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South faces widening SDG financing gap

Financing for development is tightening, with external flows to developing countries – about $1.5 trillion in 2024 – remaining too costly, volatile and insufficient against an annual financing gap estimated at around $4.3 trillion needed to achieve the Sustainable Development Goals (SDGs), underscoring how far present investment volumes are falling short of what is needed for sustainable development, according to UN Trade and Development.

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Developing countries face a widening financing gap, warns report

UN Trade and Development has warned that developing countries continue to struggle to mobilize affordable, stable and sufficient external financing, as successive global crises and longstanding structural inequities in the international financial system have left available capital both inadequate and excessively costly.

by Kanaga Raja

PENANG: The ability of developing countries to mobilize affordable financial flows in sufficient quantity to support their development goals remains a key problem at the heart of development finance, according to UN Trade and Development (UNCTAD).

In a new report, UNCTAD said that a series of global crises, coupled with existing structural weaknesses and inequities in the global financial architecture have meant that the scale of capital available to developing countries from external sources has been insufficient and that what has been accessed has often been too costly.

These conditions have also contributed to high levels of volatility in external financial flows and made it harder for countries to pursue sustainable development, it added.

Despite some easing in financial markets during 2025, borrowing conditions are still heavily affected by recent shocks, said UNCTAD.

Developing countries continue to pay a significant borrowing premium compared to developed countries, and short maturities, elevated coupon rates and debt contracted at higher rates will continue to strain public finances going forward, it cautioned.

Furthermore, it said that external financial flows remain too costly, too volatile and too limited to support the investment that developing countries need to achieve the Sustainable Development Goals (SDGs).

Developing countries received almost $1.5 trillion in new external financial inflows in 2024, with about half coming through equity-based investment flows and half through borrowing.

While domestic financing is larger, at around $11.9 trillion, external financing has an outsized influence on the terms and conditions of domestic finance, it said.

Together, financing still remains far below what is needed to achieve the SDGs, with an annual financing gap estimated at around $4.3 trillion.

Closing that gap would require both domestic and external financing to increase by about one-third from 2024 levels, requiring around $230 billion each of additional debt and equity financing each year, said UNCTAD.

Significantly, the report found that rising debt-servicing costs are putting increasing pressure on public finances.

It identified the inability to access affordable, long-term capital and a loss of fiscal space as key contributors to the failure of many developing countries to invest sufficiently in their sustainable development agendas.

It said that between 2018 and 2024, 99 developing countries – home to 5.5 billion people in 2024 – experienced a decrease in the share of government revenue available to spend on other things, including the SDGs, due to rising public sector interest costs.

"Against this backdrop, it is not surprising then that progress towards the SDGs remains too slow, with only 35 per cent of SDG targets on track or making moderate progress, 17 per cent stagnating and 18 per cent in reverse."

Financing gap

Assessing the scale and composition of external financial inflows to developing countries, the report said that in 2024, non-resident financial flows to developing countries totalled close to $1.5 trillion, which was split almost equally between equity and debt instruments.

It said $722 billion was in the form of equity instruments, $713 billion was debt-related flows and $50 billion comprised external transfer payments from other governments.

According to the World Bank data, gross capital formation by developing countries was around $13.4 trillion – suggesting new financing from domestic sources of around $11.9 trillion.

However, the report said that a significant and growing financing gap – estimated at around $4.3 trillion per year – exists between the domestic and external financing resources that developing countries can access, and what they need to finance the investments required to achieve their SDG targets.

The financing gap suggests that developing countries collectively need to be investing closer to $17.7 trillion annually (current annual spending of $13.4 trillion plus the $4.3 trillion gap) between now and 2030 if they wish to achieve their SDG targets, it stressed.

It said that if this gap is apportioned to external and domestic sources in proportion to the scale of their flows in 2024, it would require an increase in new external financial flows to developing countries of about $476 billion per year.

Within this total, around $230 billion would need to be additional equity flows, $230 billion additional debt flows, and $16 billion additional bilateral transfers.

It would also require the mobilization of additional domestic financial resources of around $3.8 trillion a year.

To close the financing gap, both external and domestic sources of finance will need to increase by close to a third on their respective 2024 levels, the report underlined.

Developed countries received the equivalent of 38 per cent of the financing required from non-resident external sources, while developing countries only received 11 per cent, it said.

"All developing country groupings received significantly less of their financing for gross capital formation from non-resident external sources in 2024 than they did in 2014, and while developed countries also experienced a reduction, it was less pronounced."

Although the reduced contribution of external finance could be perceived as a sign of greater self-reliance and enhanced resilience, the fact that it was accompanied by a decline in non-resident inflows and stalled progress in meeting most SDG targets highlights the negative impact of this trend on sustainable development, UNCTAD said.

While gross capital formation in developing countries increased by 45 per cent between 2014 and 2024, and domestic financing rose by 60 per cent, new external inflows from non-residents decreased by 18 per cent over the same period.

External non-resident flows are subject to significant volatility, due primarily to the swings in portfolio and other investment flows, with debt being the dominant instrument in these two functional categories.

The report said this volatility in external flows is highly synchronized with the global economic cycle and creates specific challenges for developing countries that exacerbate exchange rate volatility, amplify the countercyclical nature of debt servicing costs and necessitate domestic monetary and fiscal policy responses that tend to limit economic growth.

Looking at the scale of average annual financial inflows into different developing country groups between 2014 and 2024, the report said regionally, while Africa accounts for 38 per cent of the number of developing countries and 22 per cent of the developing world's population, it only received one-tenth of the total flows to developing countries.

By contrast, Asia and the Pacific – accounting for a similar share of countries and two-thirds of the population – attracted more than 70 per cent of inflows.

Latin America and the Caribbean, with 24 per cent of developing countries and 10 per cent of the developing world's population, received less than a fifth of inflows.

The report said developed countries received a significantly higher share of their inflows as portfolio investment than developing countries, but this picture was reversed in relation to direct investment.

"The aggregation of annual inflows of investments, plus any valuation adjustments, less any withdrawals or disinvestments, gives rise to a stock of external liabilities, which can be expressed in terms of their functional categories, or their associated type of financial instrument," the report explained.

For developing countries, this stock was valued at $30.7 trillion in 2024, with 52 per cent comprised of direct investment, 21 per cent of portfolio investment and the remaining 27 per cent of other investment.

In instrument terms, 56 per cent was in the form of equity and 44 per cent was debt. The servicing of these stocks through the payment of profits, royalties and interest gives rise to outflows or debits in the primary income account.

The report said in 2024, the total investment returns received by non-residents on their investments in developing countries amounted to $1,070 billion, of which 64 per cent consisted of profit and royalty returns on equity and the remaining 36 per cent was interest on debt instruments.

The report said that the costs of servicing the different functional categories of foreign liabilities (the primary income outflows or debits) relative to their corresponding stock values reflect both the average costs paid by the recipient countries on their external liabilities and the average returns earned by non-resident investors on their investments in developing countries.

With regards to direct investment, the median costs of developed and developing countries converged in the post-COVID-19 period but were still – on average – 1.5 percentage points higher in developing countries between 2014 and 2024, it noted.

In 2024, 24 developing countries were paying average returns of more than 10 per cent, 10 countries were paying more than 20 per cent and 4 countries were paying more than 33 per cent, suggesting high degrees of perceived risk, the report pointed out.

Between 2014 and 2024, the median costs of servicing non-resident portfolio investment in developing countries were more than double those of developed countries – averaging 5.2 per cent a year, compared with 2.5 per cent a year in developed countries.

The report said the median cost of servicing other investment – which is comprised largely of loan instruments and trade credits – converged in 2023 but began to diverge again in 2024 as interest costs rose more sharply in developing countries.

However, despite the concessional nature of much bilateral and multilateral lending to developing countries, these costs were – on average – still

0.6 percentage points higher than in developed countries between 2014 and 2024 and were also significantly more dispersed around the median.

The report said this dispersion reflects the fact that most ODEs have relatively greater access to concessional loans from bilateral and multilateral creditors, while FMEs and EMEs are largely forced to borrow at market rates.

[According to UNCTAD, frontier market economies (FMEs) are mainly low- or lower-middle income developing countries that integrated into the global capital market after the Global Financial Crisis of 2008, and emerging market economies (EMEs) are mostly upper-middle income developing countries that integrated into the international capital market in the 1990s and early 2000s. Other developing economies (ODEs) are developing countries that are neither EMEs nor FMEs and tend to have low degrees of integration into international capital markets and rely mainly on external public financing from official sources.]

High interest costs

The report also said interest costs have been growing much faster than repayment capacity in developing countries, signalling a deterioration in their public sector debt sustainability and putting a squeeze on the financial resources available to pursue development agendas.

Between 2014 and 2024, interest payments on public debt in developing countries increased 2.6 times faster than government revenues, indicating a deterioration in public sector debt sustainability.

The need to devote an increasing share of government revenues to interest payments reduces fiscal space and crowds out other public spending, including that required to achieve the SDG targets, it added.

Seventy-three per cent of developing countries experienced a decline in fiscal space between 2018 and 2024, meaning they could allocate less finances than before to their developmental priorities.

A counter-factual experiment reveals that if 94 developing countries could borrow at the same rates as developed countries, they would collectively save around $500 billion per year in interest payments.

Each year, these savings could finance the construction of around 375,000 schools, or 1.3 million primary health clinics, or over 65,000 kilometres of dual carriage highways in rural areas.

They could also cover the costs of feeding around 1.6 billion children a minimum dietary diversity diet, or fund over 920 gigawatts of installed solar capacity in these countries.

Debt financing

External debt financing takes place through both debt securities and loans. While international bond markets have become increasingly important for EMEs, loans from multilateral and bilateral lenders remain the primary source for many FMEs and ODEs, the report observed.

Overall, loans remain the most important source of external debt financing for developing countries, particularly those provided by multilateral lenders.

In 2024, 57 per cent of outstanding public and publicly guaranteed (PPG) debt was in the form of loans, while the remaining 43 per cent was owed to international bondholders, it said.

“Debt securities have become an increasingly important source of external financing for developing countries, with their share of external PPG debt almost doubling since 2000.”

Although non-resident creditors have expanded their holdings of local-currency bonds, external bond financing in many developing countries remains largely foreign-currency denominated, the report noted.

It said following the Global Financial Crisis of 2008, many developing countries expanded their participation in international markets, taking advantage of a low global interest rate environment and strong investor appetite for higher-yielding assets.

During this period, the share of bonds in external debt financing rose by nearly half, accounting for almost 50 per cent of external PPG debt in 2021.

Foreign currency issuance – denominated in US dollars, euros and Japanese yen – reached its temporary peak in 2020, when developing countries issued fixed coupon sovereign bonds worth $160 billion.

However, the report said after a series of successive shocks, including the COVID-19 pandemic and a global monetary tightening, capital inflows fell and financing conditions deteriorated, leading to a sharp decline in bond issuance.

In 2024, external issuance started to regain momentum and in 2025, developing countries issued a record amount of fixed coupon bonds worth $164 billion.

Although financial integration has been progressing in recent decades, not all developing countries enjoy equal access to international financial markets, UNCTAD noted.

Since 1990, around half of the developing countries analysed issued at least one fixed coupon bond denominated in dollars, euros, or yen.

Out of these, the bulk of issuance was in EMEs, that have been integrated into international financial markets for longer and more extensively. Since 1990, EMEs have accounted for 87 per cent of sovereign bond issuances by value.

By contrast, FMEs largely entered capital markets following the Global Financial Crisis and accounted for only around 12 per cent of issuance volume.

It said ODEs, on the other hand, are countries with extremely limited, or no access to international bond markets, relying mostly on loans for external financing.

As a result, ODEs accounted for less than 1 per cent of the total issuance volumes of developing countries since 1990.

