

# High Level Meeting on the Role of Credit Rating Agencies in the implementation of the 2030 Agenda for Sustainable Development

## Concept Note & Agenda

United Nations, New York, 21 March 2022

### Context

Credit ratings play an important role in international capital markets as they provide creditors with assessments of a debtor's relative risk of default. Nonetheless, inaccurate ratings can impact the cost of borrowing and the stability of the international financial system, as demonstrated during the 2008 global financial crisis. The United Nations General Assembly held a thematic debate on "The role of Credit Rating Agencies in the International Financial System" in 2013, while the Economic and Social Council held a follow-up meeting on "The Impact of Credit Rating Agencies on Financing for Sustainable Development" in 2014.

During the economic crisis that emerged as a result of the COVID-19 pandemic, attention has returned to the role of credit ratings on debt sustainability and stability. Indeed, the fear of ratings downgrades hindered some countries' participation in official debt relief programs.

In the outcome document of the 2021 meeting of the Economic and Social Council Forum on Financing for Development Follow-up, Member States committed to "explore options to engage credit-rating agencies in the context of the COVID-19 recovery and implementation of the 2030 Agenda" (E/FFDF/2017/3, para. 37). The role of credit rating agencies was also raised in several of the menus of options for the consideration of countries, produced in 2020 under the Initiative on Financing for Development in the Era of COVID-19 and Beyond (FfDI).<sup>1</sup> The Inter-agency Task Force on Financing for Development held an expert group meeting to share views on the challenges in November 2021.

To follow-up on these discussions and further contribute to potential enhancements to the credit rating architecture, the United Nations Under Secretary General for Economic and Social Affairs will convene a high-level meeting to discuss how credit ratings and other sources of improved information could better contribute to financing for sustainable development and the stability of the international financial system.

The background note sets out the issues for discussion in greater detail. It presents three challenges: (1) Incorporating both long-term risk factors such as climate risk, and the positive impact of long-term sustainable investment, into credit ratings and market information usage; (2) Accurately incorporating

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<sup>1</sup> United Nations (2020) Financing for Development in the Era of COVID-19 and Beyond: Menu of Options for the Consideration of Heads of State and Government, Part II, September, [https://www.un.org/sites/un2.un.org/files/financing\\_for\\_development\\_covid19\\_part\\_ii\\_hosg.pdf](https://www.un.org/sites/un2.un.org/files/financing_for_development_covid19_part_ii_hosg.pdf)

international cooperation on debt into credit ratings; and (3) Addressing any unwarranted impact of credit ratings on a country's cost of borrowing.

### Guiding questions

- What role do credit rating agencies play in the ecosystem of information provision and analysis relied on by capital markets? What gaps are left in reliable information provision that may undermine the provision of finance for long-term, sustainable and stable investment in sustainable development?
- Should CRAs adopt further changes in their rating methodologies in order to adapt to the changing world (e.g., technology evolution, increased risk and resilience concerns)? What incentives do they have to make changes, and should the public sector take action to incentivise change, given the rating market dynamics?
- What changes can be adopted by investors to make better use of the information provided by CRAs? What incentives might be needed to spur adoption of such changes?
- Are the current regulatory regimes for CRAs sufficiently attuned to sustainable development questions? How should they evolve as markets change and financial regulators increasingly focus on ESG criteria?
- How should the international system address gaps in the ecosystem for investor information? Are structural or institutional reforms needed and politically viable?

### Participation and logistics

The meeting will take place 21 March 2022 in a virtual format.



## Draft agenda

### Opening remarks

8:00-8:05

#### **Welcome**

- Mr. LIU Zhenmin, United Nations Under Secretary General for Economic and Social Affairs

### Agenda setting

8:05-8:20

#### **Understanding the challenges, the role of credit ratings, and country authorities as well as the United Nations**

- Ms. Amina Mohammed, United Nations Deputy Secretary General

### Discussion

All countries have long-term financing needs to meet the 2030 Agenda, especially to make investments to combat climate change and boost climate resilience. Developing countries have special needs, given their stage of development, with investments required in physical and social infrastructure to promote sustainable development; investment which may not pay off for decades. Should credit ratings reward investments in environmental and social resilience, and not just penalize countries that face climate and other risks? What role can credit ratings and credit rating agencies play in stimulating long-term finance? How can new technologies be incorporated into ratings to achieve these aims? There have been long-standing concerns about the structure of the market for credit ratings, and renewed attention to the procyclicality of ratings and potential stability implications from downgrades. Are there institutional changes which can promote more accurate use of ratings and other information and thus more efficient pricing for sovereign debt? What is the role of regulators, international institutions and investors?

8:20-9:50

#### **The role of credit ratings in long-term finance for sovereigns**

*Moderator:* Ms. Stephany Griffiths-Jones, Financial Markets Program Director at the Initiative for Policy Dialogue (IPD) at Columbia University

#### *Panel:*

- Mr. Ken Ofori-Atta, Finance Minister, Ghana
- Ms. Iliana Lani, Head of Ratings Indices and Securitisation, ESMA
- Ms. Marie Diron, Managing Director of Sovereign & Subsovereign Risk ESG Project lead, Moody's Investors Service
- Ms Elmarie Hamman, Department Head: Financial Benchmarks, Financial Sector Conduct Authority, South Africa
- Mr. Hiro Mizuno, United Nations Secretary General's Special Envoy on Innovative Finance and Sustainable Investments

Comments by: Mr. Mahmoud Mohieldin, United Nations Secretary General's Special Envoy on Financing the 2030 Agenda

9:50-10:00

*Short break*

10:00-11:30

#### **The institutional ecosystem for promoting stable and sustainable finance**



*Moderator:* Ms. Shari Spiegel, Chief of Policy Analysis and Development Branch,  
Financing for Sustainable Development Office, UN-DESA

*Panel:*

- Mr. Brian Manning, Minister in the Ministry of Finance, Trinidad and Tobago
- Ms. Alexandra Dimitrijevic, Managing Director, Global Head of Research, Sustainable Finance and Innovation, S&P Global
- Mr. Francesco Mazzaferro, Head, European Systemic Risk Board
- Mr. David Nowakowski, Senior Strategist, Multi-asset & Macro, Aviva Investors
- Ms. Ramya Vijaya, Chair, Dept of Economics, Stockton University

Comments by: Mr. Jeffrey Sachs, Director, Earth Institute, Columbia University

11:30-11:40

Closing remarks

- Mr. Navid Hanif, Director, Financing for Sustainable Development Office, UN-DESA

