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Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation
Fourth session
Geneva, 24 and 25 February 2020

Report of the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation on its fourth session

Held at the Palais des Nations, Geneva, 24 and 25 February 2020

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Introduction

The fourth session of the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, was held at the Palais des Nations in Geneva, Switzerland, on 24 and 25 February 2020.

I. Chair’s summary

A. Opening plenary

1. In his opening statement, the Secretary-General of UNCTAD emphasized that achieving the Sustainable Development Goals required scaling up investment and coordinated action on an unprecedented level, in the areas of energy delivery, building productive capacity, infrastructure provision and social inclusion. This could only be accomplished through collective action, bold policies and the significant mobilization of productive resources. To achieve the 2030 Agenda for Sustainable Development, the significant task of mobilizing the required financial resources needed to be accomplished and the challenges of multilateralism therefore needed to be placed at the centre of the discussion. This was particularly relevant in the area of international trade. Closing the Goals-related financing gap required mobilizing trillions of dollars, including an additional $2 trillion to $3 trillion per year in developing countries alone, based on UNCTAD estimates. The Secretary-General noted that the important question was whether the financial system was fit for purpose, particularly at the international level, and that this question would be at the centre of the discussion at this session of the Multi-year Expert Meeting. Given the challenging global context, to deliver on the 2030 Agenda, private finance needed to be crowded in, yet more importantly, what was required was more innovative and bolder thinking on how public policies could be designed and public sector resources mobilized to shift to a more inclusive and sustainable growth path. This required new engagement on financing and on aligning industrial policy with social inclusion and the aspirations of the 2030 Agenda.

2. The Director of the Division on Globalization and Development Strategies provided an overview of recent climate change-related events, such as the bushfires in Australia, the fact that July 2019 had seen the warmest temperature ever recorded in Antarctica and that rising ocean temperatures had reached all-time highs, with polar ice melting at an unprecedented rate. The Director noted that finance had become a significant part of the climate discussion and that climate-related risks were a key financial issue, widely noted among the international community, central bankers and the private sector. The Director provided examples of efforts by large private financial institutions to make positive contributions to addressing climate change. However, there were concerns about the ability of the private sector to address this issue, as discussed in the background note prepared for the Multi-year Expert Meeting. The Director emphasized that addressing climate issues required acknowledging the development dimension. Linking climate, development and inequality challenges was critical and achieving the Sustainable Development Goals required significant public investment, a reorientation of private finance, a new social pact and a coherent multilateral system. Finally, the Director noted the work of the Division on a global green new deal to support developing countries in their efforts to achieve a just transition to a low-carbon future. Two workshops held in Mexico and South Africa had in particular begun to address the extent to which the rules of international trade were a help or a hindrance in undertaking the policies needed for a just transition.

B. Mobilization of financial resources for inclusive and sustainable development

(Agenda item 3)

1. Macroeconomic framework for promoting inclusive and sustainable investment for development

3. The first informal session focused on a macroeconomic framework for promoting inclusive and sustainable investment for development. The panellists exchanged observations on and analyses of key points of macroeconomic frameworks with regard to sustainable investment. They noted that, as recently as 10 years previously, global policy discussions had often centred around growth-friendly fiscal austerity measures, but current evidence suggested that growth generally decelerated as a result of austerity, owing to the cyclical amplification of fiscal trends through multiplier effects. Sustainable growth required higher rates of investment and an increased volume of capital per worker in order to transform technology to help provide climate-sustainable solutions. In regions with higher rates of investment, targeting bottlenecks and other efficiency improvements remained of key importance. Constraints to higher rates of investment varied by country, might be internal or external and required the sharing of national experiences to find adequate approaches. In this regard, the panellists emphasized the space provided by UNCTAD for the sharing of national experiences.

4. The first panellist stated that sustainable growth required higher levels of investment. At the same time, sustained economic growth was a precondition for sustained investment. In the absence of robust and sustained economic growth, the vicious cycle of low growth–low investment needed to be broken by fiscal policy, particularly by increasing public investment. There was evidence that other possible monetary policy solutions such as reduced interest rates had been ineffective in boosting investment, and one constraint to increasing public investment was financial. The panellist noted that while liquidity existed at the global level, the challenge lay in ensuring liquidity at the national level. The lower interest rates of major financial centres reduced financial constraints globally, yet interest rate spreads were high and required coordination to manage risk. Finally, the panellist stated that the management of currency risk could be improved through the use of policies at the international level. Increasing investment was a priority, yet proconsumption policies were needed to offset adverse short-term impacts on consumers.