Issuance is also highly unequal across regions, with most developing countries’ foreign currency bonds having been issued in Asia and the Pacific and in Latin America and the Caribbean.

Only 14 per cent of issuances originated in Africa since 1990, accounting for just 11 per cent of total issuance value. Out of 54 African countries, only 17 tapped into international bond markets over the past decade.

Furthermore, the report said the prices at which developing countries can borrow – as indicated by secondary market yields – reflect the evolving cost of debt in international bond markets.

Starting in 2010, increasing investor risk appetite and low global interest rates generated large-scale portfolio inflows into developing countries, lowering average yields, and dampening market volatility.

Between 2015 and 2020, average

yields in developing countries stood at around 5 per cent.

These conditions enabled many developing countries to issue foreign currency bonds at relatively favourable rates, albeit still higher than in developed markets, it noted.

It said that following the COVID-19 pandemic shock and the subsequent global monetary tightening, yields in developing countries surged to an average of 6.8 per cent between 2022 and 2024, as capital flows receded and global investors' risk appetite waned.

The increase in borrowing costs was especially dramatic for FMEs and African countries, where average yields nearly doubled to 12 per cent and 11 per cent, respectively.

Following this deterioration of market conditions, new bond issuance reached a five-year low, falling by nearly 75 per cent in Africa and in FMEs.

Borrowing conditions improved in 2024 and 2025, with average yields in developing countries declining from their peak of 7.3 per cent in 2023 to 5.7 per cent in 2025.

Fuelled by a loosening of monetary policy stances from the Federal Reserve and the European Central Bank as well as concerns over fiscal sustainability and heightened policy uncertainty in developed economies, investors started returning to developing country assets.

Despite this, however, average yields remain elevated and above their pre-2020 levels. This creates challenges for refinancing, as many bonds issued before the pandemic – when global interest rates were exceptionally low – begin to approach maturity and need to be rolled over, said the report.

"Although borrowing conditions improved, coupon rates on new bond issues remained high in 2025. Coupon rates, the contractual interest rates set at issuance, do not adjust after issuance and therefore lock countries into long-term financing costs determined at a specific moment in time."

Between 2015 and 2025, foreign currency fixed coupon bonds issued by developing countries carried an average rate of 5.2 per cent, almost double compared to the average coupon rate on long-term United States Treasuries of 2.9 per cent.

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ODA set to further fall, hitting lowest level since 2014, says OECD

Net official development assistance (ODA) is set to fall for a third straight time in 2026, pushing global aid to its lowest level since 2014, with the Organization for Economic Cooperation and Development (OECD) warning that the poorest countries are expected to bear the brunt.

by Kanaga Raja

PENANG: Net official development assistance (ODA) is projected to fall again by 6.9% in 2026, marking a third consecutive year of decline and bringing ODA to its lowest level since 2014, according to the Organization for Economic Cooperation and Development (OECD).

In a Policy Brief updating its ODA projections for 2026 and the near-term, the Paris-based OECD said that the poorest countries are hit hardest.

Bilateral ODA to sub-Saharan Africa and the least developed countries is projected to fall again in 2026, by 11.6% and 10.9% respectively, marking a third straight year of decline that leaves both at their lowest levels since the early 2000s, it added.

It said that the need for ODA is growing, sharpening the trade-offs providers face.

The crisis in the Middle East is disrupting energy markets, global value chains, and growth in developing countries, while the Ebola outbreaks in the Democratic Republic of the Congo (DRC) and Uganda in recent weeks are straining already-fragile health systems.

The OECD said the result is a landscape in which a smaller volume of ODA must stretch to meet rising needs from more frequent, overlapping crises.

ODA falls again

According to the report, OECD Development Assistance Committee (DAC) countries' net ODA is projected to fall by 6.9% in 2026, amounting to USD152 billion – its lowest level since 2014 and, after the 23.3% drop in 2025 and 8.5% drop in 2024, a third consecutive annual decline.

The projected amount in 2026 is equivalent to 0.23% of projected gross national income (GNI) in net terms, down from 0.25% in 2025, it said.

The cut in 2026 is broad-based: sixteen DAC members are projected to cut their ODA by a combined USD12 billion, against USD0.7 billion of increases projected by seventeen others, fourteen of which are EU members, while the G7 accounts for USD9.3 billion of the reduction.

The fall is expected to continue beyond 2026: by 2028, net ODA is projected to be 9.9% lower than it was in 2025, with the ratio slipping further to 0.21% of GNI, said the report.

These cuts reflect policy choices: if DAC members were to hold their 2025 ODA/GNI ratios, total ODA would rise by 1.4% in 2026 rather than falling and would have stood 4.4% above its 2025 level by 2028 – instead of a projected 9.9% below, it suggested.

These projections reflect current inflation forecasts that could worsen in the case of a prolonged crisis in the Middle East, resulting in an upward revision to inflation that would further erode the real value of fixed aid budgets, said the OECD.

SSA & LDCs

The report said sub-Saharan Africa (SSA) and the least developed countries (LDCs) face the steepest cuts. DAC countries' bilateral net ODA to sub-Saharan Africa is projected to fall by 11.6% in 2026, after a 26.3% decline in 2025; bilateral net ODA to LDCs, down by 25.8% in 2025, is projected to fall a further 10.9%.

"For both groups, this would be a third straight year of decline, leaving ODA at its lowest level since the early 2000s, at the start of the Millennium Development Goal era."

It also said multilateral channels are not filling the gap. Imputed multilateral aid to these groups is projected to fall by 6.6% each in 2026.

Counting bilateral and multilateral aid together, total support to sub-Saharan Africa and LDCs would drop by 9.8% and 9.4%, respectively.

The report said that some providers have framed lower bilateral aid to these regions as a shift toward multilateral channels of delivery: in 2021-24, bilateral ODA to sub-Saharan Africa and the LDCs declined by 7.2% and 12% respectively, while concessional outflows from multilateral organisations to these groups increased by 23.4% and 11.3% in the same period.

However, it said data on projections suggest that absent a re-allocation toward multilateral organisations serving the poorest countries, multilateral ODA is not likely to offset the bilateral decline - especially as DAC members' multilateral ODA is projected to decline for the third straight year.

Region-wise, the report said from 2024 to 2026, Europe shows the largest two-year projected decline (40.3%), of which 88.7% reflects lower aid to Ukraine, extending a fall from the 2022 peak.

Excluding Ukraine, ODA to the rest of Europe is projected to fall by 29.1%, less than every region except South and Central Asia (-27.6%), it added.

It said sub-Saharan Africa and Latin America and the Caribbean (LAC) show similar percentage cuts (37.2% and 35.0%, respectively), but the volumes diverge sharply: USD11.8 billion is projected to leave sub-Saharan Africa by 2026, against USD3.0 billion for LAC.

The OECD pointed out that the difference in volume matters because 32 of 49 (65%) of sub-Saharan African countries are also LDCs, against just 1 of 27 in LAC.

"Cuts within sub-Saharan Africa are projected to be widespread, particularly to countries experiencing fragility. Aid to contexts in high or extreme fragility in the sub-continent is projected to fall by 37.9% from 2024 to 2026, and aid to the Sahel by 35.6%."

The report further said that every income group is affected by the cuts, particularly the lower-income countries.

For instance, it said that the largest two-year decline is projected for lower-middle-income countries (-35.1%), driven by the fall in aid to Ukraine, followed by LDCs (-34.5%); aid to upper-middle-income countries (UMICs) is projected to fall by 31.0%.

The decline in volume amounts to USD10.5 billion in LDCs and USD4.8 billion in UMICs, it added.

Significantly, Small Island Developing States (SIDS) are among the hardest hit individually: five of the fifteen recipient countries with the largest cuts are SIDS, with declines between 2024 and 2026 reaching up to 60%.

As a group, ODA to SIDS is projected to fall 33.3% from 2024 to 2026 – more steeply for Caribbean SIDS (-36.6%) and those in Asia and Oceania (-33.4%), while African small island states are less affected (-8.9%).

Aid to landlocked developing countries and aid to fragile states are each projected to decline by 34% over this period, said the OECD.

Health sector

The report said that health faces the steepest cuts of all sectors. Net ODA for health and population services is projected to be up to one-third lower in 2026 than in 2019 and 63% below the 2022 peak, representing a decline of 29-46% from 2024 to 2026, or USD5-8 billion.

This would pull health ODA well below pre-pandemic levels, back toward where it stood in 2008, it added.

Moreover, the OECD said the cuts will fall unevenly, concentrated where external financing for health matters most.

For example, Malawi and South Sudan each fund about 60% of current health expenditure from external sources; their bilateral health ODA is projected to fall by 50.8% and 42.4% from 2024 to 2026.

Mozambique, Lesotho, and Uganda are similarly exposed, combining heavy reliance on external health finance – with particular dependence on G7 providers, the group responsible for the largest cuts – in countries with little space to raise domestic revenue, the report stressed.

It said within the health sector, population and reproductive health - including HIV/AIDS and other sexually transmitted disease (STD) control – faces the largest cut, with ODA projected to fall by up to 54.1% in 2026 against 2024, while funding for the control of communicable diseases is also under acute pressure.

Elaborating further, the report said from 2024 to 2026: ODA for malaria control is projected to fall by up to 59.6%; ODA for tuberculosis control is projected to fall by up to 57.2%; and ODA for other infectious-disease control is projected to fall by up to 40.4%.

The cuts reach beyond response to preparedness. Funding for pandemic preparedness, prevention, and response (PPR) is essential not only for responding to disease outbreaks but also minimising disruptions to essential health services during outbreaks, it pointed out.

However, such funding is affected across sectors. For example, ODA for water supply and sanitation, which supports PPR, is projected to fall by 22.3% from 2024 to 2026.

The OECD said that the risk is most acute where outbreaks occur. In the Democratic Republic of the Congo and Uganda, which are facing an active Ebola outbreak at the time of writing, health aid is projected to fall by 46.6% (to USD208.9 million) and 53.5% (to USD234.8 million) respectively.

Ranked by the rate of decline, health leads (29-46% decline from 2024), followed by general budget support (43.0% decline, though this is volatile and driven by Ukraine) and humanitarian assistance (40.3%, a USD9.3 billion fall). Preliminary 2025 data already show humanitarian ODA down 35.8% in 2025, it added.

ODA for government and civil society is projected to fall by 39.8% (USD8.9 billion), largely because Ukraine, which received 37.8% of this sector's ODA in 2024, is projected to see sharp reductions.

The report said other sectors impacted by ODA cuts from 2024 to 2026 include: ODA for education, projected to fall by 22.2%; food aid, projected to fall by 44.5% (USD2.6 billion), with the United States – accounting for two-thirds of DAC food aid in 2024 – being the dominant provider; ODA for energy, projected to fall by 22.6%.

According to the report, multilateral ODA has broken from a long-standing trend of steady growth. Preliminary data show a 12.7% decline in net multilateral ODA from 2024 to 2025, leaving levels 28.4% below the 2023 peak.

It said volumes are projected to fall again by 3.4% in 2026, marking three years of consecutive decline, making this the second-longest downward streak in the history of multilateral ODA, after a decline of 20% from 1992 to 1997.

Notably, it said the contraction in 2025 was uneven across institutions. Core funding to UN entities fell by 27%, the largest annual drop on record, while core support to the World Bank rose by 6.4% and to regional banks by 11.9%, reflecting disbursements from previous multi-year replenishment cycles.

All institutions are projected to see cuts in 2026: the UN by a further 4.8%, the World Bank by 6.3%, and other regional development banks by 5%, the report suggested.

