

**Seventy-seventh session**

Item 20 of the provisional agenda\*

**Globalization and interdependence****Towards a New International Economic Order****Report of the Secretary-General***Summary*

The present report is submitted pursuant to General Assembly resolution [75/225](#). It provides an updated analysis of the main international economic challenges and options for recovering better and in line with the Sustainable Development Goals. Countries are in the third year of the coronavirus disease (COVID-19) pandemic, several months into the war in Ukraine and facing a growing climate crisis. Their economies remain weak, even if better adapted to digital transformation, and yet inequality, poverty and environmental degradation are on the rise, and threatening to set back progress on the Goals.

The report adopts a forward-looking policy focus in the context of the New International Economic Order. It contains a review of the scale and depth of the immediate and longer-term impact on countries' economies, including the financial distress exacerbated by the pandemic. It also includes an examination of the role played by fiscal and monetary interventions during the pandemic and how they have contributed to building inclusive and resilient economic recovery for advancing the Goals and climate action.

The report contains an analysis of how international cooperation and national action help to harness the full potential of ongoing digital transformation, as well as of rapid advances in science, technology and innovation, in the interest of equitable and sustainable progress. While in many countries the war in Ukraine is causing a cost-of-living crisis that disproportionately impacts the poor, the elevated oil and gas prices may also accelerate the energy transition, which is essential for meaningful climate action.

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\* [A/77/150](#).



## I. Introduction

1. The ideas and proposals for action on a New International Economic Order were set out in May 1974 in the Declaration on the Establishment of a New International Economic Order (General Assembly resolution 3201 (S-VI)) and the Programme of Action on the Establishment of a New International Economic Order (resolution 3202 (S-VI)). In resolution [75/225](#), the Assembly requested an updated overview of the major international economic and policy challenges for equitable and inclusive sustained economic growth and sustainable development and of the role of the United Nations in addressing those issues, as well as possible ways and means to overcome those challenges.

2. Like in the 1970s when the Declaration and the Programme of Action were adopted, the world economy is currently going through a series of crises which have had severe economic repercussions, especially in developing countries. Countries are in the third year of the coronavirus disease (COVID-19) pandemic, several months into a war in Ukraine and facing a growing climate crisis. In the context of the rapid pace of technological change, the ideas and proposals in the New International Economic Order have acquired renewed relevance. The current context is marked by the existence of persistent development and technological divides between developed and developing countries, challenges in technology transfer and industrialization for developing countries, and the unsustainable use of natural resources.

3. The Declaration and Programme of Action, in which Member States pledged to address inequities in the international system, eliminate income and technology gaps between developed and developing countries, ensure the steady acceleration of economic and social development, and secure peace and justice for the present and future generations. In the present report, consideration is given to the extent to which the ideas and proposals from the New International Economic Order can support an end to the COVID-19-pandemic, foster inclusive economic recovery, accelerate climate action and build resilience, while ensuring that the benefits of digitalization and new technologies are reaped.

4. Since the issuance of the previous report on the New International Economic Order in 2020 ([A/75/325](#)), many developing countries have experienced an increase in inequality and poverty. Food insecurity and hunger, already on the rise in many countries, are expected to worsen further. Lower levels of economic growth, large budget deficits and constraints on expansionary fiscal policies can lead to a weakening of social protection and the skewing of income distribution towards richer groups, thereby jeopardizing inclusive economic growth.

5. The present report is organized as follows: section II is on the development challenges facing developing countries; section III contains a discussion of how fiscal and monetary policy can promote climate action; section IV focuses on the challenges and opportunities arising from the digital transformation; and section V contains an examination of the relevance of the ideas of the New International Economic Order in the current context and of the role played by the United Nations.

## II. Challenges facing developing countries

### *Underlying inequalities, poverty and climate change*

6. For many developing countries, inequality and poverty are currently at higher rates than in 2019. About 60 per cent of the world's workforce has lower incomes than before the pandemic, and it was noted in the *World Inequality Report 2022* that the poorest half of the global population owns just 2 per cent of total global wealth,

while the richest 10 per cent owns 76 per cent.<sup>1</sup> It is estimated that the pandemic pushed around 93 million into extreme poverty in 2021<sup>2</sup> and that an additional 263 million people will fall into extreme poverty in 2022, resulting in a total of 860 million people living in extreme poverty.

7. Development challenges, such as inequality, poverty, underemployment and limited access to basic services heighten vulnerability to natural disasters and constrain communities' capacity to adapt to climate change. Climate change is a key driver of food and water shortages, livelihood insecurities and employment informality, which can amplify poverty and environmentally induced migration both within and across borders.<sup>3</sup>

8. Over the past 30 years, the number of people living in coastal areas vulnerable to rising sea levels has increased from 160 million to 260 million, 90 per cent of whom are from developing countries, including small island developing States. Rising sea levels have increased the risk of inundation and coastal flooding, exacerbated erosion and accelerated saltwater intrusion into rivers and underground aquifers, thus degrading infrastructure, ecosystems and livelihoods.<sup>4</sup> Unless the international community is more decisive in its support for immediate, rapid and large reductions in greenhouse gas emissions, limiting global warming to 1.5°C or even to 2°C will be unachievable.

9. Climate change has also posed a competitiveness risk to small and medium-sized enterprises. Around 68 per cent of such companies interviewed by the International Trade Centre for its competitiveness surveys in sub-Saharan Africa said that environmental risks were significant for their businesses and financial capabilities, with the figure rising to 93 per cent among firms in the primary sector. However, only 38 per cent of small and medium-sized enterprises interviewed had invested in climate change adaptation measures, while 60 per cent of large firms had invested in at least one measure to reduce exposure to environmental risks.<sup>5</sup>

10. The war in Ukraine may further undermine climate action if high oil and gas prices incentivize greater use of coal in the short term and investment in more fossil fuel extraction capacity, rather than a shift to renewable energy.<sup>6</sup> Similarly, subsidies and other measures for cushioning fuel price increases in the short term could prove difficult to roll back in the longer term, potentially slowing down climate action.

