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New development contexts and pathways

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As the United Nations approaches its eightieth anniversary, it finds itself at a crossroads that requires an unequivocal reaffirmation of the need for a strong multilateral system; of the values espoused in the Charter of the United Nations; and of the pledge to leave no one behind. Trust in the multilateral system relies on its effectiveness. Too many commitments remain unmet, and many aspects of the system remain structurally inadequate in a world that continues to be widely asymmetric, in which convergence in economic, human and social development has not proved to be the norm, and that currently faces fundamental structural shifts. These include a breaching of multiple planetary boundaries; geopolitical and geoeconomic shifts; increasing inequalities, including of access to the global commons and natural capital; technological change, particularly artificial intelligence; a weakening role of the State; and a decline in commitments to norms and values underpinning the international order.

Responding to those realities and ensuring a voice and representation for all countries is a matter of effectiveness of the system as much as of fairness. The multilateral system must support the capacity, policy space and fiscal space of States to address the long-standing goals of poverty eradication, equality, and structural transformation of their economies, as well as to face new challenges such as those related to the ecological crisis and major technological changes. The global trading system needs to be informed by pro-development principles. The global and regional institutional structures and norms for financing for development need to deliver results for developing countries in securing debt sustainability and reducing the debt burden which weighs heavily on the public budgets; reducing the excessively high cost of borrowing; enabling tax cooperation, which is a crucial element in the capacity of countries to mobilize domestic resources; and maximizing the potential of multilateral development banks to help countries to advance in structural transformation. There is significant scope for improvement in procedures and practices to ensure that the development efforts of international organizations and international financial institutions effectively and efficiently reach those – both countries and people – furthest behind. These improvements should be undertaken in the framework of efforts to strengthen, not weaken, multilateral structures and collaboration.

Fundamental shifts and megatrends redefining the global economy require a strengthened multilateralism for development

A number of structural shifts are converging to create a world that is very different from the one on which the current multilateral development system and contemporary development policy, in all its diversity, were founded. These shifts will shape the context in which policymakers will navigate development pathways in the coming years and decades. The world is at the edge of several planetary tipping points, with profound implications for human security and livelihoods as

The Committee for Development Policy (CDP) is a subsidiary advisory body of the United Nations Economic and Social Council (ECOSOC). It provides independent advice on emerging issues that are critical for the implementation of the United Nations development agenda. The CDP is also responsible for recommending which countries should be on the United Nations list of least developed countries (LDCs). More information at https://cdp.un.org.

well as for the prospects of development. The poorest countries are the least equipped to protect themselves against the risks related to this ecological crisis as human lives, physical infrastructure and public budgets are left vulnerable and development gains are subject to reversals. Widening inequalities in incomes, wealth and social opportunities are, at present, also exacerbated by the unequal impacts of the ecological crisis and unequal access to the global commons and natural capital. Major technological changes with economy-wide impact, particularly the expansion of artificial intelligence and a significant (if still insufficient) transition towards clean energy, are changing the drivers of economic growth and productivity, and while they present opportunities, they also have the potential to generate severe disruptions, including in the labour market. Taking advantage of the opportunities will depend on the capacity of economies to shape and unleash these technologies, which many countries do not yet have.

These shifts, which are taking place against a backdrop of slow progress towards the Sustainable Development Goals, incomplete and fragile convergence in economic and social dimensions (see sect. D below), rising income inequalities, insufficient generation of decent jobs, and insufficient structural transformation in developing economies, demand strategic action by States in the context of an enabling and supportive multilateral framework. However, increasing political polarization worldwide, geopolitical and geoeconomic tensions and fragmentation, and a decline in commitments to the values of democracy, human rights, equality and solidarity that have underpinned the international world order since the formation of the United Nations, are having severe impacts on the functioning of the multilateral system and on the ability to garner genuine international consensus and collaboration on matters of global relevance and mutual interest. A gulf has developed between ambitions and reality and between commitments and implementation, contributing to a loss of trust. At the national level, the capacity of States, particularly developing countries, to invest and regulate in the public interest, has been weakened by severe limits to fiscal and policy space, and the channelling of resources to productive investment has been limited by a financial system geared above all towards short-term financial return.