Compared to 2016, the year after the 2030 Agenda for Sustainable Development was adopted, UN funding is projected to be around 18% lower by 2028, it concluded. *(SUNS #10470)*

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WTO edges toward "a la carte" system as plurilateralism gains ground

Major industrialized nations and several developing countries on 23 June refused to engage in reviving the World Trade Organization's paralyzed dispute settlement system, even as they push aggressively for a WTO reform agenda that promotes shifts in decision-making power and elevates plurilateral negotiations as the central tool of the trading system.

by D. Ravi Kanth

GENEVA: Major industrialized nations and certain developing countries on 23 June seemingly refused to engage in reforming the World Trade Organization's dispute settlement system, signaling a willingness to allow the status-quo to continue, with a paralyzed enforcement mechanism, according to people familiar with the development.

In a separate development, following the informal Heads of Delegation meeting on 26 June, the WTO's General Council (GC) issued a detailed "Indicative and Evolving Calendar for the Rest of 2026 and Indicative Checkpoints" aimed at accelerating the WTO reform discussions in the next six months.

To recall, the GC chair, Ambassador Clare Kelly of New Zealand, has nominated five facilitators to facilitate work on WTO reform.

They include: Ambassador Ms. Sumathi Balakrishnan of Malaysia, to oversee work on "Foundational Issues"; Ambassador Mr. Katsuro Nagai of Japan on "Decision-Making"; Ambassador Ms. Nthisana Motsete-Phillips of Botswana on issues concerning "Development"; Ambassador Mr Elmer Jose German Gonzalo of Peru on "Level Playing Field Issues"; and Ambassador Mr. Kairat Torebayev of Kazakhstan on "Any new issues arising" from proposals submitted by members.

DSS reform

Paradoxically, these same nations are apparently aggressively championing negotiations on controversial WTO reform designed to radically alter the organization's architecture, said people familiar with the development.

By shifting decision-making power and elevating plurilateral negotiations as the primary instrument within the multilateral trading system, they appear to be actively working to the distinct disadvantage of developing and least-developed countries, said people familiar with the development.

These contradictory developments appear to suggest that major industrialized countries are entirely prepared to bypass the dispute settlement system – the very cornerstone of the WTO's binding, rules-based, member-driven framework, said people familiar with the development.

During the first informal "in-person" meeting held on 23 June, the chair of the WTO's Dispute Settlement Body (DSB), Ambassador Guilherme de Aguiar Patriota of Brazil, attempted to resuscitate the stalled two-year negotiations on reform of the dispute settlement system (DSS) by strategically targeting members with a set of questions designed to generate immediate traction.

The underlying rationale of the 23 June meeting, the chair explained, is to "invite Members to share their current views on the technical work done so far and what basis further technical work could proceed."

He cited the lingering lack of consensus surrounding the progress report (JOB/GC/DSR/5) issued in December 2024 by the former GC chair, Ambassador Petter Olberg of Norway, said people familiar with the development.

However, major industrialized countries – apparently including the United States – made it clear that they have no inclination to engage on DSS reform, even as its enforcement function remains entirely dysfunctional, said people familiar with the development.

Following the US blocking of Appellate Body appointments at the WTO in December 2019, a number of countries – particularly the US – have consistently voided dispute panel decisions by appealing them to a non-functioning Appellate Body, said people familiar with the development.

In the absence of a binding dispute settlement system, the US appears to be freely pursuing allegedly unilateral, and WTO-illegal measures, such as imposing Section 301 tariffs, with the full knowledge that these actions can scarcely be resolved because of a dysfunctional Appellate Body, said people familiar with the development.

This stark non-engagement in the DSS reform negotiations stands in sharp contrast to how aggressively this same bloc of countries is pushing plurilateral initiatives. They are advancing these initiatives despite a complete lack of consensus under the rules set out in the Marrakesh Agreement, said people familiar with the development.

More disturbingly, sovereign nations are finding themselves unable to pursue independent domestic tax policies under the dire threat of facing tariffs on their goods and services, said people familiar with the development.

Although a vast majority of members have called for restoring the two-tier DSS – with the Appellate Body serving as the final arbiter issuing binding rulings – there is now a sharp pushback against any reform of the DSS at this juncture, said people familiar with the development.

This coordinated opposition appears to be a deliberate tactic by the major countries who are simultaneously upping the ante on broader, controversial WTO reform, said people familiar with the development.

To jumpstart discussions on DSS reform, the DSB chair posed the following questions:

1. "To what extent do Members consider that recent technical discussions have identified avenues for convergence in specific DS reform areas? How do Members view the role of existing draft texts and technical outputs in relation to further work?

2. What are Members' views on the overall direction of DS reform in the area

of appeal/review?

3. How do Members assess the usefulness and desirability of introducing 'material impact on implementation' (MII)? How do Members support giving panels greater opportunity at the interim stage to address factual or legal issues before the final reports are circulated?

4. How do Members assess current challenges faced by developing and least-developed country Members in participating effectively in dispute settlement? What are Members' views on strengthening capacity-building and technical assistance initiatives in the context of dispute settlement?

5. What are the main issues that were not sufficiently discussed in previous DS reform processes that will require further work?"

Despite these formidable roadblocks to productive discussion, the DSB chair remains determined to press ahead with another meeting to explore available options, said a person, who asked not to be quoted.

Plurilateral push

Meanwhile, several major industrialized countries, alongside certain developing nations, are not only refusing to engage in discussions on dispute settlement reform but are also actively throwing their weight behind transforming the global trade body into an "a la carte" plurilateral establishment, said trade envoys familiar with the development.

Australia is now leading the charge for new rules to promote plurilateral negotiations, arguing that multilateral trade negotiations are simply too difficult to "conclude".

The Australian proposal aims to fundamentally change the WTO from a consensus-based, multilateral rule-making organization into an "a la carte" plurilateral body, said a trade envoy who asked not to be quoted.

Amid these attempts to undermine the WTO's dispute settlement system, Australia has escalated its efforts to fundamentally alter the foundational principles of the Marrakesh Agreement that established the WTO in 1995.

Jumping on the "plurilateral bandwagon" following Argentina's recent proposal to create a "procedural mechanism for the incorporation of plurilateral agreements into Annex 4 of the Marrakesh Agreement," Australia has thrust the issue of plurilateral rule-making to the center stage.

Its justification relies on the premise that multilateral rule-making has become unworkable at the WTO, according to its proposal.

This mirrors the stance taken by the US at the recently failed WTO's 14th ministerial conference (MC14) in Yaounde, Cameroon, where the US insisted on converting the WTO into a plurilateral negotiating vehicle, allowing countries to pursue their core issues without the need for multilateral approval.

At MC14, the US Trade Representative (USTR), Ambassador Jamieson Greer, explicitly called on members to explore incorporating plurilateral agreements into the WTO's architecture, warning that "if the pathway is blocked, countries will negotiate elsewhere."

According to a trade envoy who asked not to be quoted, Australia's latest proposal, set out in document WT/GC/Reform/W/2, is a direct continuation of the US and Argentina proposals.

Ultimately, these plurilateral outcomes – dominated by the interests and demands of powerful players – could exclude the vast majority of developing and least-developed countries, reducing them to mere "passive takers" of the resulting rules, said trade envoys who asked not to be quoted.

Titled "Improving WTO rulemaking", the Australian proposal acknowledges that while rulemaking is a core WTO function, it is failing to be delivered due to the "multilateral rulemaking gridlock".

The proposal points out that "hundreds of trade agreements have been secured outside of the WTO", arguing that "some Members have used free trade agreements to progressively set global standards on issues not covered by the WTO".

According to Australia, "if Members cannot develop rules on important issues of global commerce, then all Members stand to miss out on the certainty, predictability and lower costs that shared global rules can provide".

Furthermore, it said that "if WTO rules cannot be kept up to date, they may become less applicable to emerging trading practices".

Australia concedes that "multilateral rules are the gold standard, but their application to all Members also makes them very difficult to conclude or amend".

Consequently, the "multilateral WTO rulebook has been amended only three times since the WTO's creation".

According to Australia, multilateral rulemaking negotiations are increasingly difficult due to: shifting national priorities over decades and the compounding effect of multiple unfinished or inactive negotiations; cross-linkage of interests across unrelated issues; proposals to expand exceptions to existing rules; and the difficulties posed in reaching consensus-based decisions.

It is deeply ironic that, having secured major benefits from the multilateral trading system, Australia now argues that "it is not realistic to rely on an exclusively multilateral approach – plurilateral initiatives represent an inclusive, complementary approach".

Seeking to legitimize this shift, Australia notes that plurilateral initiatives have historically been part of the GATT and WTO frameworks.

It acknowledges that "while never intended as a perfect replacement for multilateral rules, plurilateral rules allow the WTO rulebook to reflect the diversity of Members and their priorities".

The proposal argues, "today, other international organizations successfully make use of plurilateral instruments to achieve outcomes in addition to a set of core treaties, such as the World Intellectual Property Organization and the International Labour Organization".

However, history tells a different story. During the Uruguay Round negotiations, the TRIPS agreement was initially slated to fall under the purview of WIPO.

However, major industrialized countries insisted that it be integrated into the WTO, specifically to make it binding on all members to implement its provisions, said people familiar with the development.

In its proposal, Australia laments that "despite multiple attempts, no proposal for a new standalone Plurilateral Trade Agreement has cleared the consensus requirement for incorporation into the WTO Agreement's Annex 4", a clear reference to the failure to incorporate the Investment Facilitation for Development Agreement (IFDA) and the Joint Statement Initiative's

E-Commerce Agreement (ECA) into Annex 4 of the WTO Agreement, said people familiar with the development.

Recently, in what trade envoys described as apparent coordination with the coordinators of the JSI group on digital trade (Australia, Japan, and Singapore), WTO Director-General Ms Ngozi Okonjo-Iweala facilitated the "transmission of a certified true copy" of the E-Commerce Agreement (ECA) to members of the group.

In its proposal, Australia claims that "more plurilateral rulemaking could bring valuable benefits to the WTO, including:

- more proposals could proceed further on their own merits, less susceptible to cross-linkage with unrelated issues;
- rules could avoid a 'lowest-common-denominator' outcome by involving only Members interested in participating;
- by implementing new rules, participating Members may provide positive spillovers that benefit all Members in practice; and
- Members not interested in participating in a plurilateral initiative would not need to invest their time and effort on that initiative."

However, the proposal only briefly acknowledges in passing that "increased plurilateral rulemaking at the WTO may involve certain risks that would need to be managed."

The risks include:

- plurilateral negotiations may be seen to draw efforts away from resolving important multilateral disagreements; and
- plurilateral negotiations may be seen to disadvantage smaller economies that must become "rule takers" or miss out on new agreements.

To advance this agenda, Australia has proposed some WTO reform pathways. They include:

- reform decision-making processes and practices to make it easier to initiate and adopt new rules (multilateral or plurilateral);

(continued on page 21)

GC chair appoints facilitators to steer reform talks post-MC14

Aimed at structuring the next phase of work, the World Trade Organization's General Council (GC) chair on 22 June named five facilitators to guide and coordinate the discussions on WTO reform.

by D. Ravi Kanth

GENEVA: The chair of the World Trade Organization's General Council (GC) on 22 June announced the nomination of five facilitators to oversee the discussions on WTO reform, who will report to the GC chair – a development that has come about almost three months after the failed WTO's 14th ministerial conference (MC14) in Yaounde, Cameroon, said people familiar with the development.

In an email sent to heads of delegations, the GC chair, Ambassador Clare Kelly of New Zealand, indicated that following her consultations "with Members over the past weeks, given the scale of work ahead, as General Council Chairperson I would need to rely on the assistance of facilitators as we transition to the next substantive phase of our work on WTO reform".

"For this purpose," she said, "earlier this month, I made a call to Members to nominate candidates, and I received several nominations from across the membership."

She thanked all Members that responded to her call and participated in the consultations.

"Based on these nominations, and guided by Members' views about the importance of ensuring an appropriate balance of perspectives, including balanced representation between regions and levels of development, and the availability of individual facilitators to conduct productive discussions, I am pleased to inform Members that the following WTO Permanent Representatives have agreed to serve as facilitators in their personal capacity and on an equal footing."