#### *Financial fragility and debt*

11. The pandemic put many countries at risk of debt distress, constrained their fiscal space and hampered economic growth. Although there was some economic respite in 2022, new COVID-19 variants and inequity in vaccine access continue to perpetuate the pandemic. The inability of poorer countries to raise sufficient resources and borrow affordably for investment has created a financial divide, leaving developing

<sup>1</sup> Lucas Chancel and others, eds., *World Inequality Report 2022* (World Inequality Lab, 2022).

<sup>2</sup> *The Sustainable Development Goals Report 2022* (United Nations publication, 2022).

<sup>3</sup> Valérie Masson-Delmotte and others, eds., *Climate Change and Land: An IPCC Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems* (Intergovernmental Panel on Climate Change, 2019).

<sup>4</sup> Information found at [www.weforum.org/agenda/2021/06/climate-refugees-the-world-s-forgotten-victims/](http://www.weforum.org/agenda/2021/06/climate-refugees-the-world-s-forgotten-victims/). See also: *Sustainable Development Outlook 2019: Gathering Storms and Silver linings* (United Nations publication, 2019), "Climate change as a new driver of conflicts", pp. 59–66.

<sup>5</sup> *Financing for Sustainable Development Report 2022* (United Nations publications, 2022).

<sup>6</sup> United Nations, Department of Economic and Social Affairs, "Monthly briefing on the world economic situation and prospects: rising inflation hits developing countries", No. 160, 3 May 2022.

countries unable to respond effectively to crises by investing in sustainable development.

12. Monetary tightening by the United States of America Federal Reserve to decelerate inflation has been faster than expected and has exacerbated the cost of debt servicing and led to a higher risk of debt distress. On average, developed countries use 3.5 per cent of revenue to pay interest on their debt, compared with 14 per cent of revenue in the least developed countries. About 60 per cent of the least developed countries and other low-income countries are now assessed to have a high risk of debt distress or to be in debt distress, which represents a doubling from the figure of about 30 per cent in 2015.<sup>7</sup>

13. As previous periods of high inflation illustrate, rises in interest rates in developed countries can trigger significant capital outflows, as well as currency depreciation in developing countries, fuelling further inflation and severely impacting consumer spending, investment, employment and economic growth. Public finances can also be affected, with adverse consequences for debt sustainability overall.

#### *Narrowing of the policy space*

14. While large fiscal interventions were vital to mitigating pandemic-era debt distress, they have left many Governments with massive debt burdens, raising concerns about public debt sustainability in the future. With the squeezing of fiscal budgets, many developing country Governments are struggling to finance much-needed investment in key areas of sustainable development, such as health, education, physical and digital infrastructure, and energy transition.

15. Throughout the pandemic, central banks in developing countries introduced asset purchase programmes that were smaller in scale and shorter in duration than their equivalents in developed countries. In 2020, 27 developing country central banks – 10 in Africa, 9 in Asia and 8 in Latin America and the Caribbean – embarked on asset purchase programmes, but most of them had to halt this intervention by the second quarter of 2021.

16. The interventions were mainly characterized by sizeable positive spillovers, such as providing liquidity and reducing uncertainty. This was particularly the case in more developed regions with higher levels of monetary independence, exchange rate stability and financial openness. By contrast, having made extraordinary expenditures and adopted a loose monetary policy during the pandemic, many developing countries are currently also confronting inflationary pressures, which has further narrowed the policy space needed for economic recovery.

17. The rise in inflation further adds to the pressure to unwind asset purchase programmes, but as central banks do so, they must also weather financial market disturbances and the destabilization of global financial flows. Policy mistakes, that of either withdrawing stimulus too fast or delaying monetary tightening for too long, can further exacerbate economic challenges.

#### *Trade disruptions and inflationary pressures*

18. The pandemic saw a spike in the consumption of goods rather than services, straining production capacities and distribution channels, and leading to supply shortages. The effects of the pandemic and associated containment measures strained global value chains, while the production of key intermediate inputs in manufacturing (e.g. microchips) did not keep pace with the surging demand for vehicles and consumer goods. The war in Ukraine has further exacerbated supply chain

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<sup>7</sup> *Financing for Sustainable Development Report 2022.*

disruptions, as well as contributing to volatility in international financial markets and rising energy and food prices. As the pandemic continues, lockdowns and disruptions in manufacturing centres and port cities could aggravate and worsen supply shortages.

19. In Africa, Western Asia and Latin America and the Caribbean, inflation figures have reached double digits in 2022. Meanwhile, inflation in South Asia has remained relatively stable, albeit at a high level. Significantly, the rise in inflation is not limited to energy and food prices or only to large developing economies, but is also affecting other developing countries, such as Angola, Burundi, Ethiopia, Mongolia and Sri Lanka.<sup>8</sup>

20. Countries more closely integrated into global financial markets, such as Chile, Mexico and South Africa, began raising their interest rates even ahead of the interest rate hikes by the United States Federal Reserve in order to prevent possible capital outflows and the depreciation of the national currency. Further interest rate increases, including in other countries, are tied to curbing inflation. Since the second half of 2021, monetary tightening in developing countries has accelerated. Between January and April 2022, at least 27 central banks increased their interest rates, including in Latin America (Argentina, Chile, Peru and Uruguay) and Africa (Egypt and South Africa).

