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UN adopts pivotal Pact for the Future

World leaders gathering at the United Nations headquarters in New York on 22 September adopted by consensus a wide-ranging action-oriented "Pact for the Future", together with its two annexes, that sets out a clear vision of an international system that can deliver on its promises and is more representative of today's world.

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World leaders adopt landmark Pact for the future

World leaders gathering at the United Nations headquarters in New York on 22 September adopted by consensus a "ground-breaking" Pact for the Future aimed at transforming global governance.

by Kanaga Raja

PENANG: World leaders gathering at the United Nations headquarters in New York on 22 September adopted by consensus a potentially "game-changing" Pact for the Future together with its two annexes pledging concrete actions "to protect the needs and interests of present and future generations."

The Pact reaffirmed the principles of the 1992 Rio Declaration on Environment and Development, including the principle of common but differentiated responsibilities as set out in principle 7 of the Declaration.

The negotiation process went through five revisions of the text with ambassadorial level engagement, and many proposals submitted by Member States.

In the 56-page document, the world leaders said: "We are at a time of profound global transformation. We are confronted by rising catastrophic and existential risks, many caused by the choices we make. Fellow human beings are enduring terrible suffering. If we do not change course, we risk tipping into a future of persistent crisis and breakdown."

"Yet this is also a moment of hope and opportunity. Global transformation is a chance for renewal and progress grounded in our common humanity. Advances in knowledge, science, technology and innovation could deliver a breakthrough to a better and more sustainable future for all. The choice is ours," they added.

"We believe that there is a path to a brighter future for all of humanity, including those living in poverty and vulnerable situations. Through the actions we take today, we resolve to set ourselves on that path, striving for a world that is safe, peaceful, just, equal, inclusive, sustainable and prosperous, a world in which well-being, security and dignity and a healthy planet are assured for all humanity," they further said.

"This will require a re-commitment to international cooperation based on respect for international law, without which we can neither manage the risks nor seize the opportunities that we face. This is not an option but a necessity. Our challenges are deeply interconnected and far exceed the capacity of any single State alone. They can only be addressed collectively, through strong and sustained international cooperation guided by trust and solidarity for the benefit of all and harnessing the power of those who can contribute from all sectors and generations," the world leaders emphasized.

The Pact, along with its annexes the "Global Digital Compact" and the "Declaration on Future Generations", was adopted by consensus, despite a last-minute proposal for an amendment by a small group of countries, including the Russian Federation, Belarus, Iran, Syria and the Democratic People's Republic of Korea, according to media reports.

Speaking at the Summit of the Future on 22 September where the Pact was adopted, UN Secretary-General Antonio Guterres said:"The Pact for the Future, the Global Digital Compact and the Declaration on Future Generations open pathways to new possibilities and opportunities."

"I welcome these three landmark agreements - a step-change towards more effective, inclusive, networked multilateralism."

"I have been fighting for the ideas in them since the first day of my mandate. And I will be totally committed to their implementation until the very last day," he said.

"We have unlocked the door. Now it is our common responsibility to walk through it. That demands not just agreement, but action. Today, I challenge you to take that action," the UN chief added.

In the Pact, the world leaders committed to 56 actions in the areas of sustainable development and financing for development; international peace and security; science, technology and innovation and digital cooperation; youth and future generations; and transforming global governance.

"We will advance implementation of these actions through relevant, mandated intergovernmental processes, where they exist. We will review the overall implementation of the Pact at the beginning of the eighty-third session of the General Assembly through a meeting at the level of Heads of State and Government. We are confident that, by then, we will be well on course towards the better and more sustainable future we want for ourselves, our children and all the generations who will come after us," they said.

Sustainable development

Under the heading of "Sustainable development and financing for development" in the Pact, the world leaders said: "In 2015, we resolved to free the human race from the tyranny of poverty, hunger and want and to heal and secure our planet. We promised that we would leave no one behind. We have made some progress, but the achievement of the Sustainable Development Goals is in peril. Progress on most of the Goals is either moving too slowly or has regressed below the 2015 baseline. Years of sustainable development gains are being reversed. Poverty, hunger and inequality have increased. Human rights are under threat, and we run the risk of leaving millions of people behind. Climate change, biodiversity loss, desertification and sand and dust storms, pollution and other environmental challenges pose serious risks to our natural environment and our prospects for development.

"We will not accept a future in which dignity and opportunity are denied to half the world's population or become the sole preserve of those with privilege and wealth. We reaffirm that the 2030 Agenda for Sustainable Development is our overarching road map for achieving sustainable development in all three of its dimensions, overcoming the multiple, interlinked crises that we face and securing a better future for present and future generations. We recognize that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. Sustainable development and the realization of human rights and fundamental freedoms are interdependent and mutually reinforcing. We reaffirm that gender equality and the empowerment of all women and girls is an essential prerequisite for sustainable development. We cannot achieve our shared ambitions for the future without addressing these challenges with urgency and renewed vigour. We are committed to ensuring that the multilateral system can turbocharge our aspirations to deliver for people and planet, and we will place people at the centre of all our actions."

In this regard, the world leaders pledged to "take bold, ambitious, accelerated, just and transformative actions to implement the 2030 Agenda, achieve the Sustainable Development Goals and leave no one behind."

"We reaffirm that the Sustainable Development Goals are a comprehensive, far-reaching and people-centred set of universal transformative Goals and targets. We reiterate our steadfast commitment to achieve the Sustainable Development Goals by 2030 and revitalize the global partnership for sustainable development, working closely with all relevant stakeholders. We recognize that the 2030 Agenda is universal and that all developing countries, including countries in special situations, in particular African countries, least developed countries, landlocked developing countries and small island developing States, as well as those with specific challenges, including middle-income countries and countries in conflict and post-conflict situations, require assistance to implement the Agenda. We will strengthen our actions to address climate change. We reaffirm the principles of the Rio Declaration on Environment and Development, including the principle of common but differentiated responsibilities as set out in principle 7 thereof," they said.

In this context, the world leaders decided to:

"(a) Scale up our efforts towards the full implementation of 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and the Paris Agreement;

(b) Fully implement the commitments in the political declaration agreed at the Sustainable Development Goals Summit in 2023;

(c) Mobilize significant and adequate resources and investments from all sources for sustainable development;

(d) Remove all obstacles to sustainable development and refrain from economic coercion."

On the issue of poverty, the world leaders committed to place "the eradication of poverty at the centre of our efforts to achieve the 2030 Agenda."

They said eradicating poverty, in all its forms and dimensions, including extreme poverty, is an imperative for all humankind.

In this regard, they decided to:

"(a) Take comprehensive and targeted measures to eradicate poverty by addressing the multidimensional nature of poverty, including through rural development strategies and investments and innovations in the social sector, especially education and health;

(b) Take concrete actions to prevent people from falling back into poverty, including by establishing well-designed, sustainable and efficient social protection systems for all that are responsive to shocks."

The world leaders also pledged to "end hunger and eliminate food insecurity and all forms of malnutrition."

"We remain deeply concerned that one third of the world's population remains food-insecure, and we will respond to and tackle the drivers of food insecurity and malnutrition."

In this regard, they decided to:

"(a) Support countries and communities affected by food insecurity and all forms of malnutrition through coordinated action, including through the provision of emergency food supplies, programmes, financing, support to agricultural production, by building national resilience to shocks and by ensuring that food and agriculture supply chains function, and markets and trade channels remain free and accessible;

(b) Assist countries in debt distress to manage volatility in international food markets and work in partnership with international financial institutions and the United Nations system to support developing countries affected by food insecurity;

(c) Promote equitable, resilient, inclusive and sustainable agrifood systems so that everyone has access to safe, affordable, sufficient and nutritious food."

The world leaders also committed to "close the Sustainable Development Goal financing gap in developing countries."

"We are deeply concerned by the growing Sustainable Development Goal financing gap facing developing countries. We must close this gap to prevent a lasting sustainable development divide, widening inequality within and between countries and a further erosion of trust in international relations and the multilateral system. We note ongoing efforts to address the financing gap, including through the Secretary-General's proposal for a Sustainable Development Goal stimulus," they said.

In this regard, the world leaders decided to:

"(a) Provide and mobilize sustainable, affordable, accessible, transparent and predictable development finance from all sources and the required means of implementation to developing countries;

(b) Continue to advance with urgency towards a Sustainable Development Goal stimulus through the Secretary-General's proposal at the United Nations and in other relevant forums;

(c) Scale up and fulfil our respective official development assistance commitments, including the commitment by most developed countries to reach the goal of 0.7 per cent of gross national income for official development assistance and 0.15 to 0.20 per cent of gross national income for official development assistance to least developed countries;

(d) Continue discussions on the modernization of measurements of official development assistance, while adhering to existing commitments;

(e) Ensure that development assistance is focused on and reaches developing countries, focused in particular on the poorest and most vulnerable, and take further actions to strengthen its effectiveness;

(f) Create a more enabling environment at the global, regional and national levels to increase the mobilization of domestic resources and enhance the capacities, institutions and systems of developing countries at all levels to achieve this goal, including through international support, to increase investment in sustainable development;

(g) Implement effective economic, social and environmental policies and ensure good governance and transparent institutions to advance sustainable development;

(h) Strengthen ongoing efforts to prevent and combat illicit financial flows, corruption, money-laundering and tax evasion, eliminate safe havens and recover and return assets derived from illicit activities;

(i) Promote inclusive and effective international tax cooperation, which contributes significantly to national efforts to achieve the Sustainable Development Goals, as it enables countries to effectively mobilize their domestic resources, and stress that the current international tax governance structures need improvements. We are committed to strengthening the inclusiveness and effectiveness of tax cooperation at the United Nations, while taking into consideration the work of other relevant forums and institutions, and will continue to engage constructively in the process towards developing a United Nations framework convention on international tax cooperation;

(j) Explore options for international cooperation on the taxation of high-net-worth individuals in the appropriate forums;

(k) Support developing countries to catalyse increased private sector investment in sustainable development, including by promoting inclusive and innovative finance mechanisms and partnerships and by creating a more enabling domestic and international regulatory and investment environment, and through the catalytic use of public financing;

(l) Scale up support from all sources for investment in increasing productive capacities, inclusive and sustainable industrialization, infrastructure and structural economic transformation, diversification and growth in developing countries;

(m) Secure an ambitious outcome at the Fourth International Conference on Financing for Development in 2025 to close the Sustainable Development Goal financing gap and accelerate the implementation of the 2030 Agenda and the achievement of the Sustainable Development Goals."

As regards the issue of trade, the world leaders pledged to "ensure that the multilateral trading system continues to be an engine for sustainable development."

"We are committed to a rules-based, non-discriminatory, open, fair, inclusive, equitable and transparent multilateral trading system, with the World Trade Organization at its core. We underscore the importance of the multilateral trading system contributing to the achievement of the Sustainable Development Goals. We reiterate that States are strongly urged to refrain from promulgating and applying unilateral economic measures not in accordance with international law and the Charter of the United Nations that impede the full achievement of economic and social development, particularly in developing countries," they said.

In this regard, the world leaders decided to:

"(a) Promote export-led growth in developing countries through, inter alia, preferential trade access for developing countries, as appropriate, and targeted special and differential treatment that responds to the development needs of individual countries, in particular least developed countries, in line with World Trade Organization commitments;

(b) Work towards concluding the necessary reform of the World Trade Organization;

(c) Facilitate accession to the World Trade Organization, especially for developing countries, and promote trade and investment liberalization and facilitation."

Climate change

On the issue of climate change, the world leaders committed to "strengthen our actions to address climate change."

"We are deeply concerned at the current slow pace of progress in addressing climate change. We are equally deeply concerned at the continued growth in greenhouse gas emissions, and we recognize the importance of the means of implementation and support for developing countries, and the increasing frequency, intensity and scale of the adverse impacts of climate change, in particular on developing countries, especially those that are particularly vulnerable to the adverse effects of climate change. In pursuit of the objectives of the United Nations Framework Convention on Climate Change and of the Paris Agreement, we reaffirm the importance of accelerating action in this critical decade on the basis of the best available science, reflecting equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances and in the context of sustainable development and efforts to eradicate poverty," they said.

