Trade and Development Board
Trade and Development Commission
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
Sixth session
Geneva, 30–31 October 2023

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 sixth session

Held at the Palais des Nations, Geneva, 30 and 31 October 2023
Introduction

The sixth 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 on 30 and 31 October 2023 at the Palais des Nations in Geneva.

I. Chair’s summary

A. Opening plenary

1. In his opening statement, the Deputy Secretary-General of UNCTAD highlighted the importance of achieving the Sustainable Development Goals and addressing the impacts of climate change. He stated that implementing the 2030 Agenda for Sustainable Development required a new development model that provided prosperity for all, but within planetary boundaries. He emphasized three main points from the work of UNCTAD on how to conceptualize the link between climate and development challenges. First, climate change was a global problem that required global collaboration. Second, a just transition was needed that required developed countries to support developing countries in achieving their climate and development goals. Third, the existing global economic, and in particular financial, architecture was not suited to the current challenges, and required reform. Finally, the Deputy Secretary-General highlighted relevant research and analysis by UNCTAD in this regard, including in flagship publications.

B. Transitioning to a clean energy growth model: Challenges, opportunities and solutions

(Agenda item 3)

1. Global aspects of transitioning to a clean energy growth model and building industrial capacity in a climate-constrained world

2. In his introductory statement, the Director of the Division on Globalization and Development Strategies provided an overview of the issues to be discussed and presented the background document, titled “Transitioning to a clean energy growth model: Challenges, opportunities and solutions” (TD/B/C.I/MEM.8/17). He noted that the current global economic situation could be described as a “polycrisis”, namely, a situation involving causal interactions between crises across global systems. This development crisis resulted in the slow growth of the global economy, which could lead to a lost decade in terms of development. The Director noted that the two main factors of concern in the short term were the use of tight monetary policies in advanced economies, to address inflation, and the lack of policy coordination at the multilateral level. The effects of these factors were aggravated by the increase of debt levels in developing countries and by already significant climate-change–related impacts. He stated that a “premature deindustrialization” had taken place in developing counties in recent decades, and that industrialization was the key element in each climate-resilient growth path. However, ensuring climate-consistent development was a more difficult task than the path of industrialization that had historically been followed by advanced economies. He cited access to finance for developing countries as the most important enabling condition in addressing development challenges, given the need for a significant investment push within a policy framework referred to as the “green new deal”. Such access needed to be based on the recognition of common but differentiated responsibilities and respective capabilities with regard to the contributions of advanced economies. Finally, the Director stated that creating enabling conditions for climate resilient development in developing countries also required the reform of global economic governance, to expand policy space and coordination; address debt issues and corporate tax avoidance; and scale up international public finance.
3. The keynote speaker, a former Minister of Finance, Brazil, and Professor, São Paulo School of Economics, detailed the concept of a “new green industrialization”. He stated that industrialization was the first step towards development and that the current challenge among developing countries was to “reindustrialize” while respecting climate constraints. Through a set of financial, institutional and fiscal policy instruments, the new green industrialization concept was aimed at increasing and diversifying industrial output per capita; including greater energy efficiency in production and the decarbonization of energy sources as new requirements under any development plan; and building resilient and inclusive regional value chains. The speaker noted that previous targets for increasing the share of industry in gross domestic product and the number of workers employed in industry might no longer be as relevant and suggested that UNCTAD could instead highlight a new target, namely, the increase in industrial output per capita. In addition, the speaker stated that income distribution needed to be the main concern in sustainable industrialization and that countries needed increased multilateral efforts to support them; regional agreements could be an effective tool in the current geopolitical landscape. Finally, the speaker highlighted the strong link between mitigation, adaptation and industrialization, but stated that the first two alone did not directly translate into development or industrialization, and suggested that UNCTAD could work on these links in order to support developing countries in their efforts to achieve climate resilient development.

