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Summary record of the 6th meeting

Held at Headquarters, New York, on Thursday, 6 October 2022, at 10 a.m.

Chair: Ms. Stoeva .... (Bulgaria)
later: Mr. Budhu (Vice-Chair)................................ (Trinidad and Tobago)
later: Mr. Al-thani (Vice-Chair) .... (Qatar)

Contents

The meeting was called to order at 10.10 a.m.

Agenda item 16: Macroeconomic policy questions

(a) International trade and development (A/77/15 (Part I), A/77/15 (Part II) and A/77/207)

(b) International financial system and development (A/77/224)

(c) External debt sustainability and development (A/77/206)

(d) Promotion of international cooperation to combat illicit financial flows and strengthen good practices on assets return to foster sustainable development (A/77/304)

(e) Promoting investments for sustainable development (A/77/500)

Agenda item 17: Follow-up to and implementation of the outcomes of the International Conferences on Financing for Development (A/77/82-E/2022/64 and A/77/223)

1. **Ms. Shirotori** (Acting Director, Division on International Trade and Commodities, United Nations Conference on Trade and Development (UNCTAD)), introducing the report prepared by the secretariat of UNCTAD on international trade and development 2022 (A/77/207), said that the report addressed how international trade could be used to mitigate short-term challenges associated with the current cost-of-living crisis, which was in part an extension of the fragile and uneven recovery from the coronavirus disease (COVID-19) pandemic. Although international trade had rebounded sharply at the global level in 2021, some lower-income countries had lost the opportunity to earn from exports that would normally make up a large part of public revenue, thus exacerbating financial constraints. Furthermore, food and energy supply shocks had heightened the risk of food insecurity in some low-income countries and small island developing States dependent on food imports, and the increased cost of maritime transport would lead to higher global consumer prices, particularly in Africa and other low-income countries. Trade-restrictive measures, particularly in the agricultural sector, were also increasing costs. In order to mitigate such pressures, international trade must be open, fair, predictable and equitable, and speculative activities, particularly in the grain and energy markets, should be subject to control.

2. The report also addressed how international trade could be used to address long-term challenges, in particular those linked to climate change. The natural comparative advantage of developing countries in the production and trade of renewable energy should be promoted, but a lack of technology transfer and capacity-building was preventing that from happening. The Committee might therefore wish to consider how to ensure that trade-related multilateral agreements, including the outcome of the Twelfth Ministerial Conference of the World Trade Organization, the Bridgetown Covenant adopted at the fifteenth session of UNCTAD, and the outcome of the first part of the Fifth United Nations Conference on the Least Developed Countries were implemented effectively in order to achieve coherence in the multilateral system.

3. Introducing the note by the Secretariat entitled “International Year of Creative Economy for Sustainable Development, 2021” (A/77/500), she said that chapter IV of the *Creative Economy Outlook 2022* had been prepared by UNCTAD pursuant to General Assembly resolution 74/198. The resolution had raised awareness, facilitated discussions and promoted cooperation and networking to improve the environment for all stakeholders in the creative economy and UNCTAD had created a dedicated website on its implementation. The global survey on the creative economy and creative industries conducted by UNCTAD in 2021 had shown a trend towards the expansion of the creative economy, but a lack of annual reporting, and the different definitions and measurement methods used made international comparison extremely difficult. Measuring trade in creative goods and services was one approach followed by UNCTAD to assess the overall trend and showed the importance of the global export of creative services which had reached $1.1 trillion in 2020. The Committee might wish to consider how to develop reliable and comparative data on the creative economy.

4. **Mr. Hasans** (President of the Trade and Development Board, United Nations Conference on Trade and Development UNCTAD)), speaking via video link and introducing the reports of the Trade and Development Board on its seventy-first executive session (A/77/15 (Part I)) and on its sixty-ninth session (A/77/15 (Part II)), said that the interrelated negative trends that were a direct consequence of the war in Ukraine were having a considerable impact on all countries, in particular on developing countries. Prospects were gloomy for the year ahead and steps were required to mobilize political will, galvanize action to build resilience, mitigate the impact of the multiple crises on the most vulnerable populations and find collective solutions to the global challenges.

5. At the Board’s seventy-first executive session, the discussion on interdependence and development strategies in a globalized world, had been informed by

the *Trade and Development Report 2021* and calls had been made for renewed international support to help developing countries address the effects of the economic crisis triggered by the COVID-19 pandemic in a sustainable manner. The consideration of investment for development had been informed by the *World Investment Report 2021*, which identified specific challenges in the roll-out of recovery investment plans and proposed a framework for policy action. Investment in the Sustainable Development Goals had also been addressed, including with respect to capital markets and sustainable finance to reveal global progress and propose possible courses of action. The Board had also considered *The Least Developed Countries Report 2021: The Least Developed Countries in the Post-COVID World – Learning from 50 Years of Experience*, which showed how the pandemic and the emerging two-speed global recovery threatened to reverse many hard-won development gains. It recognized that mainstreaming development of productive capacities in least developed countries was a prerequisite for recovery and adopted agreed conclusions on those topics. Member States had also discussed the report on UNCTAD assistance to the Palestinian people.

