Development and Change

Published on behalf of the Institute of Social Studies, The Hague

Debate

On the Economics of Cross-border Reparations Payments: The Case for a Bank of International Reparations

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ABSTRACT

This article considers the challenge of ensuring that international reparations payments are effective in benefiting the recipient countries of such reparations. To guarantee that these financial flows provide long-term benefits to the recipient economies, the article recommends the adoption of a developmental state approach to the use of the funds. It also considers in detail the advantages of establishing a Bank of International Reparations that serves as a trustee for the receipt and distribution of reparations, facilitates coordination of the use of reparations across countries to avoid disadvantageous forms of competition, provides investment banking services to support the use of the reparations to fund a domestically focused 'sovereign wealth fund', and provides 'public option' commercial banking services to recipient country firms in order to foster the growth of recipient country economies. Finally, the article finds that the most effective means of funding the reparations would be to use Special Drawing Rights (or SDRs).

INTRODUCTION

The United Nations (UN) Loss and Damage Fund, established in 2022, will provide grant-based financing for low- and middle-income countries (LMICs) that need help recovering from the severe weather events caused

Many thanks to Ndongo Samba Sylla who brought to my attention the early history of the Bank of International Settlements; to the organizers of the *Development and Change* workshop on 'The Political Economy of Global Reparations in the 21st Century' (28–29 September 2023) for inviting me to address this topic; and to participants in this Workshop as well as those who attended the Bristol Research in Economics Workshop (7 March 2024) including Horace Campbell, Andrew Fischer, Liz Fouksman, Armagan Gezici, Peter James Hudson, Annina Kaltenbrunner, Kate Meagher, Fernando Rugitsky, Ndongo Samba Sylla, Lotta Takala-Greenish and Hilbourne Watson.

Development and Change 55(4): 700–726. DOI: 10.1111/dech.12842

by climate change and the greenhouse gas emissions that have played an important role in the economic success of high-income countries (HICs). The details of the financing that will be made available have not yet been settled, and concerns have been raised that the fund will be inadequate (Harvey, 2023). Even so, LMICs have reluctantly agreed to permit the fund to be hosted temporarily by the World Bank.

The controversy over the UN Loss and Damage Fund arises due to the structure of the international financial system and the deep-seated mechanisms in place that interfere with LMICs getting fair treatment even in the context of a fund that is nominally designed to benefit them. This article studies these challenges in detail by starting with the presumption that a schedule of international reparations payments has been agreed, and by asking how one can ensure that such international reparations payments are effective in benefiting the recipient countries of the reparations. Here, it considers reparations payments that may be used for any purpose and are not limited to being spent on recovery after a climate event.

The article presents a target policy framework that can make cross-border reparations effective in providing benefits to the recipient countries. Since there is currently no international agreement on the payment of reparations, this article can be read as a caveat that should be considered when designing proposals for cash reparations: the value to recipient countries of cash reparations may be diminished by the asymmetries in the international financial system and thus it may be important to consider simultaneously the policy framework accompanying any reparations agreement. Although political economy realities may preclude the implementation of the ideal policy framework set forth here, one can only hope to achieve a better world if one has a vision of what that better world would look like. In addition, a thorough consideration of the obstacles that arise with a 'simple' cash transfer within the present international financial system may be useful to those navigating the current environment.

Precisely because the recipients of reparations have been disadvantaged, they may be reliant on the payor economies for important items such as the machinery that can remove the rubble from storm damage or that supports the development of a new industry, or even for financial services such as international payments. Reparations and the uses to which they are put must be carefully considered and designed to ensure that such structural disadvantages do not have the effect of reducing the value of the reparations or — in the extreme case — of reversing it. To foster efficient use of reparations and to ensure that these financial flows provide long-term benefit to the recipient economies, the adoption of a developmental state approach to the use of the funds is advised.

In addition, this article proposes the creation of a Bank of International Reparations (BIR) that would be controlled by the recipient countries and serve as a trustee for the receipt and distribution of reparations. The BIR, as an international financial institution, would be able to hold an instrument, the Special Drawing Right (SDR), that serves as an international reserve asset for the global monetary system. SDRs are issued by the International Monetary Fund (IMF) and cannot be held by private entities. As Hewitt (2004) argues and as the 2022 Bridgetown Initiative has demonstrated (Persaud, 2022), there are significant advantages to the use of SDRs to fund reparations. SDRs are best understood as an equity claim on the world economy — even as they are convertible worldwide into any major currency at a stable rate, they are also only nominal 'liabilities' and carry no obligation to make a future payment.[1] They can be issued 'at the stroke of a pen', while at the same time constituting a claim on the output of the Global North economies (for a more detailed discussion, see the section below entitled 'Adding Complexity: Debt and Reparations'). A BIR could also facilitate coordination of the use of reparations across countries to avoid disadvantageous forms of competition among recipients. Finally, such a bank could provide investment banking services to support the use of the reparations to fund a domestically focused 'sovereign wealth fund' in order to foster the growth of the domestic economy in the recipient countries. It could even provide commercial banking services to firms in the recipient countries to ensure that these have access to fairly priced 'public option' financial services (see, for example, Herndon and Paul, 2020; Levitin and Wachter, 2013).

Overall, this article considers how an effective programme of cross-border reparations can be designed. The first section relates the BIR to the existing literature. The second section uses a macroeconomic framework to explain the circumstances under which cash payments for reparations may not in fact benefit the recipient and concludes that reparations need to be spent in a way that promotes the domestic economy. The third section discusses how the international financial system will play a role in reparations, because the reparations will almost certainly be funded by debt, generating treacherous territory for an LMIC to navigate as issues such as marketability, collateral terms and the risk of losses due to liquidity fluctuations may arise. The fourth section offers recommendations including a developmental state approach to the use of reparations motivated by the second section, and the BIR, motivated by the third section. The final section concludes.

RELATING THE BANK OF INTERNATIONAL REPARATIONS TO THE EXISTING LITERATURE

Due to the advantages of using SDRs to make transfers from the Global North to the Global South, other proposals also rely on this mechanism.[2]

1. See Kumhof et al. (2020) and Bolton and Huang (2018) on how monetary instruments are best understood as an equity claim on the economy of the country that issues them.
2. Indeed, when SDRs were first created, it was proposed that they be allocated to LMICs to fund development (Eichengreen, 2021).