4. During the first informal session, the panellists discussed the state of the global economy and global aspects of transitioning to a clean energy growth model. The panel was composed of the following: Minister-Counsellor, Permanent Mission of Honduras to the United Nations and Other International Organizations in Geneva; and Commissioner, National Securities Market Commission, Spain, and Chair, European Union Platform on Sustainable Finance.

5. The first panellist noted that developing countries faced a common challenge of access to international financing, together with technological impediments and the limited availability of green funds. She reiterated that the global financial architecture needed to be reformed to better support developing countries facing challenges related to climate change and cited the example of Honduras, which experienced ever more frequent hurricanes that resulted in significant loss and damage and reduced productive capacity, in particular in the agro-industrial sector. In the last two years, significant measures had been implemented in Honduras to ensure energy as a public good, through social and energy-related policies and tax reform. In addition, the panellist noted that a paradigm shift from policies of privatization to those focused on the restoration of public goods was needed. Finally, the panellist expressed support for the analytical work of UNCTAD that helped to ensure the creation and re-evaluation of industrial capacity in the global South.

6. The second panellist elaborated on the work of the High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities, established by the Secretary-General of the United Nations in 2022. She noted that the report of the Expert Group, titled “Integrity matters: Net zero commitments by businesses, financial institutions, cities and regions” had been presented at the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. The panellist emphasized that many of the pledges made by non-State actors were not being acted upon and that such “greenwashing” would have significant climate-related consequences. In addition, the panellist highlighted the gap between pledges and actions and discussed the recommendations of the report related to ensuring that the net-zero commitments of non-State actors were credible, including the importance of short-term targets; alignment with a taxonomy aligned with the targets of the Paris Agreement; and an obligation to include environmental objectives in the transition plans of companies.
7. During the ensuing discussion, the secretariat noted that the voluntary-basis approach had significant limitations, since non-State actors could claim to be on a net-zero path while continuing to build or invest in new fossil fuel supplies, and that a mandatory approach could be more effective than the currently predominant voluntary approach. One expert emphasized two important elements in generating a change in mindset, namely the human capital challenge in educating new citizens and endowing workers with new skills, to allow developing countries to enter new industries; and the role of civil society, including foundations that were increasingly interested in climate change-related issues. One delegate noted the complexity of pursuing development where there was a lack of political will to reduce market concentration and address monopoly power, as well as little support for developing countries in terms of policy space. The secretariat suggested in this regard that the investor–State dispute settlement mechanism might not be fit for a climate-resilient world. Another delegate noted that industrialization required energy capacity in order to work in the least developed countries, which required technological transfer to overcome related obstacles and promote development of the sector. In response to a query from one delegate, the keynote speaker provided details on the industrialization experience in Brazil. With regard to queries posed, a few experts emphasized the importance of the principles of equity and common but differentiated responsibilities; the importance of a rules-based system that reflected challenges among developing countries in a climate-conscious manner; the need to learn from other developing country experiences through a South–South cooperation framework, rather than depending on institutions; the role of investments, including in relation to reinvested profits; the opportunities stemming from current international discussions on global collaboration on taxation; the concerns with regard to the new green protectionist barriers that could be contained by issuing industrial policies in the context of a multilateral framework that did not perpetuate inequalities; and the challenge of the lack of an adaptation taxonomy. One panellist emphasized that several issues could not be resolved at the national level but needed to be addressed at the multilateral level, such as sovereign debt, which was not domestically created but a result of external shocks, and global corporate taxation, which allowed multinational firms to avoid paying taxes.

2. Domestic challenges in green structural transformation

8. The second informal session focused on national experiences in green transformation, in terms of constraints, opportunities and policy paths. The panel was composed of the following: Executive Director, Social Protection Resource Centre, Pakistan; Professor, Economics, Kadir Has University, Türkiye; Deputy Director, Research, Khazanah Research Institute, Malaysia; and Associate Professor, Economics, and Adviser for Science and Strategy, ESGQ Rating Agency, Kazakhstan.