21. Interest rate hikes to reduce inflation can derail the economic recovery and worsen employment prospects, while further limiting fiscal space for social support programmes and increasing debt sustainability risks. Net oil- and food-importing countries are at a greater risk of intensified pressures in their balance of payments and fiscal positions. Against this backdrop, central banks face difficult policy trade-offs between, on the one hand, containing inflation while preserving financial stability and, on the other hand, supporting economic recovery. National fiscal and monetary policies should be carefully calibrated to the tightening of global monetary policies.

#### *Exposure to a cost-of-living crisis*

22. The decline in real incomes due to inflation is likely to increase poverty levels, especially because in many developing countries, the fiscal space for alleviating the impact of higher food and fuel prices is limited. Surges in food and fuel prices could push millions more into poverty, exacerbating inequality even further, because poor households spend a much larger share of their income on such essentials.

23. Surging inflation could worsen food insecurity in many developing countries that are still struggling with the economic shock caused by the pandemic. The World Food Programme (WFP) estimates that the number of severely food-insecure people doubled from 135 million before the pandemic to 276 million by the end of 2021. However, the ripple effects of the war in Ukraine could drive this number up to 323 million in 2022.<sup>9</sup> Should production shortfalls occur in the next growing season on account of a lack of fertilizers or extreme weather conditions in food-producing regions, the drop in global food availability could further entrench food insecurity.

24. While every second person in sub-Saharan African countries is exposed to elements of the cost-of-living crisis (e.g. food, energy and finance), 20 Latin American and Caribbean countries are deeply affected by it.<sup>10</sup> Extreme poverty

<sup>8</sup> United Nations, Department of Economic and Social Affairs, "Monthly briefing on the world economic situation and prospects", No. 160.

<sup>9</sup> Barbara Celis, "Hunger, famine and starvation: 750,000 people are in the front line, UN study says", WFP, 6 June 2022.

<sup>10</sup> Global Crisis Response Group on Food, Energy and Finance, "Global impact of the war in Ukraine: billions of people face the greatest cost-of-living crisis in a generation", Brief No. 2 (8 June 2022).

threatens 2.8 million people in the Middle East and North Africa. People in South Asia have been experiencing crippling heatwaves in 2022, and 500 million of them are severely exposed to the food and financial crisis. Given the importance of energy imports and remittances from Russia, countries in Eastern Europe and Central Asia are also exposed to the energy and financial crisis.

25. Many countries in Africa and Latin America and the Caribbean are currently experiencing higher unemployment and underemployment rates than before the pandemic.<sup>11</sup>

26. In the current inflationary conditions, economic growth and job creation also depend on whether countries are net commodity exporters or importers. The benefits of higher commodity prices for exporting countries may boost growth and employment, albeit possibly at the cost of higher inequalities because of the deterioration of real wages. Conversely, price and trade shocks in countries dependent on food and fuel imports would have a negative impact on growth, employment, poverty reduction and the fiscal space.

### **III. Fiscal and monetary policies to promote climate action**

27. Fiscal and monetary policies are major tools that directly affect the direction of macroeconomic aggregates and economic development patterns. They also have a profound impact on the environment. Academic literature indicates that both fiscal and monetary policies can have significant environmental outcomes depending on whether or not they are aimed at supporting green projects. For example, such policies can accelerate or slow down the energy transition of the global economy to more sustainable pathways.

28. Other policy levers have also proven to be useful, such as regulation to reduce emissions through the setting of a carbon price, incentivization of investments in the development and roll-out of green technologies, and the provision of guarantees against excessive risk. When Governments intervene to internalize carbon prices and alter the incentives of firms and consumers, the structure of the economy may change. Indeed, fiscal interventions to incentivize the energy sector transition towards cleaner sources or to disincentivize the use of fossil fuels (e.g. through carbon taxes or targeted and time-bound subsidies) can reduce carbon emissions and improve the environment. A study of the taxi industry in Beijing showed that through a combination of carbon taxes and allowances tied to improved emissions standards and carbon-trading prices, carbon emissions were reduced.<sup>12</sup>

29. More broadly, to limit global warming to 2°C or less, the countries with the largest emissions would need to introduce a carbon tax that would be set to rise to \$75 per ton in 2030. Some 50 countries currently have a carbon-pricing scheme of some form, wherein the global average carbon tax is \$2 per ton, which is far below what the planet needs. In Sweden, the carbon tax is set at \$127 per ton and emissions have been reduced by 25 per cent since 1995, while the economy has expanded by 75 per cent. To make carbon taxes more politically feasible and economically efficient, the resulting revenues, which account for between 0.5 and 4.5 per cent of gross domestic product (GDP), depending on the country, could be used to reduce other taxes, such as those on income or payroll. The revenues could also support affected workers and communities (e.g. in coal-mining areas) or be transferred

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<sup>11</sup> United Nations, Department of Economic and Social Affairs, “Monthly briefing on the world economic situation and prospects”, No. 160.

<sup>12</sup> Yang Liu and others, “A competitive carbon emissions scheme with hybrid fiscal incentives: the evidence from a taxi industry”, *Energy Policy*, vol. 102 (March 2017), pp. 414–422.

directly as dividends to the population on a sliding income-based scale. Additional investments could also be made to further the achievement of the Goals, encourage innovation or accelerate the digital transformation, all of which would boost long-term growth.<sup>13</sup>

30. Similarly, expansionary monetary policies can support fiscal policies through the provision of loans to promote renewable and energy-efficient technologies.<sup>14</sup> Central banks can take a proactive role to addressing sustainable development challenges, such as climate change and inequality. In fact, several central banks and financial regulators have acknowledged the need to respond to non-economic risks and other sustainability issues. In Asia and the Pacific, 94 per cent of central banks surveyed believed that they should play a role in encouraging low-carbon financing initiatives and green finance (A/75/325).