5. The second panellist discussed how the gap between the need for and the provision of finance had been negatively affected by public–private partnerships, predominantly due to their lack of accountability. Consequently, civil society organizations had begun to emphasize the need to decrease the use of public–private partnerships.

6. In the ensuing discussion, one delegate requested more information about austerity policies, particularly with regard to different national and regional experiences and the decelerations that had been observed. Some delegates solicited further discussion on national capacities to mitigate climate change and policy frameworks that could successfully deter illicit financial flows, particularly as Governments were actively engaged but frequently found their capacities curbed by the loss of resources. In this regard, the panellists noted that the results anticipated by pro-austerity policies had not materialized and that it was not possible to cut a way to growth. For example, Argentina had defaulted on its debt burden during the implementation of an austerity programme of the International Monetary Fund and the United Kingdom of Great Britain and Northern Ireland had undergone a decade of austerity and recorded the slowest economic recovery in a century, with child poverty on the rise and an increase in the number of emergency food parcels distributed, which had exceeded 1 million in 2019. One panellist noted that many of the countries less responsible for climate change-related effects were bearing the greatest burden and that debt relief was an essential emergency measure that could assist countries experiencing natural disasters. Another panellist noted that, as austerity had been significantly damaging, new policy discussions were under way and were leading to increased policy space for action. Greater policy space could take up analyses of data on bilateral trade but should include the auditing of multinational corporations in unified regional efforts that could improve the political wherewithal to address corporate tax abuse.

Governments might note that a reliance on indirect taxes could have a regressive impact on distribution and that, together with austerity, such policies could cut further into demand.

7. Some delegates expressed concerns about the lack of coordination in providing financing for achieving the Sustainable Development Goals and the complex state of approaches and priorities and also requested further discussion about investment efficiency. In addition, some delegates expressed concerns about the scarcity of finance, both domestically and internationally, and how politics affected the provision of finance. For example, oil-exporting countries invested a high percentage of their gross domestic products, but remained at the level of developing countries, which raised the question of the quality of investment. In this regard, one panellist noted that it was not always the available fiscal space but the efficiency of investment priorities and quality of investment that mattered, that many countries continued to be held back by a debate on whether or not Governments had fiscal space to invest and that the challenge of investment was therefore aggravated by the conventional wisdom. With regard to financial constraints, investing was in itself a way to increase fiscal space via common multiplier effects that increased public revenues by expanding the capital stock. However, balance of payments problems could arise in the short term if expansionary measures were pursued too aggressively, as not all countries had adequate reserves to offset such constraints.

8. Two panellists emphasized the benefits that could be achieved by addressing key tax issues at the United Nations as an alternative to other approaches currently taking place that might be subject to political dilution. An international corporate tax rate, for example, could be negotiated at the United Nations. The secretariat noted in this regard the importance of dialogues with national policymakers to ensure that a global green new deal enabled, and refrained from further constraining, national agendas. Multilateral frameworks needed to be supportive of national policies and not impose conditionality.

2. Banks and financial institutions for investment in a global green new deal

9. The second informal session explored the role of banks and financial institutions for investment in a global green new deal by examining the role of macroeconomic frameworks in supporting industrial policies, alongside the role of the State in resource mobilization and of public development banks. The scale and contribution of public development banks was much greater than might be imagined. The potential role of central banks was being reappraised in the light of fears of financial shocks due to climate change. In some countries, central banks were already using a range of instruments to guide credit towards green activities and away from high-carbon activities.

10. Some delegates emphasized concerns that actors that had benefited at the cost of the environment needed to contribute accordingly to finance the funding gap. One delegate stressed that private companies that had profited at the cost of the environment needed to be held accountable in financing sustainable development. The private sector had made some contributions, through direct investment in development-led projects or through indirect means such as de-risking and taxation, yet such measures fell short of addressing the scope of damage to the environment. Another delegate highlighted the need for an apportioning of responsibility between countries, whereby countries that had historically emitted more greenhouse gases needed to bear more of the burden. However, non-ratification of the Kyoto Protocol to the United Nations Framework Convention on Climate Change underscored how advanced economies appeared reluctant to finance the efforts of other economies to reduce greenhouse gases. Developing countries also faced more pressing concerns domestically. In this regard, some delegates highlighted the need to prioritize domestic core infrastructure projects and develop digital ecosystems for electronic commerce to meet national development needs. Further, two panellists proposed that domestic development and global sustainability were not necessarily competing priorities but might be complementary, yet noted that developing economies faced challenges in mobilizing resources to first meet infrastructural needs. One panellist suggested that countries that could not update infrastructure domestically might be able to fund green infrastructure projects in developing countries as a means to offset their own emissions. Developing countries that opted to build data centres and reliable energy infrastructures based on renewable sources were less dependent on fossil fuels from exporting countries

and, by being early adopters of new technologies, benefited from first-mover advantages in the green economy. A current UNCTAD project on assistance for countries in reducing a dependency on plastic served to highlight this issue.