9. The first panellist detailed the binding constraints faced in Pakistan in terms of green industrialization and presented an analysis of sectoral studies on the challenges in greening in four sectors, namely, manufacturing, textiles, agriculture and transport. He noted how the economic situation in Pakistan had been negatively affected by the floods in 2022, highlighting the vulnerability to climate change; direct loss and damage from the floods was estimated at $14.9 billion. The panellist discussed challenges faced in Pakistan in terms of implementing industrial policy, whether green or transitional. At the core lay the federal nature of the political system, whereby industrial policy was the prerogative of provincial authorities, which prevented the central government from adopting a nation-wide industrial policy that could be geared towards the decarbonization of the national economy. In addition, industrial policies among the provinces mainly consisted of opening special economic zones, aimed at attracting foreign direct investment regardless of whether such investment was green or not. Finally, the panellist raised the question of whether industrial policy could be implemented without a State.

10. The second panellist shared the experience of Türkiye, presenting an analysis of key challenges and underlying structural constraints faced with regard to the green transformation. He cited UNCTAD research indicating that the current extractive development model was not sustainable. In terms of constraints, emissions per capita were on an upward trend, while the economy was less efficient in terms of energy per unit of production. In addition, the economy of Türkiye was energy deficient and required foreign
capital to invest in the domestic supply of energy. The domestic production of energy had halved, and the deficit in the current balance of payments account was mainly due to the import of energy. Türkiye was increasingly heavily reliant on imported fossil-fuel–based production and consumption patterns and the conditionalities of this dependent structure had recently intensified. In terms of policy directives, the panellist stated that Türkiye needed to revitalize fiscal space and related instruments, in favour of a low-carbon economic structure oriented away from fossil-fuel–based activities, and the central bank needed to enhance its role to include the consideration of the effects of climate change on the stability of the economy, whereby the focus of monetary policy focus should not only be on targeting inflation. Finally, the panellist emphasized the need to invigorate a mechanism of crowding in private investors, whereby capital accumulation was directed under democratic planning and as part of green employment.

11. The third panellist provided an overview of the industrial policy phases in Malaysia, some of which had been dominated by import-substitution strategies and others by export promotion. The change in phase partly reflected political arrangements involving different population groups. The panellist detailed the current state of green industrialization processes, noting that in Malaysia, the level of greenhouse gas emissions was low, but that energy transition costs remained significant. Malaysia had become a net emitter only in 2004 and, at present, greenhouse gas emission sinks covered around 65 per cent of the total emissions of the country. In terms of policy, the panellist suggested that financing might require new tools and that the vulnerability of manufacturing to climate change needed to be taken into consideration; for example, the main industrial port might be susceptible to sea level rise by 2080 or earlier. More attention also needed to be paid to elements related to loss and damage, mitigation and adaptation, with the latter a significant potential area for expansion. Finally, the panellist highlighted positive examples such as sovereign wealth funds that committed to financing the climate transition; and State-owned enterprises that acquired stakes in foreign renewable energy firms as part of a technology-learning strategy.

12. The fourth panellist highlighted the challenges in, limitations to and opportunities for greening the economy of Kazakhstan. In contrast with the general trend, the economy of Kazakhstan was both growing rapidly and on target to fulfil goals related to greenhouse gas emissions, carbon neutrality and renewable energy. However, the economy was heavily dependent on fossil fuel production and exports, and these sectors attracted significant foreign direct investment. In terms of constraints, other sectors of the economy experienced a chronic shortage of investments, which impeded faster economic diversification and structural transformation. In addition, the territory of the country was large, while the population was small, which made transportation one of the most important sectors and resulted in a high level of emissions per capita, mostly related to fuel extraction, processing and consumption. Demand for electricity was expected to increase by about six times by 2060. In addition, Kazakhstan faced a scarcity of water, with both the Caspian Sea and the Aral Sea experiencing decreasing levels of water, requiring water to be imported. Finally, the panellist emphasized the need for a framework to address greenwashing and the urgency of addressing water stress issues.