31. Monetary policy, supported by fiscal policy and regulation, can help to reduce transaction costs for firms that invest in cutting emissions, thereby easing economies' path to carbon neutrality and generating long-lasting positive effects. Similarly, central banks can have durable effects during the transition period by supporting disclosure practices in financial markets if they subject certain securities and financial assets in their monetary policy operations to specific disclosure requirements and information standards, as has been done, for example, in the European Union taxonomy for sustainable activities and the practices promoted by the Task Force on Climate-related Financial Disclosures. Central banks can therefore play a catalytic role in financial markets by strengthening the resilience of the financial system.

32. Central banks can also play a role in formulating financial regulations to guide investors who are looking for sustainable investment options, for example, by establishing minimum standards for investment products to be marketed as sustainable (see A/75/268, para. 55). In this regard, the European Union taxonomy for sustainable activities, which was approved by the European Parliament in June 2020, lays out detailed criteria to determine what constitutes a sustainable economic activity (A/75/325, para. 27). Asset purchase programmes, should they be resumed, could also incorporate green considerations into their choice of assets.

33. To enhance the effectiveness of national development banks and multilateral development banks, central banks can create an environment conducive to the flow of private finance to projects promoting sustainable development, including physical infrastructure and renewable energy. In many countries, the supervision and regulation of national development banks falls under the purview of the same institution that is responsible for private commercial banks, namely, central banks or a bank supervisory agency.

34. While climate change can increase inequalities, specific monetary policy instruments can contribute to reducing them. Refinancing programmes, such as the long-term refinancing options launched by the European Central Bank, can be made conditional on bank loans that benefit the most vulnerable households. Likewise, targeted longer-term refinancing operations specify that the amount that banks can borrow should be linked to the amount that they lend to non-financial corporations and households, which ensures that monetary expansion reaches the real economy and therefore has a progressive distributional impact. In 2020, the United States Federal Reserve established a programme for direct lending to state and municipal governments through the Municipal Liquidity Facility. In response to the COVID-19 crisis, the Federal Reserve also expanded its main "high street" lending programme

<sup>13</sup> Vitor Gaspar and others, "Fiscal policies to curb climate change", IMFBlog (10 October 2019).

<sup>14</sup> Haider Mahmood and others, "The fiscal and monetary policies and environment in GCC countries: analysis of territory and consumption-based CO<sub>2</sub> emissions", *Sustainability*, vol. 14, No. 3 (21 January 2022), p. 1225.

to support non-profit organizations, such as hospitals, schools and social service organizations, that had been financially sound before the pandemic.<sup>15</sup>

35. Nevertheless, the ability of central banks to act rapidly, coupled with their potentially unlimited balance sheets, can lead to an overreliance on monetary interventions to drive sustainable development objectives. It is important to note that fiscal policy can generate stronger and better-targeted incentives to influence longer-term economic decisions, and that the underutilization of such policy instruments might prove to be a disadvantage in a country's overall policy strategy. In addition, the overstretching of central bank mandates can undermine the credibility of central banks, in particular if the lines of responsibility in relation to other government agencies overlap or are unclear.

36. There is currently an opportunity to address the above-described issues through appropriate and coordinated fiscal and monetary policies, targeted investments and international cooperation, in order to accelerate the transition towards sustainability while minimizing the costs of that transition. When unwinding their asset purchase programmes, central banks may choose to hold on to assets of sectors and firms with lower carbon footprints, while also developing principles and guidelines to prioritize low-carbon assets for future programmes.

37. Overall, both monetary and fiscal policies need to be coordinated and work in tandem to maintain macroeconomic stability while providing the appropriate stimulus for accelerating climate action, including by building public support for such action. Coordination has become more important in the current economic circumstances given the limits on the scale and scope of such policies.

38. Comprehensive policies that involve fiscal, monetary and structural policy instruments would be more effective in tackling climate change challenges. For this to happen at the global level, multilateral coordination of climate policies and steady domestic policy actions are required in order to ensure an orderly transition.

## IV. Harnessing rapid technological advances

### *Ongoing digital economic transformation*

39. Global data flows, as measured by the global use of Internet bandwidth, have continued to increase at an accelerated pace. They increased by 35 per cent in 2020 to 230 exabytes<sup>16</sup> per month, and are expected to more than triple by 2026 to 780 exabytes. This increased reliance on digital connectivity not only underscores the inequalities across and within countries and regions in access to digital technologies but also creates new policy challenges. The use of digital technologies was further accelerated during the COVID-19 pandemic. Remote work and digital meetings have become the new norm, while economic activities have increased on a variety of digital platforms. Public and private organizations are increasingly making remote work a routine for all or some of their employees.

40. Digital financial innovations reduce market frictions and transaction costs, making it profitable to provide financial services to previously excluded micro-, small and medium-sized enterprises. Financial technology (fintech) services, and in particular mobile money services, have contributed to a rapid increase in account

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<sup>15</sup> Salvador Pérez-Moreno, Natalia Martín-Fuentes and Juan-Francisco Albert, "Rethinking monetary policy in the framework of inclusive and sustainable growth", in *Economic Policies for Sustainability and Resilience*, Philip Arestis and Malcolm Sawyer, eds. (Cham, Switzerland, Palgrave Macmillan, 2022).