The five facilitators who have been chosen to facilitate work on WTO reform include:

- Ambassador Ms. Sumathi Balakrishnan of Malaysia, to oversee work on "Foundational Issues";
- Ambassador Mr. Katsuro Nagai of Japan on "Decision-Making";
- Ambassador Ms. Nthisana Motsete-Phillips of Botswana on issues concerning "Development";
- Ambassador Mr Elmer Jose German Gonzalo of Peru on "Level Playing Field Issues";
- Ambassador Mr. Kairat Torebayev of Kazakhstan on "Any new issues arising" from proposals submitted by members.

Ambassador Kelly said, "Facilitators will be guided by the principles discussed with the membership in my consultations over the past weeks, which I will reiterate in my statement at the informal Heads of Delegations meeting scheduled for Friday, 26 June, 11 a.m."

Context

To recall, many members had opposed the Minister-Facilitators' reports on "WTO reform" at MC14, according to sources familiar with the development.

The apparent rejection of the process conducted by the Norwegian facilitator, as well as his recommendations, forced the six Minister-Facilitators to scramble to rework all the issues – changing the practice of decision-making by consensus, differentiation among developing countries for availing of special and differential treatment (S&DT), and "level playing field" issues, said sources familiar with the development.

Earlier, the US had raised objections to the proposed facilitator-led reforms, calling for concrete proposals to be submitted after MC14.

During the discussions on WTO reform, India apparently proposed: "We instruct our officials to intensify their work with a view to providing concrete and substantive recommendations for action by MC15. We will undertake a mid-term review in advance of MC15 to assess progress and provide further directions."

On the modalities, India is understood to have said: "Work will be conducted under the authority of the General Council, and the WTO Reform process shall be Member-driven, open, transparent, and inclusive, and address the interests of all Members."

In fact, many developing countries said that the WTO reform facilitators may be appointed by the General Council on the basis of consultations with all Members, ensuring appropriate geographical and development balance for the identified areas including decision-making, development and S&DT, and "level playing field" issues.

According to India, the new facilitators appointed after MC14 will lead discussions in areas identified based on Member submissions, contributions, and past Ministerial Decisions/Declarations, said people familiar with the development.

"They shall operate under terms of reference agreed by Members and shall be accountable to, and report regularly to, the General Council. Members will develop the rules of procedure to govern the conduct of all Facilitators," India is understood to have said.

Many countries also pressed for the facilitators to oversee the process in a holistic manner to ensure coherence and balance across the identified areas and avoid scheduling overlaps.

The European Union appears to be a strong proponent of WTO reform along with other industrialized countries, said people familiar with the development.

Earlier, China seemingly criticized the US and other industrialized countries on "level playing field" issues.

China said that the multilateral trading system is the cornerstone of fairness in international trade, while "weakening the WTO and its core principles – like most-favoured-nation treatment – won't level the playing field."

China had drawn several markers on "level playing field" issues, including:

- First, a loss of competitive advantage is more and more framed as evidence of unfair competition, and then used as a pretext to abuse trade remedies or resort to protectionist measures. Where WTO rules offer no cover, there have been moves not only to walk away from these rules, but also to undermine the dispute settlement system that enforces them.
- Second, with trade-related environmental measures, fairness is too often judged from a domestic perspective, not a global one. By overlooking essential principles like common but differentiated responsibilities, these measures have shifted too much of the adjustment burden onto developing members.
- Third, fairness is also used to downplay development considerations. Attempts to fix so-called imbalances may end up widening development gaps or narrowing policy space for developing members. True fairness can't be achieved without giving development concerns their due weight.

To move the discussions forward, China said that it would like to highlight four points:

- First, uphold multilateralism and stay true to the WTO's core principles. Different understandings of fairness should lead to more engagement like we are having today, not fragmentation.
- Second, focus on trade-distorting government measures. Within the WTO's mandate, there is much we can do, such as improving transparency, updating the Agreement on Subsidies and Countervailing Measures, and engaging in serious discussions on industrial policies.
- Third, fully reflect the development dimension. Developing members – especially least developed countries – must have policy space to pursue economic diversification and development goals.
- Fourth, maintain inclusiveness and avoid prejudicing outcomes. We need to respect that members are at different stages of development and have different economic systems. Our discussions will help build understanding and move us toward agreement. *(SUNS #10468)*

Third World ECONOMICS No. 844-845, 1 - 30 June 2026

Hormuz crisis fueling price surge, pushing millions into hunger

Analyzing the situation in Afghanistan, Somalia, and Sri Lanka, the UN World Food Programme warned that the fallout from the Middle East crisis is already having deep and long-lasting effects in some of the world's most vulnerable countries.

by Kanaga Raja

PENANG: The surge in the Middle East tensions since early 2026 is driving up global fuel and food prices, disrupting shipping routes and supply chains, and squeezing household incomes, leaving many families struggling to afford basic necessities, according to the UN World Food Programme (WFP).

In a new report focusing on the situations in Afghanistan, Somalia, and Sri Lanka, WFP said in these countries, millions of additional people are at risk of food insecurity, and even those who were previously managing are now struggling.

It said governments are also under pressure, with higher import costs and less money available to support their populations.

At the same time, humanitarian organizations face rising costs and funding shortages, meaning fewer people may receive assistance when they need it most.

Speaking at a media briefing at the United Nations headquarters in New York on 4 June, Mr Carl Skau, Acting Executive Director of WFP, said already some six to eight weeks ago, WFP raised the alarm that should the crisis continue and the price of oil remains over $100 a barrel until July, some 45 million people will be pushed into hunger.

He said that this is mainly because the correlation between the price of energy and food is so tight in many places and also that in the poorest countries, people are already spending all their money on food and, hence, when food prices rise, they eat less.

Highlighting the findings of a WFP report which looked into the situations in Somalia, Afghanistan, and Sri Lanka, Mr Skau said 2.5 million additional people in Somalia are now being acutely food insecure, while in Afghanistan, the number is 2.3 million, and another 1.3 million in Sri Lanka.

He explained that a different mix of issues is driving this crisis, with increased food prices being one element.

However, he said there is also the element of underfunded humanitarian responses as well as the cost of running humanitarian operations, which has gone up dramatically.

Hence, with the limited funding that is available, less people are being reached, he stressed.

"Just to illustrate that what we warn against is now playing out in real time in many of these contexts," he said.

Mr Skau warned that the long-term implications might be even more severe. For instance, he said that the lack of fertilizer could reduce agricultural productivity during the planting season in most of eastern Africa, echoing the disruptions in food production following the Russian invasion of Ukraine in 2022.

He also addressed the "historic" funding gap, pointing out that the world is facing "a perfect storm", with record high levels of hunger, which is now at risk of worsening.

"At the same time, we've seen historic drops in our funding, with a 40% drop year-to-year last year," he added.

Highlighting the case of Somalia, Mr Skau said that the country is now facing the possibility of famine-like conditions, with WFP on the ground working around the clock trying to prevent that from happening. However, "the resources are simply not there", he lamented.

He further pointed to the crisis in Afghanistan, which only last year was hit by a heavy earthquake, severe floods, the shockwave from the war in Iran and now the conflict with Pakistan.

In the midst of all this, some 2.8 million people have been forced to return to Afghanistan, mainly from Pakistan but also from Iran.

He said during his visit to Afghanistan, he was at a border post to Pakistan where some 700,000 people per day are crossing back into Afghanistan.

He also witnessed hundreds of mothers carrying their visibly malnourished children on their arms who had to turn back from visiting a rural health clinic outside Jalalabad because nutrition supplies had run out on account of the lack of funding.

"Many of them had already walked three or four hours to get to the clinic and they left empty handed. I've never seen anything like it, frankly, in my visits, and the desperation in that clinic is hard to describe," said Mr Skau, highlighting the real impact of the funding cuts.

Case studies

According to the WFP report, titled "Food security under pressure", the escalation of geopolitical tension in the Middle East since 28 February 2026 has profound implications for global food security.

In an early projection released in March, WFP had estimated that 45 million people would fall into acute food insecurity should oil prices remain around $100 per barrel through the end of June.

Other partners have warned of broad implications for the global food system in the short and medium term, due to the crisis' impact on supply chains and energy and fertilizer markets.

Unfortunately, almost three months into the conflict, the scenario is beginning to materialize. The price of West Texas Intermediate crude has been above $100 since 6 March on average, said the report.

While globally food prices – as measured by the Food and Agriculture Organization (FAO) Food Price index – only have seen a slight increase so far, substantial food price rises are already being felt in fragile countries.

Highlighting three case studies conducted by WFP in May in Afghanistan, Somalia, and Sri Lanka, the report said the findings indicate that the crisis is generating significant spillovers, particularly through fuel, food price and income shocks and trade disruptions.

"As these factors interact with pre-existing vulnerabilities, they quickly translate into visible impacts on food security and livelihoods."

The case studies highlight how

these impacts converge and lead to worsening affordability, macroeconomic stability, and, in the case of Afghanistan and Somalia, humanitarian outcomes.

These impacts are expected to intensify in the coming months, even if the crisis in the Middle East de-escalates, said the report.

The studies suggest that the crisis is leading to large increases in vulnerability to food insecurity, it added.

Projections for 2026 suggest that an additional 2.5 million people in Somalia could be unable to afford a basic food basket and almost 60 percent of all households unable to afford to purchase essential needs, compared to 47 percent in 2025.

In Afghanistan, up to 2.3 million additional people could become food insecure in the event of a prolonged closure of the border with Pakistan and an escalation of the Middle East crisis, adding to the 13.8 million who were food insecure before the crisis.

In Sri Lanka, projections indicate that up to 1.3 million additional people may be at risk of being unable to meet their basic food needs, adding to the 4.7 million baseline in 2026.

There is both an expansion and diversification of vulnerability, not merely a deepening among the most food insecure, the report observed.

The studies suggest that new groups may fall into food insecurity as price increases and income losses undermine purchasing power – particularly ultra-poor urban populations and marginalized rural groups such as pastoralists in Somalia, it said.

Extensive dependence on energy and food imports and external trade corridors has left the countries that were studied exposed to the effects of the crisis, it added.

In Afghanistan, Sri Lanka and Somalia, impacts include supply chain disruptions and the pass-through of higher global energy prices to domestic prices.

Governments' fiscal space is constrained by reduced revenue from falling import duties and the burden of high public debt, said the report.

The crisis is also straining global humanitarian operations. In the countries that were covered, rising delivery costs may lead to a reduction in the coverage of assistance, just as interruptions in aid supplies become more likely, it added.

Supply chain disruptions have been severe in Afghanistan, with WFP external transport costs increasing by 2.5 to 5 times and delivery times going from 10 days up to as much as 75 days when using alternative corridors.

In Somalia, soaring jet fuel prices are leading to higher operational costs for the United Nations Humanitarian Air Service, which is the only way to safely access hard-to-reach areas, while in Somalia, pipeline breaks for nutritious products are expected in the third quarter of 2026.

The report said that at the global level, the humanitarian system faces a double squeeze: rising needs and rising delivery costs, implying coverage gaps.

WFP estimates it will now serve 1.5 million fewer people that it originally planned to in 2026.

If the conflict continues for six months, more than 9 million people could lose assistance, driven by a combination of higher operational costs and rising local food prices, which also increases the cost of cash-based assistance, the report said, adding that in the meantime, funding for WFP operations have also decreased.

