, biodiversity, the oceans, and climate change. A portion of the issue is related to ODA accounting. According to the OECD's Development Assistance Committee (DAC), which sets the threshold for what constitutes aid, the primary objective of any assistance must be the economic development and welfare of developing nations. However, this concept becomes problematic when extended to expenditure on the global commons, from which everyone benefits. In reality, this means that France counts research on infectious tropical diseases conducted by the Institut Pasteur. (affecting developing countries), while the United States excludes research undertaken by the National Institutes of Health on HIV/AIDS (affecting citizens of all countries, developed and developing). Nonetheless, both forms of research contribute significantly to development cooperation by saving lives in developing nations.

As the theory of public goods suggests, the absence of an uniform approach to supporting the global commons has resulted in underinvestment. Consider the conservation of biodiversity. Global biodiversity finance, according to the OECD, is estimated to be between $78 billion and $91 billion per year (on average) from all sources, public and private. Internationally, the value ranges from $3.9 billion to $9.3 billion, with the higher figure includes funding for initiatives with biodiversity as a secondary purpose. Nonetheless, the report observes thatGlobally, the public sector spends $500 billion each year in ways that may be detrimental to biodiversity.

This type of behaviour occurs under the radar since metrics on the management of the global commons are not frequently gathered, resulting in a lack of transparency and oversight over the cumulative effort. The significance of new standards, definitions, and monitoring is such that four of the OECD report's five important recommendations focus on improving data definitions and monitoring, while the fifth proposal focuses on spending effectiveness analysis.

Other modes of delivering public goods or managing the global commons have a similar experience. For some time, warnings about underinvestment in pandemic health monitoring have been made. In September 2019, the Global Preparedness Monitoring Board issued precisely such a warning, but little heed was paid. It generally echoed the same messages in its second report, which was released in September 2020. There is insufficient preparatory financing. The Board estimates that improved readiness will cost an additional $5 per person per year, while the benefits, as COVID-19 clearly states, might total in the tens of trillions of dollars in avoided losses.

In a similar vein, even in the midst of the pandemic, the emergency appeal for $35 billion to ensure equitable access to vaccines, diagnostics, and treatments to expedite the end of the pandemic has not been quickly funded—despite the fact that the G-20 countries have committed more than $11 trillion to combating COVID-19's effects in their own countries.

On climate change, arguably the greatest problem of all, there is uncertainty over whether the initial $100 billion climate financing objective for 2020 has been met, and there is no advice on future funding targets. This is partly a result of the recognition that carbon reduction pledges must be strengthened and that financial targets must be increased proportionately.

Regardless of the sector—health, seas, climate, or biodiversity—the global commons message is consistent. Each region conveys a sense of urgency, a scientific need. There are several tipping moments that could result in irreversible damage if action is not done immediately. Delays are deemed intolerable.

A second recurring theme in reports on global commons management is that expenses are small in comparison to benefits, which can be positive, such as the creation of green economy jobs or the recovery of fishing stocks, or negative, such as the avoidance of pandemics and biodiversity loss. Not mitigation, but prevention is required. This is a difficulty for development cooperation, which excels at responding to crises rather than proactively preventing them. Numerous calls for development cooperation to fund prevention, whether of war or readiness for natural disasters, have mostly gone unheeded.

The third element is the absence of any meaningful global collective effort for implementation: a secretariat organisation capable of generating and analysing suitable data, evaluating the efforts and impact of expenditure programmes, and informing the world's political leaders to prompt them to act. The G-20 provides a forum for political discussion, but despite talk of broadening the G-20 mandate to include "strong, sustainable, balanced, and inclusive growth," none of the IMF, World Bank, or OECD's reports to the G-20 address biodiversity or oceans.

It is not new to lack of a system for delivering global public goods. In 2006, the International Task Force outlined the obstacles, but to no avail.

Infrastructure sustainability and the debt overhang

Another significant issue that has been identified is the capacity to scale up financing for sustainable infrastructure. Infrastructure spending must be prioritised as a strategy of avoiding carbon lock-in. The evidence is unequivocal that investing in proper infrastructure is a considerably more efficient and effective option than the advanced economies' current method of growing now and cleaning up later. There is a limited window of opportunity in developing countries to get infrastructure right, while population and urbanisation dynamics remain fluid.

However, after about a decade, this window will close and any improvements to infrastructure would require a retrofit, a far more time-consuming and expensive operation.