In this regard, the world leaders decided to:

"(a) Reaffirm the Paris Agreement temperature goal of holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change, and underscore that the impacts of climate change will be much lower at the temperature increase of 1.5 degrees Celsius compared with 2 degrees Celsius and resolve to pursue efforts to limit the temperature increase to 1.5 degrees Celsius;

(b) Welcome the decisions adopted at the twenty-eighth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, including the decisions adopted under the United Arab Emirates consensus, which includes the outcome of the first global stocktake of the Paris Agreement, at the fifth session of the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement;

(c) Further recognize the need for deep, rapid and sustained reductions in greenhouse gas emissions in line with 1.5 degrees Celsius pathways and call on parties to contribute to the following global efforts, in a nationally determined manner, taking into account the Paris Agreement and their different national circumstances, pathways and approaches: tripling renewable energy capacity globally and doubling the global average annual rate of energy efficiency improvements by 2030; accelerating efforts towards the phase-down of unabated coal power; accelerating efforts globally towards net zero emission energy systems, utilizing zero- and low-carbon fuels well before or by around mid-century; transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science; accelerating zero- and low-emission technologies, including, inter alia, renewables, nuclear, abatement and removal technologies such as carbon capture and utilization and storage, particularly in hard-to-abate sectors, and low-carbon hydrogen production; accelerating and substantially reducing non-carbon dioxide emissions globally, including in particular methane emissions by 2030; accelerating the reduction of emissions from road transport on a range of pathways, including through development of infrastructure and rapid deployment of zero- and low-emission vehicles; and phasing out inefficient fossil fuel subsidies that do not address energy poverty or just transitions, as soon as possible;

(d) Recognize that transitional fuels can play a role in facilitating the energy transition, while ensuring energy security;

(e) Further emphasize the importance of conserving, protecting and restoring nature and ecosystems towards achieving the Paris Agreement temperature goal, including through enhanced efforts towards halting and reversing deforestation and forest degradation by 2030, and other terrestrial and marine ecosystems acting as sinks and reservoirs of greenhouse gases and by conserving biodiversity, while ensuring social and environmental safeguards, in line with the Kunming-Montreal Global Biodiversity Framework;

(f) Reaffirm our resolve to set, at the twenty-ninth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, a new collective quantified goal from a floor of 100 billion United States dollars per year, taking into account the needs and priorities of developing countries;

(g) Reaffirm the nationally determined nature of nationally determined contributions and article 4, paragraph 4, of the Paris Agreement, and encourage parties to the Paris Agreement to come forward in our next nationally determined contributions with ambitious, economy-wide emission reduction targets, covering all greenhouse gases, sectors and categories and aligned with limiting global warming to 1.5 degrees Celsius, as informed by the latest science, in the light of different national circumstances;

(h) Significantly enhance international cooperation and the international enabling environment to stimulate ambition in the next round of nationally determined contributions;

(i) Recognize that adaptation finance will have to be significantly scaled up to implement the decision to double adaptation finance, to support the urgent and evolving need to accelerate adaptation and build resilience in developing countries, while emphasizing that finance, capacity-building and technology transfer are critical enablers of climate action and noting that scaling up the provision and mobilization of new and additional grant-based, highly concessional finance and non-debt instruments remains essential to supporting developing countries, particularly as they transition in a just and equitable manner;

(j) Further operationalize and capitalize the new funding arrangements, including the Fund, for responding to loss and damage;

(k) Protect everyone on Earth through universal coverage of multi-hazard early warning systems by 2027, including through the accelerated implementation of the Early Warnings for All initiative."

The world leaders also pledged to "accelerate our efforts to restore, protect, conserve and sustainably use the environment."

"We are deeply concerned about rapid environmental degradation, and we recognize the urgent need for a fundamental shift in our approach in order to achieve a world in which humanity lives in harmony with nature. We must conserve, restore and sustainably use our planet's ecosystems and natural resources to support the health and well-being of present and future generations. We will address the adverse impacts of climate change, sea level rise, biodiversity loss, pollution, water scarcity, floods, desertification, land degradation, drought, deforestation and sand and dust storms," they said.

In this regard, the world leaders decided to:

"(a) Achieve a world in which humanity lives in harmony with nature, conserve and sustainably use our planet's resources and reverse the trends of environmental degradation;

(b) Take ambitious action to improve the health, productivity, sustainable use and resilience of the ocean and its ecosystems, and conserve and sustainably use and restore seas and freshwater resources, as well as forests, mountains, glaciers and drylands, and protect, conserve and restore biodiversity, ecosystems and wildlife;

(c) Promote sustainable consumption and production patterns, including sustainable lifestyles, and circular economy approaches as a pathway to achieving sustainable consumption and production patterns, and zero-waste initiatives;

(d) Accelerate efforts to address the pollution of air, land and soil, fresh water and the ocean, including the sound management of chemicals, and work towards the conclusion of an international legally binding instrument on plastic pollution, including in the marine environment, with the ambition of completing negotiations by the end of 2024;

(e) Implement the framework to halt and reverse biodiversity loss by 2030 and implement all multilateral environmental agreements;

(f) Protect our planet and address global environmental challenges by strengthening international cooperation on the environment and by implementing and complying with multilateral environmental agreements."

Meanwhile, the world leaders also pledged to "plan for the future and strengthen our collective efforts to turbocharge the full implementation of the 2030 Agenda for Sustainable Development by 2030 and beyond."

"We remain steadfastly focused and committed to achieving the Sustainable Development Goals by 2030. We will sustain our efforts to build the future we want by addressing existing, new and emerging challenges to sustainable development by 2030 and beyond," they said.

In this regard, they decided to:

"(a) Significantly advance progress towards the full and timely achievement of the 2030 Agenda for Sustainable Development by 2030, including through strengthening the role of the high-level political forum on sustainable development as the main platform for the follow-up and review of the sustainable development agenda;

(b) Invite the high-level political forum, under the auspices of the General Assembly, to consider in September 2027 how we will advance sustainable development by 2030 and beyond, as a priority and at the centre of our work." *(SUNS 10081)*

World leaders pledge to accelerate reform of global financial architecture

In their Pact for the Future adopted in New York in 22 September, world leaders pledged to "accelerate reform of the international financial architecture", in order to address present and future challenges.

by Kanaga Raja

PENANG: World leaders gathering at the United Nations headquarters in New York on 22 September pledged to "accelerate reform of the international financial architecture to address the challenges of today and tomorrow."

This commitment by world leaders came in the pivotal "Pact for the Future" along with two annexes that was adopted by consensus at the Summit of the Future over the weekend.

In the 56-page Pact, the world leaders committed to 56 actions in the areas of sustainable development and financing for development; international peace and security; science, technology and innovation and digital cooperation; youth and future generations; and transforming global governance.

The issue of reform of the international financial architecture came under the section on "transforming global governance."

In the Pact, the world leaders said: "Reform of the international financial architecture is an important step towards building greater trust in the multilateral system. We commend ongoing reform efforts and call for even more urgent and ambitious action to ensure that the international financial architecture becomes more efficient, more equitable, fit for the world of today and responsive to the challenges faced by developing countries in closing the Sustainable Development Goal financing gap. The reform of the international financial architecture should place the 2030 Agenda at its centre, with an unwavering commitment to investing in the eradication of poverty in all its forms and dimensions."

In this regard, the world leaders decided to:

"(a) Continue to pursue deeper reforms of the international financial architecture to turbocharge implementation of the 2030 Agenda and achieve a more inclusive, just, peaceful, resilient and sustainable world for people and planet, for present and future generations.

The world leaders also pledged to "accelerate reform of the international financial architecture to strengthen the voice and representation of developing countries."

"We acknowledge the important role of the United Nations in global economic governance, recognizing that the United Nations and the international financial institutions have complementary mandates that make the coordination of their actions crucial, while fully respecting existing governance mechanisms and mandates independent of the United Nations that preside over specific organizations and rules. We note with appreciation the initiative to convene a biennial summit at the level of Heads of State and Government to strengthen existing and establish more systematic links and coordination between the United Nations and the international financial institutions and we stress the importance of inclusive participation. We recognize the importance of continuing to pursue governance reforms at the international financial institutions and multilateral development banks. We underscore the need to enhance the representation and voice of developing countries in global economic decision-making, norm-setting and global economic governance at international economic and financial institutions, including the International Monetary Fund and the World Bank, to deliver more effective, credible, accountable and legitimate institutions. We welcome steps to improve the voice and representation of developing countries, and the creation of a twenty-fifth chair on the International Monetary Fund Executive Board for sub-Saharan Africa and recent changes to quotas and voting power. We underscore the importance of improving diversity and gender representation in the executive boards, senior management and staff positions. These steps can equip these institutions to better address global challenges," they said.

In this context, the world leaders decided to:

"(a) Encourage the Board of the International Monetary Fund to take further steps to continue to support a strong, quota-based and adequately resourced institution and improve the voice and representation of developing countries, in particular through the ongoing work of the Executive Board of the Fund to develop by June 2025 possible approaches as a guide for further quota realignment, including through a new quota formula, under the seventeenth general review of quotas, while protecting the quota shares of the poorest members;

(b) Urge the governing bodies of the World Bank and other multilateral development banks to take further steps to achieve robust and broader representation, voice and participation of developing countries, while fully recognizing ongoing efforts in this regard."

Furthermore, the world leaders committed to "accelerate reform of the international financial architecture to mobilize additional financing for the Sustainable Development Goals, respond to the needs of developing countries and direct financing to those most in need."

"Developing countries require enhanced access to financing from all sources to achieve the Sustainable Development Goals. Flows of capital to many developing countries are falling, and more capital is leaving many developing countries than is coming in. Multilateral development banks play a vital role in supporting sustainable development and the achievement of the Goals and are critical to increasing countries' access to finance on more affordable terms and helping to unlock private sector investment. We welcome ongoing reform efforts of the multilateral development banks to mobilize greater financing for the 2030 Agenda, recognizing that further reforms of the banks are urgently needed, in addition to the strengthening of domestic resource mobilization and domestic policy and regulatory environments," they said.

In this regard, the world leaders decided to:

"(a) Deliver a robust and impactful twenty-first replenishment of the International Development Association that includes contributions and strong policy commitments from both new and existing donors that significantly increase the resources of the Association, and work towards establishing a pathway to significantly and sustainably increase the Association by the 2030 replenishment;

(b) Urge multilateral development banks to accelerate the pace of reforms to their missions and visions, incentive structures, operational approaches and financial capacity, and to consider additional steps to increase the availability of finance, provide policy support and technical assistance to developing countries to address global challenges and to achieve the Sustainable Development Goals;

(c) Urge multilateral development banks' governing boards and management to enable additional finance from the banks' own balance sheets by fully implementing, where relevant and appropriate, the recommendations from the Group of 20 independent review of multilateral development banks' capital adequacy frameworks, including reflecting the value of callable capital in multilateral development bank capital adequacy frameworks and issuing hybrid capital at scale, while ensuring financial sustainability of respective multilateral development banks;

(d) Encourage the boards of multilateral development banks to consider scheduling further general capital increases, while recognizing recent capital contributions, if needed;

(e) Invite the multilateral development banks, in consultation with the Secretary-General, to present options and recommendations on new approaches to improve access to concessional finance for developing countries, with full respect for the independent mandate and authorities of the respective governing body of each multilateral development bank and request the Secretary-General to update Member States on progress;

(f) Note the work of the international financial institutions, international organizations and multilateral development banks to consider structural vulnerability and invite them to consider using the multidimensional vulnerability index, as appropriate, as a complement to their existing practices and policies in line with their respective mandates;

(g) Call on multilateral development banks to provide timely support to developing countries by increasing and optimizing long-term concessional finance, including lending in local currencies, as well as the design, financing and scaling up of country-owned and -driven innovative mechanisms."

The world leaders also pledged to "accelerate the reform of the international financial architecture so that countries can borrow sustainably to invest in their long-term development."

"Borrowing is vital for countries to invest in their long-term development. Countries must be able to borrow sustainably, and have access to credit on affordable terms, while ensuring full transparency. We are deeply concerned by the emergence of unsustainable debt burdens and vulnerabilities in many developing countries, and the constraint this imposes on their development progress. We recognize the importance of strengthening the safeguards to prevent these situations from occurring. We underline the importance of reforms to existing multilateral processes to facilitate collective action to prevent debt crises, and facilitate debt restructuring and debt relief, when appropriate, taking into account evolving trends in the global debt landscape," they said.