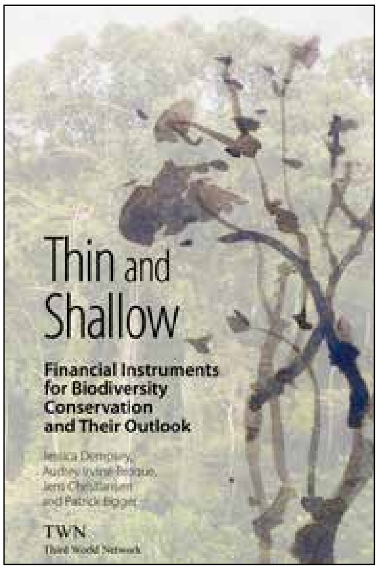
The risks go beyond food security: concern for political stability is legitimate.

The combination of a new major economic shock, a historic decline in foreign aid alongside a global economic growth rate that is insufficient to reduce extreme poverty, represents a deeply concerning development for many countries, said the report.

For instance, it said in Somalia, higher food prices have already led to more tensions and protests. Globally, the increasing number of demonstrations in the second quarter of 2026 underlines the impact of the crisis pointing to increasing popular discontent. *(SUNS #10457)*

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

Third World ECONOMICS No. 844-845, 1 - 30 June 2026

Global food import bill reaches a new high in 2025, says FAO

The Food and Agriculture Organization of the United Nations (FAO) projects the global food import bill to reach a record high of USD2.22 trillion in 2025, reflecting the intensifying cost pressures on countries, particularly those heavily reliant on food imports.

by Kanaga Raja

PENANG: The global food import bill (FIB) is projected to climb to USD 2,218.4 billion in 2025, an increase of 7.9 percent – or USD162.5 billion – from 2024, marking a new record, according to the Food and Agriculture Organization of the United Nations (FAO).

In its biannual Food Outlook report highlighting the latest trends in global food markets, FAO said that this underscores the mounting cost pressures facing countries – especially those heavily dependent on food imports – as international markets remain volatile and demand continues to rise.

The record level was reached even as import costs declined for cereals, sugar and oilseeds, indicating that the rise was not the result of broad-based increases in imported food prices, said FAO.

Instead, the increase was concentrated in selected higher-value products – particularly coffee and cocoa products, animal products, fish, and fruits and vegetables – where supply-side pressures in specific markets were faced by inelastic demand, it added.

Food groups

Developments across food groups were largely driven by the sharp rise in the import costs of coffee, tea, cocoa, spices and related products, which accounted for more than one-third of the total increase in the global FIB, the report said, adding that the import bill for those commodities expanded by USD62.5 billion, or 33.3 percent, from 2024.

Pressures were particularly pronounced in coffee and cocoa markets, where earlier production shortfalls and limited export availabilities in key producing countries kept international quotations elevated for much of the year, it said.

Cocoa markets reflected poor harvests in West Africa, while coffee supplies were adversely affected by weather-related disruptions in major producing and exporting origins, including Brazil, Indonesia and Viet Nam.

The report said although market conditions for both commodities eased later in 2025 as production prospects improved and supply concerns began to subside, average import costs for the year remained exceptionally high.

However, outside the coffee, tea, cocoa and spices group, the increase was more diffuse, spreading across several higher-value food categories rather than being concentrated in a single market.

Fruits and vegetables accounted for the largest additional contribution, increasing by USD32.0 billion compared to 2024, supported by sustained import demand, especially in higher-income markets, said the report.

Import costs also rose for fish, crustaceans and molluscs (+USD15.7 billion), reflecting firm demand for fishery products despite elevated prices, it added.

"Animal products added further upward pressure, with the import bill rising by USD22.7 billion for meat and meat preparations and by USD18.0 billion for dairy products and eggs."

The report said in meat markets, strong import demand, especially for bovine meat, coincided with constrained export availabilities and disease-related production uncertainties.

Dairy quotations were supported earlier in the year by high butter prices, linked to tight supplies in the European Union and Oceania, alongside firm demand for milk fats, it added.

The report said that the increase of USD17.4 billion in animal and vegetable oils and fats was driven by tight vegetable oil markets, particularly for palm oil, amid concerns over lower production prospects in Southeast Asia and firm demand from both food and biofuel sectors.

On the other hand, FAO said fewer food groups moved in the opposite direction and helped temper the overall rise in the global food import bill.

Lower prices reduced the import cost of sugar, honey and preparations by USD8.7 billion, amid expectations of ample sugar supplies and improved production prospects in key producing countries, including Brazil, India and Thailand, it added.

Import costs for oilseeds and oleaginous fruits declined by USD5.2 billion, reflecting lower international prices for soybeans and other major oilseed crops, even as vegetable oils became more expensive.

The report said the reduction in the cereal bill was more modest, with cereals and cereal preparations declining by USD3.4 billion to USD293.3 billion, in line with a generally favourable global cereal supply situation and lower average prices, while beverages also declined slightly, by USD0.7 billion.

"Taken together, these declines helped moderate the overall increase in the global food import bill, but were insufficient to offset the larger import cost increases recorded for coffee and cocoa products, animal products, fruits and vegetables, and fishery products."

Country groups

Food import expenditures continued to diverge across country income groups, said the report, pointing out that in nominal terms, high-income countries (HICs) accounted for the bulk of the increase, with their aggregate import bill rising by USD125.4 billion – or 9.3 percent – to USD1,469.8 billion.

This largely reflected the structure of their import basket, in which higher-value foods account for a significant share: additional expenditures were driven mainly by coffee, tea, cocoa and spices, fruits and vegetables, meat, fish, dairy and related products, it said.

The increase was more moderate among upper-middle-income countries (UMICs), where the FIB rose by USD19.0

billion, or 4.0 percent.

Lower-middle-income countries (LMICs) registered a similar increase in absolute terms but a larger rise in percentage terms, with their aggregate bill increasing by USD14.5 billion, or 7.0 percent.

In both groups, higher costs were concentrated in coffee, cocoa, fish, fruits and vegetables and animal products, said the report.

Meanwhile, the FIB of low-income countries (LICs) increased by USD1.6 billion, or 6.7 percent, in 2025.

The report said that in these countries, lower cereal and sugar import bills were offset by higher expenditures on animal and vegetable oils and fats, coffee, tea, cocoa, fruits and vegetables, meat and fish products, resulting in a net increase in the aggregate FIB for the group.

Significantly, the report said vulnerable country groups also faced higher food import costs. The FIB rose by USD3.0 billion (4.9 percent) for least developed countries (LDCs), by USD9.6 billion (6.5 percent) for net food-importing developing countries (NFIDCs), and by USD4.8 billion (7.7 percent) in sub-Saharan Africa (SSA).

In these country groups, as in LICs, higher costs for edible oils, fish, fruits and vegetables and coffee-related products more than offset lower cereal bills, underscoring the continued exposure of food-importing countries to international food-market pressures even during periods of easing costs for some major staples, it stressed.

Looking ahead

Looking ahead, the report warned that risks to food import costs remain significant.

Disruptions associated with the Strait of Hormuz have heightened uncertainty in global energy and fertilizer markets, raising concerns about agricultural input costs and food commodity production prospects in upcoming seasons.

Energy concerns also feed into import costs through higher freight, energy and production expenses, as well as potential constraints on export availabilities in future seasons, said the report.

It said that FAO analysis suggests that prolonged disruptions in fertilizer trade and sustained increases in energy prices could influence planting decisions, yields and consequently food supplies in subsequent harvests.

In addition, countries in the Gulf region are highly dependent on imported food via maritime trade routes, leaving them particularly exposed to disruptions in shipping.

In this context, the report pointed out that recent FAO analysis of the pass-through from oil supply shocks to the FIB highlights the risks posed by disruptions in strategic energy transit routes, such as the Strait of Hormuz.

It said energy shocks tend to raise import costs even when food markets are not directly disrupted, because oil is embedded in production, processing, cold storage and transport.

According to FAO, the estimated response appears within the first few months after the shock and continues to build over the medium term, peaking around ten months after the shock.

It said that this timing indicates that near-term trade and import-cost data may already capture part of the initial pass-through.

The FAO analysis also showed that, under high geopolitical risk, the FIB response to a given oil price shock can be almost twice as large as under normal conditions, as uncertainty, risk premia, insurance costs and logistics frictions strengthen the transmission of energy shocks to food import costs.

Other factors may also shape food import bills going forward. Weather-related shocks remain a key source of uncertainties to export availabilities and prices, while exchange-rate movements and tight financing conditions could affect food affordability and the accessibility of vulnerable countries to food from global markets, said the report.

Elevated freight and insurance costs and trade policy changes may add further pressure, particularly for countries that depend on a narrow set of suppliers or shipping routes, it concluded. *(SUNS #10466)*

(continued from page 5)

Notably, the report said borrowing conditions depend not only on interest rates but also on the maturity of debt contracts.

It said over the past decade, the maturity profile of developing-country bond issuances has shortened markedly.

Bonds issued between 2015 and 2021 carried an average maturity of around 17 years, whereas by 2025 the average maturity of foreign currency bonds had fallen to just 9.5 years.

The analysis above shows that despite some improvement in borrowing conditions in bond markets, existing challenges persist, with yields and coupon rates on new issuances still elevated, and maturities remaining short, the report summarized.

"Large upcoming repayment obligations are creating refinancing pressures, increasing strain on already tight public finances and crowding out development spending. With yields still high, opportunities for cost-reducing refinancing remain limited, as borrowing costs generally exceed those at original issuance."

Although debt securities are an important source of external debt financing, many developing countries continue to rely on loans from multilateral, bilateral, and private lenders as their main source of external finance.

The report said in 2024, developing countries paid record interest rates of about 4.9 per cent on external loans, more than doubling since 2022, reflecting the severe impact of global monetary tightening.

Overall, loans remain a vital source of external financing for many developing countries, particularly for those without access to international financial markets.

Rising global interest rates have led to sharp increases in the cost of newly contracted loans, and even multilateral lenders have raised their rates substantially.

Despite this, multilateral lenders continue to play a crucial role by providing stable, predictable, and long-term financing, it added.

"Although global policy rates have declined over the past years, the loans contracted at higher rates during the tightening phase will place a strain on the fiscal space of developing countries going forward."

Ensuring sustained access to affordable long-term financing therefore remains critical, not only to safeguard debt sustainability, but also to prevent interest payments from crowding out essential development spending, it said. *(SUNS #10465)*

Humanitarian food aid plunges 59% as global acute hunger surges

United Nations agencies report that humanitarian assistance to food sectors in crisis contexts has fallen back to 2016-2017 levels despite sharply rising needs, with the decline coming when widening funding gaps are already worsening hunger and malnutrition across multiple crisis-affected contexts.

by Kanaga Raja

PENANG: Despite escalating needs, humanitarian assistance to the food sectors in crisis contexts has declined by an estimated 59 percent between 2022 and 2025, returning to levels last seen in 2016-2017, according to the Food and Agriculture Organization of the United Nations (FAO) and the United Nations World Food Programme (WFP).

In the latest edition of their Hunger Hotspots report, the UN agencies said this decline comes at a time when the share of the population analyzed facing high levels of acute food insecurity has doubled globally.

They further said funding gaps are already aggravating acute food insecurity and malnutrition in many contexts.

At the same time, FAO-WFP said reductions in assessments, monitoring and analytical capacity are weakening the evidence base needed for effective prioritization of assistance and operational decision-making, particularly in under-funded, high-risk contexts.

According to the report, humanitarian assistance to food sectors in crisis contexts plummeted in 2025, dropping by an estimated 59 percent since 2022, even as global acute food insecurity remains persistently high, affecting 22.9 percent of the population analyzed, or around 266 million people.

The two UN agencies said that funding has fallen back to levels last seen in 2016-2017, while the share of the population analyzed facing high acute food insecurity has doubled since then, reflecting major funding cuts in official development assistance, with further declines of 5.8 percent projected in 2026.

Severe funding reductions have significantly constrained humanitarian response capacity and forced increasingly stringent prioritization, they noted.

For instance, in 2025, the humanitarian community was compelled to narrow assistance to 114 million people out of 178 million initially targeted, ultimately reaching nearly 98 million people – around 25 million fewer than in 2024.