The new contexts and the threats facing the current system call for an unequivocal reaffirmation of the importance of the multilateral system for development and of its urgent strengthening through greater effectiveness and alignment with contemporary realities and challenges. The measure against which the strength and effectiveness of the multilateral system will be assessed is the extent to which it delivers results for people and communities, especially those furthest behind.

A stronger multilateralism will be one that is rooted in a more inclusive and representative framework, takes a pragmatic approach to delivering results, advances genuine consensus on common goals, reflects asymmetries in needs and capabilities, and ensures policy space for countries to advance on country-specific strategies for structural transformation. Within the broader multilateral framework, regional, plurilateral, South-South and issues-based coalitions can provide opportunities to advance on processes, institutions and cooperation for sustainable and equitable global development.

Navigating new and rapidly changing contexts will require government capacity for strategic policymaking and engagement with the private sector and other actors with a view to integration into global value chains and to continued competitiveness in a rapidly shifting economic and technological environment. This includes exploring alternatives to traditional technological development policies, exploring co-development opportunities, investing in general-purpose technologies, and seeking out strategic advantages on which to build competitive assets. For example, for Africa, a young population in the context of an ageing world can also generate great potential in terms of markets and future technological development, particularly if intellectual property regimes enable the development of African innovation systems and a better distribution of the value associated with innovation. South-South experience-sharing can be an important instrument in building these capacities. The objective of securing decent employment remains critical but needs to be complemented with approaches that empower individuals and businesses, especially small and medium-sized enterprises, to take advantage of opportunities in this new and fast-changing setting, including clean technologies, the circular economy, the nature economy and bioeconomy, and the oceans economy.

Financing for development

The actions of the international community on financing for development and the international financial architecture, including the outcomes of the Fourth International Conference on Financing for Development, need to be taken with full consideration of their impacts for people, families and small businesses, including those in the periphery of the formal financial system.

The capacity of many developing countries to advance towards the Sustainable Development Goals has been limited by large debt burdens, an unreasonably high cost of borrowing, and limited capacity to mobilize domestic resources. As stated above, the institutional structures and norms for financing for development need to be able to deliver results in terms of securing debt sustainability and reducing the debt burden which weighs heavily on the public budgets; reducing the excessively high cost of borrowing, including by developing alternatives to the current credit rating system; enabling tax cooperation; and maximizing the potential of multilateral development banks to help countries to advance in structural transformation. The Committee has made recommendations for institutional reforms that would facilitate the alignment of the global financing architecture with the social goals of the 2030 Agenda for Sustainable Development; a greater role for multilateral development banks in the provision and financing of international public goods, both global and regional; the creation of an International Monetary Fund-managed instrument for international liquidity provision for emerging markets and developing economies; a mechanism for restructuring sovereign debts to overcome problems of overindebtedness and to guarantee sustainable growth; the creation of a global asset registry to control tax evasion and avoidance; and the transformation of the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental organ. Action areas to realize the potential of trade and innovation for development are also highlighted.

In the context of unprecedented reductions in foreign aid and great uncertainty, development cooperation needs to be reoriented to strengthen its focus on building capacity within developing countries to advance towards the Sustainable Development Goals, foster structural transformation and build resilience. This includes the capacity to mobilize domestic resources; undertake domestic reforms that facilitate and attract investment that fosters structural transformation; design and implement integrated and context-appropriate sustainable industrial policies, poverty eradication and social protection strategies, and disaster risk reduction strategies; and generate capabilities in innovation and general-purpose technologies. Better use can be made of the potential of South-South peer learning and experience-sharing, and the potential of artificial intelligence in the dissemination of policy experiences and lessons and in strategic decision-making for development should be explored. There should also be careful scrutiny of procedures and practices to eliminate inefficiencies, such as project transaction costs that dwarf the benefits of the assistance, exploring context- and scale-appropriate alternative accountability mechanisms.

Trade as engine for sustainable development

The potential of trade as an engine for development is widely recognized, including in the 2030 Agenda and the Pact for the Future. Indeed, over the past decades trade has been an important factor in lifting millions out of poverty. However, the development gains of trade are neither guaranteed nor automatic, and many countries and groups of people have been left out or even pushed behind. Many countries have not been able to reach their potential in terms of diversification, structural transformation and inclusive growth through trade. In the promising sector of critical minerals, many developing countries, including least developed countries, that are endowed with critical minerals remain linked into global value chains predominantly as providers of raw materials. This means that the potential for trade to advance transformational activities and jobs is being transferred to other places.

