

EXECUTIVE SUMMARY

Report of the UN Economist Network for the UN 75th Anniversary Shaping the Trends of Our Time

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Executive Summary

Our world is at risk, facing pressures on many fronts. But it does not have to be, particularly where the risks stem from human activities and can be tempered by human choices. By making the right choices today, without further delay, it is not too late to shape the major trends of our time in a direction that is sustainable and delivers benefits to all.

For much of the decade of the 1990s and the early 2000s, steady economic progress masked many concerns. The global financial

crisis in 2008 and the Great Recession that ensued tore the mask away, and generated a greater willingness to examine issues in a new light. The crisis also unleashed a renewed spirit of multilateral cooperation, spurred by the necessity of a coordinated and common response. The 2015 adoption of the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change created a new development paradigm, a blueprint for prosperity, people and planet predicated on partnerships and multilateralism.

Yet the 2030 Agenda is already off-track. Policy commitments have not always translated into policy actions. Sustainable finance is increasing, but not fast enough or at the necessary scale. The change in behaviours and mindsets does not yet match our ambitions for sustainability.

And now, the world is confronting an unprecedented health, social and economic crisis because of the COVID-19 pandemic. It threatens to derail the achievement of the 2030 Agenda and its 17 Sustainable Development Goals (SDGs).

The megatrends that shape our world

The lack of success in staying on track for the SDGs reflects deficiencies in public policy, and the slow pace of change in investments, and patterns of consumption and production. Progress has also been subject to the influence of several megatrends shaping our world over time.

The present report focuses on five of these megatrends: climate change; demographic shifts, particularly population ageing; urbanization; the emergence of digital technologies and inequalities. All are the result of human activity, and as such, they can be shaped by human decisions and policy choices.

Three – demographic trends, urbanization and technological innovation – are manifestations of human progress. They are “inevitable”, and will occur as long as humans act and interact with each other. Climate change and environmental degradation and

inequalities, by contrast, are not inevitable. They result from outright failures in policy.

This distinction is essential in making policy choices that lead to the realization of the 2030 Agenda – and not away from it. The first three megatrends generate explicit benefits for societies and economies. They should not be stopped or obstructed, but rather steered and shaped to maximize positive impacts and minimize any adverse ones. Climate change and environmental degradation have no positive side, and must be reversed. Similarly, the overall impact of persistent and rising inequalities is negative. While some people may emerge as winners, many more lose out, and the process undermines sustainable development. Inequalities, too, must be corrected.

While all five megatrends are universal phenomena, the first three can be shaped by national policy. This is not the case with the other two. Climate change can only be solved by all countries acting in concert. Inequalities are something of a hybrid, since within a country, they can largely be addressed by national policy. But mitigating inequalities among countries, including the technological divide, requires a cooperative global effort.

This report focuses on these five megatrends for two main reasons. First, each has a direct link to the 2030 Agenda. Four of the five have their “own” SDG – climate change (SDG 13), urbanization (SDG 11), technological innovation (SDG 9) and inequalities (SDG 10). The fifth megatrend, demographic developments, features prominently in the targets of several SDGs.

Second, the interlinkages among these five megatrends are pronounced. Each exerts a

direct influence on sustainable development outcomes as well as on the other megatrends. They often act in combination, reinforcing their individual impacts. In other cases, the impact of one megatrend may slow or counteract the impact of another, be it positive or negative.

All of this means that policies that shape a given megatrend, and reduce or redirect its impact, can also influence or reinforce the other megatrends, generating co-benefits. This is an important consideration in the design and prioritization of policy interventions.

COVID-19 – A crisis and an opportunity

The COVID-19 pandemic is the greatest immediate challenge of our time. What began as a public health emergency has transformed into the deepest global recession since the Great Depression. The sheer size of the crisis threatens everything that has been achieved in sustainable development over the past five years, and much of the development progress made under the earlier Millennium Development Goals.

But while the pandemic affects us all, it does not affect us all equally. It has highlighted and deepened existing inequalities among and within countries. It has had the most adverse impacts on countries and groups already at greatest risk of being left behind.