As noted above, the 2022 Bridgetown Initiative which was proposed by Barbados Prime Minister Mia Mottley calls for the use of SDRs to fund climate mitigation projects in the Global South (Persaud, 2022): these SDRs could be transferred from Global North countries that are not using them, additional SDRs could be issued and then transferred into the fund (Mottley, 2021),[3] or new rules for allocating SDRs based on reparative principles could be adopted (Franczak and O Táíwò, 2022). Another proposal would invest the SDRs that are currently not being used by Global North countries in a new issue by the World Bank of SDR denominated bonds. Because the Global North countries in question have no need for their SDRs these bonds could be rolled over, so that they effectively provide a source of permanent funding or capital for the World Bank to expand its operations and to increase its lending to LMICs (Setser and Paduano, 2023a).

The use of SDRs proposed in this article differs from both proposals, because the starting point here is that a schedule of reparations has been agreed — not necessarily due to the climate crisis — and the question is how best to implement the reparations. The proposal for a BIR here (one that holds SDRs) has significant advantages over the alternative proposals: it specifies that voting shares in a BIR would be heavily dominated by Global South countries, unlike the World Bank where, even after recent reforms, voting is still dominated by Global North countries. In addition, unlike the Setser and Paduano (2023a) proposal there would be no increase in LMIC debt burdens that are already very heavy.

New SDR allocations were made in 2009 and 2021 with a goal of supporting countries, including LMICs, through difficult circumstances. The current structure for such allocations is not designed to support LMICs, however, because any new SDR allocation is distributed to a country according to its IMF quota, and that quota is designed to roughly equal the country's share in global GDP. The 2009 allocation was US$ 283 billion of which less than 40 per cent went to LMICs and only about US$ 20 billion or 7 per cent to low-income countries (LICs). While the benefits of this allocation to LICs were promoted (e.g. Gottselig, 2009), they were in practice very small, and this experience mostly served as an example to be improved upon for the next allocation (Eichengreen, 2021). In response to the COVID-19 crisis an allocation of US$ 650 billion was approved, and high-income countries (HICs) were encouraged to pledge some of their excess SDRs to two IMF programmes that could lend them on to LMICs. As of April 2024, more than US$ 85 billion has been pledged (Picci, 2024); however, both IMF programmes have been hampered in their ability to lend the pledged SDRs on (Setser and Paduano, 2023b). Overall, SDRs as they are currently structured are not designed to provide support for LMICs.

3. Note that the Bridgetown Initiative would have the Climate Mitigation Trust lend directly to projects in LMICs and thus would avoid increasing the debt obligations of LMIC governments (Persaud, 2022).

One critique of the BIR proposal is that Global North countries would not permit an entity that is not dominated by them to hold a significant quantity of SDRs — SDRs are after all issued by the IMF and a component of the current inequitable international financial system. While this article acknowledges that there are significant political economy obstacles to the adoption of this proposal, it defines what the goal should be when implementing cross-border reparations. Establishing such an ideal baseline is important, because, on the one hand, it can enhance the evaluation of actual policies and what they are and are not able to achieve, and, on the other hand, it can support demands for change of the international financial structure itself.

That the international financial system needs to change for the Global South to thrive is, of course, not a new point. The idea of bringing LMICs together to act jointly started after World War II when independence movements around the world led to the formation of more than 50 independent countries that had formerly been colonized by the Global North (Campbell, 2021, 2023).[4] The Bandung Declaration of 1955 had an explicit agenda of promoting coordination between Asia and Africa with the goal of weakening the existing dependent relationships with former colonial powers. It was followed in 1974 by efforts to establish a New International Economic Order by cartelizing the commodity trades on which the Global North depended. These efforts were actively opposed by HICs which organized themselves into the G7, with the result that these coordination efforts met with limited success.[5] The BIR would be yet another effort to facilitate LMIC cooperation and would most likely encounter opposition from HICs just as previous efforts have. That said, failures in the past cannot be treated as a reason not to try again when the benefits to LMICs would be so great if the effort were to succeed.

An ideal world would not be dominated by the monetary hegemony of the richest countries that actively protect their interests and impose costs on LMICs. The equal humanity of every person in the world would be acknowledged and international institutions such as the IMF would have fair representation and a more equitable distribution of SDRs. In such an environment, reparative principles would be much more likely to govern world affairs. That ideal is, however, so far from being attained that the focus of this proposal is much narrower: if reparations are going be paid, the control of those reparations must be fully vested in the recipient countries, including giving each country veto authority over BIR activities within its borders.

4. This paragraph briefly summarizes points made in Campbell (2023).
5. More recently Asia has succeeded in promoting regional cooperation with a currency swap agreement and a regional trade framework: the Chiang Mai Initiative provided for intra-Asian monetary support in 2000, and the Regional Comprehensive Economic Partnership removed trade barriers across Asia in 2020.

The BIR is modelled on the Bank for International Settlements (BIS) and not the IMF. The BIS was formed in 1930 to facilitate the administration of German reparations. The case of reparations examined here differs significantly from the German case because the burden of the reparations imposed on Germany as a defeated industrial power was extremely large relative to the size of its economy, and any reparations that are likely to be agreed between Global North and Global South countries will be smaller by comparison. Even so, many of the problems that can arise in administering reparations are the same, such that the structure of the BIS can guide the design of the BIR, as is detailed in the 'Recommendations' section below.

Modelled on the BIS, the BIR is envisioned as an institution that plays a purely supportive role, providing useful options to those LMIC governments that seek to make use of the available support. It explicitly cannot undertake any activity within a country without active authorization for that activity from domestic policy makers, such as the central bank or regulatory or fiscal authorities. Just as the BIS in no way undermines the independent authority of the Federal Reserve Bank, the European Central Bank or any other member bank, the BIR would not undermine the independence of the LMIC governments that it serves. Furthermore, because lending to governments is not one of the primary functions of the BIR, it will not tend to develop the kind of negotiating leverage over LMIC governments that is exercised by the IMF.

The core goal of the BIR is to support LMIC governments in designing their own locally appropriate developmental state approach to growth. The developmental state approach relies on industrial policy and active measures to 'climb the ladder' of industrial production: these measures can include tariffs on imported goods to protect domestic infant industries, tariff rebates for those imports that are needed to develop the relevant industries, export and other subsidies to target industries, restrictions on competition, and technology licensing, amongst other measures (Chang, 2002; Haggard, 2018; Wade, 2018). It is well established that in many cases a country will need to import more than it exports — or, in other words, run a balance of payments deficit — to move up the developmental ladder (see, for example, Kregel, 2017), and the BIR can support LICs in making the most effective use of reparations to provide the financing for such deficits. South Korea is a model example of the developmental state, and as Fischer (2017: 16; 2018) points out, relied heavily on imports to climb the ladder of industrial production.

