

TOWARDS A TRIPLE TRANSITION

**STRATEGIES
FOR TRANSFORMATIONAL
EUROPEAN DEVELOPMENT
ACTION**

Towards a Triple Transition

Strategies for transformational European development action

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Acknowledgements

This report was prepared by Martina Lejtregger (OECD Development Centre, Junior Policy Advisor/Analyst at Development in Transition Unit) with support from Adriana Caicedo and Hirofumi Kyunai (OECD Development Centre, Junior Policy Advisors/Analysts at Development in Transition Unit) and Samuel Elrington (OECD Development Centre, Intern, Policy Research and Advice at Development in Transition Unit) under the leadership and strategic guidance of Federico Bonaglia (OECD Development Centre, Deputy Director) and Rita Da Costa (OECD Development Centre, Senior Counsellor and Head of the Development in Transition Unit).

For OECD, substantive inputs were provided by: Keiko Alvarez, Olivia Cuq, Juan Ramón Larraín, Francesco Napolitano, Sebastian Nieto Parra, José René Orozco, Bakaray Traoré and Juan Vazquez Zamora. Meg Bortin edited the report, Elizabeth Nash finalised the editing and the layout, and Aida Buendia designed the cover.

The OECD Development Centre appreciates all the external contributions to this report, which include the opinions and information shared by interviewees as well as those of the panellists who participated in the seminar “Triple Transition: Shaping international co-operation to address the digital, green and social transitions”, jointly organised with Spain’s Ministry of Foreign Affairs, European Union and Co-operation at Casa América, Madrid, on 5 July 2023. We would like to highlight the contributions of Her Excellency Amani Abou-Zeid, (African Union), Faten Aggad (African Climate Foundation), Mario Cimoli, Ignacio Corlazzoli (CAF), Louise Cord (World Bank), Andrea Costafreda (OXFAM), Eva del Hoyo (Ministry of Foreign Affairs of Spain), Mariella Di Ciommo (ECDPM), Eenam Gambhir (Ministry of External Affairs of India), Erica Gerretsen (European Commission), Lisa Kurbiel (Joint SDG Fund), Victoria Kyritsi (EIB), Antón Leis (AECID), Sama Mamane (Ministry of Planning of Niger), Mahmoud Mohieldin (UN), Alvaro Martínez (FIIAPP), Belén Martínez Carbonell (EEAS), Daniel McCormack (EEAS), Angel Melguizo (ARGIA), Daphine Muzawazi (NEPAD), José Antonio Ocampo (University of Columbia), Chukwumerije Okereke (Centre for Climate and Development), Iliana Oliivié (Elcano Royal Institute), Leire Pajín (EU-LAC Foundation), Fazia Pusterla (IADB), Rodrigo Salvado (AIIB), José Antonio Sanahuja (Fundación Carolina), Robert Marc Schoellhammer (ADB), Martin Seychell (European Commission) and Ana Terrón Cusi (FIIAPP).

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Executive summary

Today's geopolitical landscape urgently requires new strategies to overcome the current polycrisis context and live up to the promise of attaining the Sustainable Development Goals (SDGs). The interconnected challenges of recent years – from the worsening impacts of climate change to ongoing geopolitical conflicts and the lasting effects of the COVID-19 pandemic – pose a significant threat to development progress and underscore the need for collective solutions. Some experts go so far as to assert that we are not merely at a critical juncture but find ourselves in an interregnum, a period of crisis within the realm of globalisation where the stability of the old order is uncertain and what lies ahead is not yet clear. In this scenario, two interrelated transitions stand out: the green and digital transitions. A third dimension demands equal attention: the social transition.

The transitions towards a greener and more digital future are reshaping our world across various domains. The green transition to more sustainable production and consumption systems seeks to match economic productivity with a low emissions path. Green policy strategies are focusing on renewable energy, conservation, biodiversity protection, the circular economy, and climate change mitigation and adaptation. The digital transition, a key driver of economic transformation, encompasses the current rapid advancements in technology, the digitalisation and automation of industries, with a salient role artificial intelligence (AI). Meanwhile, the proliferation of connectivity leading to a more interconnected and data-driven world.

As these transitions gain momentum, it is crucial to acknowledge that current social dynamics show an increase of global inequalities and political instability, rising poverty rates, declining human development, a worsening of labour conditions, and greater food and energy insecurity. These social risks, which also have strong political roots and effects, expose the need for overarching development strategies that consider structural gaps and the interlinkages between the green, digital and social dimensions. In other words, the social and political issues surrounding challenges such as environmental degradation and the advancement of technology can only be solved through systemic transformative change.

In order to have a successful social transition, there is a deep and urgent need for ensuring social cohesion and providing greater well-being for people irrespective of socio-economic status, gender, territory, ethnicity or any other identity, through decision-making processes that are participatory and legitimate. This process entails an active role of the welfare state in the provision of a wide range of policies.