6. At its sixty-ninth session, the Board had considered the *Economic Development in Africa Report 2021: Reaping the Potential Benefits of the African Continental Free Trade Area for Inclusive Growth*, and had concluded that inter-African tariff and non-tariff barriers needed to be reduced and productive capacity increased. The *Digital Economy Report 2021* had provided a holistic view of cross-border data flows and called for the development of an innovative approach, the full and equitable participation of all countries in ensuring secure cross-border data flows, and action to address risks related to human rights and security issues.

7. Noting that 2024 would mark the sixtieth anniversary of UNCTAD, he said that the Trade and Development Board was fully aware of the need to take into account the profound shifts and shocks experienced over the previous two years and stood ready to contribute to the Second Committee's important work.

8. **Ms. Spiegel** (Chief, Policy Analysis and Development Branch, Financing for Sustainable Development Office, Department of Economic and Social Affairs), introducing the report of the Secretary-General on follow-up to and implementation of the outcomes of the International Conferences on Financing for Development (A/77/223), said that since the report had been drafted the challenging environment had deteriorated further. Slowing growth, persistent inflation, including high food and energy prices, elevated economic and geopolitical uncertainties and increasing non-economic risks such as climate change were creating a challenging environment for policymakers. Rising interest rates, together with capital outflows from developing countries, made it very difficult to refinance debt and, given the high financing costs experienced by several developing countries, the financial divide highlighted in the 2022 *Financing for Sustainable Development Report* had become even more acute. One in five countries was experiencing fiscal and financial stress and, as of August 2022, half of the poorest countries were at high risk of, or already in, debt distress, and a quarter of middle-income countries were at high risk of fiscal crisis.

9. There had, however, been advances in almost every area of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development but progress was insufficient. While official development assistance (ODA) had reached its highest level, it remained significantly below commitments and there was a concern that it might be diverted from countries most in need because of other pressing crises. Furthermore, although interest in sustainable financing had skyrocketed, greenwashing persisted and behaviour had not changed. Despite important steps forward such as the Debt Service Suspension Initiative and the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative of the Group of 20 (G20), the progress made with respect to debt was insufficient to deal with the challenges faced. Moreover, as the shocks experienced were externally driven, many countries would be unable to respond on their own and collective action by the international community was needed.

10. Halfway into the implementation of the 2030 Agenda for Sustainable Development, there was an urgent need to rescue the Sustainable Development Goals, particularly their financing, and she noted that the Secretary-General had recently called for a Sustainable Development Goals stimulus package. While numerous recommendations were set out in the reports before the Committee, the real challenge was ensuring political will and removing political obstacles, and the 2022 Economic and Social Council forum on financing for development follow-up had invited the General Assembly to consider the need to convene a fourth International Conference on Financing for Development.

11. Introducing the report of the Secretary-General on the international financial system and development (A/77/224), she said that the recent crises had exposed long-standing shortcomings in the international financial architecture. Not all commitments made had been implemented, certain gaps had never been

addressed, enormous technological change had altered financial markets and systemic risks, such as climate change, were growing. The report highlighted the volatility that existed throughout the financial markets, including with respect to cryptoassets and so-called stable coins. While reforms introduced since 2008 had strengthened the regulated financial system, risks remained, including with respect to the non-bank financial sector and financial technologies.

12. There was a need to ensure that current financing approaches and the international financial architecture were fit for purpose. A transformation of the international financial system would be required to achieve the Sustainable Development Goals. Mechanisms would have to be found to ensure greater access to affordable long-term financing, strengthen the global financial safety net and channel special drawing rights to countries in greatest need. Some calls had been made for the issuance of new special drawing rights and although there did not appear to be a political appetite to do so at present, consideration might be given to the development of a mechanism for automatic state-contingent issuance in the event of a crisis. There was also a need to understand the impact of non-economic risks, such as climate change, and to move ahead with governance reforms.

13. Introducing the report of the Secretary-General on international coordination and cooperation to combat illicit financial flows (A/77/304), she said that despite progress with respect to corruption, tax avoidance and tax evasion, including a decision to strengthen the beneficial ownership standard related to legal persons, many challenges remained. Action was required to ensure the better implementation of existing norms, close gaps and respond to evolving risks, and improve national enforcement capacity; transparency must be at the heart of all efforts. The Committee might wish to mandate further work on the development of international guidelines for certain professions to ensure that they did not encourage illicit financial flows. An absence of political coordination was undermining the effectiveness of policies and the Secretary-General had therefore called for further international coordination concerning illicit financial flows and for the development of an Economic and Social Council-based coordination mechanism to review progress, provide data, foster intergovernmental agreements and promote financial integrity. African Ministers of Finance has called for the development of a global convention on tax matters, and the United Nations Secretariat stood ready to support Member States' efforts.

14. **Ms. Blankenburg** (Head of the Debt and Development Finance Branch, United Nations Conference on Trade and Development (UNCTAD)), speaking via video link and introducing the report prepared by the secretariat of UNCTAD on external debt sustainability and development (A/77/206), said that external debt stocks of developing countries as a whole had risen by $600 million in 2021 to $11.9 trillion. That increase had been driven largely by positive developments, in particular the impact of the global economic recovery from the COVID-19 pandemic on the export performances of developing countries. In contrast, the growth rate of long-term public and publicly guaranteed external debt had fallen from 8.7 per cent in 2020 to 3.6 per cent in 2021, reflecting rising government revenues and the widespread withdrawal of COVID-19 related policy support programmes.