<sup>16</sup> One exabyte is equal to 10<sup>18</sup> bytes.



ownership, including by women. Throughout the COVID-19 pandemic, digital financial services provided a lifeline to many individuals and businesses. Governments also used digital financial services to deploy broad-based government-to-person transfers. New types of digital payments, such as instant payments and e-money, also continued to grow during the COVID-19 pandemic. The share of “new payments” (instant payments and e-money payments) continued to increase, to the detriment of traditional non-cash payment methods, such as cheques, direct debit transfers, credit transfers and card transfers. Similarly, the number of registered mobile money accounts worldwide increased by 13 per cent in 2020 to 1.2 billion, which was accompanied by a 22 per cent increase in the value of transactions, to \$767 billion.

*Uneven access across and within countries*

41. While digital technologies can increase efficiencies and enhance inclusion, they can also deepen inequalities across and within countries and create various other risks. Rapid digitalization has greatly increased the cost of exclusion for those who do not have access to or cannot afford to use these technologies. Many developing countries, especially the least developed countries, are also at risk of falling behind and becoming mainly users and data providers rather than participating productively in the global digital value chain.

42. According to the latest data from the International Telecommunication Union, 4.9 billion people, or 63 per cent of the world’s population, were using the Internet in 2021, up from 4.1 billion (54 per cent) in 2019. Most of this increase was driven by new Internet users in middle-income countries. In the least developed countries, the share of individuals using the Internet remained low, at 27 per cent, compared with 57 per cent in developing countries overall, and 90 per cent in developed countries.

43. Even where broadband coverage exists, the cost of access continues to be an obstacle, especially in the least developed countries. The median monthly price of the cheapest broadband subscription with at least 5 GB of data in the least developed countries is \$22.3, or just over 20 per cent of gross national income per capita. This compares with a global median of \$22.8, or 2.8 per cent of global gross national income per capita. The cost of digital devices is also prohibitive for significant segments of the population in lower-income groups in many developing countries. Nearly 2.5 billion people live in countries where the cost of the cheapest available smartphone equals 25 per cent or more of the average monthly income. This lack of affordability is one of the main reasons for the mobile Internet usage gap, with some 3.4 billion people not using mobile Internet despite living in areas with mobile coverage.

44. Differences also exist across population groups, notably by gender. In 2020, 57 per cent of all women used the Internet, which is 5 percentage points below the level for men. While gender parity in Internet usage has nearly been achieved in developed countries and small island developing States, larger gaps remain in some of the least developed countries and landlocked developing countries. Across geographical regions, the largest gaps are in Africa (11 percentage points) and in the Arab States (12 percentage points).<sup>17</sup>

45. The International Labour Organization argues that it is often employees in the upper-income brackets who can work remotely. Broadly, there is concern that a digital economy will exacerbate inequalities between those countries at the technological forefront and less technologically advanced countries, as well as within countries. In high-income countries, only 27 per cent of workers were able to work remotely in

<sup>17</sup> *Financing for Sustainable Development Report 2022*.

2020. There is also concern that digital technologies will exert downward pressure on the wages of medium- and low-skilled workers as their tasks would be performed by software applications, technology upgrades and templates. Nevertheless, those trends can also create opportunities to develop policies aimed at coordinating national and global efforts in support of decent employment and fostering a resilient and sustainable recovery.

46. Other risks at the individual and institutional levels include the growing threat of cyberincidents and digital fraud, as well as new forms of exclusion, for example, through biases in algorithmic decision-making. At the market level, digitalization has been associated with an increased concentration of market power because of the rise of large international technology platforms. The growth in digital financial services has also raised concerns about financial stability and integrity.

#### *Closing digital divides*

47. Eradicating these gaps will require policies such as investment in digital infrastructure, the promotion of universal affordable Internet access and the development of digital skills. Protecting the right to privacy, strengthening the responsible use of artificial intelligence and combating cybercrime can also contribute to a safer digital space for all. Policies that are more targeted to specific groups, including women and girls, can support their increased participation in technology development and content creation.

48. Regulators and supervisors can build on financial technology to support financial inclusion, while addressing growing risks from cyberincidents and digital fraud by strengthening consumer protection and holding financial service providers accountable for safeguarding data. Well-managed and transparent service and access funds can help to mobilize the necessary resources to achieve universal broadband Internet access on the basis of private sector contributions, which can be pooled with public funds where necessary. Regulatory frameworks should be reviewed and strengthened, where appropriate, to address issues of data governance (including preventing the concentration of market power), content accountability, discrimination and human rights. International coordination will be needed to ensure coherent and equitable global standards.

49. As online education becomes more prevalent as a complement to, or even a substitute for, traditional classroom-based education, efforts should be made to promote inclusivity. Public educational institutions must ensure that more learners can benefit from new technologies, while the access to and the quality of remote learning tools needs to be improved. This can be done by prioritizing access to broadband Internet and digital devices, and by including all students in remote learning strategies. Targeted measures, such as the provision of specific support to those with disabilities, the designing of learning materials in minority languages and efforts focused on ensuring that remote and online learning becomes more accessible to migrant and displaced children can all foster inclusion. In addition, teachers need specialized digital skills training and technical support to implement and evaluate the impact of remote and online learning effectively.

50. Additional support on the demand side to facilitate wider adoption and use of broadband Internet could come from both private and public sources. Private companies and individuals can be the main drivers of content and applications, such as data analytics, artificial intelligence applications or media content that make the use of broadband Internet attractive. The public sector can support demand by providing digital public services, while policymakers can support local innovation and content creation, for example, through incubators and innovation hubs. Public

support is also needed to strengthen digital skills and facilitate more participation by micro-, small and medium-sized enterprises in the digital economy.