A Triple Transition Agenda therefore addresses the interrelated challenges posed by the social, green and digital transitions. It brings an opportunity for creating new growth models that put people and the planet first. Embedding the social transition in such an agenda provides a powerful framework for transformative change. It takes account not just of the consequences of the digital and green transitions on current social structures, but also of the role of social dynamics in shaping the success of development paths for economic productivity and environmental sustainability.

The need for new development models is permeating international co-operation efforts. Efforts range from the European Union's (EU) Green New Deal to the G20's flagship "Lifestyles for Sustainable Development" (LiFE) initiative launched by India's presidency of the group. However, systemic efforts to meet the

challenge of the triple transition, with an emphasis on the social transition, have yet to be configured at a global scale. This is all the more imperative since the outcome of future crises will greatly depend on underlying levels of inequalities.

The Team Europe approach and the investments agenda embodied in the EU's Global Gateway strategy present an unparalleled opportunity for the EU to determine a new model of international partnerships that embraces a systemic approach to the triple transition. The EU is pioneering efforts to rethink international co-operation following a Development in Transition approach, which is mindful of the multidimensionality of development and the need for more inclusive partnerships. Given the interconnected nature of global challenges, new partnerships should capture the linkages across the social, green and digital transitions, and provide new tools that can allow countries to take a systemic approach to meeting the challenges ahead. Inclusive international partnerships that rebalance power relations are needed to ensure comprehensive approaches for the triple transition at the global, regional and national levels.

1. Risk of reversals: A call for new development models

In the wake of recent global shocks, including the COVID-19 pandemic and the ongoing geopolitical turmoil stemming from Russia's invasion of Ukraine, the world finds itself at a critical juncture. These extraordinary events have upended the lives of millions and caused severe setbacks in development markers, revealing a disconcerting trend of global development reversal. As the world begins to navigate the complexities of a post-pandemic and conflict-ridden planet, with worrying increases in poverty, it becomes increasingly clear that conventional development models may no longer suffice. Failure to address this decline in social development may further hinder progress towards environmental and economic goals, creating a vicious circle. In this light, the development challenges posed by these global shocks underscore the imperative for new development strategies that deliver greater resilience. This report serves as a call for policy makers to engage in forward-looking discussions on the search of new development models and the implications for international cooperation and partnerships, to galvanise the creation of new pathways and prevent further development reversals.

1.1. Development reversals amidst global shocks

While the 21st century has seen many positive development trends, such as poverty reduction, economic growth and a "great convergence" in global equality (Milanovic, 2023^[1]), recent global shocks and crises have precipitated a reversal of these development gains. The COVID-19 pandemic exposed overlapping inequalities and revealed the fragility of current global systems to respond to systemic shocks, especially for the most vulnerable. For the first time in 32 years, the Human Development Index (HDI) declined globally for two consecutive years – a trend that is shared by 90% of countries but that is stronger in those with low and medium human development levels (Figure 1.1) (UNDP, 2022^[2]).¹ Meanwhile, a staggering 100 million people have been pushed into extreme poverty (Yonzan, Gerszon Mahler and Lakner, 2022^[3]).

¹ The Human Development Index (HDI) is a summary measure of achievements in three key dimensions of human development: A long and healthy life, access to knowledge and a decent standard of living. Measured by: life expectancy at birth; mean years of schooling and expected years of schooling; GNI per capita (in PPP adjusted international dollars). The HDI is the geometric mean of normalised indices for each of the three dimensions.