15. Such broadly positive developments had, however, been offset by a range of factors. The level of insolvency indicators, such as total external debt stocks-to-export revenues, had remained high for all country groups in 2021. Moreover, average country group estimates masked large differences in performance and the number of middle- and low-income countries with total external debt-to-export ratios above 250 per cent had been markedly higher in 2020 compared to 2019. The lasting economic and social consequences of an uneven recovery from the COVID-19 pandemic, the worsening climate crisis, the armed conflict in Ukraine and the worst cost of living crisis in many decades were having a strong negative effect on developing countries' external debt sustainability. Because of factors including net negative capital flows to developing countries, around 60 per cent of low-income countries and 30 per cent of emerging market economies were at high risk of, or already in, debt distress. At the same time, fiscal policy tightening in advanced economies was further undermining any prospects of improved external debt sustainability in the developing world.

16. Welcoming the Secretary-General's Sustainable Development Goals stimulus package, she said that the multilateral response to increasingly unsustainable external debt burdens in a growing number of developing countries remained insufficient. Efforts must be redoubled and a political consensus reached on more substantive, systematic and structurally effective debt relief. Consideration should be given to a multilateral framework for sovereign debt restructuring and participation therein should be incentivized.

17. Turning to some of the recommendations in the report, she said that the establishment of a publicly accessible registry for debt data by both lenders and borrowers would strengthen debt transparency. It was also suggested that the multidimensional vulnerability

index might replace outdated income-based criteria for the provision of ODA and concessional financing. Given the impact of liquidity provision on debt sustainability, measures such as a new allocation of special drawing rights and a temporary suspension of International Monetary Fund (IMF) surcharges might also be considered.

18. **Ms. Peltola** (Senior Statistician, United Nations Conference on Trade and Development (UNCTAD)), speaking via video link, introduced key messages from a 2022 report on illicit flows prepared by UNCTAD and the United Nations Office on Drugs and Crime (UNODC) that would be published at a later date and relevant sections of an annual statistical publication by UNCTAD, reporting on developments relating to the 2030 Agenda for Sustainable Development. The Conceptual Framework for the Statistical Measurement of Illicit Financial Flows developed by UNCTAD and UNODC had been endorsed by the Statistical Commission at its fifty-third session. Although a globally agreed definition existed for statistics on illicit financial flows, various methods continued to be used for estimations. Efforts should be made in a number of areas, including to harmonize concepts and methodologies and ensure the adoption of appropriate national and regional policies, an international framework to curb illicit financial flows and more effective asset returns.

19. The demand for support to enhance statistical capacity to track illicit financial flows and design more effective measures to curb illicit finance remained very high, and UNCTAD and UNODC had engaged with various regional commissions to that end. Twenty-two countries had pilot tested methods to measure illicit financial flows using common statistical standards and resources that were currently being refined. Although those studies had shown that it was possible to measure illicit financial flows mainly by using existing data available to national authorities, there was a need to improve data quality, fill gaps and strengthen infrastructure, skills and resources, especially by providing training to national statistical offices and other national authorities.

20. Measurement of international financial flows was the first step in identifying related threats and risks. Work in that regard should continue, including by informing the policy processes to curb such flows and commissioning further work on illicit trade in line with the Bridgetown Covenant. Given the notable progress in digital data, statistical measures and tools to track illicit financial flows, the international community was more equipped than before to track illicit finance, including through more informed and targeted policy measures. However, the support provided to Member States needed to be strengthened to enable a more coherent policy response, including through actions to build technical and institutional capacity, a concerted international effort and strong policy commitment.

21. **Mr. Zhang** (Director, Division on Investment and Enterprise, United Nations Conference on Trade and Development (UNCTAD)), speaking via video link, said that UNCTAD had prepared the *World Investment Report 2022: International Tax Reforms and Sustainable Investment* in response to General Assembly resolution 76/197 on promoting investments for sustainable development. With regard to investment trends in the Sustainable Development Goals and in climate change, he said that the significant downward pressure on global direct investment in 2022 that was expected as a result of the multidimensional crises and investor uncertainty would also affect international investment in the Goals. In 2021, growth had been related mostly to investments in renewable energy and investment in other sectors relating to the Goals had seen only a partial recovery from the 2020 low. International private investment in climate change was directed almost exclusively to mitigation. In developed countries around 85 per cent of such projects were privately financed whereas almost half in developing countries required some form of public sector participation. International project finance was increasingly important for investment in the Goals and climate change, however, developing countries were disadvantaged in that regard.

22. On the issue of capital markets and sustainable finance, he said that as most of the sustainability-themed investment products were domiciled in advanced countries and targeted at assets in those countries, developing countries were largely bypassed by the sustainable fund market. Concerns remained about greenwashing because of a lack of consistent standards and high-quality data. Governments around the world were intensifying their efforts to develop regulatory frameworks for sustainable finance, and policy and regulatory gaps were more visible in the relatively new policy areas of taxonomies, product standards and carbon pricing. In 2021, action to coordinate and consolidate sustainable finance regulations and standards at the international level had gathered momentum and the global efforts being made to consolidate the major environmental, social and governance reporting standards would effectively reduce fragmentation.