In 2026, this contraction has led to an even more sharply prioritised response.

Humanitarian partners aim to assist 135 million people globally, with immediate life-saving assistance prioritized for 87 million people most at risk, reflecting difficult trade-offs amid sustained funding shortfalls, said the UN agencies.

As of June 2026, only around one-third of the requirements – or 33 percent – have been met, severely constraining the scale and ambition of humanitarian action, they underlined.

Cuts in humanitarian assistance for food-security sectors were highly concentrated in some of the most severe and largest food crises, FAO-WFP pointed out.

In 2025, Afghanistan, the Democratic Republic of the Congo, Somalia, South Sudan and Yemen accounted for 44 percent of the global reduction in humanitarian assistance to food sectors in crisis context (USD2 billion of USD4.5 billion).

These same countries recorded a combined increase of approximately 6 million people facing Crisis or worse (IPC/CH Phase 3 or above) in 2025, underscoring a troubling convergence between rising needs and declining resources, they stressed.

In Mali, humanitarian assistance for food-security sectors shrank by 52 percent between 2024 and 2025 despite a deterioration in acute food insecurity.

In the Syrian Arab Republic, despite persistent and widespread acute food insecurity, the humanitarian assistance for food security sectors decreased by 66 percent in 2024 – from USD1.3 billion in 2023 to USD437 million in 2024 – and by a further 18 percent in 2025, the report said.

Importantly, cuts to assessments, monitoring and analytical capacity are weakening the evidence base for food security monitoring, prioritization of assistance and operational decision-making, particularly in under-funded, high-risk contexts, said the UN agencies.

For example, in 2025, key data providers scaled back substantially: WFP survey interviews fell by 30 percent, and FAO Data in Emergencies (DIEM) collection by about 31 percent, with further cuts expected in 2026.

Several IPC/CH analyses have shifted from biannual to annual cycles, and population coverage declined across multiple countries, limiting trend comparability and introducing bias.

Moreover, the UN agencies said reduced funding also constrains the availability of disaggregated data, despite evidence that forcibly displaced populations consistently experience higher levels of acute food insecurity than resident populations, undermining efforts to accurately capture the needs, anticipate deterioration and support effective responses in displacement settings.

They said funding gaps are already aggravating acute food insecurity and malnutrition, with particularly severe consequences for women, children, refugees and internally displaced people (IDPs).

With assistance to forcibly displaced populations reduced, they are left more exposed to acute food insecurity and, in some cases, are forced to move elsewhere or return to countries of origin despite fragile conditions, the UN agencies said.

The report said WFP estimates that refugee outflows increase by 1.9 percent for each percentage increase in acute food insecurity.

It said examples of the consequences of funding cuts include rising acute malnutrition in Afghanistan, reduced protection support and food assistance for displaced people in Haiti, and growing risks to life-saving assistance in South Sudan, where access is extremely costly.

Preparedness has also weakened, including reduced contingency stocks in Haiti, and these impacts are expected to continue and likely worsen in 2026, the UN agencies warned.

In the Syrian Arab Republic, WFP anticipates the emergency food assistance will be reduced by half in 2026 due to funding shortages, they said.

Modelled projections suggest that a severe reduction in humanitarian financing could be associated with up to 22.6 million additional deaths globally by 2030, including 5.4 million children under 5 years of age, they added. *(SUNS #10470)*

FAO-WFP warn of worsening hunger across 13 global hotspots

United Nations agencies warned that acute food insecurity is set to worsen for millions of people across 13 designated "hunger hotspot" countries between June and November 2026, with escalating risks driven by conflict, economic shocks, climate extremes and constrained humanitarian access.

by Kanaga Raja

PENANG: Acute food insecurity is set to deteriorate further across 13 countries deemed "hunger hotspots" between June and November 2026, according to the Food and Agriculture Organization of the United Nations (FAO) and the United Nations World Food Programme (WFP).

In the latest edition of their Hunger Hotspots report, the UN agencies identified Sudan, South Sudan, Yemen and Palestine as the world's most critical hunger hotspots in terms of severity and magnitude of hunger.

Northeast Nigeria has been added to the list of highest concern, following projections indicating that populations in Borno State may face Catastrophe levels of acute food insecurity (defined as an extreme lack of food/other basic needs, with starvation, death, destitution and extremely critical acute malnutrition levels evident) during the upcoming period covered by the report.

Somalia has also been placed in this category, with populations in the Bay region of Burhakaba District facing a risk of Famine, said the UN agencies.

Armed conflict and violence remain the primary drivers of acute food insecurity, affecting 12 of the 13 hotspots, they added.

These pressures are compounded by economic shocks, severe funding shortfalls and growing risks linked to a forecast El Nino event, which is expected to bring uneven rainfall, droughts, and flooding across countries with already high vulnerability.

The warning comes at a time of unprecedented funding shortfalls for humanitarian response. Funding for food assistance, emergency agricultural assistance and nutrition in food crises has declined by an estimated 59 percent between 2022 and 2025, returning to levels last seen nearly a decade ago, said the UN agencies.

At the same time, the number of people facing high levels of acute food insecurity in these countries has risen to around 266 million.

The report also warned that additional shocks are worsening the outlook for millions.

This is due to recent events such as the ripple effects of the conflict in the Middle East and the Ebola outbreak in areas of eastern Democratic Republic of the Congo (DRC).

These added shocks risk further disrupting livelihoods, markets and humanitarian access.

"We already know where the next hunger emergencies will occur," said FAO Deputy Director-General Ms Beth Bechdol.

"The challenge is whether we act early enough and at the necessary scale. When farmers cannot plant, herders lose their animals and markets are disrupted, food insecurity deepens quickly."

"Early investment in emergency agricultural assistance and resilience is one of the most cost-effective ways to protect livelihoods, sustain local food production and reduce future humanitarian needs," she added.

"The warnings in this report cannot be ignored," said WFP Acting Executive Director Mr Carl Skau.

"Conflict, shocks, and disasters are forcing families to make impossible decisions about who gets to eat and who goes to bed hungry. Without action now, millions more are expected to face worsening levels of hunger in the months ahead, pushing some closer to famine."

"Our teams are ready to respond at speed and scale. We need resources to deliver food and access to reach people before hunger turns into catastrophe," he warned.

Hunger hotspots

Highlighting several hunger hotspots of highest concern, the FAO-WFP said that in the Sudan, during the June-September 2026 period, a risk of Famine has been identified in 14 areas across North Darfur, South Darfur and South Kordofan states under a reasonable worst-case scenario, characterized by intensified conflict and further restrictions on humanitarian access and the movement of goods and people.

The report said all areas except Beliel locality are expected to remain at risk of Famine through January 2027.

Multi-front fighting is likely to expand, with continued violence in Greater Kordofan and Darfur, increased drone use and escalating clashes in Blue Nile State.

Displacement levels are expected to remain elevated despite a 22 percent decline from peak levels, driven by the return of nearly 4 million people, and the economic crisis is expected to persist, while disruptions linked to the Middle East conflict are likely to further increase food inflation, it added.

Cereal production in 2025 was estimated at below-average levels, it said, adding that around 19.5 million people (41 percent of the population) were estimated to face high levels of acute food insecurity (IPC Phase 3 or above) through May 2026, including 5 million people in Emergency (IPC Phase 4).

In June-September 2026, the

population projected to face Catastrophe (IPC Phase 5) is estimated at 200,000 people across 15 areas, a sharp increase from 135,000 in February-May 2026.

In South Sudan, acute food insecurity is expected to remain extremely severe in several counties of Jonglei and Upper Nile states, driven by conflict, said the report.

Between April and July 2026, 7.8 million people (55 percent of the population) were projected to face Crisis or worse (IPC Phase 3 or above), including 2.5 million people in Emergency (IPC Phase 4).

According to the latest IPC analysis, approximately 73,000 people are projected to face Catastrophe (IPC Phase 5) by July 2026, in Akobo, Fangak, Luakpiny/Nasir, Nyirol, Ulang and Uror counties of Jonglei and Upper Nile state, said the report.

In a plausible worst-case scenario marked by renewed escalation of conflict, further displacement and reduced access, there is a credible risk of Famine in Luakpiny/Nasir and Ulang, Akobo and Nyirol counties, it added.

"Acute malnutrition remains extremely concerning and continues to deteriorate, with an estimated 2.2 million children aged 6-59 months affected, representing approximately 90,000 additional cases requiring treatment, including around 697,000 cases of severe acute malnutrition."

The continued influx of returnees and refugees from the Sudan is intensifying pressure on scarce resources in host communities, while extreme humanitarian access constraints, combined with a weak South Sudanese pound and high inflation, heighten the risk of worsening acute food insecurity, said the UN agencies.

They said that in Yemen, acute food insecurity is expected to remain among the most severe globally, driven by high food prices, ongoing internal and regional conflict, and climate shocks, including floods and dry conditions, compounded by severe humanitarian funding shortfalls and critical operational space constraints, leading to a drastic contraction of humanitarian assistance coverage.

The report said that rising staple food prices in both GoY (Government of Yemen) – and SBA (Sana'a-based authorities) – controlled areas, driven by increased import costs and foreign currency shortfalls, are limiting household purchasing power.

The ongoing conflict in the Middle East is expected to exacerbate volatility, disrupt supply chains and further deteriorate livelihoods, it cautioned.

Between September 2025 and February 2026, an estimated 18.3 million people nationwide were projected to face Crisis or worse (IPC Phase 3 or above) acute food insecurity, including about 12.8 million in SBA-controlled areas and 5.5 million in GoY-controlled areas.

Among them, 5.5 million were projected to face Emergency (IPC Phase 4) and 41,000 people were projected to face Catastrophe (IPC Phase 5).

According to the latest partial analysis published in May 2026, nearly 5.4 million people in GoY-controlled areas were projected to face Crisis or worse (IPC Phase 3 or above) acute food insecurity between June and September 2026, including 1.6 million people in Emergency (IPC Phase 4), the report noted.

"The number of people facing high levels of acute food insecurity is expected to persist at around 5.4 million during October-December 2026 in GoY-controlled areas. However, severity is projected to worsen, with a 9 percent increase to 1.8 million people in IPC Phase 4 (Emergency)."

In Northeast Nigeria, the outlook is most severe in Borno State, where 15,000 people are projected to face Catastrophe (IPC Phase 5) during June-August 2026.

Around 2.3 million people remain internally displaced across the North East, said the UN agencies.

In the Gaza Strip, acute food insecurity has improved since the October 2025 ceasefire, although conditions remain fragile amid the continued low-intensity conflict, they added.

At the same time, restrictions on humanitarian and commercial inflows continue to severely limit the availability of essential inputs and hinder the rehabilitation of critical infrastructure and the recovery of livelihoods.

In the latest IPC analysis from December 2025, 1.6 million people were projected to face Crisis or worse (IPC Phase 3 or above) acute food insecurity in the Gaza Strip between December 2025 and mid-April 2026, of whom nearly 571,000 people were expected to face Emergency (IPC Phase 4) and 1,900 people were expected to face Catastrophe (IPC Phase 5). The entire Gaza Strip was at risk of Famine under a worst-case scenario during this period, said the report.

In the West Bank, escalating violence, movement restrictions, demolitions of homes and displacement of civilian populations continue to undermine agricultural livelihoods, market access and food availability, it added.

Somalia is facing critical levels of acute food insecurity and malnutrition due to drought, conflict, displacement and rising food prices, with Burhakaba District at risk of Famine under a plausible worst-case scenario, it said.

From April to June 2026, around 6 million people (31 percent of the population) are projected to face high levels of acute food insecurity, including nearly 1.9 million people projected to face Emergency (IPC Phase 4).