Among their actions, the world leaders decided to "strengthen the multilateral response to support countries with high and unsustainable debt burdens, with the meaningful participation of the countries concerned and all relevant actors, ensuring an approach that is more effective, orderly, predictable, coordinated, transparent and timely to enable those countries to escape debt overhang and prioritize government expenditure on the achievement of the Sustainable Development Goals."

The also decided to invite the International Monetary Fund "to undertake a review of ways to strengthen and improve the sovereign debt architecture, building on existing international processes, in collaboration with the Secretary-General, the World Bank, the Group of 20 and major bilateral creditors, and debtors, and request that the Secretary-General update Member States on progress and present proposals on this issue."

The world leaders also pledged to "accelerate the reform of the international financial architecture to strengthen its capacity to support developing countries more effectively and equitably during systemic shocks and make the financial system more stable."

"The growing frequency and intensity of global economic shocks has set back progress on the achievement of the Sustainable Development Goals. We recognize the role of special drawing rights in strengthening the global financial safety net in a world prone to systemic shocks, and their potential contribution to greater global financial stability. We welcome the pledges to rechannel over 100 billion dollars worth of special drawing rights, or equivalent contributions, to developing countries while stressing the urgency of delivering on these pledges to developing countries as rapidly as possible," they said.

In this regard, the world leaders decided to:

"(a) Call on countries that are in a position to do so to voluntarily rechannel special drawing rights from the 2021 allocation, and for those countries to also consider rechannelling at least half of their special drawing rights, including through multilateral development banks, while respecting relevant legal frameworks and preserving the reserve asset character of special drawing rights;

(b) Encourage the International Monetary Fund to explore all options to continue to strengthen the global financial safety net to support developing countries to better respond to macroeconomic shocks and consider the feasibility of expediting issuances of special drawing rights and facilitating prompt, voluntary rechannelling to developing countries during future financial crises and systemic shocks;

(c) Welcome the ongoing review by the International Monetary Fund of its surcharge policy;

(d) Promote financial stability through international cooperation on, and consistent regulation of, banks and other financial service entities."

The world leaders further committed to "accelerate the reform of the international financial architecture so that it can meet the urgent challenge of climate change."

"Climate change and biodiversity loss exacerbate many of the challenges facing the international financial architecture and can undermine progress towards the Sustainable Development Goals. Developing countries should have access to finance to be able to pursue their interrelated objectives of achieving sustainable development, including poverty eradication and promoting sustainable, inclusive, resilient economic growth, and addressing climate change. Investment in sustainable development and climate action is essential. The international financial architecture should continue to channel and increase additional financing towards both sustainable development and climate action. Developing countries face increasing financing needs, especially those particularly vulnerable to the adverse impacts of climate change, leading to a growing demand for finance."

In this regard, the world leaders decided to:

"(a) Call on multilateral development banks and other development finance institutions to increase the availability, accessibility and impact of climate finance to developing countries, while safeguarding the additionality of climate finance, to support developing countries to implement their national plans and strategies to address climate change;

(b) Call on multilateral development banks to mobilize additional financing to support adaptation and deploy and develop renewable, low- and zero-emission and energy-efficiency technologies in line with existing commitments;

(c) Call on international financial institutions and other relevant entities to improve the assessment and management of risks, including climate-related financial risks, support steps to address the high cost of capital for developing countries and provide policy support to help to better manage and reduce risks;

(d) Encourage the private sector, especially large corporations, to contribute to sustainability and protecting our planet and the achievement of the 2030 Agenda and the Sustainable Development Goals, including through partnership-based approaches, to scale up support to developing countries and enable climate action."

In a further action, the world leaders pledged to "develop a framework on measures of progress on sustainable development to complement and go beyond gross domestic product."

"We recognize that sustainable development must be pursued in a balanced and integrated manner. We reaffirm the need to urgently develop measures of progress on sustainable development that complement or go beyond gross domestic product. These measures should reflect progress on the economic, social and environmental dimensions of sustainable development, including in the consideration of informing access to development finance and technical cooperation," they said.

In this regard, they decided to:

"(a) Request the Secretary-General to establish an independent high-level expert group to develop recommendations for a limited number of country-owned and universally applicable indicators of sustainable development that complement and go beyond gross domestic product, in close consultation with Member States and relevant stakeholders, taking into account the work of the Statistical Commission, building on the global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development and to present the outcome of its work during the eightieth session of the General Assembly;

(b) Initiate a United Nations-led intergovernmental process following the completion of the work of the independent high-level expert group in consultation with relevant stakeholders, including the Statistical Commission, international financial institutions, multilateral development banks and regional commissions, in line with their respective mandates, on measures of progress on sustainable development that complement or go beyond gross domestic product, considering the recommendations of the Secretary-General's high-level expert group." *(SUNS 10081)*

World leaders renew commitment to multilateralism, global cooperation

In their pivotal Pact for the Future, world leaders on 22 September pledged to strengthen multilateralism and deepen international cooperation, including the urgent need to reform the United Nations Security Council.

by Kanaga Raja

PENANG: World leaders gathering at the United Nations headquarters in New York on 22 September pledged to take action to "strengthen and reinvigorate multilateralism and deepen international cooperation", in order to tackle present and future challenges.

This commitment by world leaders came in the pivotal "Pact for the Future" together with two annexes – the "Global Digital Compact" and the "Declaration on Future Generations" – that was adopted by consensus at the Summit of the Future on 22 September.

In the Pact, the world leaders committed to 56 actions in the areas of sustainable development and financing for development; international peace and security; science, technology and innovation and digital cooperation; youth and future generations; and transforming global governance.

The issue of strengthening multilateralism and deepening international cooperation came under the section on "transforming global governance."

In the Pact, the world leaders said: "Today, our multilateral system, constructed in the aftermath of the Second World War, is under unprecedented strain. It has had remarkable achievements in the past 80 years. But we are not complacent about the future of our international order, and we know that it cannot stand still.

"We will take action to strengthen and reinvigorate multilateralism and deepen international cooperation. We reaffirm unwavering commitment to international law, including the Charter, to address global challenges, some of which could overwhelm and threaten all of humanity. A transformation in global governance is essential to ensure that the positive progress we have seen across all three pillars of the work of the United Nations in recent decades does not unravel. We will not allow this to happen.

"We must renew trust in global institutions by making them more representative of and responsive to today's world and more effective at delivering on the commitments that we have made to one another and our people.

"We renew our commitment to multilateralism and international cooperation, guided by the Charter and the principles of trust, equity, solidarity and universality. We will transform global governance and strengthen the multilateral system to help us to achieve a world that is safe, peaceful, just, equal, inclusive, sustainable and prosperous."

The world leaders pledged to "transform global governance and reinvigorate the multilateral system to tackle the challenges, and seize the opportunities, of today and tomorrow."

They resolved "to make the multilateral system, with the United Nations at its centre, more:

(a) Effective and capable of delivering on our promises, with strengthened accountability, transparency and implementation mechanisms to ensure that our commitments are met and to rebuild trust in global institutions;

(b) Prepared for the future, building capabilities and harnessing technology and data to anticipate risks, seize opportunities, act early and manage uncertainty;

(c) Just, democratic, equitable and representative of today's world to ensure that all Member States, especially developing countries, can meaningfully participate in global decision-making in multilateral institutions and better integrating the voice of developing countries in global decision-making;

(d) Inclusive, to allow for the meaningful participation of relevant stakeholders in appropriate formats, while reaffirming the intergovernmental character of the United Nations and the unique and central role of States in meeting global challenges;

(e) Interconnected, to ensure that the multilateral system can draw together existing institutional capacities, work better as a system, overcome fragmentation and comprehensively address multi-dimensional, multi-sectoral challenges, while maximizing efficiencies;

(f) Financially stable, by ensuring adequate, sustainable and predictable financing for the United Nations, and to that end we commit to meet our financial obligations in full, on time and without conditions."

UN Security Council reform

The world leaders committed to "reform the Security Council, recognizing the urgent need to make it more representative, inclusive, transparent, efficient, effective, democratic and accountable."

They said: "In response to the growing urgency to increase the effectiveness of the ability of the United Nations to maintain international peace and security as set out in the Charter, we agree on the following guiding principles identified in the intergovernmental negotiations on the question of equitable representation on and increase in the membership of the Security Council and other matters related to the Council in accordance with General Assembly decision 62/557 of 15 September 2008 as parameters for reform:

(a) Redress the historical injustice against Africa as a priority and, while treating Africa as a special case, improve the representation of the under-represented and unrepresented regions and groups, such as Asia-Pacific and Latin America and the Caribbean;

(b) Enlarge the Security Council in order to be more representative of the current United Nations membership and reflective of the realities of the contemporary world and, taking into account our commitments of Sustainable Development Goal 16.8, increase representation of developing countries and small- and medium-sized States;

(c) Continue discussions on the issue of representation of cross-regional groups, taking into account that small island developing States, Arab States and others, such as the Organization of Islamic Cooperation, have been mentioned in the discussions of the intergovernmental negotiations;

(d) Intensify efforts to find an agreement on the question of the categories of membership, taking into account the discussions held in the intergovernmental negotiations process;

(e) The total number of members of an enlarged Council should ensure a balance between its representativeness and effectiveness;

(f) The working methods should ensure the inclusive, transparent, efficient, effective, democratic and accountable functioning of an enlarged Council;

(g) The question of the veto is a key element of Security Council reform. We will intensify efforts to reach an agreement on the future of the veto, including discussions on limiting its scope and use;

(h) As part of a comprehensive reform, the inclusion of a review clause should be considered to ensure that the Security Council continues over time to deliver on its mandate and remains fit for purpose."

The world leaders also pledged to "strengthen our efforts in the framework of the intergovernmental negotiations on Security Council reform as a matter of priority and without delay."

"We support the Member States-driven nature of the reform of the Security Council, and will intensify efforts for the reform through the intergovernmental negotiations in accordance with General Assembly decision 62/557 and other relevant resolutions and decisions of the General Assembly, such as resolution 53/30 of 23 November 1998," they said.

In this regard, building on the recent progress achieved in the intergovernmental negotiations, including through more transparency and inclusivity and by enhancing its institutional memory, they decided to:

(a) Encourage the submission of further models and the revision of already presented models by States and Groups of States for the structured dialogues with a view to developing a consolidated model in the future based on convergences on the five clusters, and the models presented by Member States.

The world leaders further pledged to "strengthen the response of the Security Council for the maintenance of international peace and security and its relationship with the General Assembly."

"We will continue to improve and democratize the working methods of the Security Council and strengthen its relationship with the General Assembly, in accordance with and with full respect for their respective functions, authority, powers and competencies as enshrined in the Charter, with the understanding that this should not substitute for the reform of the Security Council outlined in action 39," they said.

In this regard, they decided to:

"(a) Fully implement and adhere to all provisions of the Charter of the United Nations as they relate to the decision-making process in the Security Council, including Article 27 (3) of the Charter;

(b) Support credible, timely and decisive action by the Security Council, in exercise of its primary responsibility for the maintenance of international peace and security, to prevent or end the commission of genocide, crimes against humanity or war crimes;

(c) Actively reinforce the ongoing efforts of the Security Council to review and enhance its working methods, including, inter alia, penholding and co-penholding arrangements, and strengthen the cooperation and communication between the Security Council and the General Assembly and its subsidiary bodies, including the Peacebuilding Commission, as well as the Economic and Social Council and regional and sub-regional arrangements, including by continuing to fully implement and make use of Assembly resolutions 377 A (V) of 3 November 1950 on uniting for peace and 76/262 of 26 April 2022 on the veto initiative;

(d) Improve the participation in and access to the work of the Security Council and its subsidiary organs for all members of the General Assembly, to enhance the Council's accountability to the membership and increase the transparency of its work."

UN General Assembly

The world leaders pledged to increase their efforts "to revitalize the work of the General Assembly."

They reaffirmed "the central position of the General Assembly as the chief deliberative, policymaking and representative organ of the United Nations."