23. The *World Investment Report 2022* also considered the impact of the introduction of a minimum tax of 15 per cent on the foreign profits of the largest

multinational enterprises. Both developed and developing economies were expected to benefit substantially from increased revenue collection. However, foreign direct investment might potentially decrease by around 2 per cent and many tax-based investment promotion tools would be rendered obsolete. UNCTAD recommended that the international community should alleviate the constraints that developing countries, in particular the least developed countries, faced in introducing such a tax. Consideration should be given to scaling up technical assistance to developing countries to support implementation and investment policy adjustments; to removing implementation constraints posed by international investment agreements; and to establishing a mechanism to return any top-up revenues raised to developing host countries.

24. With regard to capital markets and sustainable finance, UNCTAD recommended supporting the transition of sustainable investment from market niche to market norm. It also recommended addressing the challenges arising from the fragmentation in standards, the proliferation in benchmarking, the complexity in disclosure and the self-declaration of sustainability, and had launched a number of initiatives to that end.

25. **The Chair** invited the Committee to engage in a general discussion on the item.

26. **Mr. Abdelaal** (Egypt), noting that the problem with the current international debt architecture had never been more evident, asked which policy priorities at the international level could help address unsustainable external debt burdens in the context of the worsening global economic prospects and the increasing incidence of climate disasters, particularly in developing countries. He also asked how recent developments in advanced economies, such as the increasing cost of living and monetary policy tightening, were expected to affect the external debt sustainability of developing countries.

27. **Ms. Blankenburg** (Head of the Debt and Development Finance Branch, United Nations Conference on Trade and Development (UNCTAD)), speaking via video link, said that the current situation was impacting external debt sustainability through multiple channels. The effect of more stringent monetary and fiscal policy in advanced countries was a concern. The interest rate increases in the United States were not only increasing the cost of debt but were also leading to the depreciation of domestic currencies, further undermining debt sustainability. It was estimated that the rate rises in 2022 alone would cost developing countries approximately $510 billion, which was more than three times the amount of ODA. The cost-of-living crisis, which was pushing large numbers of people into poverty and food insecurity, had also prompted further monetary and fiscal tightening that was slowing growth and was likely to further impact debt sustainability in the future.

28. In terms of policy priorities, she said that given the severity and protracted nature of the multiple cascading crises and the recent developments that had a strong impact on external debt sustainability in many developing countries, it was high time for Member States to consider whether there were grounds for political consensus to explore a multilateral framework that built on the G20 Common Framework for Debt Treatments but overcame some of its limitations in application. Consideration should also be given to a new general allocation of special drawing rights in addition to the efforts under way to redirect underused special drawing rights. There should also be a suspension of surcharges imposed by IMF for certain affected countries pending a policy review. Noting the links between climate change and debt vulnerabilities, in particular higher investment requirements to respond to climate events, she said that there were a number of policies that could be adopted to tackle climate events and their impact on debt vulnerabilities in developing countries.

29. **Mr. Khan** (Pakistan), noting with concern the decline in foreign direct investment and its impact, asked what could be done to accelerate investment in the Sustainable Development Goals in developing countries and to help structurally weak and vulnerable countries, in particular those in special situations. He also asked what action could be taken to scale up the availability and accessibility of sustainability-themed funds for developing countries.

30. **Ms. Chimbiri Molande** (Malawi) said that the reports had touched on the need to change and review global and national policies and the financial architecture to create a level playing field. She sought clarification of recommendations regarding the rules and conditions for the operation of international financial institutions as well as national Governments.

31. **Mr. Ramos de Alencar da Costa** (Brazil) said that trade was a complex web of interdependence, involving fragile and integrated value chains, and stressed that globalization should not be taken for granted. Caution should be exercised when adopting policies that disrupted the delicate web of international exchanges in view of the consequences that could be significant, particularly in the absence of a well-functioning international trade system. He sought clarification of the

view of UNCTAD regarding the amount of trade restrictions being implemented and trade liberalization policies of previous years and the systemic effects on the world economy. Increased stagflation also had a cascading effect on monetary policy; higher interest rates were problematic for debt and urgent action was required to address trade supply chains to stop that vicious cycle. Noting that there would be significant downward pressure in 2022 on global foreign direct investment, he sought further information regarding the prospects for such investment globally and in developing regions and regarding the action to be taken by countries to reverse that trend. He also asked what was being done within the United Nations to address the sustainability indices and promote harmonization.

32. **Mr. Mandla** (South Africa) said that despite the implementation of measures to reduce inflation, such as raising interest rates, prices were still increasing in developing countries. He asked what further trade-related measures were recommended to bring down inflation and the cost of living in developing countries.

33. *Mr. Budhu (Trinidad and Tobago), Vice-Chair, took the Chair.*

34. **Ms. Shirotori** (Acting Director, Division on International Trade and Commodities, United Nations Conference on Trade and Development (UNCTAD)) said that in the past, international trade had been structured as a complex web of global value chains that acted as a recovery system in the event of supply- or demand-side shocks. Frictionless trade flows promoted a more rapid recovery. The current crisis had been prompted not by a problem in the system itself, but by a sudden fall in supply causing affordability shocks, and global supply chain challenges had started during the COVID-19 period. Government policy and actions did not really determine the length of the global value chain and many businesses had considered reshoring or friendshoring because of factors such as a loss of trust in trade logistics, financial instability in terms of the exchange rate and climate change. Although the global value chain was an extremely important framework to enhance the integration of developing countries into international trade, one serious question was how much value added was generated through participation in a long chain. An important issue was not so much the optimal length of the value chain, but the factors determining its stability and what the international community could do to strengthen those factors.