The BIR's funding would originate in reparations and funds owned by the governments it serves. Since such reparations will be distributed to multiple recipient countries, the BIR will play an important role in facilitating cooperation across these countries so that any competition between the nascent developmental states entering similar industries can be managed. Finally, the BIR can provide commercial and investment banking services to those countries that choose to make use of its service — this would make a 'public option' for financial services available and may be particularly useful for countries in an early stage of financial development.

The findings of this article are subject to the caveat that it assumes reparations will be paid in financial terms or cash and will be distributed through the governments of recipient countries. This explains a reliance on SDRs as a vehicle for the transfer — even though SDRs are a symbol of the IMF and the inequitable international financial structure, this would also be the case for every Global North currency used to make a cash transfer. And SDRs have the advantage that, because they can be issued 'at the stroke of a pen', it may be easier to mobilize significant funds from the payor countries by relying on SDRs.

There are of course costs to this approach. One implication of this article is that, because of the current structure of the international economic system, payment in cash may disadvantage recipient countries: for example, if the reparations are spent on imports that undermine the development of a domestic industry. As a result, it is a valid critique that non-financial reparations may be the preferred option: this article supports the view that an exploration of reparations paid in other forms, such as land or physical assets, would be an important contribution to the discourse. For example, multinational corporations, such as the oil and gas company Shell plc in Nigeria, own property and equipment in Global South countries and profit from enduring inequalities; it might be possible to structure reparations from Global North countries that ultimately lead to the transfer of some assets to the Global South countries where they are located. Furthermore, this article acknowledges the tension between the fact that the use of SDRs may be less costly for payors making it possible to raise more significant funds from them and the very point of the reparations agenda which is to recognize the extent of the obligation due to past behaviour. Indeed, because the harm that has been caused is not just financial but also moral and spiritual, there is a clear need for a reparations agenda that extends beyond the financial to include restorative justice and good faith efforts to address systemic inequalities (Otele, 2023) as well as cultural reparations (Strecker, 2017). An additional approach that could address some of these concerns would be for reparations to be paid to individuals rather than to states — or, like some sovereign wealth funds, be invested and pay dividends to individuals. While this article focuses more narrowly on the practical challenges of implementing cross-border reparations payments in financial terms, it acknowledges the importance of extending the discussion of the implementation of reparations to include a much broader range of possibilities.

Another important caveat is that the scope of this article is limited to the financial aspects of reparations. There are important aspects of the current structure of international trade that also disadvantage LMICs and benefit multinational corporations at their expense, such as the investor state dispute settlement mechanism. This article acknowledges that significant reforms to the system of international trade, beyond what is discussed here, may also be needed before recipient countries can get the full benefit of any reparations paid to them.

THE SIMPLEST CASE: MACROECONOMICS OF A CASH PAYMENT FOR REPARATIONS

Using macroeconomic and macrofinancial analyses to frame the key considerations that determine how the benefits from reparations are distributed, this article finds that cash payments for reparations may or may not benefit the recipient. Following Darity et al. (2010), the article first addresses macroeconomic considerations, then looks at macrofinancial considerations.

The problem of how reparations are spent can be illustrated by the example of tied aid, which in 2021 accounted for 21 per cent of bilateral aid (OECD, 2024).[6] In the case of tied aid, the payor country requires that the funds be spent on imports from the payor country itself.[7] This 'aid' is clearly designed to subsidize the export industries of the payor country. In the case of tied aid, the effect on the recipient country depends on several factors: first, does the recipient country have industries that produce goods similar to those imported from the payor, or is it trying to developing such industries? If this is the case, then the transfer of funds can have a significant *negative* effect on the recipient due to the effect on domestic production and to the fact that this can have repercussions over time lasting long after the aid programme has ended. The change in quantity of imports due to a transfer payment is the 'import effect'.

The import effect exists even in the absence of any requirement governing the use of funds, as the recipient of reparations may choose to spend the funds on imported goods or services. Then the benefits deriving from the reparations will depend on the specific characteristics of the imports. As discussed above, if the imports are of goods that serve to interfere with the development of domestic industries they can have significant negative effects over the long term. On the other hand, if the imports are machinery, or more generally inputs that serve to enable a developmental state's climb up the ladder to produce high-quality manufactured export goods, then these imports may optimize the use of the reparation funds. These considerations motivate the use of policies such as tariffs and tariff rebates by successful developmental states such as South Korea (Chang, 2002).

6. The same data source shows that 46 per cent of US aid is tied, amounting to US$ 22 billion.
7. Note that this is functionally equivalent to a payment that takes the form of the transfer of real goods from the payor country instead of a cash payment.

It is possible that the finance of the reparations will have an effect on the quantity of the recipient country's exports, therefore it is also important to consider the 'export effect' of a reparations payment. This is most likely to occur if global reparations are paid to multiple LMICs simultaneously. In this case, the reparations may result in the development of new competitors for domestic industry as other recipient countries change the mix of goods and services they produce. Thus, a plan for global reparations may create problems of coordination for LMICs that a BIR could help address.

Finally, it is useful to consider the price — or 'terms of trade' — effect of reparations separately from the import and export (quantity) effects. Even in the absence of any effects displacing the output or affecting the product mix of domestic industry, the increase in demand for imports that can be attributed to reparations payments may have the effect of increasing the price of imports. Similarly, a decrease in demand for the country's exports due to reparations may decrease the price of those exports. (In economics jargon, such price effects will take place when the supply of the goods is not perfectly elastic.) If there are such price effects, the benefits of the reparations will be reduced due to the price effects of the transfer. This is called the 'terms of trade effect'.[8]

To illustrate the terms of trade effect, consider, for example, the case where global reparations are paid simultaneously to a large number of former colonies in the Global South and several of them choose to develop the same industry and to purchase the same machinery from a shortlist of manufacturers in the Global North. It is possible that due to a shortage of this machinery, its price is driven up and a significant fraction of the reparations is transferred to the Northern manufacturers because of the increase in price, or in other words the terms of trade effect.

It is also important to consider macrofinancial concerns and specifically the possibility that, instead of reparations payments being immediately spent on goods or services, these payments may instead be put into 'savings' or in other words invested in financial instruments. In this case, the funds may be invested in domestic financial assets supporting domestic industry directly, or they may be invested in domestic government or financial institution assets that can support domestic industry indirectly. Or they can be invested in foreign assets, such as the so-called 'safe' debt issued by the governments of former colonizers. In the latter case, the savings may do virtually nothing to support the domestic economy — at least until such time as they are drawn down for expenditure.