Consecutive poor rainy seasons, including the failed October-December 2025 Deyr, and a poor start to the 2026 Gu, are straining livelihoods, driving displacement and constraining food availability.

"Combined with rising fuel and transport costs and the rejection of the Somali shilling by traders in southern areas, this is pushing food prices higher." Conflict will remain a key driver, disrupting trade and agricultural activities and driving displacement, while political tensions continue to trigger localized armed clashes, the report stressed.

The FAO-WFP report also drew attention to several hunger hotspots of very high concern.

It said that in the Democratic Republic of the Congo, acute food insecurity is expected to persist, driven by the conflict in eastern provinces and related large-scale displacement and extreme access constraints.

It said as of February 2026, about 6.5 million people were internally displaced, amid market disruptions, disease outbreaks and critically under-funded assistance.

Notably, it said between January and June 2026, over 3.6 million people were projected to face Emergency (IPC Phase 4), expanding to additional territories in North Kivu, South Kivu and Tanganyika.

The Ebola outbreak reported in May in Ituri, North Kivu and South Kivu provinces poses an additional risk to livelihoods, and may further aggravate acute food insecurity by disrupting markets, mobility and humanitarian access, it added.

In Afghanistan, acute food insecurity is expected to remain high, driven by dry conditions, economic stress and escalating conflict, the report further said.

Below-average snow-pack and above-average temperatures accelerating snow-melt are likely to reduce wheat production and affect pasture conditions, it added.

It said the conflict with Pakistan has displaced more than 115,000 people and disrupted trade and humanitarian assistance delivery, increasing production costs.

Weak macroeconomic conditions, returnee inflows and funding shortfalls are expected to further worsen acute food insecurity, it emphasized.

From April to September 2026, 2.9 million people (6 percent of the population) are projected to face Emergency (IPC Phase 4) levels of acute food insecurity.

Meanwhile, in Haiti, elevated levels of acute food insecurity are likely to persist due to expanding gang violence driving further internal displacement, which was already at record highs in December 2025.

Insecurity continues to constrain access to land, markets and livelihood opportunities, while increasing the risk of violence linked to the political transition, including elections currently planned for August 2026, said the report.

The persistent economic crisis, additional pressure on fuel and fertilizer prices due to the Middle East conflict and below-average rainfall forecast during the outlook period will further undermine food availability and access, it added.

"Between March and June 2026, about 1.8 million people (16 percent of the population) are projected to face Emergency (IPC Phase 4)."

The report also said several other situations, while not identified as "hunger hotspots", are assessed to merit close monitoring, including Pakistan (selected areas), Rohingya refugees in Bangladesh, Ethiopia, Cuba, Dry Corridor of Central America, Islamic Republic of Iran, Syrian Arab Republic, Angola, Burkina Faso, Cameroon (selected areas), Chad, Guinea, Niger, and Sierra Leone. *(SUNS #10467)*

Three women SG candidates outline visions to rebuild fractured UN

On 9 June, three women competing to become the next UN Secretary-General presented sharply different plans to revive the institution and restore its capacity to respond to global challenges.

by D. Ravi Kanth

GENEVA: Amid the worsening poly-crises driven by the actions of the United States, the very superpower that hosts the United Nations headquarters in New York, the UN faces an existential reckoning.

On 9 June, three women candidates vying for the world's most consequential diplomatic post – Secretary-General of the United Nations – presented their competing blueprints for the revival of the institution.

The candidates are: Ms. Maria Fernanda Espinosa, former President of the UN General Assembly and former foreign and defense minister of Ecuador; Ms. Michelle Bachelet, former President of Chile and former UN High Commissioner for Human Rights; and Ms. Rebecca Grynspan, former Vice-President of Costa Rica and absentee head of UN Trade and Development (UNCTAD).

By most measures, Espinosa outperformed her rivals, offering a credible and coherent strategic vision to resuscitate a floundering institution, according to three developing country envoys, who spoke on a background basis.

Core challenge

Asked by a student how they would rebuild trust among the younger generations, each candidate offered a distinct diagnosis.

Grynspan drew a sharp psychological line between skepticism and fatalism. "Skepticism is a question, but fatalism is a surrender," she argued.

Her most arresting statistic: only 4% of people under 30 are involved in UN decision-making.

For Grynspan, trust cannot be built when an entire generation is "invisible". She insisted that young people must be "the architects of their own future, not the victims".

Espinosa offered a more programmatic response, noting that most members of her own campaign team are under 30 – "not as a box-ticking exercise, but for their intelligence and advice".

Her focus is on inter-generational transformation as a leadership project, making the UN Charter's opening phrase, "We the Peoples", a literal mandate for the 1.5 billion young people alive today.

Bachelet offered an anecdote: a young girl once told her, "It's not enough that I'll be sitting at the table, I want to discuss the shape of the table."

Bachelet laid emphasis on active, results-oriented listening, warning that listening without action is merely performative.

The main takeaway appears to be an ideological spectrum of views. While Grynspan focused on internal culture and visibility, Espinosa concentrated on systemic delivery and agency. Bachelet positioned herself as a pragmatic defender, focused on results and the core principles of multilateral action.

When asked whether regional bodies (such as the African Union, European Union, and Association of Southeast Asian Nations) are more effective tools, the three candidates showed rare unanimity: the UN is unique, but not alone.

All agreed that the world has changed since 1945, and that regional bodies are vital for peace, security, and development finance.

However, Espinosa led the critique of the UN's "culture problem", arguing that the UN has a siloed, possessive culture that fails to implement real partnerships.

She cited the African Union as an example. Despite resolutions, the UN has not effectively operationalized a strong, shared role in peace and security.

For her, the UN's weakness is its inability to "deeply partner" with other entities, clinging to an outdated model of being the sole arbiter.

Grynspan pointed out that the UN is "irreplaceable", being the only universal platform for governing radical interdependence, but its strength – universality – is also its weakness: resulting in gridlock.

Meanwhile, Bachelet suggested that the UN must learn to partner because it is not "the only game in town".

The consensus: the next Secretary-General must refocus on the UN's unique convening power while ceding ground to regional bodies for implementation.

On peace and security, the candidates offered sharply differing perspectives.

The question: Should the Secretary-General (SG) be an independent political actor (the Boutros Boutros-Ghali model) or a facilitator of member-state cooperation (Antonio Guterres' more cautious approach)?

Grynspan rejected the either-or framing outright, arguing that the SG must be a "prevention and early action hub", with the need to have a "foot on the ground, active, present, [and] engaged".

She criticized the UN for becoming too risk-averse, stating, "our only risk and our only failure is not to try".

Espinosa went further: silence in the face of civilian slaughter is not impartiality, it is complicity – a pointed allusion to the genocide in Gaza and the escalating violence in Lebanon.

Bachelet offered a more nuanced operational distinction. An SG without independent judgment is a mere "moderator", which the UN does not need, while an SG without the ability to build trust is just a "commentator of news".

She stressed that the tools exist – good offices, mediation – but the system lacks the capacity to read early warning signs. She shared a personal story of predicting a coup d'etat that was ignored by the system.

When probed on what a woman brings to the role of SG, the answers were telling.

Bachelet said gender matters, but not any woman – citing a willingness to risk failure, speak up, and get on a plane.

Espinosa said it is "about time" and called for a "360-degree leader" who masters all three UN pillars: peace, development, and human rights.

Grynspan said, "I'm running to be Secretary-General because I think I am the best person for the job."

She refused to justify her candidacy on the basis of gender, implicitly rejecting the tokenism she earlier decried.

Delivery gap

On climate justice, Espinosa was the most passionate, drawing on her experience as a climate negotiator.

She lambasted the 30 Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) for failing to curb emissions.

Her diagnosis: climate is not an environmental issue but a "development, macroeconomic, security, and competitiveness issue".

Her solution: bring debt, fiscal space, and supply chain discussions into the climate conversation, with youth and indigenous peoples as agents of transformation and not victims.

Bachelet focused on finance and representation, noting that the Loss and Damage Fund is "under-capitalized" and that climate finance for debt-stricken nations should come as grants, not loans. She called for a "big sense of urgency".

On the Sustainable Development Goals (SDGs) – with only 18% of targets currently on track - Espinosa was brutally honest: "Ambition is not action".

She argued that development cannot be delivered from New York; it must be nationally owned. The UN's role is to help countries overcome "structural hurdles" like the international financial architecture.

Grynspan noted that 96 million more people are facing hunger than in 2015, stressing that the SDGs are national indicators requiring national parliaments to drive them.

Bachelet underscored the need for "humanism", arguing that the next set of goals should be fewer, better-funded promises that directly improve daily life, not hundreds of unachievable targets.

On human rights, Bachelet – as former UN High Commissioner for Human Rights – spoke with authority.

She insisted that human rights are the foundation of peace and security, warning against the politicization of rights and the need to protect national human rights commissions, judiciaries, civil society, and journalists. On sexual and reproductive health rights, she was defiant: "We won't give up".

Grynspan called human rights a "package, not a menu", pushing back against the politicization of international humanitarian law.

Espinosa, who served as Ecuador's envoy to the Human Rights Council, acknowledged that the architecture is strong but underfunded and plagued by duplication among member states. She called for a coherent "human rights as one" approach.

On Artificial Intelligence (AI) and technology, all three candidates saw a role for the UN as convener.

Espinosa said AI is not just a tech issue but a jobs, security, and ethics issue, pointing to the UN's Global Digital Compact as a start.

Bachelet emphasized on embedding human rights from the beginning of algorithm design, not as an afterthought.

Grynspan warned of three hard areas: disinformation, cybersecurity, and autonomous lethal weapons.

The consensus: the UN must close the digital divide and ensure that a small number of states and private companies do not dictate the rules of the future.

A video message from Mr. Macky Sall, the former President of Senegal, offered a fourth perspective.

He positioned himself as a bridge-builder who brings the UN "back to its member states," focusing on rationalizing resources, measuring results, and making development the central pillar of peace – promoting jobs, investment, infrastructure, and climate justice.

He stated: the SG has "no army and no police; his true strength is credibility, impartiality, and moral authority."

The closing statements crystallized the differences:

- Espinosa called for a "Renaissance Secretary-General" – a peacemaker, top manager, and advocate for international law capable of restoring moral authority, not merely "managing the decline".
- Bachelet pledged to defend a multilateralism "anchored in the UN Charter", to be independent and on the ground, and highlighted the honour of potentially becoming the first woman SG – but only if she can bring all 193 member states to feel ownership of the UN.
- Grynspan, invoking her parents' status as refugees (Jewish) during the Second World War, argued that in a multipolar world, multilateralism is a choice.

Espinosa presents herself as a transformational reorganizer, focused on deep structural change, intergenerational justice, and fearless political engagement.

Bachelet offers a principled pragmatist model, grounded in human rights law, national governance experience, and a defender's approach to the UN's core pillars.

Grynspan offers a systemic insider-critic model, focused on cultural change, visibility, and bridge-building in a skeptical, multipolar age.

To recall: Grynspan, in her role as head of UNCTAD, reportedly transformed the body from being a trade union of developing countries into an agency serving the trade and economic interests of developed countries and the International Chamber of Commerce (ICC), according to several developing country trade envoys.

Contrary to her seemingly "glib" pronouncements at the debate, her record is identified with advancing neo-liberal goals in global politics and economy, the trade envoys said, preferring anonymity. *(SUNS #10461)*

(continued from page 10)

- consider guidance for Members that would facilitate more plurilateral rulemaking and unlock consensus on incorporating new rules;
- pursue other forms of WTO rulemaking including treaty rules not in the WTO Agreement but still administered at the WTO, rulemaking by decision, and/or soft law approaches; and/or
- explore whether new legal pathways may be needed at the WTO for plurilateral rules to come into effect.