35. High interest rates in advanced economies actually depreciated the currency of developing countries and exacerbated the cost of inputs, particularly foods. While trade policy would not address the root cause of the problem, namely the supply shock, it was the means to bring down such inflationary pressures by reducing the costs associated with flows of goods and services. A common effort should be made to eliminate speculative activities, particularly in grains and energy, since that would alleviate much of the inflationary pressure in many developing countries.

36. **Ms. Spiegel** (Chief, Policy Analysis and Development Branch, Financing for Sustainable Development Office, Department of Economic and Social Affairs) said that the issue of accelerating investment to assist structurally weak countries was a challenging one. Private investors were risk averse, whether or not the risk was justified, and time and transparency would be required to reduce the perception of risk. There was an increased focus on improving the effectiveness and efficiency of the development bank system and on leveraging more money from it. Blended finance had not worked particularly well in the highest risk situations and further consideration should be given to the use and goals of such finance.

37. With regard to the sustainability of investments, she said that levels of greenwashing were high. Currently, required reporting concerned the impact of sustainability risks on the company, not how the company impacted sustainability, and further consideration would have to be given to the issue of interest to policymakers, namely the impact of risks on sustainability goals. Although the International Financial Reporting Standards Foundation was seeking to standardize the various reporting mechanisms and the United Nations was involved in those discussions, the task was a challenging one as several different taxonomies were used around the world. Ensuring that funds were genuinely sustainable and branded as such was another important element but must be done in such a way that did not lead to reduced investment in developing countries.

38. Action should be taken to strengthen the global financial safety net, including: to ensure the more effective use of special drawing rights to support sustainable development; to promote the more active use of capital account management mechanisms, as IMF was taking steps to do; and to improve the financial regulatory framework in a coherent manner across all entities by incorporating non-regulated areas, such as non-bank financial intermediaries, financial technology and climate.

39. Solutions needed to be found for certain debt-related scenarios, namely for countries that were experiencing an immediate crisis and were about to default on their repayments, and for countries where

debt was limiting fiscal space and preventing investment in the Sustainable Development Goals or in recovery. One of the major problems associated with debt restructuring was the absence of coordination among creditors, and new mechanisms might be required to involve the private sector in coordination efforts. Where countries had no fiscal space, debt-for-investment swaps, particularly linked to climate, might be of interest to certain creditors. Some countries had also led the way in incorporating State contingent elements in official lending.

40. **Mr. Weber** (Head, Investment Policy Branch, United Nations Conference on Trade and Development (UNCTAD)), speaking via video link on behalf of Mr. Zhang (Director, Investment and Enterprise Division, UNCTAD), said that there were indications that some developing country regions, including in Africa, and structurally weak and vulnerable economies, were expected to see vastly reduced inflows of foreign direct investment in 2022 compared to 2021. A vast array of recommendations and past policy work existed that aimed to help developing countries deal with the situation and pursue modern, strategic investment promotion, facilitation and regulation policies at the national and international levels. Recent instruments included the global alliance for special economic zones that provided for the sharing of best practices and increased the standing of such zones in attracting foreign direct investment. Investment in the Sustainable Development Goals, which was extremely uneven, would also suffer. Actions that countries had been pursuing to attract foreign direct investment included a pipeline of bankable projects, innovative financing approaches to the Goals and Goal-oriented investment.

41. In terms of scaling up the availability and accessibility of sustainability-themed funds for developing countries, he highlighted the importance of national frameworks and standards for sustainable finance and of high quality data that allowed investors to invest in sustainable financing products in developing countries. Other considerations included the market infrastructure and stock exchanges that called for sustainability disclosure. Regional market integration was another element in small capital markets and incentives, such as reducing the costs of the issuance of green bonds, were also helpful. International collaboration was important to ensure that the sustainable finance market moved from the North to the South.

42. With regard to action being taken within the United Nations system, he drew attention to the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and of the Global Sustainable Finance Observatory. The latter, launched at the World Investment Forum in 2021, sought to promote and facilitate the transition to sustainable investment to market norm.

43. **Mr. Khan** (Pakistan), speaking on behalf of the Group of 77 and China, said that the arrangements for the global financial system and economic architecture had been negotiated in the absence of the majority of developing countries and their inequality had been visible over the previous seven decades. Despite the numerous efforts made, principally within the United Nations system to encourage greater equality and inclusion, it had not been possible to change the original Bretton Woods structures.

44. Despite the visible national commitment of developing countries to the Sustainable Development Goals, the level of international support required had fallen short, even before the COVID-19 pandemic. Furthermore, the recent external shocks to the world economy, the growing impact of climate change, geopolitical tensions and associated disruptions had disproportionately affected the poorest countries and people. A solidarity deficit had also become apparent, and with interest rates now rising, third world currencies were depreciating and money was flowing from developing to developed countries. Over 100 million people had been pushed into extreme poverty and over 50 developing countries were in debt distress.