8. It is important to focus on the 'terms of trade' effect and not the 'real exchange rate'. A developmental state needs to pay attention to specific industries and specific prices, which is implicit in the phrase 'terms of trade'. The 'real exchange rate' reflects more highly aggregated phenomena.

Observe that an important advantage of the flow of reparations into domestic financial instruments is that this may provide returns that can then be reinvested. Effectively, reparations can be used to create a domestically focused sovereign wealth fund that provides an ongoing source of financing for domestic industry and that plays a role in the development of domestic financial markets. This presumes that the fund is well managed. Since it will be engaged in risk taking on financial markets, there is a risk of loss and, if poorly managed, this approach can also result in a disastrous loss of funds.

Overall, macroeconomic and macrofinancial analyses present some caveats that must be considered before determining whether reparations in the form of a cash transfer will necessarily bring benefits to the recipient of the transfer. These are:

- The import effect of the reparations: are the reparations being used in a manner that supports the development of domestic industry rather than displacing it?
- The export effect of the reparations: are there any concerns about adverse effects of the reparations on the recipient's export markets?
- The terms of trade effect of the reparations: are the reparations being managed to minimize price effects and the transfer of value away from the recipient country due to the rising price of imports or the falling price of exports?
- When reparations are invested in financial instruments, are these chosen in order to support the recipient country's economy and productivity?

Implications of this discussion direct focus on whether the reparations are being used to support the recipient country's domestic economy. In the simple case of one country receiving reparations, the use of the reparations either to support the purchase of domestically produced goods and services, or to pursue a policy of developing industrial capacity that pays attention to imports and financial investments which improve the prospects of the domestic economy over time, can bring the most benefit to the recipient country by increasing domestic income either immediately or over time (see Darity et al., 2010).

The case of global reparations in which many countries are receiving reparations at the same time will require more complicated analysis. In this case, besides a focus on how the use of the reparations will affect the domestic economy, it will be essential to ensure that the value of the reparations is not lost due to competition between the recipient countries for the same export markets or for the same imported goods. Suggestions on how to address these concerns are provided in the 'Recommendations' section below.

ADDING COMPLEXITY: DEBT AND REPARATIONS

The section above focused on the simple case where a cash payment is received and is then spent on goods, services or financial instruments. It is important to also introduce the possibility that debt plays a role in how the benefits of reparations are distributed. This would mean that reparations are intertwined with the international financial system, and the complications associated with it.

Reparations that Must Be Used to Pay Off Existing Debt

One proposal that would be particularly advantageous to the Global North would be to offer reparations that are designed to be used to pay off the current outstanding debt burden of the recipient countries. This is a way of ensuring that the value of any reparations paid by the Global North flows back directly to the Global North without providing any productive benefit to the recipients. Indeed, it is likely to be a means of supporting and subsidizing financial entities in the Global North that have lent money to LMICs. It is also, transparently, a form of debt forgiveness rather than reparations. While there are important advantages to debt forgiveness and a successful programme of reparations needs to take debt and debt forgiveness into account, debt forgiveness is beyond the scope of this essay and will not be considered further here. Indeed, the case of Zambia illustrates that debt forgiveness in the absence of a broader reform agenda may be inadequate: the forgiveness was followed by profit remittances abroad by foreign mining companies that accounted for up to 20 per cent of GDP per annum leaving the economy in a weak state and pushing Zambia to resume borrowing (Fischer, 2020).

Reparations that Are Financed by the Payor Country with Marketable Debt

The Global North might also prefer to finance reparations by issuing debt that is backed by one or more high-income country governments. This would avoid the political ramifications of imposing a tax on the public related to reparations (see below). There are two principal ways that such debt could be structured: it will either be saleable on financial markets, or it will not. In other words, it will be either marketable or non-marketable debt.

Reparations obligations can be issued as a form of government bond that is identical to a standard government debt issue and, thus, will trade on bond markets just like any other debt obligation of the issuer.[9] If the reparations are small relative to the country's annual debt issue or if

9. Debt issues can of course also be structured with specific clauses and conditions that will mean that they trade differently from standard debt issues.

the country in question is far from the edge of its capacity for issuing debt, the only immediate effect could be an incremental and perhaps negligible increase in the yield paid on the debt.[10]

On the other hand, as the European debt crisis in 2012 illustrated, several Global North countries may have a more complicated debt landscape. They have already faced situations where increases in the yield on their debt have required changes in central bank policy. Thus, to the degree that their reparations obligations may be large relative to their current annual debt issues, it is likely that some Global North countries will prefer to fund reparations with non-marketable debt.

Reparations that Are Financed by the Payor Country with Non-marketable Debt

In fact, a non-marketable debt option that is supported by an international financial institution such as the BIR, discussed in detail in the section on recommendations, may well be the best possible option for structuring reparations payments. An advantage of an international financial institution such as the BIR is that it can hold an instrument that serves as an international reserve asset for the global monetary system: this instrument is technically classified as debt but has very circumscribed uses so that it does not add to the country's issue of outstanding marketable debt. The principal instrument of this nature is the SDR, an international reserve asset created by the IMF that cannot be held by private entities. The SDR's function as a reserve asset derives from the commitment of all IMF member countries to hold and exchange SDRs at the value determined by the IMF.[11] This allows the SDR to be exchanged into currencies such as the US dollar or the euro. Because many Global North countries currently hold SDRs in excess of what they need for reserve purposes, this would be a way for them to fund meaningful reparations to the Global South with little cost to themselves.[12]

10. Given that quantitative easing, or the central bank purchase of government debt, was used to support the measures taken by Global North governments in response to the COVID-19 crisis, it is also feasible for reparations payments to be supported by such easing. Because this approach is very new — and is particularly complicated in the European context — its implications are very hard to predict, and will not be explored in this essay.
11. Observe that, because IMF membership is required in order for a country to receive support from the IMF or the World Bank, acceptance of the international role of the currencies underlying the SDR's value is a pre-requisite for receiving any support from these international institutions. In short, the SDR is a way of entrenching the existing international financial infrastructure. While acknowledging that there are significant problems with this architecture, this essay is an exploration of how LMICs can get the most out of reparations given this architecture.
12. While, of course, it is not the purpose of reparations to be low cost for the payor, any mechanism that can allow for large benefits to the recipients with relatively lower cost to the payor

The SDR is a reserve asset and is comparable to currency such as the US dollar or the euro. This creates advantages for the recipient countries when receiving SDRs. Just as the central bank notes that circulate as currency are formally accounted for as liabilities on the central bank balance sheet, even though in practice they function more like an equity claim on the economy in which they circulate (Bolton and Huang, 2018; Kumhof et al., 2020), SDRs are only nominally liabilities and in practice are best viewed as a form of money and thus as an equity claim on high-income economies. In short, SDRs effectively represent the 'exorbitant privilege' of the Global North financial system.[13] Thus, when SDRs are used to pay reparations to LMICs, these countries can share at least in some degree in the exorbitant privilege that has benefited HICs for centuries.