In short, while Australia's proposal claims to establish "clearer pathways for new plurilateral rules at the WTO", it threatens to introduce a deeply divisive "them and us" system of exclusionary policies into the global trade body, said people familiar with the development. *(SUNS #10472)*

Third World ECONOMICS No. 844-845, 1 - 30 June 2026

Rights expert calls for paradigm shift in global anti-poverty efforts

The new UN Special Rapporteur on extreme poverty told the UN Human Rights Council on 25 June that global anti-poverty strategies must move beyond the assumption that economic growth alone can eradicate poverty, stressing that people need tangible improvements in their living conditions rather than abstract economic expansion.

by Kanaga Raja

PENANG: There must be a fundamental shift in global anti-poverty strategies, moving beyond the notion that economic "growth" is the only path to eradicating poverty, according to the new United Nations Special Rapporteur on extreme poverty and human rights, Elena Diaz Galan.

The UN expert's assessment came while presenting the "Roadmap for Eradicating Poverty Beyond Growth" to the 62nd regular session of the UN Human Rights Council on 25 June.

"What matters to people living in poverty is not abstract economic expansion, but real improvements in living conditions. Poverty is multidimensional and lived; it cannot be reduced to income, or solved by growth alone," Ms Diaz Galan said.

The final report as well as the Roadmap, prepared by the previous Special Rapporteur on extreme poverty and human rights, Mr Olivier De Schutter, highlights the transformative potential of national anti-poverty strategies developed through genuine participatory processes.

When people experiencing poverty help define priorities, policies become more ambitious, realistic and impactful – better aligned with actual needs and more likely to improve lives, according to the Roadmap.

Furthermore, these strategies strengthen democratic decision-making and restore trust by ensuring that those most affected are at the centre of policy design.

Crucially, such strategies challenge the entrenched belief that growth is a precondition for social progress.

However, evidence shows that the current economic growth model does not reliably reduce poverty and often deepens inequalities.

While economic growth remains necessary for low-income countries in particular, to finance infrastructure and improve living standards, it is essential that this growth is carefully shaped so that it does not exacerbate inequalities or drive environmental degradation.

In contrast, national anti-poverty strategies can provide a governance framework to move beyond this paradigm, reorienting decision-making towards well-being, equality and sustainability.

The previous Special Rapporteur, Mr De Schutter, had unveiled his "Roadmap for Eradicating Poverty Beyond Growth" on 22 April, calling for a decisive change in how governments and international institutions tackle the issue.

"For decades, the dominant narrative has been that economic growth is the only route out of poverty," said De Schutter. "Yet, this is neither realistic nor sustainable, and is often counterproductive."

"The global economy we have built is funnelling vast wealth into the hands of a tiny elite, weakening democratic institutions, and trapping millions in poorly paid work," De Schutter said.

"It relies on the plundering of natural resources and cheap labour in the Global South, and has caused irreparable damage to the planet."

"In the name of competitiveness and growth, governments have also weakened labour protections, deregulated markets, and cut public services – deepening insecurity and inequality," the Special Rapporteur said.

The "Roadmap for Eradicating Poverty Beyond Growth" – the result of an unprecedented collaborative process spanning over 18 months – draws on contributions from more than 400 experts across the UN system, academia, governments, civil society and trade unions, and identifies a range of measures that can contribute to the fight against poverty without leading to further environmental collapse.

It emphasizes the need for a reformed international economic order to enable efforts at the domestic level.

The Roadmap further identifies tools for the governance of the transition, recognizing the need for democratic planning of a post-growth transition, the role of indicators on equitable, inclusive and sustainable well-being to guide policy action, and the need to encourage participatory and deliberative democracy to strengthen legitimacy and the effectiveness of the transition, as well as to build countervailing power.

Its recommendations are structured around five pillars – economic systems transformation; labour market policies and the care economy; universal social protection and essential services; climate, environment and resource management; and trade, finance, debt and global solidarity – underpinned by a transversal focus on governance and participatory democracy.

"There is a growing consensus on the need for credible alternatives to our growth-at-all-costs economic model," De Schutter said.

He added: "When I began my mandate six years ago, the 'beyond growth' agenda was at the margins. Today, as our economic structures hurtle us towards climate catastrophe and extreme levels of inequality, it is increasingly shaping the debate."

The UN expert outlined the policies in the Roadmap which aim at strengthening universal public services and care systems, guaranteeing access to decent work through a public employment guarantee, introducing income security mechanisms such as a universal basic income, and reducing working time while ensuring fair and living wages.

The expert highlighted the requirements needed to finance these transformations, from wealth and inheritance taxes, to cancelling the unsustainable sovereign debt burdens that prevent many countries from investing in social protection.

While low- and middle-income countries may still require growth to invest in infrastructure, public services and social protection, he warned that the challenge is to support growth that is less dependent on exploitative global supply chains, enabling development without perpetuating inequality or environmental harm. *(SUNS #10471)*

Third World ECONOMICS No. 844-845, 1 - 30 June 2026

Assessing the credit risk assessors

A new report from Third World Network and Latindadd warns that sovereign credit ratings issued by credit rating agencies not only reflect countries' ability to service debt but actively shape their financing conditions, with downgrades raising borrowing costs and constraining access to external funds.

by Lean Ka-Min

PENANG: Assessments by credit rating agencies (CRAs) of sovereign creditworthiness do not merely reflect states' capacity to service their debts, but can also shape the cost and availability of external borrowing itself, with implications for a country's debt sustainability and access to finance.

A new report jointly published by the NGOs Latindadd and Third World Network highlights the considerable influence wielded by just a handful of CRAs through their rating actions.

Over 94% of outstanding credit ratings are controlled by the "Big Three" agencies – Moody's, S&P and Fitch, all headquartered in the United States.

The ratings issued by CRAs affect the yield, or interest rate, paid out by a bond or other debt instrument: as ratings decline, yields tend to rise.

For sovereign borrowers, therefore, credit ratings shape their financing conditions and access to external funding.

With their greater financing needs, developing countries are particularly vulnerable to the judgements issuing from the corporate offices of CRAs.

Sovereign debt levels across the Global South reached a new high of $8.9 trillion in 2024, notes the report's summary.

More than half of this developing-country debt is subject to international market interest rates, which are influenced by CRA ratings.

According to the report summary, developing regions have since 2020 been borrowing at rates two to four times higher than those for the US – contributing to the debt distress they face.

For developing countries, adverse events ranging from economic crises to climate disasters and health emergencies can trigger credit rating downgrades, or warnings of downgrades, that result in higher interest rates.

Emerging market and developing economies accounted for over 95% of sovereign downgrades in 2020, the report says.

By raising borrowing costs and deterring new investment, such downgrades may exacerbate the very conditions they are said to measure.

More broadly, downgrades can, says the report, "reinforce a hierarchical financial order in which peripheral states face cyclically higher borrowing costs, sharper capital outflows, and narrower fiscal policy space in times of crisis".

Concrete examples of the sway rating actions exert over the trajectory of developing economies are provided by the report through nine country case studies from across the Global South.

How CRAs arrive at their all-important ratings is another major focus of the report.

It says, "Risk ratings are neither innocuous nor neutral, being the fruit of judgements made by so-called experts working in the world financial centres but with explicit and serious consequences for the world's periphery."

While CRA assessments are mostly based on quantitative economic indicators such as per capita GDP, GDP growth, inflation, the current account balance, the budget balance, external debt and foreign exchange reserves, "how these indicators are interpreted by rating committees in their consideration of economic resiliency, government financial strength and susceptibility to event risk can vary greatly in process and outcome".

In addition, qualitative criteria, including national governance, the rule of law, institutional efficiency and regulatory quality, are also employed in the rating process.

Assessments of these criteria often rely on in-house appraisals from within the CRAs themselves, which may lack sufficient understanding of the national context in the countries concerned.

The report flags concerns that ratings are subject to a "home bias" whereby CRAs tend to assign higher ratings to their home countries and to countries with similar economic, political, cultural and social characteristics.

It cites the contention of two scholars that "[c]redit rating as a mental process and set of behaviors continues to be headquartered in the US..."

Specifically, "[c]redit ratings are skewed by income, not actual risk", says the report.

"Empirical analysis shows that GDP per capita, rather than solvency indicators, is the strongest predictor of sovereign credit ratings, and particularly so over short-term trajectories of five to 10 years."

According to a study cited in the report's summary: "Approximately 74.6 per cent of developed countries have an investment-grade credit rating, compared with 9.2 per cent of developing countries. Disaggregated among the developing countries, only 18.5 per cent of upper-middle-income countries, 4 per cent of lower-middle-income countries, and 0 per cent of low-income countries have an investment-grade rating."

With income being the leading determinant of ratings, many high-income countries have been assigned triple-A ratings even with debt-to-GDP ratios exceeding 100%, notes the report.

Conversely, developing countries may be weighted down by unfavourable ratings despite high development prospects.

"This leads to procyclical investment patterns that funnel capital to already-rich countries and perpetuate underinvestment in high-potential regions," the report says.

Another plus point as far as CRAs are concerned is fiscal consolidation. The report points to the example of the COVID-19 period, when "spending what is needed on pandemic response could invite ratings downgrades".

Governments anxious not to jeopardise their credit ratings could therefore seek to cut public expenditure regardless of the impact on social well-being and long-term development.

Given the shortcomings in the CRAs' ratings methodology, it is little wonder that they have committed some high-profile blunders.

The report notes how the agencies

overlooked legitimate risks before the 1997-98 Asian financial crisis hit, and subsequently went on to aggravate the crisis by downgrading Asian governments beyond what the macroeconomic indicators justified.

They had also consistently accorded positive ratings to the mortgage-backed securities that would play a big part in sparking the global financial crisis of 2007-08.

In the wake of that crisis, the United Nations initiated intergovernmental dialogues on the role of CRAs, leading to a thematic debate at the UN headquarters in 2013.

The debate, according to the report, "expressed concern about the market concentration of CRAs and called for improvements in their transparency and impartiality, as well as for sovereigns to reduce mechanistic reliance on ratings while also encouraging alternative risk assessment approaches".

In 2025, the UN's fourth conference on Financing for Development underlined the need for "accurate, objective, and long-term-oriented credit ratings", and urged countries to consider national regulatory frameworks "to reduce overreliance on credit ratings, increase transparency regarding the issuing of sovereign debt ratings, improve the quality of the rating process and make credit rating agencies more accountable for their actions, and reduce conflicts of interest and encourage a greater number of actors to operate in the credit rating market".

These calls reflect the three main strands of proposals advanced to address the prevailing deficiencies of CRAs.

The first, as pointed out by the report, is to reform the agencies' ratings methodology by, among other measures, adopting a longer-term outlook in assessments and decreasing the weight accorded to per capita GDP while also considering a country's growth and development potential.

Another line of thought advocates reducing reliance on CRAs. The third approach prioritises the creation of independent alternatives to the Big Three agencies.

Such alternatives include the African Credit Rating Agency (AfCRA) and a Multilateral Credit Rating Agency (MCRA) – two initiatives which are outlined in the report.

Established by African Union heads of state and government, the AfCRA is reportedly scheduled to begin operations in mid-2026, while the proposed MCRA is envisioned as an institution that comes under the UN umbrella.

These bodies would aim to improve sovereign credit risk assessment by, for example, integrating into rating criteria considerations of development trajectories, debt sustainability and climate vulnerability rooted in a more nuanced understanding of national realities.

Ultimately, says the report, "[i]mproving sovereign financing conditions in the Global South requires a transformation in the production of sovereign risk assessments".

Otherwise, developing countries will remain shackled to a ratings paradigm that "systematically overprices vulnerability and underestimates long-term development potential".

[The full report, entitled "Dancing to Their Tune: Credit Rating Agencies, Sovereign Risk, and Financing Conditions in the Global South", is available at https://latindadd.org/wp-content/uploads/woocommerce_uploads/2026/06/dancing-to-their-tune-amqttj.pdf] *(SUNS #10464)*