Figure 1.1. Change in the Human Development Index, 2011-21



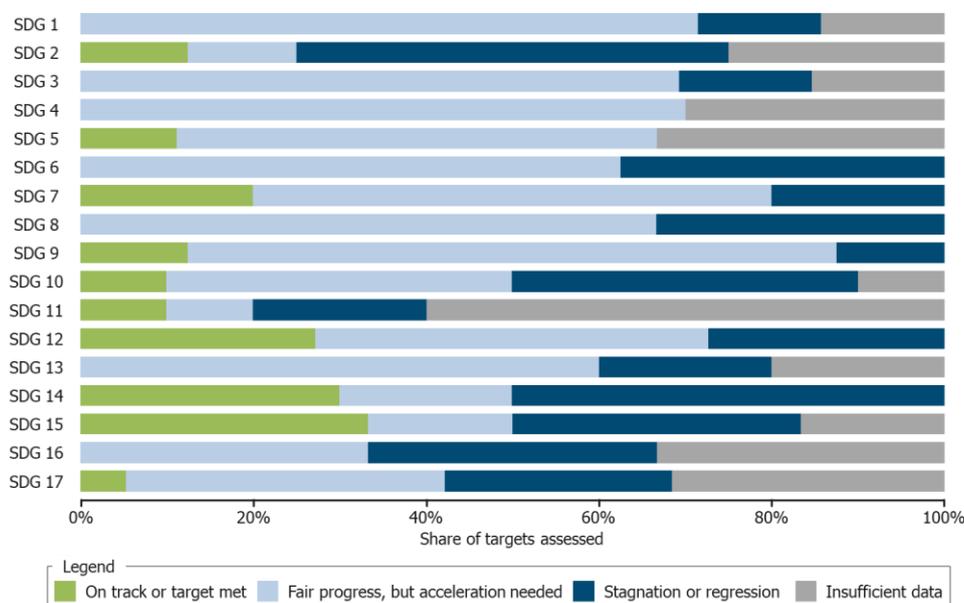
Note: The four categories of countries are defined according to a system of cut-off points which are calculated using the quartiles (q) from the distributions of the component indicators averaged over 2004-13. Today the cut-offs are: Low Human Development is for an HDI below 0.550, Medium Human Development is for a HDI between 0.550 and 0.699, High Human Development is for an HDI between 0.700 and 0.799. Very high human development is for an HDI between 0.800 and above.

Source: (Our World in Data, 2023^[4]), "Historical Index of Human Development, 1870 to 2015".

Amid recovery from the pandemic, soaring food and energy prices sent the world into greater turbulence. Inflation levels prompted a hike in interest rates that tightened financial conditions and exacerbated debt vulnerabilities. The rise in inflation spread to other price categories, aggravating the cost-of-living crisis for millions of people worldwide. In a recent report, the United Nations Development Programme (UNDP) identified 52 low-income countries (LICs) and middle-income countries (MICs) that are either in debt distress or at high risk of it (Molina and Jensen, 2023^[5]). Despite some improvements in 2022, primarily attributed to a decrease in commodity-related inflation, core inflation persists and debt levels are too high, including in wealthier economies (OECD, 2023^[6]). The most vulnerable populations are hit the hardest. With growing financing needs and lower revenues developing countries are experiencing an estimated annual shortfall of USD 1.2 trillion to address the social protection gap, posing a severe risk of plunging the world into the most significant cost-of-living crisis in a generation (United Nations, 2022^[7]).

As agreed by the 193 countries that adopted the 2030 Agenda for Sustainable Development, a sustainable development that leaves no one behind is a non-linear and multidimensional process that entails co-operation across countries (irrespective of their income), sectors, government institutions and actors. The Sustainable Development Goals (SDGs) have three dimensions – economic, social and environmental. The 17 SDGs and their 169 targets are integrated, indivisible and interlinked. However, without systemic and pragmatic action, and without tools that promote integrated approaches, it will be difficult to achieve the SDGs. The world was already off track before the COVID-19 pandemic, but the prospects of achieving them are now far more challenging. Recent estimates show that only 12% of the SDG targets are on track. More than 50% show progress but are off track, and some 30% have either seen no movement or regressed below the 2015 baseline (Figure 1.2) (United Nations, 2023^[8]). Under a business-as-usual approach, 575 million people – or nearly 7% of the world's population – will still live in extreme poverty in 2030.

Figure 1.2. Progress assessment for the 17 Sustainable Development Goals (2023 or latest date)



Note: The 17 SDGs are: 1) No poverty; 2) Zero hunger; 3) Good health and well-being; 4) Quality education; 5) Gender equality; 6) Clean water and sanitation; 7) Affordable and clean energy; 8) Decent work and economic growth; 9) Industry, innovation and infrastructure; 10) Reduced inequalities; 11) Sustainable cities and communities; 12) Responsible production and consumption; 13) Climate action; 14) Life below water; 15) Life on land; 16) Peace, justice and strong institutions; 17) Partnerships for the goals.

Source: Based on "Progress towards the Sustainable Development Goals: Towards a Rescue Plan for People and Planet".

The effects of the ongoing crises are unequally distributed. All countries are falling behind on the SDGs, but least developed countries (LDCs), MICs and the world's poorest and most vulnerable are bearing the heaviest burden (United Nations, 2023^[8]). The pandemic reversed decades of steady progress by, for the first time in a generation, increasing the number of people living in extreme poverty, from 8.5% in 2019 to 9.3% in 2020 (United Nations, 2023^[8]). Even regions comprised mostly of MICs, such as Latin America and the Caribbean (LAC), have not recovered to pre-pandemic levels. Despite LAC's relatively widespread social security systems, rates of poverty (32.1%) and extreme poverty (13.1%) were still high in the region in 2021 (ECLAC, 2022^[9]).