According to rough estimates, developing countries will require additional infrastructure investment of at least $1 trillion (5 percent of their aggregate GDP, excluding China) per year to transition to sustainable trajectories.

This sum is primarily used for energy, transportation, and construction. It will be largely concentrated in urban areas. Yet there are no structures in place to enable cities to access global development finance conduits. In the majority of countries, cities must obtain clearance from national authorities to borrow money and lack autonomous revenue sources or credit ratings. This mismatch in access between cities and the rest of the country can also influence domestic politics.

Recognizing that sustainable infrastructure will be a critical component of the strategy for recovering from the COVID-19-induced economic crisis brings the debt concerns of emerging countries into sharp light. The vast majority of infrastructure will be public. While some sectors, such as power generation and ICT backbone infrastructure, benefit from significant private investment, well over 70% of infrastructure investment in developing countries will be undertaken by government ministries or state-owned utilities. Regardless of sector, debt accounts for at least 70% of infrastructure financing. Indeed, this must be the case since it is critical to keep infrastructure affordable, which requires low-cost financing. The debt, in turn, is financed in roughly equal amounts by three main sources: official financing from multilateral institutions and OECD/DAC bilateral agencies; semi-official financing by state-supported banks such as China Exim Bank and the China Development Bank, which have financed Belt and Road Initiative projects, but also IndiaEximBank and other financial institutions in major emerging economies; and informal financing by state-supported banks such as China Exim Bank and the China Development Bank.

The issue is that many developing countries are in debt. 43 countries have already benefited from the G20's April 2020 Debt Service Standstill Initiative (DSSI). The project is widely expected to be extended through the end of 2021 and may also see its scope enlarged. These countries will struggle to raise financing on global financial markets. Other countries are also facing higher financing costs as a result of credit rating downgrades in the context of COVID-19.

Official institutions in developing nations make extensive use of the potential to collect domestic tax revenues to pay for infrastructure. They have been doing this for some time. However, an increased tax effort is often associated with economic growth and extending the tax base. It occurs gradually over time, not quickly enough to support front-loaded sustainable infrastructure investment. This is not to minimise the importance of domestic income mobilization—it is, after all, the bedrock of enhanced creditworthiness—but it does suggest that access to financing will remain critical during the next decade of action.

Repairing Leaks

When the concept of official development cooperation gained traction following World War II, owing to the Marshall Plan's success and the establishment of new United Nations development agencies (IMF, World Bank, FAO, and UNICEF), its primary objective was to transfer resources and technical assistance to developing countries. Trillions of dollars have been transferred on a total basis, but the net transfer is much smaller. Capital has been migrating upward from developing to developed countries for some time, according to the IMF. Since 2000, the net flow of resources to industrialised countries has increased and was $4.4 trillion. Although Asia accounted for the majority of this surplus, Africa has seen a net influx of less than $400 billion since 2000—an average of less than $20 billion per year—or less than 5 cents per person per day.

The international banking system's institutions have done nothing to encourage resource flows to poor countries. Developing countries lose between $620 and $970 billion annually as a result of dubious tax procedures, customs fraud, corruption, and other unlawful or criminal activities. 19 While precise figures are difficult to establish, they are undoubtedly large and nearly similar to gross development inflows.

The point is straightforward: development cooperation cannot achieve its primary purpose of resource transfer unless systemic leaks are addressed. The OECD is developing new laws to ensure multinational corporations pay their fair share of tax (the Base Erosion and Profit Shifting agenda), including minimum tax provisions, and provides technical help through its Tax Inspectors Without Borders programme.

Enablers in advanced economies who conceal their identities behind "ignorance" arguments and secrecy laws prohibiting disclosure of beneficial ownership of assets are two strategies used to assist illicit transfers. Development cooperation agencies should collaborate with counterparts in tax departments and with prosecutors of fraud, embezzlement, and other financial crimes in justice departments to ensure that public channels for resource transfers to developing countries are not undermined by private channel exploitation to reverse the flow of funds.

New institutional structures and techniques for collaboration

At the conclusion of World War II, the Bretton Woods conference provided a forum for governments to develop institutional structures to address the most important issues of the day. At the time, the problem was rebuilding Europe's economies, which had been devastated by war and were suffering from a severe cash shortage. The United States offered this assistance through the Marshall Plan, a four-year programme that distributed $13.3 billion to 16 European countries, or little more than 1.1 percent of the US economy per year and roughly 3% of the recipients' aggregate national revenue.