*Country experiences and support frameworks*

51. To support the inclusive digital transition of economies and societies, several countries in South-East Asia have implemented a range of policy measures to enhance the digital literacy of their citizens and the digital skills of their workforce. For example, Indonesia has prioritized digital skills and literacy as a key agenda for the country's presidency of the Group of 20 (G20) in 2022. At the national level, the Government of Indonesia is running a national movement for digital cyberskills literacy programme to teach basic digital skills to some 12.5 million participants as well as a digital talent scholarship programme for mid-level and advanced digital skills (involving 100,000 and 300 participants, respectively). In Thailand in early 2021, the Ministry of Labour launched the Digital Skills Development Academy, which oversees the digital skills development of the workforce and runs digital skills training programmes and courses for young people. Cambodia aims to overcome low digital literacy levels, which have prevented women micro-entrepreneurs from gaining access to finance and scaling up their businesses. The Economic and Social Commission for Asia and the Pacific, the United Nations Capital Development Fund and SHE Investments recently launched the KOTRA Riel bookkeeping app to create a simple and user-friendly experience to support Cambodian micro-entrepreneurs in planning and managing cash flows and gaining access to formal financial services.

52. As proposed by the Secretary-General in his report entitled "Our Common Agenda" (A/75/982), a public-private Global Digital Compact can address issues concerning universal connectivity, data governance, content accountability criteria, discrimination and the protection of human rights.

53. Policymakers and regulators can also establish support frameworks and requirements for universal and inclusive broadband coverage, while enabling innovation. Universal service obligations have long been used to oblige network operators to extend telecommunications coverage to hard-to-reach and vulnerable populations. While universal service obligations have become less common in recent years, Governments could enforce them in return for access to a high-demand spectrum in the universal roll-out of fourth generation (4G) and fifth generation (5G) broadband, especially where operators have significant market power. Other regulatory requirements could include open-access regimes and infrastructure-sharing. Authorities can also establish non-financial incentives for private investment, such as through the streamlining of procedures and approval processes; access to local infrastructure mapping and geographical information; and electronic transaction, cybersecurity, copyright and privacy frameworks. Regulatory sandboxes can help to spur innovation by providing a safe space for companies to develop and test new concepts and products on a limited scale.

*International cooperation for advancing an equitable digital economic transformation*

54. More efforts are needed at the national and international levels to harness these technologies and mobilize the financing and capacity-building required for an equitable digital transformation.<sup>18</sup> Further cooperation is also necessary in areas such as taxation and regulation.

55. As a result of economies of scale and the platform nature of digital technologies, a relatively small number of corporations play a disproportionately large role. These

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<sup>18</sup> Ibid.

firms typically control the collection, processing and commercialization of data, where the data are the principal source of income and profits. Developing countries are concerned, however, that data generated in activities carried out within their jurisdictions are often collected by companies based outside their jurisdictions, which has tax collection and national security implications (A/75/325, para. 44).

56. A more inclusive international cooperation framework and increased transparency of corporations would be key to strengthening and improving corporate tax systems. The Independent Commission for the Reform of International Corporate Taxation, which strives for a wider and more inclusive discussion on international tax rules, suggests that responsible Governments should introduce progressive digital services taxes on economic rents captured by multinational firms in that sector. Progressive taxes would also mean lower tax rates for digital micro-, small and medium-sized enterprises, whose profits tend to be lower.

57. Analogous to the proposed windfall taxes on oil firms benefiting from high prices as a result of the war in Ukraine, suggestions have also been made to tax the extraordinary profits made by giant digital firms during the pandemic, with the revenues used to finance the public and private costs of the pandemic and invest in building resilience. Given that the operations of digital companies are global, international cooperation would be vital for the effective collection of such taxes.

#### *Science, technology and innovation*

58. Apart from digital technologies, rapid, and yet unequal, developments in science, technology and innovation risk creating virtually insurmountable divides across countries in terms of their future prospects for advancing human well-being. Greater international cooperation is therefore required.

59. For example, international cooperation through the sharing of information and technologies on the detection, prevention and treatment of COVID-19 has been necessary for controlling the pandemic in all countries. This has included initiatives such as the Access to COVID-19 Tools Accelerator (ACT-A), the Friends of the COVID-19 Vaccine Global Access (COVAX) Facility, the African Vaccine Acquisition Trust and relevant pledging appeals. The World Health Organization COVID-19 Technology Access Pool allows developers of COVID-19 therapeutics, diagnostics, vaccines and other health products to license their intellectual property, knowledge and data with quality-assured manufacturers. Through voluntary, non-exclusive and transparent licences, the Technology Access Pool can facilitate the scaling up of production through the use of multiple manufacturers that currently have untapped capacity. Other initiatives include the provision of access to information from patent systems, such as the COVID-19 search facility on the World Intellectual Property Organization PatentScope portal and the Medicines Patent Pool Initiative, which contains information on medicines in COVID-19 trials and vaccines. To facilitate access to medical treatments and health technologies for low- and middle-income countries, the Initiative concluded licensing agreements for two experimental oral antiviral treatments for COVID-19 and a COVID-19 serological antibody diagnostic test, which can be provided non-exclusively and royalty-free, depending on the terms of the agreements.<sup>19</sup>

60. The United Nations system is working to strengthen countries' capacity in science, technology and innovation, as a complement to bilateral and multilateral efforts. The Technology Facilitation Mechanism and the Technology Bank for the Least Developed Countries are facilitating policy dialogue and technology transfer, including by harnessing digital technologies for development. United Nations entities

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<sup>19</sup> Ibid.