Working conditions are also a matter of concern, particularly since employment is the main source of income for the poorest and most vulnerable. Despite the global unemployment rate falling from a peak of 6.9% in 2020 to 5.8% in 2022 (United Nations, 2023^[8]), the quality of work and its capacity to provide well-being is in decline. Globally, 58% of workers were in informal employment in 2022, representing around 2 billion workers, with most lacking any form of social protection (United Nations, 2023^[8]). Differences across countries are stark, with countries from the Global South hit the hardest. Informal employment represents 89.0% of total employment in low-income countries, 81.6% in lower middle-income countries and 49.7% in upper middle-income countries, compared to only 15.9% in high-income countries (OECD, 2023^[10]). The share of economic output earned by workers has experienced a sizeable decline in the last 15 years, from 54.1% in 2004 to 52.6% in 2019 (representing USD 590 PPP per worker on average) (United Nations, 2023^[8]). Meanwhile, working poverty rose for the first time in two decades, pushing 8 million more workers into poverty (United Nations, 2023^[11]).

In sum, the world is grappling with multiple crises and shared challenges that are eroding decades of progress made in various areas of social development. This polycrisis context has set back many of the development markers, presenting a substantial risk of development reversals. It has further highlighted the disproportionate vulnerability to external shocks of marginalised groups and developing economies,

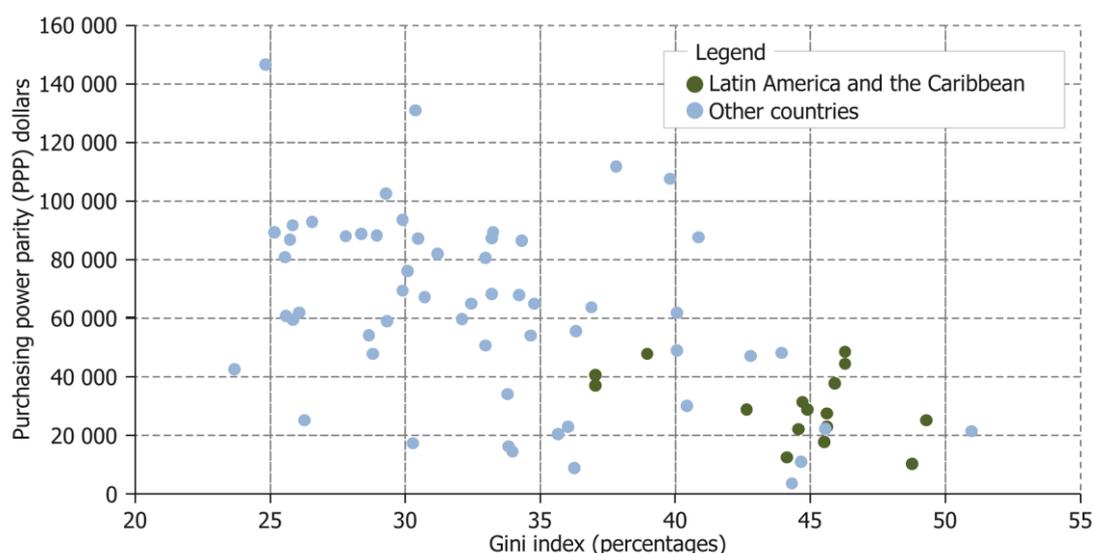
including both LICs and MICs. Achieving the goals set out in the 2030 Agenda and the Paris Agreement on Climate Change necessitates an unprecedented international effort to establish new development models that ensure progress and well-being for all. The present situation should be framed as a fundamentally social and political problem that can only be solved through a “transformative change” that addresses the structural root-causes of the current economic, social, political and environmental problems, as well as persisting levels of inequality (UNRISD, 2016_[12]).

1.2. Vicious circles: How social dynamics impact green and economic goals

A transformative change, or new development models, would need to build on recognising and addressing the multiple interdependencies between social and other development dynamics. The relationship between social dynamics and environmental and economic goals is well documented. Growing poverty, exclusion and inequalities pose a significant threat of drawing countries into a vicious circle that hinders collective progress in those other critical areas. A comprehensive approach is needed to avoid such vicious circle, one that address the root causes of inequalities and systemic imbalances.

Equality, particularly in the provision of basic social services, is a necessary condition for maximising economic productivity, given that it fosters innovation and the enhancement of capabilities. Productivity and inequality have a negative relationship in a wide range of countries (Figure 1.3). With inequality, this could be due to the inadequate institutional incentives for innovation and the unequal access to education and health created in the context of unequal societies. These factors undermine the dissemination of essential capacities, skills and technological advancements that are required for productive diversification and economic productivity, creating further costs for societies at present and in future (ECLAC, 2018_[13]).

Figure 1.3. Productivity and the Gini index, 2014



Note: The Gini index measures distribution of income, with a higher Gini index representing greater inequality. The Gini index is expressed in percentage terms. Productivity is expressed in output per employee in 2011 PPP dollars.