13. During the ensuing discussion, one expert addressed whether it was possible to consider an industrial policy not dependent on a State-based approach, noted the example of South Africa as an in-between case and suggested the adoption of a mission-led industrial policy that could bring all relevant stakeholders together. One delegate noted the need for a holistic governmental approach to energy transition issues, as it was not clear which single ministry might be concerned. One expert stated that, often, a nexus was lacking between the two clusters of industrial, trade and investment policy; and of climate change and traditional environmental protection policy. Finally, another expert addressed the issue of the geographic concentration of industrial policy that enhanced regional inequalities and the importance of new industrial policies anticipating the social impacts of such concentration.
3. Regional aspects of transitioning to a clean energy growth model and building green industrial capacities

14. During the third informal session, the panellists discussed building green industrial capacity, with a focus on the importance of regional and global cooperation, as well as the interlinkages between climate change, climate finance and debt. The panel was composed of the following: Associate Professor, Political Economy of Development, University of Oxford, United Kingdom of Great Britain and Northern Ireland; Professor, Economics, Middle East Technical University, Türkiye; and Professor, Stellenbosch University, South Africa, and former Chair, Board of Directors, Development Bank of Southern Africa.

15. The first panellist focused on Latin America, in which the share of renewable energy in the total energy mix was double the world average. However, the integration of the region into low-carbon technology global value chains had to date mostly been limited to raw materials. He noted that green industrial policy was promoted heavily in already industrialized economies and much less in areas where it was needed most, namely, among developing countries. This might increase existing inequalities, which were already significant. The panellist noted that simply labelling an industrial policy as “green” did not necessarily mean it was green or good; for example, some countries that had implemented green industrial policies in isolation had experienced negative consequences. He also noted that green industrial policy required more coordination and coherence with other policies, with three sustainability layers that needed to be respected in order for the policy to be green, namely, economic, social and environmental sustainability. In addition, new organizational and institutional capabilities were required, along with the inclusion of different stakeholders in the process. The panellist emphasized that the green transition could take different forms depending on the starting point and that it could exacerbate existing or create new inequalities. Finally, the panellist stressed the need to consider regional integration as the key element in a green economic transformation that did not perpetuate inequalities.

16. The second panellist discussed the importance of placing climate risks at the centre of geostrategic policymaking, with an urgent need to recognize that economic growth and structural transformation pathways needed to be linked to the developmental discourse. Green industrial policy needed to be placed at the core of development, but this required the policy space of developing countries to be expanded. She stated that there was a disproportionately negative climate-related impact on countries that had not contributed substantially to the problem. At the same time, capacity for mitigation and adaptation was also concentrated in developed countries, where the impact of climate change was not as significant. The international community therefore needed to ensure that finance was directed to countries that experienced more adverse impacts and had less capacity to respond, namely, developing countries. Finally, the panellist detailed the decarbonization path in Türkiye, to achieve net zero emissions by 2050, including measures and cost-benefit analyses; around $3 billion was needed annually to achieve the target and this amount was less than the current national fossil fuel subsidies.