11. In response to a query from one delegate with regard to security as a competing priority with green investment, the panellists emphasized how the impacts of physical environmental shocks were the largest drivers of displaced populations and the main reasons for declines in employment and productivity in the agricultural sector, linking social cohesion and security to facing the challenges of climate change. With regard to queries from several delegates on the role of the private sector in financing sustainable development, the panellists highlighted two key issues with the current role of the private sector endorsed by the International Monetary Fund and the World Bank and two areas in which the private sector could meaningfully contribute to sustainable development. Current cooperation between public and private actors involved the de-risking of private investment by public institutions. Public–private partnerships had therefore led to profits being privately apportioned, while the public sector bore the risks. The panellists emphasized the need to restructure public–private partnership contracts to redress this. In addition, there was a need to reverse the role of private finance, whereby the sectors, project types and regions in need of financing would first be identified by public institutions. States could then initiate national development plans that responded to differentiated national realities with the direct involvement of the private sector. For low-carbon or small-scale projects, there was a need for subsidies directed by the State. The panellists emphasized that financing projects through official development assistance blended with private investment undermined the domestic development agenda, as donor countries often directed how such assistance would be disbursed. Alternatively, budget support could enable countries to have systems that served domestic needs. The private sector could also contribute to the development agenda by refraining from shifting profits to minimize taxation, whereby the loss of tax revenue led to the critical underfunding of public investment.

12. With regard to requests from several delegates for more information on how developing countries could boost capacity at the domestic level to finance green investments, the panellists emphasized the need to redefine transformative investment beyond creating new revenue streams for the private sector. The frameworks used by the World Bank highlighted profitability for private actors as the key determining factor in funding projects, limiting the development agenda to this narrow criterion. To foster credibility, one panellist recommended developing new performance indicators not linked to the private sector narrative. Finally, the panellists noted the importance of capacity-building by transforming the narrative towards endorsing domestic capacity for financing to redress how this had been systematically undermined over the past 40 years. Through a process of matching local savings and local credit creation and guidance capacity to fund local sustainable projects, alongside consultations with domestic populations to determine needs at the local level, developing countries could build capacity to finance sustainable development.

3. An inclusive transition

13. The third informal session addressed the topic of an inclusive transition, with a particular focus on a just transition with regard to employment and income. The panellists discussed a policy framework for sustainable growth, the importance of addressing inequality through the provision of a basic income and achieving a just transition with regard to climate-related ambitions. Several delegates expressed the importance of and appreciation for UNCTAD work in these areas and the need for discussions to take place in other United Nations and multilateral forums.

14. The first panellist discussed the need for a policy framework for sustainable global growth. The current global economy, characterized by neoliberal policies, financialized markets and concentrated economic power, had worked in favour of a few privileged participants, with insufficient gains for the majority of citizens, communities and countries. The global economy was constrained by four main trends, namely, the fall of the share of labour income, the erosion of public spending, the weakening of productive investment and the increasing atmospheric stock of greenhouse gases. A credible, realistic policy strategy

was needed to reverse these trends and mitigate the damage already done. Reform measures needed to embrace credit policy, investment promotion and green technological transformation, to achieve a meaningful mitigation of environmental threats. Finally, policies needed to be bold enough to ensure that ongoing patterns were reversed, as well as comprehensive, internally coherent and internationally coordinated.

15. The second panellist addressed the “plunder” of the commons and the growth of the precariat, an emerging social class made up of those facing uncertainty and a lack of predictability and security, affecting material or psychological welfare. The panellist discussed the potential of providing a basic income to this group and to the population as a whole, to create a social safety net. The world required a new income distribution system to deal with the eight modern “giants” of inequality, economic insecurity, private debt, stress, precarity, robots, the threat of extinction and populism. The provision of a basic income could play a central role in reducing the negative impacts of related challenges. In addition, a fund could be created to finance such a basic income through contributions from those profiting from the commons. This would create a cycle of intergenerational equity whereby those benefiting from the commons would pay into the fund, which would then be distributed in dividends. Over time the fund would grow, as would the dividends.