Source: Based on ECLAC (2018_[13]), *The Inefficiency of Inequality*.

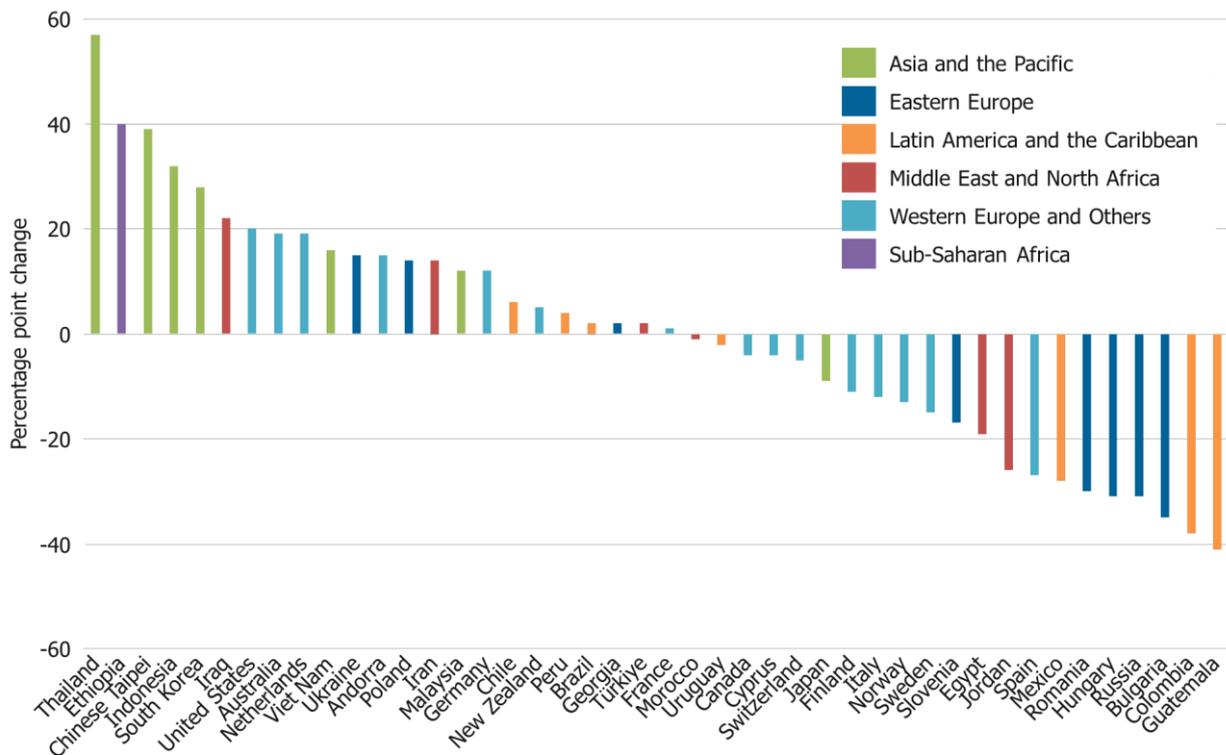
For instance, investing in health, particularly children’s health, contributes to productivity by supporting cognitive development and the capacity to learn new skills, which creates economic returns thanks to the positive impact on future health costs and higher productivity (Fogel, 2004_[14]). By contrast, unequal

societies that do not invest timely and sufficiently in health may lack sufficient human resources to make technoeconomic changes in their production models, reinforcing low productivity patterns that yield low fiscal revenues to provide basic public goods to their people. The learning crisis from the COVID-19 pandemic is a clear example of the interlinkage between the social dimension, digital transitions and overall development outcomes. Children and schools in disadvantaged areas were less able to connect to distance schooling and may have suffered the most in terms of learning losses during the pandemic.

Inequalities and social grievances are also negatively correlated with several environmental variables. For instance, high levels of inequality have been found to be negatively correlated with the conservation of biodiversity (UNRISD, 2016^[12]), as well as with per capita levels of waste generation and consumption of water (Islam, 2015^[15]). A vicious circle is created given that the impacts of climate change are generally regressive, falling more heavily on the poor than the rich, which results in greater subsequent inequality (Nazrul Islam and Winkel, 2017^[16]). The strains on the environment and the strains on society reinforce each other, magnifying the challenge (UNDP, 2018^[17]).

Current social fractures bring about an erosion of the social fabric that translates in some of the lowest ever recorded levels of trust between persons, national public institutions and the multilateral system (Case and Trithart, 2023^[18]). These trends are symptomatic of citizens’ discontent, a harmful trend of mistrust in democracy and political stability worldwide, and dangerous fragmentation at a moment when collective action is most needed to respond to the challenges posed by climate change and other global megatrends (Barron et al., 2023^[19]). When inequality fuels social discontent, the negative effects increase sociopolitical instability by creating uncertainty in the politico-economic environment, which leads to a reduction of investments. Consequently, income inequality and investment have also been proven to be inversely related (Alesina and Perotti, 1996^[20]).