In this regard, they decided to:

"(a) Further enhance and make full use of the role and authority of the General Assembly to address evolving global challenges, in full compliance with the Charter;

(b) Enhance ways in which the General Assembly can contribute to the maintenance of international peace and security, in particular by taking action in accordance with the Charter of the United Nations;

(c) Stress the need for the selection and appointment process of the Secretary-General to be guided by the principles of merit, transparency and inclusiveness and with due regard to gender balance and regional rotation and take into account during the next and in subsequent selection and appointment processes the regrettable fact that there has never been a woman Secretary-General, and we encourage Member States to consider nominating women as candidates."

The world leaders committed to "strengthen the Economic and Social Council to accelerate sustainable development."

"We commit to strengthening the work of the Economic and Social Council as a principal organ for coordination, policy review, policy dialogue and recommendations on issues of economic and social development, recognizing the key role of the Council in achieving a balanced integration of the three dimensions of sustainable development and supporting the implementation of the 2030 Agenda," they said.

In this regard, they decided to:

"(a) Continue to strengthen cooperation between the Economic and Social Council and the Peacebuilding Commission and between the Economic and Social Council and the international financial institutions, in accordance with their respective mandates;

(b) Facilitate more structured, meaningful and inclusive engagement of non-governmental organizations in consultative status with the Economic and Social Council in the activities of the Council, in line with Council resolution 1996/31 of 25 July 1996;

(c) Support the youth forum of the Council to enhance youth engagement, ensuring that the forum is a platform for youth from across all regions to continue to share their ideas and engage in dialogue with Member States;

(d) Request the Council, through an inclusive intergovernmental process with the participation of all Member States, to explore options, in the context of the forthcoming thirtieth anniversary of the Fourth World Conference on Women, to revitalize the Commission on the Status of Women to promote the full and effective implementation of the Beijing Declaration and Platform for Action, to achieve gender equality and the empowerment of all women and girls, and promote and protect their human rights and to ensure that the Commission is fit for purpose, while reaffirming the mandate of the Commission, and consider options, as required, to strengthen other subsidiary organs of the Council."

In another action, the world leaders also pledged to strengthen the Peacebuilding Commission.

The UN system

The world leaders further pledged to "strengthen the United Nations system."

They underlined the importance of the United Nations system remaining "effective, efficient and impactful".

In this context, they decided to:

"(a) Achieve a more agile, responsive and resilient United Nations, in particular by enhancing the Organization's capabilities in innovation, data analytics, digital transformation, strategic foresight and behavioural science to better support Member States and deliver on its mandates;

(b) Commit to fully support and continue to strengthen the United Nations development system, including the resident coordinator system, to make it more strategic, responsive, accountable, collaborative and integrated in supporting developing countries in the achievement of the 2030 Agenda and addressing current, new and emerging challenges to sustainable development, in accordance with the Charter, and in support of national priorities and policies, including through United Nations Sustainable Development Cooperation Frameworks, and call for increased adequate, predictable and sustainable funding to achieve these goals;

(c) Ensure accessibility for persons with disabilities and disability inclusion at the United Nations to allow their full, meaningful and effective participation and equality in all aspects of the work of the United Nations;

(d) Stress the need for the selection and appointment process of United Nations executive heads and senior positions to be guided by the principles of transparency and inclusiveness, and carried out in accordance with all the provisions of Article 101 of the Charter of the United Nations, with due regard for recruiting staff on as wide a geographical basis as possible and gender balance, and adhere to the general rule that there should be no monopoly on senior posts in the United Nations system by nationals of any State or group of States."

Human rights

In another action, the world leaders pledged "to ensure the effective enjoyment by all, of all human rights and respond to new and emerging challenges."

They said: "Following the seventy-fifth anniversary of the Universal Declaration of Human Rights and the thirtieth anniversary of the Vienna Declaration and Programme of Action, we remain committed to promoting and protecting all human rights and fundamental freedoms, including civil, political, economic, social and cultural rights. This includes the right to development.

"We recommit to realizing our respective obligations to respect, protect and fulfil human rights and to implement all relevant international human rights instruments. All human rights are universal, indivisible, interdependent and interrelated. Human rights are mutually reinforcing and must be treated in a fair and equal manner, on the same footing and with the same emphasis. The Sustainable Development Goals seek to realize the human rights of all.

"Individuals and civil society institutions, including non-governmental organizations, groups and national human rights institutions, where they exist, engaged in the promotion and protection of all human rights and fundamental freedoms for all, in accordance with national legislation consistent with the Charter of the United Nations and international human rights law, must be protected from any form of intimidation and reprisals, both online and offline. We must continue to uphold human rights in the future by strengthening our capabilities to respond to existing, new and emerging challenges to the enjoyment of human rights."

In this regard, they decided to:

"(a) Recall the mandate of the United Nations High Commissioner for Human Rights, as outlined in resolution 48/141 of 20 December 1993, and request the Secretary-General to assess the need for adequate, predictable, increased and sustainable financing of the United Nations human rights mechanisms, including the Office of the United Nations High Commissioner for Human Rights, for efficient and effective mandate delivery to enable them to respond to the range of human rights challenges facing the international community with impartiality, objectivity and non-selectivity;

(b) Enhance coordination and cooperation among United Nations entities working on human rights and avoid duplication of activities, within their existing mandates, including through closer coordination with the Office of the United Nations High Commissioner for Human Rights." *(SUNS 10083)*

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Debt crisis choking SSA countries, jeopardising progress on ending AIDS

The debt crisis is leaving sub-Saharan African (SSA) countries with little fiscal room to finance their health and critical HIV services, putting in jeopardy the progress made towards ending AIDS, according to a United Nations report.

by Kanaga Raja

PENANG: Growing public debt is choking sub-Saharan African (SSA) countries, putting in jeopardy the progress made towards ending AIDS, according to the Joint United Nations Programme on HIV/ AIDS (UNAIDS).

In a new report, titled "Domestic revenues, debt relief and development aid: Transformative pathways for ending AIDS by 2030," UNAIDS said that the debt crisis is leaving SSA countries with little fiscal room to finance their health and critical HIV services.

According to UNAIDS, sub-Saharan Africa accounts for the largest number of people living with HIV, with more than 25.9 million people of the 39.9 million living with HIV globally.

The region's success in having reduced new HIV infections by 56% since 2010 will not be sustained if fiscal space is constrained, it said.

UNAIDS found that the combination of growing public debt payments and spending cuts set out in International Monetary Fund (IMF) agreements in the next three to five years will, if unaddressed, leave countries dangerously under-resourced to fund their HIV responses.

For instance, it said that debt servicing now exceeds 50% of government revenues in Angola, Kenya, Malawi, Rwanda, Uganda, and Zambia.

Even after debt relief measures, Zambia will still be paying two-thirds of its budget on debt servicing between 2024 and 2026, it pointed out.

"When countries cannot effectively look after the health care needs of their people because of debt payments, global health security is put at risk," said UNAIDS Executive Director Winnie Byanyima.

"Public debt needs to be urgently reduced and domestic resource mobilization strengthened to enable the fiscal space to fully fund the global HIV response and end AIDS," she added.

According to the UNAIDS report, which highlights the eastern and southern Africa as well as the western and central Africa regions, the COVID-19 pandemic and the poly-crises of 2023-2024 have undermined decades of progress on global health and slowed progress in response to HIV.

It said even prior to COVID-19, the United Nations target to achieve a 75% reduction in the number of new HIV infections between 2010 and 2020 was significantly off-track.

Highlighting the key challenge of financing, the report said that globally, US$20.8 billion was made available in 2022 for HIV programmes in low- and middle-income countries from both domestic and international sources.

This funding - already on the decline relative to previous years – is under increasing pressure, it added.

It said that when it comes to international donor support, other priorities such as the need to respond to urgent humanitarian crises, climate change and other natural disasters, the need to support refugees in donor countries, and growing shortfalls in funding for almost all of the UN Sustainable Development Goals (SDGs), threaten to re-direct much-needed international funds away from health and the HIV response.

Domestic tax revenues also face competing priorities, especially diversion to pay rapidly rising debt service, with 60% of low-income countries at high risk of debt distress or already in a situation of debt distress.

These developments threaten to undermine the internationally agreed goal of ending AIDS as a public health threat by 2030, said the report.

Eastern & Southern Africa

As for the eastern and southern Africa region, the report said that of all world regions, a renewed commitment to respond to HIV and fully fund the HIV response could have the greatest impact in eastern and southern Africa.

The region remains the epicentre of the HIV epidemic, with 52% of all people living with HIV in the world.

It said that in 2023, there were 20.8 million people in the region living with HIV, of whom 12.9 million were women and 800,000 were children.

In the same year, the virus claimed the lives of an estimated 260,000 people and infected 500,000 more.

Despite these challenges and the disruptions to HIV programmes caused by the COVID-19 pandemic, the region has made the most substantial progress against HIV since 2010.

New infections declined by 57% overall from 2010 to 2022, with a 70% decline registered among children.

Overall, there were 58% fewer deaths due to AIDS-related causes in 2022 compared with a decade earlier.

Financing needs for the HIV response in eastern and southern Africa are extremely high. Of the total resources available in 2022 ($9.8 billion), $5.19 billion (or 61%) came from international donors, while $3.9 billion was domestically funded (public and private), said the report.

It said just two donors provide the majority of aid funds for the HIV response: the US President's Emergency Plan for AIDS Relief (PEPFAR) programme and the Global Fund to Fight AIDS, Tuberculosis and Malaria (which is also heavily supported by the US government).

In 2022, these two donors provided 52.5% of all international development assistance resources to the region for the HIV response. All other donors combined provided under $1 billion ($760 million) in aid funds to the region in 2022.

Not only is the region far from meeting its annual HIV response financing needs, but the amounts allocated have also declined in recent years, said the report.

In 2022, funds for the HIV response were 1% lower than they were the previous year, and they have decreased almost 12% since 2017.

Overall, it said that the region remains heavily reliant on international aid to fund the HIV response, with several countries in the region, including Ethiopia, Madagascar, Malawi, Mozambique, Rwanda, Somalia, South Sudan, Uganda and Zambia dependent on development assistance to fund almost all of their prevention and treatment interventions.

Tax revenues declined sharply in nominal terms from $180 billion in 2019 to $154.4 billion in 2020 and $165.3 billion in 2021 for the region as a whole, said the report.

It said Ethiopia, Kenya, Malawi, Namibia and South Africa have not yet seen a return to pre-pandemic levels of revenues.

The report said the failure to mobilize more tax revenues and the continued great dependence on development partner resources to fund the HIV response is of particular concern at a time when development assistance is in decline - both overall, and in eastern and southern Africa.

The amount of government spending on the HIV response as a proportion of GDP is also on the decline in the region, it added.

The region as a whole spent 1.13% of GDP on the HIV response in 2019, but this fell to 0.96% in 2020 and fell again in 2021 to 0.79%. This represents a decline of over 50% between 2017 and 2021.

A substantial drop was seen in Kenya, where government spending on the HIV response declined from 1.43% of GDP in 2017 to just 0.55% in 2022. Zambia also saw a sharp decline following the pandemic - from 1.34% of GDP in 2019 to 0.32% in 2021. Similarly, Malawi also saw a fall from 2.33% of GDP in 2019 to 1.66% in 2021.

No country within the region has significantly increased the amount spent on the HIV response as a percentage of GDP, said the report.

On a per capita basis, total spending on the HIV response (from all sources) fell from an average of $33.2 in 2017 to $13.9 in 2020.

Only the United Republic of Tanzania managed to significantly increase its expenditure on the HIV response, though this was from a low overall starting point - from just under $5 per capita in 2017 to $9.62 in 2020.

The report also said spending on health varies widely within the region.

In 2023, government budgets for health amounted to an average of 2.47% of GDP and have remained largely stagnant at this level over the last five years.

In a few (mostly) higher-income countries within the region, government budgets for health are over 3% of GDP, including Botswana, Eswatini, Namibia, South Africa and Zambia.

However, the report said in many others, government budgets are less than 2% of GDP, and sometimes far less.