17. The third panellist presented the achievements, challenges and opportunities related to a green transformation and sustainable economic growth in the African context. He noted that Africa was well endowed with resources for the transition and would have the largest and youngest labour force among continents by 2060. This was already affecting the pace of digitalization, with digital financial transactions more developed in Africa than in many other places. Africa also had significant potential resources in terms of solar energy and could become an exporter of renewable energy. However, there were many challenges facing the continent, particularly related to finance, including debt distress, the high cost of capital, the impact of climate change and significant levels of capital flight. The panellist stated that there was a need for a new financial paradigm called the “monetary architecture” approach, based on interlocking balance sheets, in which development banks would play a critical role. Finally, the panellist stressed that first-generation industrial policies that involved the State selecting winners should no longer be used, in favour of new policies based on the co-creation of value, and the role of the State was to “tilt the playing field”, for example in the direction of a green transition.
18. During the ensuing discussion, in response to a query from one delegate about challenges in and opportunities for industrial policy in Nigeria, a few experts discussed the strategic advantage of Africa in leveraging raw materials in exchange for technological transfer; the lack of intraregional trade in Africa and, in this regard, an insufficiently diversified productive base, poor infrastructure and a lack of connectivity in regional cooperation. A few other experts noted that developing countries needed to lead the call for the reform of the global financial system, which was not fit for purpose and lacked the necessary mechanisms and institutions to implement a just transition. A few experts discussed the challenges in technology transfer, the fast pace of technological change and the difficulties of entering sectors dominated by a few developed countries such as the solar photovoltaics sector. All panellists and a few experts stressed that regional cooperation and integration was one of the key aspects of a sustainable transition that did not perpetuate inequalities. Some experts highlighted the need to break the narrative of the dependency of developing countries on the global North and profit-motivated foreign direct investment, in favour of a more autonomous development pathway characterized by the more proactive policies of a developmental state. Finally, a few panellists and experts noted the pivotal role of South–South cooperation and mutual learning.

4. The link between green industrial policy and financing the green transition and specific challenges among different regions and country groupings

19. The fourth informal session focused on the challenges of financing a green transition in a context of an inefficient global financial architecture and a multipolar reality with geopolitical tensions. The panel was composed of the following: Professor, Ecological Economics, University of Lausanne, Switzerland; Professor, Economics, University of Massachusetts Amherst, United States of America; and Deputy Manager, Bank of China.

20. The first panellist, citing research from the Intergovernmental Panel on Climate Change, stated that continuing with current policies would lead to continued negative impacts from climate change. In addition, the regional distribution of extreme impacts was significant, since not all regions were likely to share the same consequences. She presented environmental and energy-related concepts such as “high plateau”, which indicated that the well-being of people did not increase with more energy use beyond a certain point, and “dynamic decline”, which indicated that it was possible to achieve development with lower levels of energy consumption than in the past. These concepts supported the idea that climate change was a distributional issue and that social indicators and planetary boundaries needed to be part of the same narrative, focused on inequality. The panellist noted that the wealthiest 10 per cent of the global population emitted 50 per cent of total greenhouse gas emissions; an academic model showed that a decent living for all could be achieved using existing technologies with regard to energy access, public transport and local markets. The panellist stressed that the issue was not the amount of energy required to provide a decent living for all, therefore, but how existing energy was used.

21. The second panellist discussed the issue of financing the green transition, and highlighted various estimates of finance needs for a successful transition. She noted that there was a wide range of estimates, but all agreed that the sums involved trillions of dollars and that existing resources were only in the billions of dollars. Scaling up climate-related resources would not be possible with the current model of blended finance that used public resources to derisk the investments of private investors. Instead, public funds played a critical role in opposition to private sector involvement, since the interests of the latter were more profit oriented and not related to investing in public goods. In addition, most climate finance was debt creating, which developing countries could ill afford, given already high levels of debt. Many developing countries simultaneously faced climate and debt-related crises, and had to make difficult decisions on how to deal with them. The panellist stated that in a world with increasing level of debt distress, donors should not provide sustainable climate finance in the form of debt-creating instruments. This concern fit into broader discussions about the inefficiency of the current global financial architecture, which was not equipped to face the current global crises. Finally, the panellist proposed the issuance of special drawing rights with certain conditions and a global tax reform as immediate solutions to urgent needs, as well as debt restructuring and the strengthening of multilateral
development banks, to be used as instruments for increasing climate finance resources for developing countries.

22. The third panellist provided an overview of green finance development in China in the last two decades, based on a five-pillar structure, and highlighted the rapid progress achieved with regard to green finance-related policies, as a result of which the green loans market was currently one of the largest green financial markets worldwide. He detailed the green finance standard framework that had been adopted in China, as well information disclosure policies, structural monetary policy instruments, green financial products and international cooperation activities. Despite challenges such as the lack of unified standards for the green finance system, insufficient support for technology and talent development and insufficient mandatory disclosure measures, China was implementing several measures to promote green finance. The panellist noted the mandatory nature of planning measures and the important role of learning from the experiences of other countries in a cooperative and collaborative manner. Finally, he noted two deadlines that had been set in 2020, namely, that peak greenhouse gas emissions should be reached by 2030 and that the aim was to achieve net-zero emissions by 2060.