16. The third panellist highlighted two main frameworks for cooperation, the 2030 Agenda and the Paris Agreement under the United Nations Framework Convention on Climate Change, and noted that a lack of coherence remained. In 2020, countries would review their intended nationally determined contributions to reducing greenhouse gas emissions. Unless national development and climate-related, fiscal and investment plans were coordinated with employment, gender-related and development strategies, it would be difficult for the strategies to be effective. The challenge lay in how countries would raise the bar and implement a policy framework to match. If the crisis of climate was not addressed along with the crises in poverty, unemployment, income inequality and gender inequality, as well as the challenges of digitalization and technological deployment for the benefit of all, then fundamental human insecurities could not be addressed. There needed to be a planning process that engaged workers, communities, decision-makers and employers, to ensure a just transition. This entailed a significant labour market transformation that would require a labour market needs analysis in each economy, as there was not a single approach that suited all economies.

17. In the ensuing discussion, one panellist noted that discussions of financing the Sustainable Development Goals needed to include inclusive finance and that a just transition needed to have the objectives of climate protection, poverty eradication and sustainable development, supported by a decent work agenda and a relevant policy framework. With regard to a query on whether a basic income could have a significant impact, one panellist noted that even a small supplement to their income could give vulnerable individuals a sense of freedom and basic security that created a collective sense of security and had multiplier effects and positive impacts on productivity and health. With regard to expressions of interest from some delegates for guidance on key policies that countries could adopt, specific to national circumstances, one panellist noted that there were a number of policy recommendations related to the precariat, but that States needed to engage in a national dialogue at all levels to develop ownership over national development strategies at all levels of government and use such social dialogues to help guide decisions.

18. With regard to a query from one observer on whether announcements by prominent investors to place the Sustainable Development Goals at the centre of their strategies was simply greenwashing investment portfolios and how the international community could use the framework of the Goals and the United Nations Framework Convention on Climate Change to guide investments, one panellist noted that such investors had actively engaged with some pension funds along with, for example, the London School of Economics, to assist the shift of the allocation of resources towards achieving a clean economy. The United Nations-supported principles for responsible investment initiative offered one set of guidelines to assist investors.

19. In response to a query by one delegate with regard to how countries could prioritize priorities, one panellist emphasized the importance of the national ownership of decisions. Some delegates expressed interest in engaging in further sessions at the regional level to

assist countries in developing national policies before engaging in international coordination. In addition, one panellist noted that some of the problems faced by countries was systemic, as rent-seeking behaviour had become the dominant way in which wealth was extracted under the modern capitalist system and the real economy. This economic system was reinforced by its links to political processes, reinforcing the economic dominance of the few, which lay beneath the crisis of multilateralism. Until this dynamic was addressed, a solution that was both sustainable and inclusive could not be provided. The voice of the precariat needed to be heard at the multilateral level in order to bring increased representation and a countervailing power to discussions.

20. Finally, one delegate emphasized a concern with regard to the scheduling of meetings concurrently with other meetings held at the United Nations Office at Geneva.

21. In his concluding remarks, the Chair highlighted the need for policy coherence that went beyond the national level, to encompass international policy coordination.

II. Organizational matters

A. Election of officers

(Agenda item 1)

22. At its opening plenary meeting, on 24 February 2020, the Multi-year Expert Meeting elected Mr. Sergio F. Toro Mendoza (Chile) as its Chair and Mr. Abderrahim Slimane (Morocco) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work

(Agenda item 2)

23. Also at its opening plenary meeting, the Multi-year Expert Meeting adopted its provisional agenda for the session (TD/B/C.I/MEM.8/10). The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Mobilization of financial resources for inclusive and sustainable development.
4. Adoption of the report of the meeting.

C. Adoption of the report of the meeting

(Agenda item 4)

24. At its closing plenary meeting, on 25 February 2020, the Multi-year Expert Meeting authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.

Annex

Attendance*

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

Bahrain
Bangladesh
Bolivia (Plurinational State of)
Burkina Faso
Burundi
Congo
Djibouti
Egypt
El Salvador
Finland
Gambia
Germany
Iran (Islamic Republic of)
Jordan
Lebanon
Madagascar
Mexico
Morocco
Oman
Pakistan
Panama
Philippines
Republic of Moldova
Saudi Arabia
Spain
Syrian Arab Republic
Uganda

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

African, Caribbean and Pacific Group of States
Organization of Islamic Cooperation
South Centre

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

United Nations Institute for Training and Research

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

General category

European Network on Debt and Development
International Network for Standardization of Higher Education Degrees
International Trade Union Confederation
Tax Justice Network

* This attendance list contains registered participants. For the list of participants, see TD/B/C.I/MEM.8/INF.4.