These include Ethiopia, Kenya, Madagascar, Malawi, Somalia, South Sudan, the United Republic of Tanzania, Uganda and Zimbabwe, all of which have a significant HIV prevalence, except Madagascar.

High public debt is compounding this challenging financing landscape. The COVID-19 pandemic, which stifled economic activity and growth, also led governments – worldwide and within the region – to take on extra debt to tackle the pandemic, compounding a pre-pandemic trend of high government borrowing, said UNAIDS.

The Brookings Institution estimates that to finance their pandemic responses, sub-Saharan African governments borrowed 4.5% more than predicted had the pandemic not occurred.

Furthermore, UNAIDS said that the public debt picture in eastern and southern Africa is challenging.

Five of the low- and middle-income countries that receive a debt risk rank from the IMF are classified as "in debt distress" (Malawi, Mozambique, Somalia, Zambia and Zimbabwe).

A further three are considered at "high risk" (Ethiopia, Kenya and South Sudan), while five are classified as being at "moderate risk" (Lesotho, Madagascar, Rwanda, United Republic of Tanzania and Uganda). None are considered low risk.

The IMF also reports debt vulnerabilities in the region's "market access" countries. Debt has climbed steadily in Eswatini, Namibia and South Africa, and the IMF has pointed to elevated risks of debt distress in Eswatini, in particular, which has built up substantial payment arrears on its domestic debt.

"As public debt has risen, so has the cost of servicing this debt. The data show that while revenues have declined slightly due to the pandemic, debt servicing has significantly increased."

Between 2017 and 2023, total public debt service had risen from 5% to over 8% on average, said UNAIDS.

According to the report, the amount now spent on public debt service is almost 3.3 times the government budget allocated to public health on average in the region as a percentage of GDP, while in 2017, it was about 2.3 times the amount.

"The amount spent on debt service is also almost six times the amount spent on the HIV response."

Public debt service is consuming increasingly large shares of government revenue across the region, said the report.

Total public debt service as a percentage of government revenues rose significantly between 2017 and 2023, from 29.7% to 42.7%, it added.

The largest increases are seen in Eswatini, Kenya, Madagascar, Malawi, Namibia, Rwanda, Somalia, Uganda and Zambia.

It said in Angola, Kenya, Malawi, Rwanda, Uganda, and Zambia, debt service now exceeds 50% of government revenues.

Similarly, debt service represents an increasingly large share of public expenditure across the region. Total debt service as a percentage of public expenditure amounted to an average of 21% in 2017, but had climbed to 30.8% by 2023.

In eastern and southern Africa, seven countries spent more on interest repayments on their public debt than on health in 2022 as a percentage of GDP: Angola, Kenya, Malawi, South Africa, South Sudan, United Republic of Tanzania, Uganda and Zambia, said UNAIDS.

Adjusted for inflation, eastern and southern Africa will need to mobilize $10.5 billion in 2024 to fully fund the HIV response. This will climb to $15.84 billion by 2030, it added.

The greatest financing needs are in Ethiopia, Mozambique, South Africa, South Sudan and United Republic of Tanzania, which will all need to mobilize at least $1 billion in resources annually in 2030 to fund HIV prevention and treatment services.

In 2024, the region will need to spend

an average of 1.91% of GDP on the HIV response, rising to 2.06% by 2030. This compares with only 0.79% spent in 2021.

Spending will, therefore, need to treble as a proportion of GDP by 2030 if the region is to end AIDS as a public health threat, said the report.

However, it said that under a business-as-usual financing scenario, achieving these spending increases will be difficult.

Tax revenues are projected to rise marginally from about 15.9% of GDP to about 16.8% by 2030. Debt service will remain above 8% of GDP between 2024 and 2030.

Debt service is also projected to consume, on average, over 54% of tax revenues over this period. Due to these challenges, expenditure on the HIV response is projected to fall from 1.38% of GDP in 2024 to only 0.84% by 2030.

At the same time, the report said eastern and southern Africa remains extremely vulnerable to a wide variety of downside pressures and risks, including an aid shock and another pandemic shock.

It said in a scenario in which development assistance stagnates between 2024 and 2030 relative to its 2022 levels, countries would need to increase domestic financing by 17% a year to fully fund the HIV response.

However, in a scenario in which development assistance declines by 5% annually relative to 2022, domestic revenue funding would need to increase by more than 20% annually to fund target spending of $15.8 billion, it added.

Western & Central Africa

As for the western and central Africa region, the report said financing needs for the HIV response in western and central Africa are not as great as in eastern and southern Africa (which has a higher burden of the disease), but remain extremely high in a region which is home to several of the world's poorest and most vulnerable countries.

In 2022, financing needs for the HIV response (adjusted for inflation since 2019) amounted to $2.98 billion for the region as a whole.

In comparison, $2.03 billion of actual funding was disbursed, leaving a funding gap of approximately $950 million or 32%.

The report said that the region has depended heavily on development assistance to fund the HIV response.

Since 2017, international donor funds have amounted to more than 60% of the region's expenditure on the HIV response.

In 2022, international donors provided a total of $1.24 billion to the region, of which over half was provided by the USA and the Global Fund.

While many countries within western and central Africa acknowledge the need to mobilize more domestic funds to fund the HIV response, the region has significant domestic resource mobilization challenges, said UNAIDS.

It said its tax revenues have fallen over recent years and are still below pre-pandemic levels when measured as a proportion of GDP.

In 2017, tax revenues averaged 13.2% of GDP across the region, but this had fallen to only 11.9% by 2022. In 2023, tax revenues are projected to rise only slightly to 12.2% of GDP.

The report said that only four countries increased their tax revenues by more than 1% of GDP over this period – Burkina Faso, Burundi, Democratic Republic of the Congo and Senegal.

Cameroon, Chad, Guinea-Bissau and Nigeria all saw revenues stagnate between 2017 and 2023, while all other countries within the region saw tax revenues fall - sometimes significantly.

The Gambia, Central African Republic, Cote d'Ivoire and Ghana also saw declines of at least 3% of GDP, and five more exceeded 2%.

Due to recent pressures on development assistance and domestic tax revenues, the data shows that the amount spent on the HIV response as a proportion of GDP is in decline.

Though data are not comprehensive across the region, they show that expenditure on the HIV response declined from 0.3% of GDP in 2017 to just 0.12% of GDP in 2022, said the report.

Crucially, no country within the region registered an increase in spending on the HIV response when measured as a proportion of GDP.

It also said that spending on health has declined in western and central Africa since 2017. In 2017, government budgets for health amounted to an average of 1.86% of GDP.

They increased slightly, to just over 2.1% of GDP in 2020 and 2021 in the midst of the COVID-19 pandemic, but have dropped since then and will amount to only 1.81% of GDP in 2023.

It said that a key source of pressure on financing for the HIV response and social sectors is high public debt. The public debt picture in western and central Africa is extremely challenging: 11 countries have already restructured their debt in recent years or are currently restructuring or in arrears, while Sierra Leone is at a "high" risk of debt distress.

A further nine are at "moderate" risk of debt distress, and none are at low risk of debt problems.

"Debt has climbed rapidly, by almost 10% of GDP between 2018 and 2023 - from just over 53.2% of GDP on average to over 62% in 2023."

The report said that particularly large increases in debt accumulation over this period are seen in Burkina Faso, Burundi, the Republic of the Congo, Cote d'Ivoire, Ghana, Liberia, Senegal and Sierra Leone, which all saw debt increase by at least 15% of GDP.

"Recent rises in debt stock, higher inflation, and interest rates have all dramatically increased the burden of servicing this debt."

The data show that while revenues declined by 1% of GDP in the region between 2017 and 2023, public debt service has, in contrast, risen as a percentage of GDP from 6.4% to over 10% on average.

The amount now spent on public debt service is over 5.5 times the government budget allocated to public health on average in the region as a percentage of GDP, said the report.

Debt service has risen particularly sharply in Burkina Faso, Burundi, Chad, the Republic of the Congo, Cote d'Ivoire, Ghana, Guinea and Sierra Leone, which all saw increases in debt service as a percentage of GDP of more than 4% between 2018 and 2023, it added.

Only six countries in the region have seen debt service/GDP fall between 2017 and 2023: Benin, Cabo Verde, Mauritania, Nigeria, The Gambia and Togo.

Consequently, public debt service is consuming increasingly large shares of tax revenues across the region. Debt service consumed just over 31% of revenues in 2017, rising to a projected 46.6% in 2023, it added.

Similarly, debt service represents an increasingly large share of public expenditure, increasing from 46% in

2017 to an expected 61.5% in 2023.

"Substantial rises in debt service as a percentage of revenues are seen in Burkina Faso, Cameroon, Chad, the Republic of the Congo, Cote d'Ivoire, Ghana, Guinea, Mali, Sao Tome and Principe and Sierra Leone."

In 2024, adjusted for forecast inflation, western and central Africa will need to mobilize $4.18 billion to fully fund the HIV response. This will climb to $7.9 billion by 2030.

Nigeria alone accounts for over $4.5 billion of the $7.9 billion total amount required in 2030 by the region, said the report.

Adjusted for inflation, in 2024, the western and central Africa region will need to spend an average of 0.67% of GDP on the HIV response, rising to 0.79% of GDP by 2030. This compares with only 0.12% in 2022.

Under a business-as-usual financing scenario, achieving these spending increases will be difficult. Tax revenues are projected to rise by almost 2% of GDP, from 12.84% in 2024 to 14.8% by 2030, it noted.

"Despite these increases, this still leaves the region lagging far behind many other world regions in terms of domestic revenue mobilization."

At the same time, debt service will remain above 10% of GDP on average every year between 2024 and 2030.

Debt service is also projected to consume, on average, almost 55.5% of tax revenues and represent over 50% of public expenditure by 2030, said UNAIDS.

At the same time, it said western and central Africa remains extremely vulnerable to a wide variety of downside pressures and risks, including an aid shock and another pandemic shock.

In a scenario in which development assistance levels remain stagnant in US dollar terms between 2024 and 2030 relative to the levels seen in 2022, the amount of domestic public and private financing would need to rise by a massive 23% annually until 2030 to fully fund the HIV response, it added.

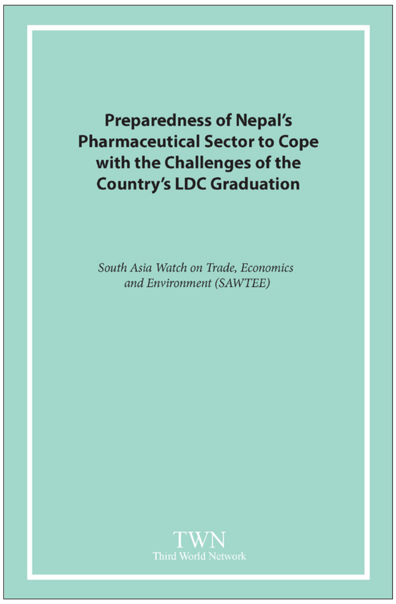
However, it said in a situation in which international donor funds for the HIV response declines by 5% annually relative to the levels seen in 2022, countries would need to increase domestic financing by 35% a year to close the additional financing gap.

Even in a highly optimistic scenario in which development cooperation for HIV increases by 5% annually from 2022 levels, it would mobilize only $1.74 billion by 2030, leaving the region needing to mobilize $6.16 billion by 2030 from other sources, it concluded. *(SUNS 10080)*

Preparedness of Nepal's Pharmaceutical Sector to Cope with the Challenges of the Country's LDC Graduation

South Asia Watch on Trade, Economics and Environment (SAWTEE)

As a least-developed-country (LDC) member of the World Trade Organization, Nepal is not required, under the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), to provide patent protection for pharmaceutical products. With no patent restrictions in force, Nepal's domestic pharmaceutical industry has expanded over the years to meet an increasing share of the country's medicine needs. This growth is now under threat, however, as Nepal is set to lose its LDC status – and, with it, the TRIPS exemption – in 2026.



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This paper assesses how the Nepali pharmaceutical sector can face the challenges posed by implementation of the WTO intellectual property rules after the country's graduation from the LDC category. It calls for full utilization of policy flexibilities allowed by the TRIPS Agreement and strengthened government support to boost the local pharmaceutical industry and enhance access to affordable medicines.