The lesson to be learned from this history is that during times of crisis, a sense of worldwide solidarity and an appreciation for the nature and scope of the problem resulted in novel solutions. The prognosis was one of a capital deficit weakening commerce and economic progress, leaving European countries exposed to communism's spread. While times have changed, a similar feeling of collaborative action is required to address concerns of

responsibility for managing the global commons and a lack of cash for developing countries to embark on a build back better programme following COVID-19. A new Bretton Woods 2.0 meeting could serve as a springboard for advancing this goal.

Bretton Woods 2.0 should place a premium on enhancing the global system of development finance. At the apex of this system are multilateral banks and funds. They have a long history of performing both the countercyclical role required for today's recovery from COVID-19 and the investment finance role, notably in infrastructure, required to change countries. They have advocated for the transition to a green economy and made significant pledges to assist in its implementation.

Multilateral Development Banks (MDBs) are one-of-a-kind entities in today's world. Their preferred creditor approach enables them to solve the problem of debt overhang. Their AAA credit rating enables them to provide long-term financing to underdeveloped countries at affordable rates. They have a long history of advocating for policy reform and good governance. Their financial business model enables them to leverage shareholder capital to a great degree. They operate on a large scale and with a high number of operations. They can use a variety of tools, including grants, concessional and non-concessional loans, guarantees, and technical support.

MDBs, on the other hand, are bound by their shareholders. They have shifted their weight forward in order to prioritise their activities. They could do more, but would face severe curtailment in the future if cash and equity capital are not replenished or if risk management policies are not loosened.

Numerous fixes are possible to increase the scale of MDB activities. These are not difficult to identify from a technical standpoint. For example, MDBs could increase their loan books by at least $750 billion while keeping a AAA rating merely by improving their accounting methods for callable capital measurement. They could adopt industry standards for risk management indicators such as the equity-to-loan ratio. They could raise additional private capital and local counterpart funding, possibly through the use of national banks as critical local counterparts. They could sell selected loan assets if they were priced appropriately at the outset. They could, as a last resort, approach shareholders for extra shares. Each of these steps, however, requires shareholder backing in order to adopt a higher level of ambition and potential risk. Shareholders have been apprehensive about agreeing. Some believe that markets can perform a better job of facilitating resource transfers, a perspective best represented in the 2000 Meltzer Commission report on the future of the IMF and the World Bank. That report famously advocated for the World Bank to cease lending and instead become a grant-making institution for the world's poorest countries. At the time, and indeed today, views on the appropriate function of MDBs were severely divided, particularly in middle-income nations.

If shareholders agree to allow MDBs to pursue even more ambitious goals, the technical adjustments outlined above would provide them with increased financial firepower. To achieve true scale, they would also need to improve their efficacy and transition from a project-based to a program-based approach, which is increasingly being done for middle-income countries receiving IBRD financing but not for other nations. Additionally, programme loans suffer from a weak relationship between funding and expenditure. It's difficult to pinpoint the precise purpose of the funds because they become mixed in with general Treasury resources.

To augment programme loans and add more detail to the spending/finance nexus, the usage of national platforms, preferably structured and administered by the developing country government or a designated agency, is a potential approach. The World Bank is piloting them, however they are currently organised as coordination structures among donors and diverse sectors, with little, if any, private engagement. Alternative systems, some of which are governed by the private sector, may be appealing.

Country platforms for sustainable infrastructure finance are undergoing rapid evolution. The FAST-infra working group is developing a proposal for a technology-enabled securitization platform that will streamline analysis and structuring, increase risk management and monitoring, and ensure financial and regulatory reporting uniformity. The goal would be to provide a platform with sufficient openness, standardisation, and reporting to enable any bank to make loans to a pool at a cheap cost. Risk can also be avoided by starting with OECD-based initiatives and progressively expanding to emerging market-based projects. This would enlarge the pool of prospective investors. For instance, Solvency 2 regulations require a European insurer to charge approximately 40% of a loan for Latin American or African infrastructure against its capital; a pooled approach might significantly decrease this. A solid platform's transparency and governance capabilities contribute to its appeal to development cooperation providers as well as commercial financial institutions.

Platform techniques may enable the creation of specialised portfolios. They will function optimally if there is a healthy pipeline of projects to finance. National Development Banks are located here (NDBs) may play a role. There are currently 539 development finance institutions worldwide23. These institutions are described as legally autonomous, financially viable, government-supported financial entities (banks and insurance firms) dedicated to fulfilling public policy objectives.