have joined forces with other partners through ACT-A, which has delivered over 1 billion vaccine doses to developing countries but remains underfunded. Collaboration at various levels also helps to support countries in their efforts to align finance, investment and technology to ensure better recovery from the current crisis. Member States are called upon to step up their contributions to ACT-A and consider sharing know-how and intellectual property to support the fight against COVID-19 and strengthen resilience to future pandemics. Continued support is needed to help the Technology Facilitation Mechanism and the Technology Bank for the Least Developed Countries to deliver on their mandates and further strengthen developing countries' capacity to harness science, technology and innovation, such as through the Global Pilot Programme on Science, Technology and Innovation for the Sustainable Development Goals Road Maps (STI for SDGs road maps).<sup>20</sup>

#### *Sustainable development*

61. In his report entitled "Our Common Agenda", the Secretary-General called for a new global deal to achieve a more networked, inclusive and effective form of multilateralism, with a focus on strategic foresight to address major global risks. Developed countries need to fulfil their commitment to mobilize \$100 billion per year for climate action in developing countries. All providers should meet the new commitment to double adaptation finance by 2025, as well as prioritize grant finance for the least developed countries and small island developing States. Development partners should integrate disaster risk reduction measures into development cooperation across all sectors in order to build resilience to current and future shocks and hazards.

62. Technology innovations are making the energy transition achievable, with improvements in sustainable energy production and end use, including through digital consumer technologies. However, while political commitments have been strengthened, investments in sustainable energy sources are still insufficient. Energy investments have fallen in all developing countries, except for China, and there has been a reduction in clean technology transfer. Policymakers could further advance climate ambitions and support their pledges through appropriate budget measures, including by building on fiscal stimulus measures for a sustainable recovery from the COVID-19 crisis. Private investment could be a large source of funding for energy infrastructure, while the public sector could establish incentives and help to ensure universal and affordable energy access for remote and underserved communities. Efforts to increase energy efficiency, including through digital technologies, could lower overall investment needs and help to reduce the reliance on unproven technological solutions for the reduction and abatement of greenhouse gas emissions. International cooperation will be needed to support this transition in many developing countries, including through capacity-building and technology transfer.

63. Some countries have committed at least 1 per cent of GDP and spent at least 30 per cent of recovery funding in an environmentally compatible manner, including some European countries, Canada and the Dominican Republic. In 2020, most green recovery spending was used for new electric and hydrogen-fuelled transport and infrastructure, public transport, low-carbon energy supplies and infrastructure, energy-efficient building upgrades and green research and development for decarbonizing aviation, plastics, agriculture and carbon sequestration. These large-scale financial stimulus packages show the feasibility of closing the remaining gap to achieve the unfulfilled promise of \$100 billion per year in climate finance for developing countries. The stimulus packages in 2020 accounted for 23 per cent of the

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<sup>20</sup> Ibid.

GDP of advanced economies and 11 per cent of the GDP of emerging market and developing countries.

64. Incidentally, from public spending policies in the world's 50 largest economies, it can be seen that \$3.1 trillion of the total amount of \$18.2 trillion committed to addressing the COVID-19 crisis by the end of 2021 was directed to longer-term recovery measures. Of those funds, 31 per cent (\$970 billion) was spent on green or environmentally compatible spending. Although this represents only 5 per cent of the total stimulus that has been committed to green recovery packages, the share of green funding in recovery measures increased from 18 per cent in 2020 to 51 per cent in 2021, as new initiatives with longer lead times were incorporated into public budgets.

65. In sum, although the pandemic brought about untold levels of human suffering and created new challenges in the achievement of the Goals, it also showed that Governments can change policy rapidly when they decide to do so. Similar rapid changes are now needed to advance progress towards achieving the Goals, including radical reforms to fiscal and economic systems to reduce inequities and devise policies to build a sustainable recovery. The high food and commodity prices also present an opportunity for countries to resolve energy and food insecurity concerns by accelerating the adoption of renewable energy and improving systemic efficiencies, in order to align with the Goals and strengthen resilience to climate change.

## **V. Recommendations for the way forward**

66. The previous sections illustrate that many of the considerations driving the deliberations about the New International Economic Order continue to be relevant today. They contain many recommendations for action on the pressing issue of bridging the divides that exist across and within countries in the current context of the continuing COVID-19 pandemic, the war in Ukraine and a growing climate crisis, and against a backdrop of transformative technological change. This section focuses on certain recommendations to support an end to the pandemic, inclusive economic recovery, climate action and the building of resilience by harnessing the benefits of digitalization, new technologies, and the ideas and proposals from the Declaration and Programme of Action on the Establishment of a New International Economic Order.

67. The fact that the pandemic has persisted months after proven vaccines were developed should serve as a clarion call that global collaboration needs to be enhanced, effective partnerships built among all sectors and stakeholders, and progress made in respect of Goal 17 by enabling multi-stakeholder partnerships to mobilize and share knowledge, expertise, technologies and financial resources in all countries, but particularly developing countries. In the face of these overlapping crises, the 2030 Agenda for Sustainable Development and the Paris Agreement remain essential to guiding both recovery and transformation. Concerted multilateral actions are needed to address financing gaps, preserve fiscal space, resolve unsustainable debt situations, support an accelerated climate transition and strengthen the resilience of the trading system.