South Asia Watch on Trade, Economics and Environment (SAWTEE) is a non-government organization registered in Nepal with a vision of ensuring fair, equitable, inclusive and sustainable growth and development in South Asia. Established in 1999, SAWTEE has been actively engaged in research, advocacy, capacity building, sensitization and alliance building on issues of trade, economics and environment. The SAWTEE team is comprised of highly skilled and experienced professionals who are passionate about contributing to informed and inclusive policymaking. Researchers at SAWTEE have provided inputs to regional and global organizations, besides the Government of Nepal and the Nepali private sector.

https://twn.my/title2/books/Preparedness%20of%20Nepal's%20Pharmaceutical%20Sector.htm

Global innovation faces "rough weather", amid geopolitical tensions

The World Intellectual Property Organization (WIPO) has reported a considerable drop in R&D expenditure across countries, including venture capital funding, amid worsening geopolitical tensions and the fragmentation of global supply chains.

by D. Ravi Kanth

GENEVA: The Geneva-based World Intellectual Property Organization (WIPO) on 26 September said that there is a continued drying up of investment in research and development (R&D), including a considerable drop in venture capital funding across member countries, amidst worsening geopolitical and geo-economic tensions, as well as the fragmentation of global supply chains.

In its 316-page "Global Innovation Index 2024" report, WIPO has ranked Switzerland, Sweden, the United States, Singapore, and the United Kingdom as being the world's most innovative economies.

It said that China, Turkiye, India, Vietnam, and the Philippines are "the fastest ten-year climbers."

According to the report, China reached the 11th position and remains the only middle-income economy in the Global Innovation Index's top thirty countries.

In terms of the performance of countries on capital spending on innovation region-wise, the report said that:

(1) Singapore, Korea, and China are the top performers in South-East Asia, East Asia, and Oceania;

(2) India, Iran, and Kazakhstan are the leading performers in Central and Southern Asia;

(3) Israel, the United Arab Emirates, and Turkiye are the top performers in Northern Africa and Western Asia;

(4) South Africa, Botswana, and Senegal are the best performers in Sub-Saharan Africa;

(5) Switzerland, Sweden, and the United Kingdom are the leading performers in Europe;

(6) the United States and Canada are the top performers in Northern America; and

(7) Brazil, Chile, and Mexico are the best performers in Latin America and the Caribbean.

The WIPO Director-General, Mr Daren Tang of Singapore, said that "R&D (research and development) expenditures decelerated" in the global landscape in 2023, and "the number of scientific publications fell, and venture capital investments returned to pre-pandemic levels, including in Africa and Latin America."

He expressed concern over the continued "tighter financial conditions" and their adverse impact on "innovation investments in the near term."

In the foreword to the report, he wrote that there are "some rays of light," as "new innovation in Digital and Deep Science" continued to "power progress, with significant developments in areas like genome sequencing, computer power, and electric batteries."

According to Mr Tang, there is a continued trend of strong progress from emerging economies such as Indonesia, Mauritius, Saudi Arabia, Qatar, and Brazil in the GII.

A drop in innovation, which has a direct impact on patent filings, could lead to a drop in revenues for WIPO.

It is understandable that the global watchdog of intellectual property is concerned about the dip in innovation activity across countries.

In his remarks at a press conference on 26 September, Mr Tang said that on the positive side, one can see that perhaps there's a flight to quality, which "means that maybe companies are more focused on R&D and investors are more focused on enterprises that are able to produce something of value."

But on the downside, he said that the deceleration in innovation could be that it leads to an overall drop in investment in innovation.

Innovation needs investments, he stressed, adding that "it needs financing in order to be able to bring that idea to market."

According to Mr Tang, "what we're seeing in terms of some figures is that venture capital investments are down by 10% in terms of volume" while "in terms of the value, it's down by 40%."

Consequently, there is a considerable drop in R&D expenditure, he suggested.

Portraying a rather grim picture, the DG said that "the growth rates are at a decade low at 5%," adding that WIPO predictions indicate that the growth rate could further plummet to 3%.

On the positive side, he said that there is good technological progress in certain key areas, especially those connected to climate change.

He maintained that the green energy cost is declining, as battery prices are down 14%, solar down 4%, and wind down 3.5%.

On the pharmaceutical side, he said drug approvals have gone up close to 10%, which means that there are more drugs in the pipeline.

The "big picture", according to Mr Tang, is "uncertainty and some clouds, some storms, but bright spots ahead and hopefully, the drying up in the financing of innovation means more of a flight to quality rather than an overall drop."

Incidentally, the release of the WIPO report on 26 September coincided with the Financial Times reporting on the ongoing US federal investigation into Hone Capital, a Chinese venture capital fund based in Silicon Valley, a development that has highlighted the potential end of the road for Chinese venture capital funds operating in the US.

Questions

When asked by this writer at the WIPO press conference about WIPO's somewhat grim assessment of the state of play in innovation across countries, and the rather disturbing developments in the US where Chinese venture capital funds are being seemingly persecuted on alleged charges that they passed off trade secrets, Mr Tang said, "we aren't as dramatic as you in framing the world, and "no", we don't think it's a case where this is the end of innovation because of geopolitical tensions."

"But what we are seeing is more of the connection between macroeconomics, which is [that] interest rates have risen, the money supply has dried up, and what happens therefore is that there's less money being poured into research and development," he said.

The DG said: "I don't think it's anything connected to any particular companies or anyone ... We're looking at global trends at WIPO... We don't look at just one company or two companies. We're looking at the global flow of investment."

While he acknowledged that there are "some difficulties because of the drying up of money, my take on it, I'm a bit more optimistic compared to Sasha (the lead economist behind the report). Sasha is an economist, [and] economists by nature see a glass half [empty] and then they see it empty."

"I'm a lawyer," the DG asserted, arguing that "I see the glass as half full. Maybe that's just my temperament."

He continued: "I think some of this drying out of money supply could mean a flight to quality. And internally we have discussions to know whether that's a good or bad thing. I think a flight to quality is not necessarily a bad thing, which means that if in the past people were investing in everything that had [been] promised, now they are a little bit more careful at seeing whether that promise would really play out in the long run. So I don't see this as necessarily negative. And I think the larger trend that [we] must bear in mind is that more and more countries, as Sasha says, are putting effort into innovation, research, entrepreneurship."

To another question concerning the seemingly low per capita outlays for innovation in India, which is ranked as the best performer in Central and Southern Asia, the DG went on to praise India. "And I was in India last year, and I had the chance to see for myself."

He said, "I think that there's a lot of effort at the ground level, at the grassroots level in India, as well as at the policy level, right, to promote innovation and entrepreneurship."

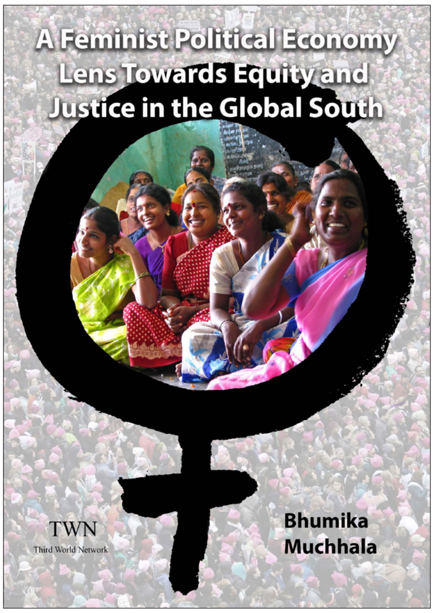
The DG cautioned against measuring innovation on the basis of per capita outlays, suggesting that "India is probably the most populous country in the world."

"So, when you take everything by per capita, right, India always seems to be in a tough spot," he added.

"I would say that, in fact, in terms of global patent filings, India has reached number six in the world," Mr Tang said. "And I think that's really quite an achievement, right, and these things take time." *(SUNS 10085)*

A Feminist Political Economy Lens Towards Equity and Justice in the Global South

By *Bhumika Muchhala*



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THE global political dynamics of financialisation, sovereign debt distress and fiscal austerity generate structural inequalities within and between nations. A feminist political economy lens centres the social provisioning approach, where economic activity encompasses unpaid and paid work, human well-being is the yardstick of economic success, and power inequities, agency and economic outcomes are shaped by gender and intersectional inequalities. Transforming macro-policy norms and frameworks towards gender and intersectional equity involves reorienting fiscal policy from expenditure reductions to sustained, long-term and gender-responsive investment in public sectors and services to support gender equality and protect women's economic and social rights.

In this insightful collection of papers and articles, scholar-activist Bhumika Muchhala examines how financial subordination generates conditions of gendered austerity through channels such as social reproduction and unpaid care work, reduced access to quality public services, and regressive taxation. This analysis involves a perceptual shift from viewing women as mere individuals to gender as a system that structures power relations within economy and society. Writing from a critical political economy and South-centric perspective, she also maps out possible pathways – ranging from fiscal policy reformulation and sovereign debt workouts to social dialogue and movement building – towards a decolonial transformation for gender and economic equity.

Available at: https://twn.my/title2/books/pdf/A Feminist Political Economy Lens Towards Equity and Justice in the Global South.pdf

EU stands firm over its unilateral deforestation measures

The European Union has announced that it will press ahead with its proposed regulation on "deforestation-free" products despite appeals made by several countries at the World Trade Organization to delay the implementation of this controversial regulation.

by D. Ravi Kanth

GENEVA: The European Union on 25 September seemingly turned down appeals from the World Trade Organization's Director-General as well as several countries, including the United States, to delay the implementation of its allegedly unilateral regulation on deforestation-free products, which is slated to come into effect on 30 December 2024, said people familiar with the development.

At a meeting of the WTO's Committee on Agriculture on 25 September, the EU appears to have rebuffed calls from the DG, Ms Ngozi Okonjo-Iweala, several industrialized countries such as the United States, Canada, Australia, and New Zealand, and some developing countries, including Indonesia and some from South America, to delay the implementation of the unilateral deforestation regulation.

In what appears to be a rather defiant intervention at the meeting, the EU said that it will press ahead with its proposed regulation on "deforestation-free" products to address deforestation and forest degradation, or breaches of local environmental and social laws.

The proposed products under its regulation include seven commodities – cattle, cocoa, coffee, oil palm, rubber, soya, and wood.

The EU's list also includes several derived products, such as meat products, chocolate, pulp, and paper.

Interestingly, if the DG, who is seeking a second term of office, is unable to stop the EU from implementing its unilateral deforestation and forest degradation strategy, then her alleged claims to solve crucial problems in agriculture and other areas during her second term may not be taken seriously, said a trade envoy, who asked not to be identified.

As previously reported in the SUNS, members raised several questions on the EU's proposed regulation.

Indonesia sought clarity on several aspects surrounding the EU's country benchmarking system.

An Indonesian official said that his country is an archipelago with more than 17,000 islands. "If each marking is based region-wise, when one region is mislabeled as high-risk, will other commodities in that region be considered high-risk? If it is commodity-based, will the label of a particular commodity in one region also apply to that particular commodity from other regions?"

The EU's allegedly "one-size-fits-all" approach could cause chaos in the supply chains and impose burdensome conditions on WTO members, said people familiar with the development.

The EU, however, declared that it would "get everything ready for a smooth implementation of the regulation."

The EU claimed that it would use scientific data for the classification of high-risk and low-risk countries.

Brussels maintained that the regulation is consistent with the WTO rules.

Even if the EU's regulation is challenged before the WTO's Dispute Settlement Body, there would not be any early resolution given the continued dysfunction of the Appellate Body, said a legal analyst who asked not to be quoted.

Several countries including the US, New Zealand, Canada, Australia, India, Indonesia, Paraguay, and Ecuador among others raised several questions, requesting the EU to provide more clarification on its deforestation and forest degradation strategy.

In document G/AG/W/249, the US, Canada, Australia, and New Zealand said that while they share "the EU's desire to address global deforestation, and to halt and reverse global forest loss," they are "deeply concerned about the significant impact that the implementation of this regulation will have on global trade, and the high compliance burden it places on countries and producers whose systems are not linked to deforestation."

The US, Canada, Australia, and New Zealand maintained that "it is our firm view that this is not the most trade facilitative approach to achieve the objective of protecting global forests."