The crisis is impacting the megatrends in different ways. For example, the increase in online work because of lockdowns has accelerated the digitalization of the economy and is driving further technological innovation. But not all jobs can be done online, and

high-speed access to the Internet is very uneven. This means COVID-19 is accentuating the digital divide and exacerbating inequalities. On the positive side, as economic activity has ground to a halt, so has the generation of greenhouse gas emissions, air and water pollution. The status of biodiversity has improved. These gains might prove short-lived, however, if the recovery does not place nature and climate at the centre.

As damaging as the crisis has been, it is also a huge opportunity to build back “better”, re-imagining many of our institutions, economic and social structures, and behaviours and activities to orient them decisively towards sustainable development.

In their crisis responses, many governments have taken courageous and imaginative steps, and intervened on a massive scale. This could augur well for the recovery from the crisis, but it must not be simply a return to what we had before. With the SDGs as the blueprint for the recovery, there is an opportunity to tackle head on issues that under normal circumstances would have been very difficult to manage. Furthermore, we can do so in innovative ways.

Impacts on the SDGs

Climate change most obviously affects SDG 13 (climate action), while environmental degradation in its various forms, including biodiversity loss, impacts SDG 6 (clean water and sanitation), SDG 14 (life below water) and SDG 15 (life on land). Since the consequences fall hardest on the most vulnerable groups, there are impacts as well on SDG 10 (reduced inequalities). With decarbonization an essential part of the solution to climate

change, climate action contributes to the realization of SDG 7 (affordable and clean energy). The loss of natural capital through environmental damage undermines the basis of future prosperity and affects SDG 8 (decent work and economic growth).

Demographic trends, including changing age structures, have significant impacts on many areas of sustainable development: on SDG 1 (no poverty), because they can help to reduce poverty and affect the fiscal balance of social protection systems; on SDG 2 (zero hunger), because slower population growth reduces the aggregate demographic pressure in the fight against hunger, and can improve nutrition and food security; on SDG 3 (good health and well-being), due to the associated improvements in child and maternal health; and on SDG 4 (quality education), because of the link between reduced fertility and increased investment in education per child. Ageing is also related with SDG 5 (gender equality), as the factors that drive declines in fertility accelerate gender equality and the empowerment of women. It can contribute to SDG 8 through the demographic dividend, and to SDG 10, reducing inequalities as lower fertility differentials across socioeconomic groups facilitate broader access to services and economic opportunities.

Urbanization affects all of the SDGs, directly or indirectly. With resource and energy use, waste and pollution, and income and wealth concentrated in cities, sustainable development depends on sustainable urbanization. This requires meeting SDG 11 (sustainable cities and communities). But more broadly, success in addressing any of the challenges posed by

urbanization will generate direct advantages or indirect co-benefits across the entire sustainable development agenda. Among policy interventions, urban policy may offer the greatest impact across the agenda's three dimensions of society, the economy and the environment.

Technological advances will be central to the achievement of many of the SDGs, particularly as they relate to greater resource efficiency, decarbonization, most environmental conservation efforts, greater agricultural productivity, and improved quality of water and sanitation, health and education. As such, technological innovations can make a positive contribution to the first seven Goals as well as SDGs 13, 14 and 15. Digital technology is rapidly changing the nature and functioning of labour markets, economic productivity, and the sustainability and inclusiveness of growth, and will determine progress on SDG 8. Innovation is at the heart of SDG 9 (industry, innovation and infrastructure). Technology can also be a major determinant of achieving SDGs 10 and 11, and is fundamental to the transition required for SDG 12 (responsible consumption and production).

Inequality, by its very nature, cannot be reconciled with the fundamental principle of the 2030 Agenda, to leave no one behind. Accordingly, SDG 10 aims for a substantial reduction of inequalities in income and opportunity. Inequalities in access to opportunity and basic capabilities prevent the full achievement of SDGs 1, 2, 3 and 4. Economic inequalities limit the realization of SDGs 6, 7, 8 and 9. If left unaddressed, the inequitable treatment of women would leave SDG 5 out of reach.