Figure 1.4. Change in net confidence in the United Nations (2005-09 to 2017-22)

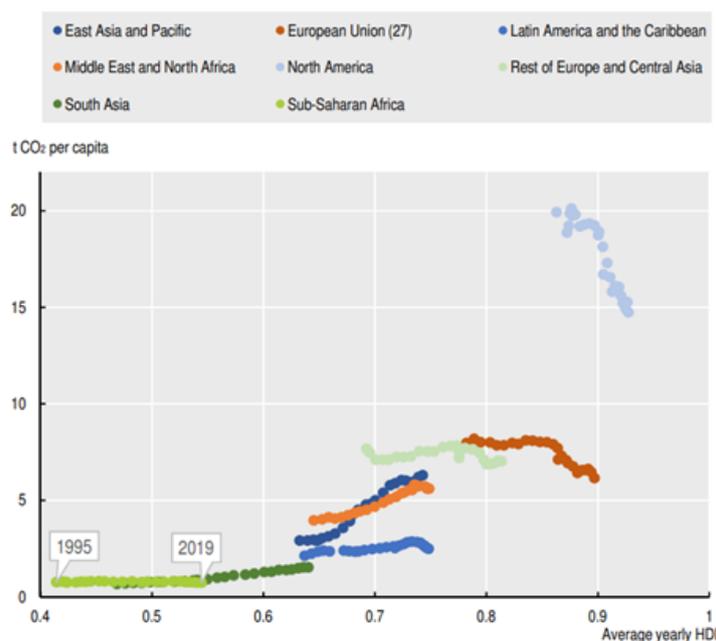


Source: (Case and Trithart, 2023^[18]), “Do People Trust the UN? A Look at the Data”.

This crisis may be an opportunity to turn vicious circles into virtuous ones and recover citizens' trust in national and multilateral institutions. To that effect, governments need to reconsider the social contract and provide development strategies that better address the interconnections between social, economic and environmental dynamics (OECD et al., 2022^[21]). LICs and MICs are facing a devastating economic downturn that has undermined their ability to invest in tackling worsening poverty and the impacts of climate change (Seery and Jacobs, 2023^[22]). In 2021, LICs spent an average of 27.5% of their budget on debt repayments – double the proportion spent on education and four times that spent on health care (Walker et al., 2022^[23]). This situation is not conducive to breaking the current vicious circles. However, promising reform proposals emerging from the South focus on addressing asymmetries and inequalities by providing responses that link environmental, social and economic vulnerabilities (World Economic Forum, 2023^[24]). An example is the Bridgetown Initiative for the Reform of the Global Financial Architecture, put forward in 2022 by Caribbean countries.

Business as usual will not suffice, new development models are pressingly needed. Current levels of inequalities, the environmental degradation, and the climate challenge also call for different approaches. The multiple interdependencies between social and other development dynamics should galvanise the adoption of multidimensional development frameworks that reflect these interactions and address social issues from the onset. By fostering equity in their policies, governments can ensure social development while striving for economic prosperity and environmental sustainability. These new types of responses should allow countries to make progress on the well-being of their societies while respecting planetary limits. This is illustrated in Figure 1.5 by the trajectories of regions where per capita emissions are decreasing (Latin America, the EU, the rest of Europe and Central Asia). Certainly, it will take a significant effort, in terms of resource mobilisation and engagement of all stakeholders to design and implement policies that provide a sufficient boost to social inclusion. However, the social costs of inaction might be far greater (ECLAC, 2018^[13]). Moreover, more inclusive and effective public services can have a positive impact on tax morale, increasing citizens' and corporations' willingness to pay taxes (OECD, 2019^[25]).

Figure 1.5. CO₂ emissions per capita versus HDI, 1995-2019



Note: Climate Watch Historical CO₂ Emissions excluding LUCF.

Source: (OECD et al., 2022^[21]), *Latin American Economic Outlook 2022: Towards a Green and Just Transition*.

2. The case for a Triple Transition

World actors are taking the current moment of crisis to explore new strategies that could provide alternative exit paths. Among these, the green and digital transitions stand out as two strategies to respond to megatrends that are shaping our societies. These transformations require adapting the framework of analysis that shapes policy making at the national and international levels. Traditional policy models and decision-making processes must evolve to consider the effects of the green and digital transitions on the social inclusion, especially of the most vulnerable populations, while the social transition should be considered as an independent, positive and catalytic agenda that accompanies the green and digital transitions. A proper social transition towards lower poverty, greater empowerment and inclusion would lay the groundwork for the success of the other transitions. It would do so by creating the necessary social determinants and by placing social issues at the centre of new growth strategies. A Triple Transition is a systemic approach that places the interlinkages and interconnections of the environmental, digital, and social aspects of development at the core. Such an approach would help to better assess how to overcome structural gaps and development traps in order to achieve inclusive and sustainable development.