India raised several questions, noting that "the EU deforestation regulation (EUDR) entails due diligence procedures including the certification for deforestation-free production of the covered commodities."

New Delhi asked whether the EU could "clarify if its regulation is intended to eventually replace the existing certification schemes in the export countries".

India also asked that "given the existing uncertainties regarding EUDR's implementation procedures, is the EU considering reassessing the measure or postponing its entry into force?"

Indonesia, Paraguay, and Ecuador also raised questions over the EU's measures.

Indonesia said it continues to have concerns "surrounding the European Union Deforestation-Free Regulation (EUDR), especially regarding the implementation of EUDR that will soon be mandatory."

Indonesia expressed sharp concern that the EU "has not provided enough information for the implementation of this policy, and thus leaving producing countries with very short [adaptation] and preparation period."

Earlier, the EU claimed that Brussels "will develop the country benchmarking system based on the availability of transparent data in the country."

Indonesia asked, "how will the EU resolve if there are discrepancies or lack of data availability among importers, manufacturers, and exporters around the sourcing of goods?"

Indonesia further asked, "to ensure compliance, what deforestation standards will be used?"

Indonesia, Paraguay, and Ecuador also highlighted the following:

1."Could the EU provide further information about the progress of the methodology developed by the Multi-

Stakeholder Deforestation Platform regarding the main criteria for assessment in country benchmarking?"

2. "How can the EU guarantee that the assessment regarding criteria such as information supplied by governments and third parties (NGOs, industry) is valid?"

3. "The regulation requires EU businesses placing wood, coffee, cocoa, palm oil, and several other commodities in the EU market to demonstrate that these goods aren't linked to deforestation. In practice, the burden of supplying data to show compliance will fall largely on suppliers, many from countries where small- and medium-sized firms predominate. Although we are currently in the process of registering certain aspects of our small producers related to the EUDR, we would like to proceed at a faster pace since time is short. As such, could the EU provide support and facilitate international cooperation through knowledge, resources, and technological solutions?"

4. "Has the EU prepared any solutions and assistance aimed at developing the capacities of our regional and local governments, which will be critical in assisting our small producers and exporters in meeting the required standards?" *(SUNS 10085)*

Is GC chair encouraging "impunity" on advancing DG selection process?

The chair of the World Trade Organization's General Council (GC) has claimed that his consultations over a proposed second-term for incumbent Director-General, Ms Ngozi Okonjo-Iweala, has so far shown "overwhelming support" to commence the appointment process as soon as possible.

by D. Ravi Kanth

GENEVA: The chair of the World Trade Organization's General Council (GC) on 23 September claimed that his consultations with members so far shows "overwhelming support to commence the appointment process" of the incumbent Director-General, Ms Ngozi Okonjo-Iweala.

However, some members seemingly remained sceptical, as advancing the DG selection process is allegedly inconsistent with the WTO rules, particularly with the guidelines laid out in the Procedures for the Appointment of Directors-General (WT/L/509), said people familiar with the development.

Advancing the DG selection process in alleged contravention of the WTO rules would be tantamount to encouraging "impunity" in the rules-based trading system, said a former GC chair, who asked not to be identified.

In a document (Job/GC/407) issued on 23 September, the GC chair, Ambassador Petter Olberg of Norway, said that he held "productive and fruitful consultations this week."

The chair noted that "Members welcomed the Director-General's letter declaring her availability for another term and the feedback received so far shows overwhelming support to commence the appointment process as soon as possible."

According to the chair, "the exchange with Members is not concluded."

"I have decided to provide more time for consultations," Ambassador Olberg said, hoping that "the consultations will continue in this cooperative spirit."

The GC chair appears to be putting up "a brave face" as some members want the rules to be respected in the selection process of the incumbent DG, which is stipulated to begin nine months before she completes her tenure on 31 August 2025, said people familiar with the development.

Earlier, a major industrialized country appears to have opposed a decision on advancing the DG selection process at the July GC meeting, said a person, who asked not to be quoted.

That country has not changed its position, the person said.

Even some major developing countries want the rules, as laid out in document WT/L/509, to be respected, particularly paragraph 7, which states that the "appointment process shall start nine months prior to the expiry of the term of an incumbent Director-General with a notification from the Chair to the General Council. The process shall conclude with a meeting of the General Council convened not later than three months prior to the expiry of an incumbent's term, at which a decision to appoint a new Director-General shall be taken."

The incumbent DG, Ms Okonjo-Iweala, a dual citizen of Nigeria and the United States, was put up as a candidate by Nigeria in 2020 after the former DG, Roberto Azevedo of Brazil, cut short his second term to join PepsiCo, Inc.

According to paragraph 8 of document WT/L/509, "Members shall have one month after the start of the appointment process to nominate candidates. Nominations shall be submitted by Members only, and in respect of their own nationals. The candidates nominated shall then have three months to make themselves known to Members and to engage in discussions on the pertinent issues facing the Organization. The remaining two months prior to the conclusion of this process shall be devoted to selecting and appointing one of the candidates."

As previously reported in the SUNS, several trade envoys said that the process is being advanced to thwart any possibility of former US President Donald Trump blocking her selection, if he is elected again in November.

The GC chair has seemingly shown his hand in favour of Ms Okonjo-Iweala's continuation for a second term before the US Presidential elections in November, said a person who asked not to be quoted. *(SUNS 10082)*

International IP system contributes to new inequalities

A report by the United Nations Committee for Development Policy has found that intellectual property protection often far exceeds what would be necessary to incentivize innovation, leading to high prices and an under-supply of public goods, contributing to new inequalities.

by Srinath Namboodiri

GENEVA: The report of the Committee for Development Policy (CDP) to the twenty-sixth session of the United Nations Economic and Social Council (ECOSOC), which was convened in March 2024, calls out on the current international intellectual property (IP) system for contributing to new inequalities.

The report's second chapter, "Innovation Ecosystems for Development, Structural Change and Equity" conveys the following four broad messages:

- The potential of technological innovation for development is under-utilized, which requires a reassessment of domestic and international policy frameworks;
- Intellectual property rights are one of the key policy levers in a functioning innovation ecosystem that can advance development, structural change and equity, and build resilience to crises;
- Developing countries can make more effective use of the existing policy space to pursue priorities for development, equity and productive capacity; and
- The global system to support innovation for development needs to be reassessed to be made fit-for-purpose to ensure innovation for global and regional public goods and for countries to address the challenges of the twenty-first century.

CDP's analysis addresses "the challenges and opportunities of innovation ecosystems for development, structural change and equity".

The mandate for the CDP came from the Political Declaration of the High Level Political Forum on Sustainable Development under the auspices of the UN General Assembly in 2023 whereby Member States committed to "bridging the science, technology and innovation divides and the responsible use of science, technology and innovation as drivers of sustainable development and to build the capacities necessary for sustainable transformations" and to "take action to enhance the ability to develop countries to benefit from science, technology, and innovation and address the major structural impediments to accessing new and emerging technologies".

The report recognizes the potential of technology in advancing sustainable development and the potential of technology to "increase productivity, advance inclusion, build resilience against crises" but notes the under-utilization of the technology.

According to the CDP: "Critical gaps include the under-supply of technologies for many development priorities; extreme concentration of global science, technology and innovation investments and capacity in a few countries; and weak science, technology and innovation capacity and knowledge assets in most developing countries, despite the emergence of China and other global South countries as poles of innovation".

The report further states: "There are severe inequities, including social and gender inequities, in both access to science, technology and innovation opportunities, such as education in science, technology, engineering and mathematics, and the outputs of science, technology and innovation systems".

The report states that the longstanding challenges of the developing countries became acute due to the knowledge economy driven by knowledge assets and dominated by IP monopolies.

Role of IP

The report reminds us that "Innovation is not an end in itself but serves multiple ends that extend beyond economic growth, including structural change, meeting social and environmental goals and building resilience against crises."

It terms IP as one of the public policy tools in the innovation ecosystem but that the current IP system is dysfunctional, especially in the context of equitable and sustainable development.

CDP reasons that the current IP system is biased towards the right holders over users, failing its social ends.

The CDP highlights that, "Intellectual property protection often far exceeds what would be necessary to incentivize innovation, leading to high prices and an undersupply of public goods and reducing the global dissemination of the benefits of innovation, which contributes to new inequalities".

CDP notes that developing countries are not in a position to use the flexibilities because they "... face obstacles in making use of flexibilities owing to gaps in information, trade sanctions and other forms of political pressure ..."

In this regard, the Committee states that the primary step to remedy the current dysfunctional intellectual property system would be to review its administrative (and political) and legal obstacles.

Policy space

The CDP while recognizing the role of IP in advancing development also recognizes the role of flexibilities in achieving development, equity and productive capacity, and calls for a review of the administrative and legal obstacles to the effective implementation of flexibilities in IP system.

The report states: "... flexibilities can be utilized more proactively for public priorities, for example, to reduce the cost of medicines as part of a pandemic response strategy. The first step would be to review the administrative and legal obstacles to the effective implementation of flexibilities."

The CDP also identifies the concentration of clean technology IP rights as a challenge to the energy transition in developing countries along with other challenges such as limited finance, the concentration of supply chains and unilateral environment-related trade measures.

The CDP points to how the present IP model, founded in the 1980s and 1990s, is not adequate to fulfil the critical needs of the 21st century such as planetary shocks like climate change and pandemics.

It calls for a collaborative research and development model such as the CGIAR partnership of 15 research centres (formerly the Consultative Group for International Agricultural Research) to address "climate change and to promote the expansion of research and development in developing countries".

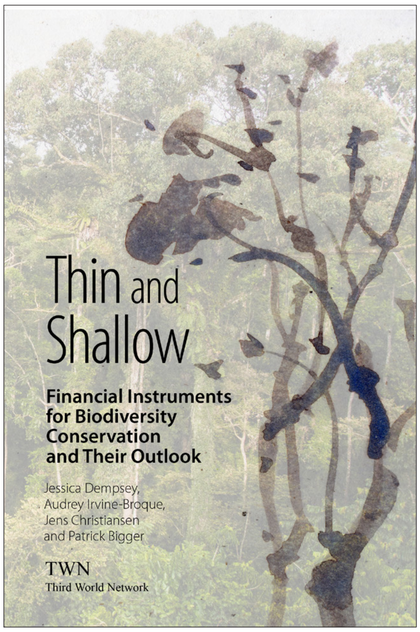
Noting that the implementation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), administered by the World Trade Organization Agreement, has not provided desired results on technology transfer and development outcomes, the CDP calls upon various international organizations with a mandate of development to provide support to developing countries for the deployment of IP as a development tool, including the use of flexibilities.

It states: "The challenges of science, technology and innovation and the role of intellectual property frameworks are a neglected issue in international organizations with a mandate for development. Such organizations should provide developing countries with proactive support at the country level for the development of intellectual property architecture and policy frameworks, for the deployment of intellectual property as a development policy tool, and for the implementation of TRIPS flexibilities and other measures to pursue public interest".

The CDP report calls for the reform of the global IP system to address inequity at a time when countries are engaged in negotiations on a pandemic agreement at the World Health Organization, and in the process of a review of the TRIPS Agreement. *(SUNS 10086)*

Thin and Shallow: Financial Instruments for Biodiversity Conservation and Their Outlook

Jessica Dempsey
Audrey Irvine-Broque
Jens Christiansen
Patrick Bigger



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This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard biodiversity and could even, in some cases, have adverse impacts. Further, despite decades of attempts to draw private capital to biodiversity protection, the quantum of finance remains limited, especially in the highly biodiverse countries of the Global South where it is most needed.

Written for a research project established by a group of central banks and financial supervisors, this paper cautions these authorities from deploying resources towards promoting such biodiversity-focused private financial instruments. Instead, the supervisory bodies are urged to step up policy coordination to address drivers of biodiversity loss in the financial system.

Available at: https://www.twn.my/title2/books/pdf/Thin%20and%20shallow.pdf

De-leveraging, hypersensitivity to macro news amplify volatility

While markets experienced sharp bouts of volatility during the period under review, the stresses proved to be short-lived and investors quickly reverted to the risk-on mode that had prevailed for several months, according to the Bank for International Settlements (BIS).

by Kanaga Raja

PENANG: De-risking began to stir financial markets over the period from 1 June to 6 September 2024, but the stresses proved to be short-lived, according to the Bank for International Settlements (BIS).