Where do we go from here? Policies to shape the megatrends

Decades in the making, megatrends cannot be easily undone or changed in any significant way in the immediate term. But they can be shaped over time by consistent policy.

The effects of any megatrend can be both positive and negative. Urbanization brings together all the factors necessary for technological innovation and productivity gains, for example, but urban centres generate most of the pollution and waste damaging the natural environment. Addressing the negative outcomes of a megatrend may slow some of the positive impacts it generates, and vice versa.

Policies can influence a single megatrend as well as other megatrends that interact with it. This creates the potential for co-benefits, where a positive result is achieved in one area through an intervention designed to generate change in another. Such policy interventions can propel more effective, mutually reinforcing changes, and significantly greater impacts.

The implications for policymaking are important. First, policymakers in each area must be aware of the causal links among the megatrends and how they interact, and be able to assess the indirect impacts of an intervention in one area on outcomes in another. Second, interventions in any area that may or will have a regressive effect in another area should be avoided. Third, mutually reinforcing impacts can be accentuated by coordinated policymaking in different areas, with interventions in one area designed and timed to coincide with interventions in another. And fourth, where impacts in two or more areas may run in opposing directions, effective policymaking will require balancing trade-offs

between gains and losses, implying regular and effective horizontal and vertical coordination across various loci of decision-making.

These considerations will play an important role in prioritizing policy interventions and choosing among alternative approaches. Sequencing is also important. The digitalization of economies is inevitable and imperative, for instance, but will also deepen inequalities unless accompanied, and in some cases preceded by, policies to create digital infrastructure, ensure universal access at an affordable cost, and provide lifelong education and training to all citizens to take full advantage of new jobs. As another example, expanded opportunities for employment are essential in ensuring that a youth bulge is transformed into a demographic dividend, and that ageing societies can maintain or enhance their standards of living and the productivity of their labour force.

Given the entrenched nature of the megatrends, policies to shape them and their consequences should focus on influencing their drivers. In some cases, this can be achieved in part by addressing the impacts of another megatrend, which may cut across the social, economic and environmental dimensions of sustainable development. Effective building codes that reduce energy use in urban centres are essential to sustainable urban planning that suppresses overall demand for electricity as well as greenhouse gas emissions, for example. In other cases, effective interventions are within the same dimension of sustainable development. For instance, carefully managing changes in land use and reducing deforestation help to slow changes in hydrological cycles that can directly affect the weather, while preserving the carbon capture capacity of the forests and reducing global warming.



Climate change and environmental degradation

The drivers of climate change and environmental degradation are deeply rooted in our societies and economies. Reversing this megatrend will require transformative changes on both the demand and supply sides, including conscious lifestyle changes affecting consumption preferences and behaviour, cleaner production processes, greater resource efficiency and corporate responsibility. Integrating natural capital into development policies would help intensify focus on sustainability.

In particular, a major transition to sustainable food production systems is needed, since these systems drive much of human-induced land use. Acting on a deeper understanding of biodiversity and climate would contribute to maintaining land productivity and livelihoods. Huge opportunities could open from building natural capital through restoring mangroves for flood mitigation and reclaiming wetlands. To tap the power of integrated policy in addressing cross-cutting issues, multifaceted approaches such as nature-based solutions, land degradation neutrality and the circular economy will be essential.

A critical part of the climate action agenda in all countries must be to accelerate the transition from fossil fuel to clean and renewable energy sources. Governments will need to make full use of market- and price-based incentive mechanisms, particularly carbon pricing and fossil fuel subsidy elimination. In addition, regulatory measures, such as mandating minimum fuel efficiency standards for vehicle fleets, minimum air quality standards, differential taxation of vehicles according to their fuel economy, and



UN Photo / John Isaac

the phasing out of all fiscal advantages for polluting industries, including fossil fuels, must be part of such a comprehensive approach.

Mobilizing sufficient finance for climate mitigation and adaptation is central to the realization of national climate action plans, but has fallen short of requirements. Multilateral and, increasingly, national development banks play an important role, but additional finance must be mobilized, including from the private financial sector. Innovative instruments, such as debt for climate swaps, hold promise. Credible measures of progress and sustainability will be critical.