These are found on every continent except Antarctica, including Africa, Asia, Europe, and North America. NDBs make excellent platform partners since they are committed to public policy and provide origination, guarantee, and work-out services.

Geopolitical leadership

The US-China geopolitical competition overshadows both of the aforementioned proposals for a Bretton Woods 2.0 and for the formation of increased multilateral operations based on a platform approach. Much of the perceived movement in how aid is used to achieve national goals can be explained by countries siding with one or the other side of this battle. This, too, has historical precedent. Both sides used aid as a foreign policy instrument throughout the Cold War. The outcomes were unfavourable to development. Until the Cold War, there was no emphasis on aid efficacy, and development cooperation became more concerned with outcomes than with relationships.

The irony of the post-COVID-19 world is that it may have weakened the willingness of major countries to collaborate for the greater welfare of the planet or national prosperity. If global and national development cooperation devolves into a struggle between opposing geopolitical systems, a race to the bottom may recommence, with severe repercussions for all.

Rather than that, the ambition for development cooperation is for a greatly larger scale that, similar to the Marshal Plan, might be as low as a few percentage points of recipient countries' economy. These do not have to be exclusively concessional resources; they will play an important role, notably in managing the global commons. Given the low real interest rates prevalent in global capital markets and the possibility of developing intermediaries such as MDBs, the majority of countries will heavily rely on non-concessional loans. These must be tied to climate change by placing a premium on environmentally friendly infrastructure. This, in turn, involves the construction of transparent and accountable platforms that adhere to private financial institution regulations.

Overview of COVID-19 Vaccine Demand

Numerous demand computations and scenarios exist, but all of them imply that demand is substantial and imminent. COVID-19 vaccinations are a critical component of accelerating the end of the pandemic and safeguarding lives and livelihoods, and all economies are targeting rapid vaccine coverage. As of late February 2021, governments, regional and global institutions like as COVAX have committed to 9-11 billion doses for 2021. 10 Five billion doses are reserved for high-income countries (HICs), two to three billion doses are reserved for upper-middle income countries (UMICs), and two to three billion doses are reserved for the 92 low- and middle-income countries covered by COVAX Advance Market Commitments (the "AMC countries").

Diverse trends have arisen within these three country groups. HICs have pledged to purchase the maximum number relative to their populations and would theoretically be able to vaccinate their populations twice if all vaccine candidates are successful and sufficient volume is available. UMICs could vaccinate between 35% and 52% of their population, while AMC countries could vaccinate between 28% and 42% of their population (with 70% of vaccines delivered through the COVAX facility). While insufficient coverage can jeopardise the effectiveness of immunisation programmes, expansive ordering, if not properly managed (for example, through donations or dose exchange), can also present challenges, such as the risk of write-offs of finished products (e.g., due to vaccine expiration and/or misfit due to epidemiological evolution) and raw material wastage, putting additional strain on the system as a whole.

Beyond the known requested demand, there is an additional need of up to 5 billion. While these volumes are difficult to attribute, markets appear to clear immediately: extra volume commitments are typically absorbed quickly by demand. As a result, it is anticipated that all volume promises up to 14 billions will be sufficient to meet actual demand in 2021.

Demand after 2021 is considerably more uncertain and is contingent on a variety of assumptions, including epidemiology, financing, remaining base-immunization to be attained, and the roll-out and absorptive capacity of vaccination programmes. Despite the uncertainty, demand in 2022/23 is predicted to be similar to that in 2021. Overview of the COVID-19 Vaccine Supply

The global response to the COVID-19 pandemic has sparked an unparalleled effort in vaccine development, yielding around 250 candidates,11 some of which are based on technology platforms not previously employed widely or at all for human preventive vaccinations. Additionally, the COVID-19 vaccine manufacturing capacity constraint has resulted in extensive agreements amongst companies in order to scale up and down production. Over 150 collaborations12 with contract development and manufacturing organisations (CDMOs) have been developed, and major biopharmaceutical corporations are assisting other companies with production.

As illustrated in Exhibit 4 and documented in Annex 3.13, the announced target supply of all manufacturers combined has the potential to reach up to 14 billion doses by the end of 2021. Approximately 85% of this (11-13 billion doses) is made up of vaccinations that are already approved or under review in at least one geographic region. This proposed supply chain is subject to change as new manufacturing agreements are disclosed on a regular basis (e.g. just recently some manufacturers have announced significant additional volumes14). No new capacity has been declared for 2022, but supply could expand further if additional process improvements and capacity additions are implemented. This proposed expansion would quadruple the world's historical annual vaccine production of 3.5-5.5 billion doses, a feat unequalled in human history.