As I noted in the introduction, ideally the allocation of SDRs should be completely revised so that it becomes a tool for promoting development and the rebalancing of power within the international financial system. As Eichengreen (2021) points out, this role for SDRs was proposed when they were first created but has yet to be realized. Here, we follow the Bridgetown Initiative (Persaud, 2022) in proposing financing for reparations that does not require any structural reform of the international financial system because it may be easier to implement. The total of SDR allocations can be expanded in line with the IMF's Articles of Agreement (as they were expanded in August 2021 in response to the COVID-19 crisis) and then reparations payments can take the form of a transfer of SDRs from Global North to Global South countries.[14] In this way, reparations would be funded by an expansion of global monetary liquidity that was explicitly directed towards the Global South countries, increasing their purchasing power. While an analysis of the inflationary implications of such a policy would be required, expansion of the international monetary system to make possible a sizable reparations transfer may well be the most effective means of funding reparations when the interests of all are considered.

Caveat 1: Reparations that Are Used as Collateral for Debt

While SDRs would be a good way to fund reparations, Global North payor countries are likely to focus on their own interests and to negotiate for the option that has the lowest cost for themselves. One way for them to do

is likely to be easier to put in place. As I noted in the introduction, non-financial reparations may in fact be better suited to address the moral and spiritual bases for reparations.

13. The term 'exorbitant privilege' was coined by former president Valery Giscard D'Estaing of France in reference to the US dollar's role in the Bretton Woods system (Bernanke, 2015).
14. For general information on SDRs and their operation, see IMF (2021).

this is to extend the payment obligations over time. Indeed, the lowest-cost option for the payor countries is likely to be a non-marketable reparations obligation that is paid out over time and is only payable to a specific recipient with no rights of transfer. Despite the non-transferability of the obligation itself, the claim to the stream of payments may still be used as backing on financial markets for an upfront payment, if the recipient commits to use the funds being received as reparations to make payments itself.

A simplistic approach would view the possibility of using financial markets to convert the stream of payments into a lump sum payment as necessarily beneficial, since the recipient of the reparations can make a rational choice about whether or not to take advantage of the option. In financial markets, however, such choices are frequently complicated by the fact that decision makers face liquidity constraints.

For example, a recipient country that has just faced a natural disaster which exposes a significant portion of the population to starvation could easily make the decision that the extreme need of the present moment merits using the stream of reparations payments as backing for immediate relief. What such a decision will mean, however, is that due to liquidity constraints the country has traded in reparations for disaster relief. Another consequence of liquidity constraints on a recipient country is that the pricing that is offered by financial market participants for converting the stream of payments to an upfront payment is likely to reflect both the urgency of the situation and the complexity of a transaction that is backed by non-marketable debt — by transferring significant value to banks headquartered in the Global North.

Thus, this issue also speaks to the need for a BIR, discussed above, that can provide temporary liquidity support for recipient countries at reasonable prices without requiring them to trade away their claim on future reparations.

Caveat 2: Beware the Repo Market

In the search by Global North countries for an option that costs them less, they may also propose debt that is semi-marketable to minimize the price effect of this new debt issue on financial markets. This would involve mechanisms that will make debt that is nominally marketable harder for the recipient countries to sell. (One such mechanism would be for the debt to be held by an international financial institution with majority Global North voting shares, such as the BIS, as a trustee that would manage any sales of the debt to minimize the effect on financial markets.) To the degree that impediments are placed in the way of the recipient countries selling the debt, Global North countries are likely to make the argument that these impediments are unimportant, because the recipient can now use the reparations debt as collateral on the repurchase agreement (or repo) market to borrow funds on international financial markets — in other words, from

Global North banks — almost equal to the value of the reparations debt. These borrowings could then be spent productively.[15]

Although such a path is likely the easiest way for the payment of reparations to be agreed by Global North countries, this approach should be avoided. The recipient country in this case incurs all the costs of being a creditor while at the same time incurring all the costs of being a debtor. As a creditor the recipient country will be exposed over a long-term horizon to the issuer of the debt, including exposure to both domestic and international crises that may arise. Furthermore, to receive the benefits of the reparations in the current period the recipient must engage itself in the repo market as a debtor. The repo market ensures that the recipient is highly exposed to short-term instability in the value of this debt instrument as well (Sissoko, 2019). Since recipient countries will typically be liquidity constrained and will typically not have access to deep reserves of funds that are acceptable as collateral on international financial markets, when temporary liquidity fluctuations in the value of the debt occur (as they inevitably will), the recipient country is likely to find itself in the position of being a forced seller that realizes the losses even though the losses are only temporary. Such forced losses would be a direct transfer to Global North financial institutions.

The bottom line is that a great deal of attention needs to be paid to the structure, terms and conditions of any debt instrument that is used to fund and pay reparations.

A Note on the Politics of Reparations

Reparations will typically be structured as a stream of payments rather than a lump-sum payment because it is easier for a country to commit to making payments over time than to raise the funds in a lump sum either through taxes or via a debt issue. This structure of reparations creates the problem that the agreement to pay reparations is 'time inconsistent' or, in other words, that the payor country or countries may choose to renege on the commitment later. Thus, the actual payment of reparations has been found to depend on the level of support for reparations embraced by the party that holds political power (Segovia, 2006). This is a particularly serious problem, because even if (and this is a big if) a commitment to pay reparations receives popular support in the payor country at the date that the reparations are agreed, adverse economic conditions — including those that

15. Note that this is comparable to the Dawes Plan in 1924, a scheme for managing the German reparations for World War I that was developed by a committee of experts led by American financier Charles G. Dawes. This plan put German reparations payments under international supervision, and made it possible for Germany to borrow from the US the amounts needed to pay reparations. The funds then flowed back to the US in payment of the Allied war debts.

arise for reasons unrelated to the payment of reparations — can generate an environment where reparations are targeted by a political party seeking democratic control.