45. Despite the efforts being made, there was no clear road map to overcome the development emergency and redress the systemic deficiencies in the global economy. Specific goals and outcomes to achieve the Sustainable Development Goals during the remaining decade of action and delivery for sustainable development must be identified. Welcoming the Sustainable Development Goal stimulus called for by the Secretary-General, he said that the effective operation of the G20 Common Framework for Debt Treatments and bilateral arrangements encompassing all public and private creditors would help to resolve the debt distress of developing countries. The twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change should mobilize at least $100 billion in climate finance, with half allocated to adaptation, accompanied by a financing facility for loss and damage. The role of credit-rating agencies should be reviewed, and targeted efforts should be made to mobilize investment of up to $1 trillion annually in quality, reliable, sustainable and resilient infrastructure in developing countries. A fair and inclusive tax regime developed through intergovernmental processes should be discussed, and the international trading system should be reformed, including by enlarging preferential trade access for

developing countries, using flexibilities under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and the Agreement on Trade-Related Investment Measures, and eliminating trade barriers incompatible with the World Trade Organization. Efforts should be made to develop an equitable information technology regime to bridge the digital divide. Lastly, there was an urgent need to eliminate unilateral coercive economic measures against developing countries.

46. **Mr. Blair** (Antigua and Barbuda), speaking on behalf of the Alliance of Small Island States, said that the COVID-19 pandemic recovery process would be long and hard for small island developing States. The declining growth rates in 2020 and 2021 had severely impacted the ability of those States to fully implement the SIDS Accelerated Modalities of Action (SAMOA) Pathway (Samoa Pathway) and achieve the 2030 Agenda and the Paris Agreement. Given the geopolitical tensions and other global instabilities, projections for 2023 were worrisome. The Governments of small island developing States were struggling to meet the demands of their populations while trying to meet debt service obligations, fiscal space was non-existent and previous loans had been restructured. The external debt stocks of small island developing States had reached record levels of $66.1 billion in 2021 and the increase in the ratio of debt service costs-to-export revenues since 2019 was greater than for any other country grouping. Many small island developing States did not qualify for concessional financing or emergency loans. Targeted measures were required to address the particular challenges faced by those States, and the international community must honour its commitments, including under the Samoa Pathway.

47. It was time for greater solidarity and multilateral cooperation, not exclusion, and the international community must adopt urgent and effective measures to eliminate the use of unilateral coercive economic measures. Small island developing States would not give up their quest for economic equality and would continue to advocate for tailored solutions, including through the adoption of a multidimensional vulnerability index, the convening of the fourth International Conference on Small Island Developing States, and the mobilization of climate finance exceeding $100 billion per year. The international community should also be encouraged to fully reform the international financial architecture, including through the convening of a fourth International Conference on Financing for Development.

48. **Mr. Koba** (Indonesia), speaking on behalf of the Association of Southeast Asian Nations (ASEAN), said that ASEAN remained engaged in working with the wider region to respond to the impacts and uncertainties of regional and global challenges. The COVID-19 pandemic had highlighted the vulnerability of national and global health systems and the importance of solidarity. ASEAN was strengthening cooperation with international organizations and partners to address pandemic-related challenges and prepare for future public health emergencies and had established a dedicated centre for public health emergencies and emerging diseases. It had also adopted the ASEAN Comprehensive Recovery Framework.

49. A high vaccination rate and strong rebound in consumption, investment and trade had been an enabling factor for positive growth in 2021 by ASEAN, which was optimistic that the growth momentum would continue into 2022 and 2023. There was, however, a need to strengthen international trade and development. ASEAN recognized that keeping markets open for trade and investment strengthened the resilience and sustainability of regional supply chains. The Regional Comprehensive Economic Partnership Agreement, which created the world's largest free trade area, had entered into force in January 2022 and would make a significant contribution to economic recovery efforts. Adequate funding was also crucial, and ASEAN was striving to develop more innovative financing models. The ASEAN Sustainable Development Goal bond toolkit had been launched to mobilize more private capital-to-finance investments with sustainable development outcomes and accelerate the economic recovery from the pandemic.

50. Speaking in his national capacity, he said that Indonesia would continue to engage constructively in the creative economy and recognized its important role in the achievement of the Sustainable Development Goals. It would be hosting the third World Conference on Creative Economy in October 2022 and thanked UNCTAD for its support.

51. **Ms. Aondona** (Nigeria), speaking on behalf of the Group of African States, said that African countries were not currently on track to reach their target of eradicating poverty in one generation and improving living standards. The consequences of the COVID-19 pandemic, climate change, conflicts and protracted crises in different parts of the world were limiting attainment of the Sustainable Development Goals, particularly in Africa, and had shown the interdependence of sustainable development and peace. Africa's debt trajectory was projected to accelerate quickly because of the surge in government spending to mitigate the socioeconomic consequences of the pandemic. The various fiscal stimulus packages put in

place by African Governments had had direct implications for budgetary balances, borrowing needs and debt levels.

52. Although exports of African goods and services had seen their fastest growth in the previous decade, volumes remained low and accounted for just 3 per cent of global trade. Expanding and diversifying Africa's participation in international trade and global value chains would facilitate poverty reduction and large-scale economic transformation. In order to achieve the objectives of the African Continental Free Trade Area, there was a pressing need not only to strengthen and promote trade agreements that reinforced the region's prospects for increased integration, but also to mainstream unilateral trade preferences, to deepen trade and investment between Africa and its partners and to address structural challenges limiting the region's export capacity. Trade frameworks should also help to expand and diversify Africa's access to export markets while strengthening intra-regional trade. Increased investment in sectors other than natural resources was required, including to build productive capacity and digital connectivity and enhance infrastructure access.