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Demographic trends and population ageing

By virtue of their long-term and slow-moving nature, demographic trends are not susceptible to rapid policy-induced change. The most successful policy interventions will be based on careful long-term planning, including to manage ageing and changes in population age composition rooted in declining fertility and extended life expectancy.

Expanded access to sexual and reproductive health-care services underpins individual choice and the realization of intentions for childbearing. It helps reduce unintended and high-risk pregnancies, and maternal and infant mortality. It supports expanded schooling and economic opportunities for girls and women. Investing in education and health for all improves productivity and maintains economic growth. Such investment is necessary to fully benefit from potential demographic dividends.

Lifelong learning will be increasingly important to keep up with technological change and ensure the flexibility of skills across the lifecycle. Specific training for older persons in the use of new technologies will endow them with greater opportunities to stay active, including in the labour market. Preventive health care

helps to maintain the functional capacity and well-being of individuals in all stages of life, and is increasingly important as populations age. Eliminating age-related discrimination, including age barriers in employment, would make an important contribution to reducing inequality, increasing productivity and promoting inclusive economic growth.

Accelerating gender equality in employment by removing barriers to female participation and adopting family-friendly policies improves labour force participation, and sustains higher levels of economic activity and well-being. It is an effective way to address shrinking working-age populations and generate a “gender” dividend.

Universal social protection with adequate benefits and the promotion of retirement savings are essential to reducing poverty and inequality, and improving social resilience and inclusion. Adopting social security reforms that take account of the widening gap in longevity by socioeconomic status could contribute to narrowing inequality. An appropriate mix of public transfers, private transfers, work and savings is needed to spread the fiscal pressures associated with population ageing over time and across institutions.



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Sustainable urbanization

Carefully formulated national urban policies offer an instrument to orchestrate the opportunities of urbanization and ensure balanced territorial development. Governments should incorporate urbanization into national development and economic planning by targeting economic sectors that leverage its potential and prioritizing investments that increase the productivity of cities. Economic planning explicitly guided by spatial considerations will help to build a system of diverse, specialized cities with complementary economic functions, bolstered by infrastructure investments that foster city networks and connect cities to rural areas.

Urban planning should develop compact, mixed-use designs that generate urban land value, create job opportunities for the urban poor, reduce congestion and improve social inclusion. It should be integrated

vertically to align municipal planning with regional investments in infrastructure and transportation, and build policy coherence and investments across key economic sectors.

Governments also need to strengthen local economic development and urban finance by devolving financial authority to municipal governments, enabling them to administer public services. By introducing policies that change consumer behaviour, city authorities can radically reduce waste and support consumption patterns that facilitate circularity. Interventions could include programmes to valorize organic materials, including from wastewater and food waste, to generate revenue from the production of energy and compost, and incentivize the collection, recycling, reuse and repurposing of used consumer items.



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Digital technologies

Digital dividends coexist with digital divides. It is important, therefore, to establish policies to lay the foundations of an inclusive digital economy and society. Harnessing digital dividends will require up-to-date policies and regulatory frameworks in many areas, including innovation, financing, connectivity, labour markets, competition, and governance of the development and use of technologies. This calls for immediate action not only from countries themselves but also from the international community to support developing countries, especially the least developed countries, in adopting frontier technological breakthroughs.

Creating effective innovation systems requires developing capabilities and connections among key actors, strengthening regulatory and policy frameworks, building institutions and governance systems, supporting entrepreneurial ecosystems, and facilitating access to finance and human capital.

Financing policies should cover various aspects of innovation, including research, design and product development, as well as the adoption of new technologies, technology extension services and training. A mix of instruments, including innovative financing mechanisms, will likely be required.

Digital connectivity policy to extend digital infrastructure requires coordination

among many stakeholders: governments, international organizations, local governments, communication service providers, makers of hardware and software, providers of digital services and content, civil society, and the various groups that oversee protocols and standards for digital networks.