In 2021, the realised supply will be determined by four important parameters:

Five late-stage vaccine candidates have achieved success, accounting for 1-3 billion doses of the announced goal supply. These late-stage vaccine candidates have not yet gained authorization or are undergoing final assessment. The success rate of these candidates will have an effect on the total supply that could be available in 2021. Additionally, it is critical to highlight that a portion of the declared supply target accounted for in the current discussion document is accounted for by vaccinations that have previously been authorised for emergency use exclusively in specific areas.

Actual output of the projected ramp-up in 2021 and success of firms in growing capacity: industry analysts estimate that 400 million doses were manufactured through 3 March 2021.

This is 3% of the promised supply for 2021, implying an exponential rise in effective production capacity. Even for highly experienced vaccine makers, successfully transferring technology between sites and with collaborating firms, as well as initiating production, will take months, not hours. Additionally, the rapid ramp-up means that production processes may not be fully optimised, resulting in lower yields or higher input requirements than they could be.

Successful mitigation of upstream supply challenges: scaling up is likely to present both known and unknown challenges in the supply of critical raw materials, batch release testing reagents, single-use systems, and vaccine manufacturing equipment, as well as third-party sterilisation and gamma irradiators. The extent to which these risks can be reduced could have a significant

impact on other vaccines and medications that rely on these inputs, as well as on the realised supply in 2021.

Success of pivoting to new vaccinations, if necessary: when new variants/mutations are discovered, there is a possibility that certain platforms and/or vaccines will demonstrate decreased efficiency. This has a two-fold effect on supply capacity: first, there is de facto less supply. If more strains of concern emerge (for which vaccines would need to be produced), the available vaccine manufacturing capacity may need to be divided between the relevant strains. Second, vaccines must be adjusted over time to account for new variations. While production of past versions of the vaccine is expected to continue during the adjustment process, it will take months or years (depending on the technology platform) to ramp up capacity for vaccinations effective against the new variety. For example, more than 50% of supply will likely require six to twelve months or longer to adjust to new versions. Annex 4 has further information.

Geographically, the distribution is concentrated in a few areas:

When the distribution of supply capacity across the globe is examined, it is possible to notice a concentration of capacity in specific locations (most notably East Asia, Europe, and North America). Asia is the fastest growing region in absolute terms (196 million doses produced as of 3 March 2021), followed by North America (103 million doses produced), and Europe (99 million doses produced); the rest of the globe combined has generated less than 0.5 million doses thus far.

Obstacles to Input Supply

Limited data to anticipate supply and production requirements: a recurring difficulty for purchasers and manufacturers is the ability to effectively forecast projected requirements, especially as new variants are identified. Collaboration between the public and private sectors to enhance predicting and communication of possible requirements becomes a primary objective. Numerous upstream suppliers emphasise the major constraints inherent in short order lead times across the supply chain. There is still a lack of awareness on long- and short-term demand, as well as the prioritisation and allocation of supplies, to the extent that this is compliance with current regulations. Increased visibility and quality data at the aggregate level would aid in planning and assist in anticipating possible capacity problems.

Increased safety stocks: in light of this lack of visibility, the uncertainty surrounding demand and supply situations, and the possibility of absolute volume issues in supply chains, there are indications of increased safety stocking (e.g. glass vials). The difficulty with this uncertainty-induced higher stocking is that it may have negative effects beyond direct input availability for COVID-19 vaccines, such as write-offs and an influence on the manufacturing of other health products that use the same inputs.

Increased trade and regulatory barriers: There is growing concern about the expansion of trade and regulatory barriers (e.g., the requirement for a package of stability and validation data for

supplement/variation), as these have been observed for other critical COVID-19 supplies (e.g., PPE), and may disrupt supply chains.

Overall, at least five questions remain regarding COVID-19 vaccine demand:

1. How much additional volumes will be procured for 2021 and beyond?
2. What is the need and frequency for boosters? How does this affect 2021 demand?
3. How will inefficient supply chains affect demand (e.g. expiration of products, hoarding behaviours due to erratic market developments)?
4. How will donations and exchanges (e.g. via COVAX) influence order patterns and volumes?
5. What will demand in 2022 and beyond look like and what are the supply implications?

- In case of any query relate to research, please feel free to contact the executive board

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