The current landscape presents an increasingly complex and uncertain picture, with geopolitical and geoeconomic shifts generating significant headwinds, adding to existing challenges in logistics, maritime security and issues of global taxation, including climate-related taxation. It requires a renewed commitment to a trade ecosystem anchored in a rules-based, fair, transparent and supportive multilateral trading system that reflects asymmetries in global development and contemporary challenges and opportunities, and ensures space for context-appropriate national development pathways.

Some of the limitations of the current multilateral trading system are systemic, by design of the rules and of the architecture of governance, and others by incomplete implementation and enforcement. One critical design element has been insufficient differentiation to reflect and accommodate the widely disparate levels of development and trade capabilities. A level playing field among a group of countries that includes the poorest of the least developed countries and the world's largest trade players cannot be achieved with rules with predominantly marginal and ineffective differentiation. A multilateral system that delivers on the promise of trade as an engine for development needs to agree on disciplines to address the proliferation of subsidies and protectionist measures while allowing developing countries to use policy tools to achieve their development aspirations according to their capacities and needs, subject to specific global rules. Dispute settlement mechanisms need to be effective and accessible, taking into account the severe resource limitations, including diplomatic and public administration resources, of least developed countries and many developing countries, particularly smaller ones.

The global system functions alongside an ecosystem of regional, plurilateral and bilateral agreements that have potential to encourage new trade patterns, particularly at a moment of rising South-South trade, and bring about new development gains and opportunities. Regional agreements have enabled and are enabling advances in regulatory cooperation and harmonization, investment policy, competition policy and other areas. The deeper the integration, the greater the degree of diversification, and the stronger the institutional framework for implementation, the more likely these agreements are to advance development in their signatory countries. Reform of the global trading system also needs to address agricultural trade rules related to market access challenges of developing countries, the impacts of climate change and global food insecurity. Intellectual property rules need to ensure access to technology for global public goods and to support innovation and the commercialization and protection of intellectual property generated in the developing world.

Even with pro-development multilateral institutions and rules, trade will not fulfil its potential as an engine for sustainable development without integrated domestic policies in tune with the fast-changing global environment. Successful industrial policies are often derived from a consultative process with multiple stakeholders and have linked support to measurable targets, included sunset clauses and continuous evaluations and generally emphasized horizontal over vertical support. Their integration with strategies for innovation and intellectual property creation is particularly important in the rapidly changing technological context marked by the rise of digitalization, artificial intelligence, the energy transition and advances towards a circular economy. Effective trade policy requires investment in robust infrastructure and logistics systems; an efficient bureaucracy; education policy (including technical and high school education) that is in line with industrial policy; a simple and transparent tariff and non-tariff regime; and a trade finance strategy that includes accessible finance for micro-, small and medium-sized enterprises and businesses owned by women, youth and marginalized communities. Where applicable, public development banks should expand trade finance facilities, and there should be a re-evaluation of risk ratings for trade finance in international banking regulatory systems, such as the Basel III framework.

Of special relevance to least developed countries is the issue of preferential trading arrangements. These arrangements were conceived to support developing countries in reducing reliance on commodity exports, creating well-paying manufacturing jobs and reducing poverty. Currently there are multiple preferential market access schemes, some of which have been integral to the advancement of some countries towards graduation from the least developed country category. However, many other countries have not been able to take advantage of these schemes. National capacity to produce tradable goods and services is often limited, as is the capacity to innovate and protect innovation, attract investment, and invest in infrastructure and logistics, all of which also depend on access to finance and integrated national policies. Moreover, over time, preferential margins have been eroded due to multiple trade agreements and the decline in most-favoured-nation tariffs, and non-tariff barriers have increased. Rules of origin often do not reflect contemporary production realities. Some bilateral preferential market access schemes have also proved unpredictable in their implementation, reducing their impact, given the uncertainties that they create for investors and policymakers. To be relevant, preferential market access schemes need to be revised, taking into account the changes that have occurred over the past decades, and need to be accompanied by significantly greater support to boost productive capacities in developing countries and, particularly, least developed countries.

Summit.