UNU CPR

United Nations | Department of Economic and Social Affairs

FfD4 4th Preparatory Committee

Side event: Credit Ratings and Sustainable Development investment

Concept Note

Date: Tuesday 29 April 2025
Time: 1.15- 2.30pm EST
Venue: NYC UNHQ, Conference Room D

Overall objective

In the context of ongoing negotiations for the Fourth International Conference on Financing for Development (FFD4), which has a mandate to support reform of the international financial architecture, this event seeks to identify practicable pathways for the evolution of credit ratings to better support financing for sustainable development. It aims to explore how collaboration can be best nurtured between key constituents of the credit rating ecosystem.

Context and background

Credit ratings have consistently been identified as critical components of the modern international financial architecture. They play a vital role in addressing market information asymmetries and facilitating investment. By guiding creditors with judgements on relative default risk, ratings influence the volume, cost, and stability of access to market financing. In recent years, attention to credit ratings has intensified amid rising interest rates, heightened concerns over sovereign borrowing costs, a wave of sovereign defaults, and the growing reliance of developing country governments on private markets for debt financing. As a result, credit rating agencies (CRAs), their methodologies, and their role in global finance have become central to development finance discussions.

In September 2024, the Pact for the Future noted UN efforts to engage with credit rating agencies. Credit ratings have featured in ongoing Financing for Development discussions and in the lead up to FFD4 (to be held in Seville, Spain in June and July 2025). In the First Draft of the Outcome Document, Member States have issued calls for action around five key areas:

- *Methodology and transparency* (paragraph 44 a. and b.): The draft calls to promote transparent, accurate, objective and long-term model-based credit assessments, calling on CRAs to refine their methodologies to account for investments, lengthen time horizons, and publish long-term ratings based on scenario analysis;
- *Debt treatment* (paragraph 44 b.): The draft calls on credit ratings to positively recognize the long-term debt sustainability benefits of voluntary debt restructurings, and avoid penalizing countries participating in such efforts or in official sector debt treatment programs;
- *Sovereign ceiling* (paragraph 44 b.): The draft calls for revision of the sovereign ceiling rule, which currently caps a company's credit rating at or below that of its sovereign, in order to better reflect corporate creditworthiness independent of sovereign ratings;
- *Reliance on ratings* (paragraph 48 b. and c.): The draft calls for countries to ensure better data and information is available to market actors and reduce the over-reliance on credit ratings, including but not limited to by considering national regulatory

frameworks for CRAs, addressing the mechanistic use of ratings in regulatory frameworks and promoting the use of alternative sources of information by investors;
- *Strengthening inclusive dialogue at UN-level* (paragraph 48 a.): the document also explores a potential future UN-led structure to facilitate dialogue on these topics, in the form of an annual high-level meeting under the auspices of ECOSOC, bringing together Members States, credit rating agencies (CRAs), investors, regulators and others, to promote appropriate regulation and use of credit ratings.

The UN system - including UN DESA and UNU-CPR - has worked to advance dialogue and inform policy on credit rating agencies (CRAs), through a series of high-level meetings, research, and policy papers that engaged Member States, experts, investors and credit rating agencies to unpack the range of issues, challenges and potential opportunities for change and collaboration.[1]

Thise event, to be held on the sidelines of the fourth Preparatory Committee for FFD4, aims to deepen engagement across the credit rating ecosystem. It will offer a platform for participants to share perspectives and jointly explore practical ways to strengthen the credit rating landscape in support of sustainable development goals. Participants will include credit rating agencies, multilateral institutions, Member States, private sector actors, academics, and civil society representatives.

The event will: 1. explore the role of credit ratings in sustainable development finance, with a focus on understanding sovereign ratings and the methodologies related to ratings above the sovereign 2. it will identify key challenges and opportunities to enhance the use of credit ratings in mobilizing private capital for the SDGs, addressing emerging challenges and new financing solutions, including the impact of climate change and the need for sustainable infrastructure financing 3. In doing so, it will also examine current regulatory frameworks for credit rating agencies.

Key questions for discussion:

General questions on the role of CRAs
- To what extent do credit rating agencies actually influence the cost of borrowing, and in which ways? Do credit rating agencies have different rating methodologies for developing countries, or otherwise treat developing v. developed markets differently?
- How can CRA's knowledge and expertise be utilized effectively to inform and support financial systems and markets?

Methodology and transparency
- What specific areas of the credit rating process could be better communicated or explained differently to increase transparency for the marketplace? In particular, how could CRAs share details on their models, to build confidence in their methodologies?
- How are ratings integrating environmental (e.g. climate) and social factors, from both a risk and investment in resilience perspective; or utilizing scenario analysis to produce long-term ratings?
- What are some of the roadblocks and challenges faced by credit rating agencies in sustainable development finance (e.g. data limitations, complexity of blended finance structures, different understandings of how credit ratings work)?

[1] See for example UN DESA 2022 policy paper that accompanied a High-Level Meeting; and UNU-CPR 2024 policy report that accompanied an Expert Meeting.

- How are credit ratings regulated and what are the requirements for updating methodology?

Reliance on ratings & dialogue at UN-level

- What gaps exist in how users and issuers understand, interpret, and engage with credit rating agencies? How and what types of targeted dialogue, support or capacity building could strengthen trust and transactions between CRAs, soveriegns and investors? What role can the UN System play in supporting this?

Programme

Welcome and introductory remarks: Oliver Schwank, Chief Policy Analysis and Development Branch, Financing for Sustainable Development Office, UN DESA

Panel:

Moderation: Dr. Nicole Goldin, Head of Equitable Development, United Nations University Centre for Policy Research (UNU-CPR)

- Dr. Daniel Cash, UNU-CPR, Aston University
- David Rogovic, Vice President, Senior Analyst Sovereign Risk, Moody's
- Misheck Mutize, Lead Expert, African Peer Review Mechanism (APRM) African Union
- Monica Asuna, Director of Planning, National Treasury and Economic Planning Kenya
- Roberto Sifon, Head of Sovereign Ratings and co-chair of the Climate Finance in Lower Income countries Working Group, S&P

Moderated Q&A

Summary reflections: Oliver Schwank

Closing: Dr. Nicole Goldin