23. During the ensuing discussion, some delegates and experts stressed the importance of common but differentiated responsibilities that required developed countries to support developing countries in the green transition and to decrease the overconsumption of resources. In response to queries from a few delegates on suggestions of development pathways to follow in order to accelerate the green transition, a few experts highlighted the use of redistributive policy measures. One expert shared the experience of the Gambia in implementing transition-related actions, including the formulation of the second national development plan; the promotion of the transformation from the use of fossil fuels to renewable sources of energy; the increased use of solar energy; and the promotion of forestry and biogas. A few experts stressed the importance of public financing rather than privatization for public services. With regard to a query from one delegate on prioritization, one expert noted that developing countries needed to first meet the basic needs of the population, including by addressing hunger and poverty, and then begin the transition. A few experts emphasized that developing countries should not rely exclusively on external parties for development, but seek means from among potential domestic sources. With regard to queries from a few delegates about sources of clean energy, a few experts noted that the Intergovernmental Panel on Climate Change stated that energy was considered clean when it was low-carbon energy or involved low levels of emissions, which included solar, wind and hydropower, but also hydrogen when used appropriately, on a case-by-case basis; and regional integration and cooperation was a key element, since renewable energy sources could be balanced according to different regional geographic resources, to complement each other. A few experts noted the negative impact of debt on development and transformation, which needed to be addressed through targeted measures. All panellists and experts highlighted the importance of regional cooperation in making renewable energy systems work effectively and of enhancing positive consequences, as well as the need to use non-debt creating instruments for financing the green transition. Finally, one delegate encouraged UNCTAD to pay more attention to supporting the participation of experts from developing countries and another delegate suggested that UNCTAD could play a critical role in advising developing countries on the green transition.

II. Organizational matters

A. Election of officers

(Agenda item 1)

24. At its opening plenary meeting on 30 October 2023, 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, elected Mr. José Roberto Sánchez-Fung (Dominican Republic) as its Chair and Ms. Chinwe Nkem-Nwaigwe (Nigeria) as its Vice-Chair-cum-Rapporteur.
B. Adoption of the agenda and organization of work  
(Agenda item 2)

25. Also at its opening plenary meeting on 30 October 2023, 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, adopted the provisional agenda for the session (TD/B/C.I/MEM.8/16). The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Transitioning to a clean energy growth model: Challenges, opportunities and solutions.
4. Adoption of the report of the meeting.

C. Adoption of the report of the meeting  
(Agenda item 4)

26. At its closing plenary meeting on 31 October 2023, 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, authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report on its sixth session after the conclusion of the meeting.
Annex

Attendance*

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

    - Algeria
    - Angola
    - Antigua and Barbuda
    - Armenia
    - Barbados
    - Brazil
    - Cambodia
    - Comoros
    - Congo
    - Dominican Republic
    - Egypt
    - Gabon
    - Gambia
    - Iran (Islamic Republic of)
    - Kenya
    - Malaysia
    - Mexico
    - Morocco
    - Nepal
    - Nicaragua
    - Panama
    - Russian Federation
    - Saudi Arabia
    - Sri Lanka
    - State of Palestine
    - Thailand
    - Togo
    - Tunisia
    - Uruguay
    - Viet Nam
    - Zambia
    - Zimbabwe

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

    - African Union
    - European Union

3. The following specialized agencies and related organizations were represented at the session:

    - Food and Agriculture Organization of the United Nations
    - International Telecommunication Union
    - World Trade Organization

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

    - General category
    - International Network for Standardization of Higher Education Degrees

* This attendance list contains registered participants. For the list of participants, see TD/B/C.I/MEM.8/INF.6.