Policies to mitigate the negative consequences of digitalization should include nimble and adaptive information and communication technology regulations capable of safeguarding and protecting consumers and infrastructure, without hampering innovation or investment in new digital technologies. Digitalization and data policies to secure and maximize value from the digital economy may involve aspects such as national data strategies, protections of the rights of individuals, open-data guidelines, standards for the interoperability of data functions and promotion of skills relevant for the data economy.

Governments should deal with existing and emerging barriers to the growth of their domestic data markets; help firms develop strategies to extract and exploit their data; address the growing market concentration and dominance in the data economy; enhance consumer protection; and manage the cross-border flow of data.



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Inequalities

No single set of inequality-reducing policies applies to all countries or in all contexts. At the national level, any comprehensive strategy to address inequality should promote equal opportunity, increase redistribution and tackle discrimination, aiming to reduce inequality in all dimensions. The first of these building blocks includes policies aimed at expanding capabilities and therefore promoting equal access to opportunity. The second encompasses policies that affect the redistribution of incomes, wages and profits. While policies in the first group should alter the distribution of market income, those in the second should affect the

distribution of disposable incomes. The third building block consists of policies meant to address prejudice and discrimination, and promote the participation of disadvantaged groups in economic, social and political life.

Moreover, in an interconnected world, national policymaking is increasingly constrained by decisions made beyond borders. At this critical time, multilateralism is under profound pressure, yet cooperation among countries remains essential, not least because the consequences of rising inequality do not respect national boundaries.

Key takeaways and potential for the United Nations

The megatrends generate adverse effects because of deficiencies or outright failures of policy. Moving forward, the United Nations can help to frame responses to the megatrends in terms that encourage domestic political consensus to form behind taking sustained action. In doing so, the United Nations can assist in mobilizing needed global support for individual countries, particularly those with fewer resources.

In the area of climate change, the United Nations Framework Convention on Climate Change will continue to guide coordinated global action for mitigation and adaptation. The United Nations plays a central role in promoting the mobilization of climate financing, and provides critical technical support to countries as they prepare and update nationally determined contributions and implementation plans in accordance with the Paris Agreement. Major international environmental conventions on biodiversity, desertification and chemicals, and a host of other agreements reached under the auspices of the United Nations guide Member States in addressing the full range of biodiversity and environmental challenges.

The United Nations is the definitive source of data on demographic developments. This capacity can be further leveraged to deepen understanding of driving forces, advantages and disadvantages, and policies that can shape demographic trajectories over time. The United Nations can enable open discussion of policies to ensure that population trends generate potential demographic dividends, and help countries to anticipate and implement changing policy requirements. This can be of particular value in cases where the required changes run counter to deep-seated traditions and entrenched social norms.

Towards sustainable urbanization, platforms such as the Global Urban Observatory and

City Prosperity Index of the United Nations Human Settlements Programme (UN-Habitat) provide data essential for understanding and effective action. The United Nations also plays a critical role in supporting countries and cities to implement the New Urban Agenda, a road map for pursuing the right policies, planning and financing. It backs strategic partnerships and multistakeholder consultations, such as the World Urban Forum, that move sustainable urbanization forward.

As technology advances, its use must align with universally held ethical and human rights standards. The United Nations is uniquely positioned to facilitate dialogue among stakeholders to develop a global compact on agreed principles for managing frontier technologies. It can bring Member States and all relevant stakeholders together to forge consensus on legal and ethical standards, including for research and development. The 75th anniversary of the United Nations in 2020 presents an opportunity for a new “global commitment to digital cooperation” enshrining goals, principles and priority actions.

There is ample evidence of what has and has not worked to reduce inequality. Inaction is typically not due to a lack of technical advice or even, in most cases, adequate capacity. More often, mobilizing support for policy responses to inequality runs into a wall of vested interests. The United Nations can help governments overcome the political constraints, collect disaggregated data to assess the extent and nature of inequalities, and measure the success of interventions to reduce them. As the most important multilateral forum for addressing inequalities, including through its Commission on the Status of Women, the United Nations can strengthen international consensus around ending the most pervasive and damaging of all inequalities, the inequitable treatment of women and girls.



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