In its latest Quarterly Review, BIS said while markets experienced sharp bouts of volatility, investors quickly reverted to the risk-on mode that had prevailed for several months.

Financial conditions thus remained loose. Yet, the turbulence illustrates how markets have become vulnerable to swift mood shifts, especially related to current growth jitters, it added.

However, BIS said that credit markets were the least affected by the bouts of volatility and de-risking.

Corporate bond spreads did widen across advanced economies, but only marginally, and overall credit conditions remained benign by historical standards, said the Basel-based central bank for the world's central banks.

Similarly, it said that bank credit supply terms no longer tightened. Against this background, broad measures of financial conditions loosened.

BIS said towards the end of the review period, the risk-on mode was again in full swing but still vulnerable to sudden changes in mood.

Among the key takeaways from the report are that the unwinding of leveraged positions, including carry trades, amplified short-lived bouts of extreme equity market volatility and exchange rate movements in early August.

Furthermore, markets remained hypersensitive to macro news, especially news that lowered the odds of a soft landing. Bond yields declined on any signs of slowdown, particularly at the short end, it said.

Easier monetary policy

Global bond markets moved in tune with expectations of an easier policy stance. Inflation continued its course towards targets, while macroeconomic readings indicated that growth momentum might be faltering, said BIS.

Hence, fixed income markets started pricing in earlier and larger rate cuts in most advanced economies, causing a rather synchronised decline in short-term yields globally, it added.

"This macro backdrop also exerted downward pressure on long-term yields, albeit a more moderate one. As a result, the negative term spreads in advanced economies continued to narrow, even turning positive in some economies".

A major reassessment of policy expectations occurred in early August. Investors coalesced around somewhat negative labour market readings, interpreted as worrisome given the Federal Reserve's cautious approach to rate cuts, said BIS.

Fears that the odds of a sharp downturn were rising ignited the early August turbulence and led investors to price in a faster pace of rate cuts, it noted.

"A sharp decline in yields followed, including at the long end, possibly exacerbated by the unwinding of short positions and flight-to-safety flows."

The macroeconomic releases of the following days, however, painted a rosier picture and, together with central bank communication, they briefly nudged up policy rate expectations. That said, these expectations eventually settled at a lower level at the end of the review period, BIS pointed out.

Overall, yield movements were increasingly driven by market participants' greater focus on growth-related news.

"This reflected inflation being seemingly on track towards targets and more prominent negative surprises about activity. Policy expectations were shaped by the evolving odds of a full-fledged recession versus a soft landing."

BIS said expectations of a more synchronous policy cycle ahead also led to more correlated movements in short- and long-term yields across core bond markets, in marked contrast to the divergence that had characterised the previous months.

In turn, this likely contributed to halting the US dollar's appreciation trend, which had persisted since the initial policy rate lift-off in the United States, it suggested.

It noted that in Japan, policy expectations not only reflected the gradual tightening phase under way but also reacted to evolving central bank communication.

As the Bank of Japan embarked on a monetary tightening in the spring for the first time in almost two decades, investors started pricing in higher policy rates ahead.

BIS said tighter funding conditions in Japanese yen were one of the triggers of the early August turbulence. As a result, in its aftermath, the Bank of Japan adjusted its communication to telegraph a cautious approach to further rate hikes.

"This led to an immediate downward shift in anticipated policy rates, as investors adjusted their expectations."

European fixed income markets were less affected by a reassessment of the policy path but experienced jitters for different reasons, said the BIS report.

It added that the jitters came on the back of political developments and uncertainty related to elections in the United Kingdom, France and Germany.

Notably, French credit default swap (CDS) spreads widened following the first round of parliamentary elections in June, with the associated geopolitical uncertainty affecting other euro area countries more broadly.

BIS said Italian CDS spreads also widened, albeit less than the French ones, while the CDS on German bunds, typically viewed as a safe asset in the euro area, ticked up unusually not only following the French elections but also after the elections in Saxony and Thuringia in early September.

"This possibly reflects increasing challenges in the political sphere. CDS spreads eventually narrowed for Italian and German bonds but remained wider for French bonds," it added.

Bout of volatility

Risky assets, already vulnerable given seeping concerns about stretched valuations, were those most shaken in July and early August. Still, flare-ups of volatility subsided quickly each time, equity markets largely recovered the losses, and credit spreads recompressed, said BIS.

In the end, markets eventually reverted to the risk-on mode as investors became increasingly convinced of policy easing ahead.

"Throughout July, equities were highly responsive to any signs casting doubts on the sustainability of earnings, especially in segments that had previously seen a surge in valuations."

Indeed, BIS said these lofty valuations were the first to suffer in the light of indications of possibly fading growth momentum.

It noted that those of tech stocks, mostly those of the so-called "Magnificent 7" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), began to drop rapidly in July.

On the other hand, it said the "rest" of the S&P 500 index was left relatively unscathed, and small caps were even boosted by some investment rotation.

However, BIS said that a larger bout of volatility followed in the first days of August, with US equities resuming losses. Once again, the "Magnificent 7", but this time also the riskier small caps, saw the largest drops.

The trigger was investors' outsize reaction to a somewhat disappointing US labour market release on Friday, 2 August, it explained.

On the following Monday, the epicentre of the turbulence shifted to Japan, with the yen appreciating further and the TOPIX index posting double-digit losses.

The sell-off broadened, with the TOPIX banks index suffering the worst one-day loss in its 40-year history. The Nikkei implied volatility spiked to crises-like highs, said BIS.

The volatility spike appeared to spill over to the VIX (Chicago Board Options Exchange's Volatility Index), which briefly exceeded 60 in pre-market trading before closing under 40, still an elevated level.

The large equity market drops, the extreme volatility spike and the apparent international spillovers pointed to amplification factors, BIS said.

The US news by itself could not be taken as an unequivocal sign of a deteriorating outlook, let alone a looming global recession, and did not warrant such a market reaction, it added.

"Indeed, the jump in the VIX far exceeded what would have been expected based on the historical relationship with S&P 500 returns."

The spike in the VIX appears to have been amplified by purchases of equity index options by traders exposed to volatility, said BIS.

For example, it said various structured products, including those funded in yen, were reportedly being hedged using equity options.

"More broadly, the spike in volatility coincided with strong de-leveraging pressures and margin calls in a number of other asset classes, especially speculative ones such as crypto."

It said that the risk-off episode saw large international spillovers. In fact, Japanese financial indices had already begun turning south in early July, when the yen's appreciation trend had reversed amid rumours of Bank of Japan FX (foreign exchange) interventions.

This had altered the incentives for many leveraged speculators. Likewise, the equity market volatility spikes in late July and August went hand in hand with signs of an unwinding of currency carry trades. This is confirmed by data on speculative yen short positions in currency futures.

Various hedge fund strategies, which had become crowded and more exposed to carry trades for at least a year, faced pressures and contributed to cross-asset spillovers, said the report.

However, it said that all in all, the August turbulence proved short-lived. Possibly, less-constrained and cash-rich investors took advantage of the sell-off, while larger and more slow-moving positions funded in the yen, proxied with BIS statistics, may have been only partially shed.

"In less than a week, prices recovered lost ground and investors were once again eyeing a soft landing. And, despite the sizeable shock to leveraged currency positions, the impact on FX market volatility was not on par with any past episodes of market turmoil."

Yet another volatility flare-up, albeit on a much smaller scale, occurred at the beginning of September, BIS said, adding: "Again, the repricing was triggered by disappointing macro releases, painting a gloomier outlook for the US economy."

BIS said this underscores just how hypersensitive markets have become to growth-related news surprises and the associated revisions to expectations of the policy stance ahead.

In contrast to equity markets, it said that volatility in credit markets remained subdued and conditions generally benign.

Credit spreads on both investment grade and high-yield corporate bonds did widen somewhat in both the United States and Europe, but from quite compressed levels, and remained tight by historical standards, it added.

"At the same time, broad measures of financial conditions remained in easy territory in advanced economies."

Relatively benign borrowing conditions and tight credit spreads encouraged firms to tap primary bond markets.

Not least, issuance in the junk segment rose to pre-pandemic levels. In parallel, the tightening cycle of bank lending standards appeared to be nearing an end, said BIS.

Corporate default rates continued to decline, underpinning a broader easing of borrowing conditions. That said, in some segments of the US consumer credit market, such as credit cards and auto loans, delinquency rates rose further, raising questions about late cycle risks, it added.

EMEs face headwinds

Emerging market economy (EME) financial markets were also tested by the bouts of volatility and carry trade unwinding, said the report.

It said a number of higher-yielding EME currencies depreciated, especially in Latin America, and the contagion reverberated through Asian currency and equity markets. Overall, EME financial markets managed to withstand the turbulence.

It said at the same time, a weakening growth outlook and political uncertainty in some countries also gave rise to headwinds, prompting some central banks to ease their policy stance.

"This was also facilitated by an easier

policy stance expected in major advanced economies. Chinese financial markets remained depressed, continuing to reflect domestic macroeconomic and financial woes."

Investment currencies popular with carry traders, such as the Mexican peso and Brazilian real, underwent bouts of depreciation amid de-risking episodes in late July and early August. The peso also fell steeply in June amid political uncertainties, BIS noted.

"On a risk-adjusted basis, with a narrowing interest rate differential and a rise in volatility, Latin American currencies largely lost their appeal to currency speculators, as can be gleaned by falling carry-to-risk ratios."

In contrast with Latin American currencies, some emerging market Asian currencies appreciated noticeably during the August event, said BIS.

Most notably, the appreciation of the offshore yuan (CNH) was similar to that exhibited by the more traditional carry-trade funding currencies (e.g the yen and the Swiss franc).

For speculators, CNH had become a popular currency to short vis-a-vis higher-yielding regional currencies such as the Indonesia rupia and the New Taiwan dollar, BIS explained.

As many Asian EME currencies have limited convertibility and are traded using non-deliverable instruments, the associated speculative bets mainly involved instruments such as currency options: CNH options-trading volumes ballooned in the run-up to the carry unwind.

The BIS report said that EME equity markets were also tested by volatility spillovers originating from advanced economies. Asian markets were particularly exposed to the Japanese equities-led contagion on 5 August.

"Stock indices of tech-heavy Asian economies were most affected, with the Taiex of Chinese Taipei seeing the biggest drop in over 30 years and Korean Kospi experiencing the worst decline since the 2008 Great Financial Crisis."

On top of the spillovers of the early August turbulence, EME financial market developments reflected ongoing macroeconomic challenges, said BIS, adding that key sources of tensions were the mounting risks of a global slowdown.

Slowing domestic growth also weighed on financial markets in some economies, such as China and Mexico, and in some countries, macroeconomic challenges were compounded by domestic political woes.

For instance, the Mexican peso depreciated in June, following the surprisingly large victory margin of the ruling party, and further in August, with the scale of the announced potential constitutional and legal reforms. The Thai baht, in turn, dropped amid fiscal woes ignited by a change in government, BIS said.

An easier expected policy stance in major advanced economies facilitated a turn towards policy easing across EMEs, it added.

"Falling US government bond yields relative to local currency yields, as evidenced by the rise in five-year yield spreads, led to receding risks of depreciation and capital outflows."

In countries where disinflation had progressed, central banks had already entered an easing cycle or were eyeing it. As a notable exception, investors increasingly expected the Central Bank of Brazil to hike rates, amid robust output and a challenging "last mile" in the fight against inflation.

BIS said that investors were left with some overall question marks regarding the economic situation of China.

It added that mainland Chinese markets did not move in tune with other EMEs and continued to face domestic macroeconomic and financial challenges.

"Government bond yields in China reached record lows and remained under downward pressure due to a slowing economy, falling prices and the associated policy easing."

Furthermore, it said private savings had been increasingly channelled into Chinese government bonds, amid the shrinking set of attractive investment alternatives with faltering credit growth and a lacklustre stock market.

Against this backdrop, Chinese authorities reportedly intervened in the bond market to try to put a floor under falling yields, as the latter approached 2% in August, it added. *(SUNS 10084)*