2.1. The green and digital transitions, and the need for new systemic approaches

The green and digital transitions represent two simultaneous and interrelated transformations shaping our modern world. The green transition embodies a shift towards sustainable and environmentally friendly practices in the aim of mitigating climate change and preserving natural ecosystems. The digital transition leverages advanced technology, such as artificial intelligence (AI) and use of the Internet, to enhance efficiency, connectivity and innovation across various sectors.

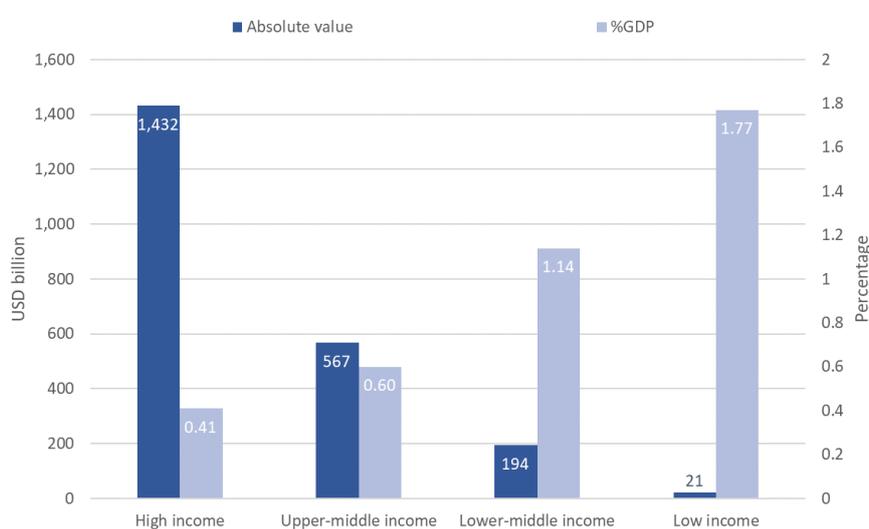
The interrelation between the green and digital transitions, on the one hand, and social challenges, on the other, is complex and multifaceted. The green transition, while crucial for addressing climate change and reducing environmental harm, has the potential to produce negative effects on the labour market. One significant concern is the potential displacement of workers in traditional fossil-fuel or “brown” industries as these sectors come to face reduced demand and eventual decline. The green transition can lead to job losses in regions heavily dependent on industries such as coal, mining and oil, creating economic hardships and social challenges for affected communities. Other high-emitting industries will also be affected. Studies indicate that net job creation from the shift to clean energy will be positive, but that its impacts on workers and communities will be uneven. New employment opportunities may not necessarily emerge in the regions or industries where job displacement occurs, and even in cases where the direct decline in energy-related employment is minimal, the repercussions for the local economy can be substantial (IEA, 2021^[26]).

At the same time, and in the absence of adequate policies and mechanisms, the digital transition might widen gaps in access and use of technology between income levels and population ages. By increasing disparities in access to technology and digital skills, the digitalisation of economies can increase the digital and development divide, leaving marginalised communities at a disadvantage. In LAC, for instance, the gap in Internet use between richest and poorest households is 40 percentage points on average. Older age groups tend to not take advantage of the opportunities of connectivity, and the gap between urban and rural Internet users is increasing (OECD et al., 2020^[27]). Bridging the digital divide between income

groups, age populations, and urban and rural areas is challenging and requires clear strategies to connect less populated areas and extend the use of the Internet to all citizens. For instance, experiences in Africa show the potential of digitalisation in agriculture value chains to better connect farmers to new markets, enabling tracking production cycles and facilitating mobile payments (AUC/OECD, 2022^[28]).

In analysing the situation, it is important to consider the undesired effects of green transition policies on vulnerable populations. Climate change reinforces social inequalities, creating a “double injustice” for developing countries (LICs and MICs) and vulnerable groups, with women and children often disproportionately affected. On the one hand, they are the least responsible for global emissions, and on the other, they are the most affected by climate related disasters (Figure 2.1) (UNRISD, 2016^[12]). Advancing a green transition is the only option, but if this does not consider the social transition, a triple injustice could be forced upon those already vulnerable (UNRISD, 2016^[12]), for instance through a regressive increase in public transport tariffs or building costs due to a change towards renewables, or the already mentioned inequalities engendered by the transition towards a greener labour market.