53. Remittances and foreign direct investment to Africa had fallen and the investment picture for 2023 was bleak due to rising inflation and the economic slowdown. There was a huge difference between Africa's financial needs and its special drawing rights allocation. While the Debt Service Suspension Initiative and other multilateral finance had proven beneficial, the average debt-to-gross domestic product (GDP) ratio in Africa was expected to increase from 60 per cent in 2019 to over 70 per cent in 2022. The Group noted with concern that Africa's debt dynamics appeared to have been driven mainly by cumulative depreciation in exchange rates, growing interest expenses and high primary deficits. Effective resource mobilization, including by overcoming the challenges of illicit financial flows, was essential to finance Africa's transformation for inclusive growth and sustainable development.

54. **Ms. Motsumi** (Botswana), speaking on behalf of the Group of Landlocked Developing Countries, said that global macroeconomic imbalances coupled with geopolitical tensions had intensified development challenges in many developing countries, including landlocked developing countries. Structurally vulnerable countries were most at risk from the unstable economic outlook, which had already led to serious challenges, including capital flight, currency depreciation and increased debt-servicing costs. Global solidarity had become more important than ever to overcome the deepening economic difficulties and developed economies needed to be cognizant of the deep reverberations that their policies could have on the rest of the world.

55. While the increase in levels of ODA for landlocked developing countries in 2020 and 2021 was commendable, the aid environment in 2022 was evolving rapidly due to the extremely complex macroeconomic situation. There was an increasing risk that landlocked developing countries would fall short of achieving the targets set out in the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024 and the 2030 Agenda. Development partners must sustain the momentum and provide higher levels of ODA to those countries, with a particular emphasis on alleviating structural bottlenecks, transport connectivity constraints and natural resource reliance. The external debt levels of landlocked developing countries had increased significantly during the COVID-19 pandemic and some of those countries were already in debt distress. Innovative solutions involving all stakeholders, including the private sector, were therefore required to ensure long-term debt sustainability.

56. A proactive, targeted and coordinated approach must be adopted to promote private investment in landlocked developing countries, including in developing bankable investment projects and fostering value chain development. Multilateral and bilateral partners should also provide support to reduce the risk for private investors, including through investment guarantees. Other forms of support, such as blended finance and interest rate subsidies, were also required.

57. **Mr. Smith** (Bahamas), speaking on behalf of the Caribbean Community (CARICOM), said that the current overlapping crises had reversed development progress and aggravated pre-existing inequalities. Furthermore, the complex and inherent development challenges that CARICOM countries continued to face, such as their small size, import dependence, and narrow resource and export base, made those countries particularly vulnerable to climate and external economic shocks. Developing countries, particularly small island developing States, lacked the capacity to respond independently to global crises and multilateral support and decisive action were essential for recovery. There was a need for transformational change in the approach to address developmental challenges. The international financial architecture must be restructured with in-built equitable considerations for small island developing States and other small vulnerable States. A development-driven system would provide more innovation and solution-based tools for accessing the critical development financing required.

58. CARICOM countries continued to face financial barriers to recovery and development. No country should be forced to choose between preserving lives and livelihoods impacted by dynamics beyond its control created elsewhere, on the one hand, and paying external debts owing to heightened medium-term debt sustainability demands, on the other. Highlighting the importance of debt sustainability in achieving macroeconomic stability and building a resilient economy, the CARICOM countries reiterated their call for the provision of liquidity where most needed; debt swaps to fund implementation of the Sustainable Development Goals; an increase in funding through multilateral development banks; the leveraging of public financing through increased liquidity; and effective debt-relief mechanisms for middle-income countries and small island developing States.

59. While the decision by IMF to approve an additional allocation of special drawing rights was a positive step towards providing much needed liquidity, much of it was directed to developed countries. IMF should redirect the unused special drawing rights where most needed and accelerate their reallocation to developing countries. International financial institutions should also ensure that vulnerable small island developing States had access to concessional financial resources.

60. In order to build on the Initiative on Financing for Development in the Era of COVID-19 and Beyond and recommendations from the 2022 forum on financing for development follow-up, discussions must focus on a paradigm shift in development cooperation to promote inclusivity on macroeconomic and financial issues within the United Nations. A fourth International Conference on Financing for Development could focus global action in that regard. CARICOM countries supported the work of the High-level Panel on the Development of a Multidimensional Vulnerability Index for Small Island Developing States, having repeatedly called for a metric to provide a more transparent and comprehensive assessment to inform decision-making on access to ODA and other vital financing for development. They remained committed to the universal, rules-based, open, non-discriminatory and equitable multilateral principles of the international trading system and sought the full exercise of special and differential treatment mechanisms.

61. **Mr. Pérez Ayestarán** (Bolivarian Republic of Venezuela), speaking on behalf of the Group of Friends in Defence of the Charter of the United Nations, said that the COVID-19 pandemic had reversed some of the important sustainable development progress achieved over the previous decade. The realities of the current multifaceted crisis, including serious macroeconomic imbalances, financial volatility and rising poverty, unemployment and inequality, highlighted the urgent need for a new international order that was fair, inclusive and balanced and left no one behind. At the same time, the crisis was being exacerbated by the illegal application of unilateral coercive measures that constituted not only a flagrant violation of the Charter of the United Nations but also a deliberate attack on the right to development of millions of people. Such illegal measures undermined national efforts to achieve the 2030 Agenda and must be lifted in full immediately and without condition.