This is another concern that motivates the establishment of a BIR, that is, to manage settlements and commitments from the start of the reparations agreement. On the one hand, coordination of settlement through an international financial institution will make it harder for the politicians in a single country that is subject to political upheaval to walk away from their commitments. On the other hand, an international financial institution can facilitate the use of forms of payment such as SDRs that are less likely to generate political resistance.

RECOMMENDATIONS

When reparations are paid, they are paid to a party that has been disadvantaged and is therefore deserving of reparations. In practice, the disadvantages that lead to reparations typically have significant structural aspects that are extremely challenging for the recipient parties to overcome. Unfortunately, these disadvantages are also likely to affect the process of negotiating for reparations and, thus, the value of any headline reparations settlement is likely to be determined by the details of how the reparations are designed and implemented. In short, it is all but certain that the recipient parties in any reparations agreement will be pressured to accede to terms that will be beneficial to the payor parties. This essay has identified certain structures that should be avoided and detailed the mechanisms by which these structures may be used to turn reparations 'payments' to the advantage of the payors.

First, careful attention needs to be paid to how reparations are spent with an understanding that the expenditure of reparations on imports or on foreign financial instruments must be carefully evaluated. Second, reparations will have the most positive effect on the recipient country when they are used to foster long-term development and to promote the productive capacity of the recipient economy, so that the benefits deriving from the reparations can be passed on over time.

Thus, one key recommendation is that reparations should be accompanied by a 'developmental state' approach to the domestic economy (Chang, 2002; Chang and Andreoni, 2021; Haggard, 2018; Wade, 2018) so that the reparations can be actively directed to supporting the growth and advancement of domestic industry. A developmental state will use tariffs and rebates to guide the expenditure on imports to promote long-run development and to avoid foreign imports that undermine the growth of domestic industry. A developmental state can also support domestic production both through domestic financial investment in corporate stocks and bonds and through the purchase of goods and services that are domestically produced.[16] A developmental state will also be able to limit foreign ownership of domestically registered companies that are eligible for such investment, in the event that this is necessary to keep the benefits of the reparations circulating within the domestic economy.[17]

A Bank of International Reparations

In practice, to derive the greatest benefit from a programme of global reparations the assistance of an international financial institution — let us call it the BIR — may be needed. As already noted, this proposal for a BIR is modelled on BIS, which was originally formed in 1930 to supervise the payment of German reparations. BIS served as a trustee to manage the receipt and distribution of reparations payments. This meant that BIS could hold German collateral on behalf of the recipient countries, and was authorized to negotiate on behalf of the recipients in the event of a delay in payments both with Germany and with other German creditors, who were also facing a stop in payments (Simmons, 1993: 382–83; Toniolo, 2005: 34). This structure enabled the recipient countries to make an agreement in advance of delays in payment of what would constitute fair treatment when managing the delay and allowed BIS, as the trustee, to enforce that pre-existing agreement. Furthermore, BIS was able to minimize disruption to financial and foreign exchange markets when making the reparations payments by dealing directly with the recipient central banks (Toniolo, 2005: 72). Finally, it was authorized to provide short-term liquidity (ibid.: 81). In short, as a trustee for reparations, BIS was designed to smooth the administration of such funds and to ensure that predictable conflicts could be addressed in advance, thus minimizing any disputes that might arise in the event of a default in payment.

All of these are roles that a BIR can play to facilitate the administration of reparations and to make sure that they provide as much benefit as possible for the recipients of the reparations. In addition, there are three further roles that BIR can play: it can hold SDRs, it can facilitate coordination amongst the recipients of the reparations more generally, and finally it can play a role in providing banking services to businesses in recipient countries, subject of course to the authorization of these activities by the recipient government.

Like the initial role of BIS, BIR can act as a trustee to manage the receipt and distribution of reparations payments. This makes the administration

16. To address the case of an economy in which financial markets are not sufficiently developed for the issue of stocks and bonds in which the state can invest, the advantages of a BIR are discussed below.
17. The advantages of coordinating investment regionally with other recipients of reparations — and in particular avoiding (or managing) adverse competition between competing developmental states — are discussed below.

of the reparations more effective in six ways. First, it will make it more difficult for payor countries to renege on their obligations by ensuring that the reparations obligation is international and not bilateral, that there is cross-country support for the reparations, and that, in the event of a failure to pay, repercussions may be international and coordinated across many countries, raising the costs of any decision to renege. This international dimension to the reparations may also help maintain domestic support for the reparations in payor countries, as it becomes part of their participation in the wider international community rather than a matter of bilateral politics.[18] Second, BIR can serve as an international body that holds collateral issued by payor countries, and, because it is an international institution, payor countries may be more willing to transfer such collateral to it (governance of the BIR is discussed below). By holding collateral, the BIR acquires assets belonging to a payor country that it has the legal right to sell if the payor country does not honour its reparations obligations. Thus, in the event that political support for reparations declines in a payor country and the payor reneges on the obligation, the collateral can be used to make such a payment so that the initial commitment is honoured. Third, if there is a request to delay reparations payments, the BIR can investigate the relevant economic circumstances underlying the request and decide on the appropriate response; it is positioned to negotiate on behalf of all of the recipients as a group with both the payor and other creditors of the payor. Fourth, because BIR acts as a single body representing the recipients, this allows organizational aspects of the relative rights of the recipients to the reparations to be decided and determined at the time of the formation of BIR, such that it becomes the entity that implements this prior agreement. As such, BIR supports the recipients so that they can act in a coordinated manner, and so that any delayed payments are handled in a way that is non-discriminatory in the sense that the distribution of the delayed payments was agreed in advance. Fifth, as a trustee, the BIR will also have the task of managing the distribution of reparations payments so that they are not disruptive to financial markets. Since international reparations transfers may require large-scale conversion of currencies, it is important to manage them to limit the impact on foreign exchange markets. Just like BIS, a BIR that is in direct contact with the central banks of the recipient countries may be able to arrange for conversion of the reparations payments directly with the central banks and thereby ensure that any adverse effects on foreign exchange markets are managed. Sixth, and finally, a BIR can also provide short-term liquidity services to recipient countries. Since there will be a

18. While there are costs to such depoliticization — by making it harder for democratically elected politicians to change policies — the recipients of reparations are creditors and therefore will be benefited by such constraints. Furthermore, these are soft constraints, related to the payor country's standing in the international community, and may therefore be considered limited and reasonable under the circumstances.

high measure of predictability in the receipt of reparations payments, BIR should be empowered to provide short-term advances to countries based on their expected receipts. Appropriate limitations and guidelines for such advances can be developed at the time that BIR is created.