68. Stronger and more ambitious international cooperation is imperative for beating the pandemic, putting the world back on track towards sustainable development and pursuing bold climate action. There are several United Nations mechanisms and processes that support a network of institutions and organizations seeking to drive the implementation of the Goals through inclusive partnerships. These include the high-level political forum on sustainable development, the Economic and Social Council partnership forum, the Small Island Developing States Partnership Framework and

the Technology Facilitation Mechanism. The voluntary national reviews prepared by Member States concerning their implementation of the 2030 Agenda can also serve as important vehicles for mobilizing multi-stakeholder support and partnerships.<sup>21</sup>

*Fulfilling official development assistance commitments*

69. A slowdown in economic growth, as well as increased spending on humanitarian aid and military, can draw resources away from official development assistance (ODA) and other forms of assistance and threaten the global partnership for development. There is a risk that donor countries of the Development Assistance Committee may shift ODA commitments away from urgent development needs and climate action. Diversion of resources in developed countries from ODA, as well as from the necessary food and energy system transformations, would increase the magnitude of adverse impacts. Higher food and energy prices threaten to divert government expenditure from areas crucial to progress on the Goals, such as social protection, health care, education and infrastructure. It is therefore critical for donors to fulfil their ODA commitments, particularly to the least developed countries.

70. A rethinking of criteria for the allocation of financial resources is needed in order to build resilience, including by addressing structural constraints in the way that resources are allocated. Development partners could translate aid and climate commitments and pledges into gains for the least developed countries and small island developing States, including by considering using multidimensional vulnerability as a criterion for access to ODA. Scaling up the resources of multilateral development banks could help to ensure that current demands are met. Lending by multilateral development banks increased significantly in 2020, with further growth expected in 2021. While the least developed countries benefit from concessional resources of the multilateral development banks, the non-concessional windows of those banks provide a channel for middle-income countries to gain access to long-term financing at rates that are more attractive than their own market borrowing rates.

71. South-South cooperation initiatives have also helped to combat the pandemic as they have complemented North-South efforts and have continued to grow in scope, volume and geographical reach. Providers from countries of the South should continue to further such cooperation, including through triangular cooperation.

*Maintaining fiscal space and addressing financing challenges*

72. In response to inflationary pressure, if Governments have adequate fiscal space, they will need to provide targeted support to alleviate the effects of higher food and fuel prices to poorer segments of the population, while maintaining fiscal and debt sustainability. This reinforces the recent widespread calls to accelerate debt relief for poorer countries, in particular the least developed countries.

73. The international community has been called on to take urgent measures to address financing gaps, the rising costs of borrowing and heightened debt risks. There is a need to increase public financing for investment in public policy priorities and spend mobilized resources on the Goals and on productive investments effectively. The international financial institutions should consider reducing borrowing costs from commercial sources and debt overhangs, so as to lower debt burdens. Climate change and inequalities must be addressed to positively transform economic prospects for current and future generations. Furthermore, enhanced transparency and a more complete information ecosystem could strengthen the ability of countries to manage risks and use resources in line with sustainable development.

<sup>21</sup> United Nations, Department of Economic and Social Affairs, “Transformational partnerships and partnership platforms”, Policy Brief, No. 103 (30 April 2022).

74. In August 2021 the International Monetary Fund (IMF) announced an allocation of \$650 billion in special drawing rights – the largest increase on record – to be assigned in proportion to existing national quotas. The Resilience and Sustainability Trust has been set up under IMF to support the rechannelling of special drawing rights on a voluntary basis to the countries that are most in need of such support. Beginning the operations of the Trust on an expedited basis would help to meet some of the pressing needs of highly indebted and low-income countries.

*Stepping up efforts to address sovereign debt challenges*

75. Similarly, the G20, in cooperation with the Paris Club of Industrial Country Creditors, initiated efforts to provide assistance through a common framework for debt treatment to support countries with unsustainable levels of debt. Although as a percentage of GDP multilateral development banks committed a much lower amount of funding than that provided by highly developed economies, they increased their financial commitments by 39 per cent to about \$145 billion, with the World Bank providing about half of that amount.<sup>22</sup>

76. While 60 per cent of the least developed countries and other low-income countries are already either at high risk of debt distress or are in debt distress, the G20 Debt Service Suspension Initiative has so far helped to finance the pandemic response and limit the number of countries in debt distress. Additional efforts will, however, be needed to close the large recovery gap and avoid scarring. The international community also needs to step up efforts to address sovereign debt challenges.

*Financing the green transition*

77. Developing countries that have contributed the least to climate change are suffering the most from it and the damage is escalating. Developed countries must step up support for developing countries, in order to help them to leapfrog over the traditional course of development and transition to clean, sustainable energy pathways. Developed countries must make good on their commitment to mobilize \$100 billion a year to help developing countries to deal with climate change.

*Reducing technological divides*

78. Developing countries will need access to, and capacities for, various new technologies to compete in the increasingly complex technological landscape. Effective channels for technology transfer, capacity-building and assistance in research and development are of great importance. As can be seen in the New International Economic Order, this implies strengthening international assistance and creating new rules for the generation, diffusion and adoption of new technologies. A harmonized protection of intellectual property rights is also required in order to create a level playing field and facilitate effective technology transfer and diffusion, especially for the transfer of technologies that are critical to sustainable development. A more development-oriented and flexible intellectual property rights regime that fosters the rapid diffusion of specific technologies could help to close the technological divide.

79. The Paris Agreement explicitly highlights the fact that technology development and technology transfer are critical to improving resilience to climate change and reducing greenhouse gas emissions. While there have been some successes in the transfer of technology to a few developing countries, it is necessary to enhance low-emission technology uptake more broadly in such countries. International cooperation

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<sup>22</sup> Nancy Lee and Rakan Aboneaaj, “MDBs to the rescue? The evidence on COVID-19 response”, Center for Global Development, 21 May 2021.



focused on technology transfer, capacity-building and financing could help developing countries to leapfrog to the adoption of low-carbon technologies. Moreover, the green and digital transformations are happening at the same time and are closely linked. The existing digital divide and the lack of appropriate governance of the digital revolution could hamper the role played by digitalization in a green transition. International cooperation to close both the green and digital divides is therefore critical for climate action.

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