62. The current international order fostered the dependence of developing countries on commodities, among other things, making them more vulnerable to price fluctuations and leading to greater social tension. In addition to increased international cooperation and solidarity, the Group of Friends called for greater investments, particularly in infrastructure, and for improved productive capacity, development finance and access to technology, which would all have a positive impact on economic recovery in the post-pandemic era.

63. International financial institutions should create the conditions to ensure better access to finance on favourable terms, without politicization, in order to promote effective implementation of agreements and commitments, including the 2030 Agenda. Given the contribution that trade could make to growth, it was important to develop an international trade system that was fair, equitable, inclusive, independent, depoliticized and non-discriminatory. Such a system should pay particular attention to the vulnerabilities of developing countries, promote sustainable development and have no place for the imposition of unilateral coercive measures. Developed countries should also honour their commitments on ODA which, in some cases constituted the main source of international funding for development in many countries of the Global South. South-South, North-South and triangular cooperation should be improved and the principle of common but differentiated responsibilities should be respected.

64. The increasing number of countries facing serious challenges in servicing their debt was worrisome. Of even greater concern, however, was the fact that the irresponsible monetary and fiscal policies of developed economies would ultimately increase the cost of debt repayments and make developing countries’ debt less sustainable. Multilateral and commercial creditors, which had hitherto been absent from debt relief efforts, must take immediate action to provide adequate assistance to all developing countries that needed it, without exception.

65. *Mr. Al-thani (Qatar), Vice-Chair, took the Chair.*

66. **Ms. Chimbiri Molande** (Malawi), speaking on behalf of the Group of Least Developed Countries, said that least developed countries were the hardest hit from the current cascading, interlocking and multiplying crises. If the collective commitment to leave no one behind was to be achieved, the most vulnerable must be involved in global and national policy decision-making processes. Despite international commitments, the least developed countries' share of global exports had remained at roughly the same level as in 2011 and their export sector had been dealt a major setback from the COVID-19 pandemic and the war in Ukraine. The Doha Programme of Action for the Least Developed Countries had reset the target to double the least developed countries' share of global exports and sought to double the Aid for Trade support for least developed countries. The international community should deliver on those undertakings. Efforts should also be made to further simplify rules of origin and make progress on the services waiver and technology transfer under the TRIPS Agreement.

67. It was a matter of concern that the least developed countries appeared to be victims of the weak global financial architecture. Borrowing costs, which were higher than for developed countries, limited access to additional financing. In order to address the issue a multifaceted approach was required, including improved access to international public finances and enhanced terms of market financing. The least developed countries dedicated on average 14 per cent of their domestic revenue to interest repayments, while developed countries spent around 3.5 per cent despite much larger debt stocks. Although the Debt Service Suspension Initiative and the G20 Common Framework for Debt Treatments were welcome, a new round of comprehensive debt relief measures was urgently needed to address the deepening external solvency problems facing the least developed countries.

68. While investment in the least developed countries remained stagnant, foreign direct investment in those countries had been lower in 2021 than in 2015 and focused on extractive industries. The international community should make progress on important deliverables of the Addis Ababa Action Agenda and the Doha Programme of Action for the Least Developed Countries by establishing an investment promotion regime for the least developed countries. All forms of financing for sustainable development had remained insufficient to achieve the Sustainable Development Goals. Although ODA had increased in 2021, it had not kept pace with rising needs due to the COVID-19 pandemic and, collectively, donors continued to fail to meet their commitments. Development partners were urged not to redirect ODA to address the impact of ongoing crises and conflicts. Without increased action and enhanced support, the least developed countries faced an uncertain future.

69. **Ms. Ríos Serna** (Colombia), speaking on behalf of the Like-Minded Group of Countries Supporters of Middle-Income Countries, said that resolutions on agenda items 16 and 17 should be action-oriented and introduce the specific measures required to advance the systemic reforms that were critical to increase the fiscal space of developing countries and permit more effective and equitable access to urgently needed technical cooperation. The universal application of measures of progress that went beyond GDP to determine access to international cooperation must be at the centre of those reforms, and international financial institutions and development partners must recognize the need to refrain from using per capita income as the sole criterion for the allocation of financial resources.

70. The Like-Minded Group of Countries commended the work of the High-level Panel on the Development of a Multidimensional Vulnerability Index. While the Group remained committed to working constructively towards that goal, it recognized that such an index would not be sufficient. Structural gaps and endogenous factors remained widely unaddressed in the current development cooperation paradigm, and such a scenario was particularly harmful for middle-income countries that had experienced major setbacks in their hard-won development gains. The international community must acknowledge the void in the current paradigm and work together to resolve it. Middle-income countries must be included in any systemic solution being considered to promote a sustainable, resilient and inclusive recovery and foster full implementation of the Sustainable Development Goals, including the universal application of measures of progress based on structural gaps and endogenous factors. An intergovernmental process should therefore be launched in consultation with relevant stakeholders to establish a set of measures that complemented or went beyond GDP and should be universally applied to determine access to concessional finance and technical cooperation by developing countries in line with the proposal set out in *Our Common Agenda*. It was hoped that the outcome of such critical processes could be endorsed at the highest level. The holding of a fourth International Conference on Financing for Development would be in the interests of all in order to achieve the 2030 Agenda.

The meeting rose at 1.05 p.m.