As the BIS was designed to be controlled by central banks of the Global North, it is not, however, an appropriate trustee for the recipients of reparations today. Instead, a BIR where voting control sits in the hands of the recipient countries (see below) is needed. Furthermore, there are three additional roles that a BIR could play which go beyond the original remit of the BIS: act as a holder of SDRs, coordinate the activities of the recipient countries and their developmental states, and offer a broad range of commercial and investment banking services that are designed to support development to companies in recipient countries.

SDRs are typically housed in international financial institutions, such as the IMF. If reparations are paid in the form of SDRs (as discussed in above), the BIR could hold these SDRs on behalf of the relevant countries and it could manage the transfers of them from one country to another. This will also avoid many of the complications that arise when reparations payments require exchange from one currency to another.

Having a BIR that is controlled by the recipient countries can play an important role in helping these countries coordinate both the management of financial markets and the use of the reparations funds. As noted above, as a trustee it will be natural for the BIR to manage the exchange rate effects of reparations payments through direct contacts with the relevant central banks. The BIR can also play a broader role facilitating the cooperation of central banks for other purposes. For example, in the event of difficult circumstances such as those created by a natural or man-made disaster with regional effects across a range of countries, the BIR can serve as a body that helps to coordinate the responses of the various monetary authorities to minimize the disruption.

The BIR can play a similar coordinating role in the management of the use of reparations funds. Such coordination could take the form of the bank facilitating cooperation between the recipient countries in identifying key import markets where the countries are at risk of competing against each other as buyers, and key export markets that their developmental states are likely to target and where they might compete against each other as sellers. Thus, if these countries are using reparations funds to purchase the import of specific goods that are important to productive development, the BIR can be used to help them coordinate such efforts and to ensure that they are not competing as bidders against each other and adversely affecting their joint terms of trade. Similarly, there can be information sharing about the goals and activities of developmental states to avoid wasteful duplication and excessive competition for export markets. While the dynamics of such communications would undoubtedly be complex, by providing a natural forum for cooperation to protect the interests of the recipient countries as a group, BIR is likely to protect their interests at least in some measure. Indeed, it might even be possible to design projects where the reparations funds are used cooperatively by a bloc of countries for the development of regional productive capacity.[19]

In addition, a BIR could provide either investment or traditional banking services to the recipient countries with the aim of maximizing the value of the reparations funds in promoting development.[20] Since financing constraints are pervasive in LMICs with serious implications for their growth (Beck, 2007; Dinh et al., 2010), the BIR could also play a role in addressing these inefficiencies by providing banking services, subject of course to authorization to do so by the political and financial authorities in each country.

A wide range of such services might prove useful. The BIR can develop expertise in providing financial analyses of companies located in each recipient country in order to support bank-type loans, as well as equity and debt issues. Such analyses can prove very useful in helping countries determine where best to invest their reparations funds domestically. It can provide financial services to help countries manage their own domestically oriented sovereign wealth funds which may be funded by a portion of the reparations payments. The BIR could also offer to manage a sovereign wealth fund on a blind trust-type basis. This might be useful in countries where there is concern that funds are being diverted in a corrupt way; it would be an option for a political candidate to run on the platform of transferring management of the fund to the BIR for a period of several years. Such a sovereign wealth fund can be specifically designed to develop financial markets. For countries where financial markets are underdeveloped, the fund can be managed as a portfolio of bank loans, but with the ultimate goal of fostering the development of financial markets and helping firms 'graduate' to raising funds through initial public offerings on a local bond or equity market. As financial markets develop, the fund can be shifted to invest more and more in domestic bonds and stocks.

An investment bank version of the BIR could also provide recipient countries with access to derivatives markets on favourable terms and advice on the appropriate use of derivatives. Derivatives, when carefully used, allow for the hedging of a wide variety of risks and can support the effective use of the reparations payments. An international financial institution, such as the BIR, could access derivatives markets on favourable terms both in terms of collateral and pricing and would be able to pass on the benefits of that advantageous pricing to member countries.

19. The Regional Comprehensive Economic Partnership mentioned above (footnote 5) may serve as a model.
20. In fact, during the discussion about the formation of the BIS, German authorities argued that it should provide banking services to Germany, but the proposal was rejected (Costigliola, 1972: 607–08; Simmons, 1993: 380).

If the political and financial authorities in a recipient country authorize it to do so, the BIR could also provide traditional commercial banking services to firms in recipient countries, as a public option version of financial services. Examples of such services to promote development include financing the purchase of exports from recipient countries, import finance for companies within the recipient country, as well as providing working capital and supply chain finance more generally. These traditional banking services could easily be combined with investment banking services designed to foster the growth of financial markets (as discussed above).

The Structure of a Bank of International Reparations

A BIR that goes far beyond the role of a trustee for reparations and provides banking services in recipient countries would need to be structured to give it a measure of independence from political interests. Modelling it on the BIS (Toniolo, 2005: 41–42), this could be achieved by separating the constitution of the BIR from its operating statutes. The constitution would need to be adopted by the legislatures of the countries that initially form the bank, along with the designation of the composition of the board of directors, their voting rights, and the general scope of activities of the BIR. A measure of independence would be created by specifying a substantial period of time (at least 10 years and perhaps more) that would have to pass before the governments had the right to engage in oversight.[21] The directors of the BIR would then determine the operating statutes of the bank and its day-to-day operations. Either the central bank in each country or, in the absence of a national central bank, a financial regulator would have veto power over the actions of the BIR within domestic markets.

A BIR that provides banking services would also need to be funded by adequate capital to support its activities. One way of providing this capital would be to commit the initial reparations payment, or a portion of it, to the capitalization of such a bank. Each of the recipient countries would then own a portion of the bank and have voting rights in its governance. Provided the recipient countries maintain a clear controlling interest in the bank, payor countries could also be permitted to own shares in the BIR, including minority voting rights. The participation of payor countries in the bank may make them more willing to post collateral to the BIR that can help secure future payments of reparations. For the BIR to be successful in fostering productive development in the recipient countries, it will need country-specific expertise. As a result, most of the BIR's employees would

21. Agreement on the immunity of BIR assets from seizure is also important (see Toniolo, 2005: 50).

presumably be citizens of the recipient countries with the appropriate expertise in banking and financial markets.

Critiques of a Bank of International Reparations

One possible objection to the proposal for a BIR is that the idea is not new and that it is in fact just a variation of a model for development that has been tried many times before. Thus, this section distinguishes the BIR from other financial institutions that have a related purpose or structure. The discussion that follows will focus on the four potential functions of the BIR (as mentioned above: the trustee, the holder of SDRs, the cross-national coordinating body, and the investment bank).

First, an essential function of the BIR as trustee is to manage the flow of reparations payments, which is necessary in any situation where there are multiple recipient countries for the reparations. It is the reparations themselves that create the need for the BIR to ensure that what constitutes fair treatment of all the recipients is agreed at the very start of the process, so that the group of recipients can be effectively represented in any negotiations that may be necessary.

Second, and similarly to its function as trustee, while the function of managing SDRs is common to several international financial institutions, creating a BIR to manage any SDRs used for the purpose of paying reparations would be called for by the structure of the reparations themselves.

Third, regarding the role of the BIR as a cross-national coordinating body for LMICs, there have been many proposals in the past for such an organization (as mentioned in the Introduction) and this proposal is likely to be met with opposition from HICs just as previous efforts have been. On the other hand, the global need to address the climate crisis as well as the Global North's clear responsibility for the crisis and the devastating effects of such a crisis on the Global South may provide some measure of leverage for Global South countries to demand a coordinating body. Furthermore, the potential benefits to LMICs are significant enough that previous failures should not preclude yet another effort. One must keep in mind, however, that history offers a cautionary tale that cross-border reparations may be accompanied by the efforts of HICs to break down cooperation between LMICs. Active policies to create divisions between the different LMICs to benefit HICs and their companies have a long history (Campbell, 2023).

Fourth, and lastly, the proposal that the BIR could provide banking services that are designed to promote development in the recipient countries needs to be distinguished from existing institutions. The World Bank, for example, also has a development agenda. However, its largest branch — the International Bank for Reconstruction and Development (IBRD) — is controlled by HICs which hold 55 per cent of the vote. Thus, it is unsurprising that its banking functions are circumscribed: the IBRD was founded on the principle that it should not compete with private investors and that it should lend for 'specific projects' (Baldwin, 1965). While in recent decades the World Bank has extended its LMIC lending to general budget support and programme-based lending,[22] its remit by design does not extend to the provision of commercial and investment banking services to private sector firms within LMICs. By contrast, the BIR could provide commercial and investment banking services, subject to the approval of LMIC government and/or financial authorities. The function of these services in HICs, both historically and in the present, is to ensure that financing constraints on individual firms are not limiting the productive possibilities of the economy. Thus, the effective provision of these services in LMICs will mitigate the ubiquitous financing constraints that limit growth (e.g. Beck, 2007; Dinh et al., 2010). For example, the BIR could offer public option loans within any LMIC that authorizes the activity, with the goal of forcing commercial banks to provide transparent products and to compete on price not complexity. Similarly, investment banking services could be designed to support the development of financial markets in LICs, which is distinct from the World Bank agenda.

There are also development banks with a similar agenda to the BIR that are owned by LMICs. One example is the New Development Bank (NDB), a multilateral development bank established in 2015 by the BRICS states (Brazil, Russia, India, China and South Africa), five MICs that work together in an effort to counterbalance the economic power of the HICs.[23] Another is the Corporación Andino de Fomento or CAF (Development Bank of Latin America) which supports residents of the Caribbean and Latin America. These development banks could, and perhaps should, consider an agenda of deliberately providing banking services that compete with investment and commercial banking services, but which are tailored to meet the needs of firms in LMICs and to foster the development of financial markets in these countries. So far, however, lending by the NDB is more project-based, like that of the World Bank in its early years (see NDB, 2021). While CAF engages significantly in commercial bank lending (CAF, 2022), it does not focus on the deepening of financial markets and investment banking. A BIR that is capitalized by reparations payments could potentially be larger than these banks and would have governance that includes all of the recipients of the reparations. Thus, a BIR could be designed to function in a manner that is complementary to the roles of the NDB and CAF.

22. Fischer (2017: 14) points to the shift in the focus of aid away from the production sector and investment to poverty alleviation by the 1990s.
23. In January 2024, the BRICS group added an additional five countries: Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates.

Further criticism of the BIR focuses on the fact that, funded by SDRs, it would be entrenched in an international financial architecture that is extractive. This generates scepticism as to whether the BIR could avoid being an extractive institution itself. As noted above, we agree that SDRs represent the 'exorbitant privilege' of the Global North financial system. However, if it is politically possible to induce the HICs to use SDRs to capitalize a BIR that is controlled by LMICs (and this would be a challenge), then that exorbitant privilege would be able to work to the benefit the LMICs. In short, this proposal is an effort to make the best of the unfair financial structure within which the LMICs are forced to work.

On the other hand, the concern that the BIR could become yet another tool for extraction is valid. The principal mechanism that may serve to protect the BIR from this outcome is a robust governance structure that gives LMICs control over the institution, while at the same time allocating to each domestic government the right to veto any specific activity of the BIR within the country. To the degree that the BIR becomes an extractive institution, each country has the right to opt out from receiving its services. This may be the strongest mechanism that can prevent the BIR from acting in an extractive manner, and thus a robust veto for domestic activities of the BIR must be an essential component of the BIR constitution.

For the BIR to be successful in promoting the development agenda set forth above, it will also have to recruit staff that have both the skills that allow them to interact effectively with the international banking system and the vision to support the development of the various LMIC economies. In short, the vision and the hiring expertise of the initial management of the BIR will play an important role in determining whether or not it can be successful in the proposed development agenda. While there are no guarantees that the BIR will be a success, any assumptions that the appropriate staff cannot be found may underestimate how many people there are with a very broad range of experiences and backgrounds who would prefer to live in a world where LMICs are economically successful and who would be willing to dedicate themselves to that agenda.

CONCLUSION

This essay has outlined many of the problems that could arise when considering the financial details of how reparations are to be paid. While there are many possibilities for how to structure reparations transfers, the most effective mechanism is likely to be a transfer of SDRs from reparations payors to the recipient countries, possibly after an additional issue of SDRs by the IMF for the purpose. The use of reparations payments should also be carefully coordinated in each country, ideally by a developmental state, to ensure that the reparations foster ongoing productivity gains in the recipient countries. Finally, a BIR could provide important banking services to promote this developmental agenda by helping countries use the funds as a sovereign wealth fund focused on the development of the domestic economy and by offering reasonably priced public option financial services.

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