Figure 2.1. Climate-related economic losses by country income group, 1998-2017



Note: Economic losses are defined as the amount of damage to property, crops and livestock due to climate-related disasters (floods, landslides, storms, extreme temperatures, droughts and wildfires). For each disaster, the absolute value of loss registered corresponds to the damage value at the moment of the event, adjusted to 2017 USD using the consumer price index for the United States (with 2010 as the base index value of 100) from the World Bank (as of June 2018). Economic losses as a percentage of GDP for each income group are calculated by averaging the corresponding percentages for all countries within the group.

Source: Based on United Nations (2020), *World Social Report 2020: Inequality in a Rapidly Changing World*.

Despite their high complementarity, the digital and green transitions show that even “twin” agendas might not be automatically aligned. Some digital technologies have a substantial environmental footprint that works against the targets of the green transition (Muench et al., 2022^[29]). For example, governments are increasingly looking at data centres’ significant consumption of electricity and water resources (Law, 2022^[30]). If unchecked, carbon emissions from information and communications technology (ICT) could reach 14% of global emissions by 2040, and 20% of total electricity use by 2030 (European Commission, 2020^[31]; Andersen et al., 2021^[32]).

The green and digital transitions will thus require active, bold social policy to counterbalance their possible effects on workers and people, and to prevent greater social disparities. These policies are also needed to equip people with the right skills to take advantage of the opportunities the green and digital transitions create. Anticipating the socio-economic effects of the green and digital transitions with the appropriate

long-term planning will be essential. This means placing a strong emphasis on social inclusion policies, safety-net programmes, unemployment schemes, capacity building, and learning mechanisms for workers who will need to adapt to the new skills that will be demanded in the labour market.

In line with the Just Transition framework (Box 2.1), national governments, international co-operation stakeholders and investment actors must prioritise the social dimension in parallel with green and digital programmes. Progress is slow but ongoing. Of the 170 countries that had submitted an enhanced Nationally Determined Contribution (NDC) as of 31 October 2022, a just transition is explicitly referenced only by 65 (38%). Encouragingly, most countries with enhanced NDCs that refer to a just transition are linking it to socio-economic considerations (72%) and/or proposing concrete just transition actions and measures (66%) (UNDP, 2022^[33]).

Box 2.1. The Just Transition framework

The Just Transition framework emerged through recognition of the need to consider social inclusion policies while advancing the green transition. It refers to the greening of the economy “in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind” (ILO, 2023^[34]). A just transition concerns countries at all levels of development, and all economic sectors, since it presents an opportunity to “manage natural resources sustainably, increase energy efficiency and reduce waste, while also promoting social justice and addressing poverty, inequality and gender gaps” (ILO, 2023^[34]).

The call for a just transition began as a demand related to workers’ rights, largely promoted by the International Trade Union Confederation and the International Labour Organization (ILO), and has evolved to be acknowledged in all major policy documents, including the preamble of the Paris Agreement (UNRISD, 2016^[12]). The OECD has recently studied the regional implications in the *Latin American Economic Outlook 2022 Towards a Green and Just Transition* (OECD et al., 2022^[21]).

Applying a justice framework could turn potential risks into substantive benefits for societies. For instance, the expansion of broadband connections brought about by the digital transition foster social inclusion by providing fast and reliable access to essential services such as healthcare, education, and justice, overcoming geographical and socioeconomic barriers. Furthermore, digitalisation can fuel entrepreneurship, e-commerce, and telecommuting, strengthening civic participation and democracy. The digitization of government processes enhances efficiency, transparency, and accountability, reducing the risk of corruption. In this sense, new AI frameworks are helping to govern it so that it promotes human rights and strengthens democracies (OECD, 2023^[35]). Lastly, digital collaboration in the development of smart cities and territories can improve quality of life, sustainability, and resilience through technologies like GreenTech, geolocation, and IoT, while promoting citizen participation in decision making (CAF, 2023^[36]).

Nuanced analysis and policies are required to ensure synergies between the digital and green transitions. With the right orientation, technologies could help to reduce emissions by seven times more than the amount created by the ICT sector and could cut global emissions by up to 15% by 2040 (European Commission, 2020^[31]). Digital technologies can improve energy and resource efficiency through AI; supercomputing and pooled data; monitoring and tracking; and simulation and forecasting. Such technologies can also facilitate the circular economy, generate a better allocation of resources (e.g. precision farming) and reduce emissions (e.g. smart grids), biodiversity loss and environmental degradation (Muench et al., 2022^[29]).

Insufficient or untimely action could lead to the further widening of social disparities, potentially creating social unrest, as seen this century in crises in several countries. As with the food crisis of 2007-08, or in the protests in Latin America and the Middle East in 2019 (reinitiated in the post-pandemic context), this new moment of multi-layered crisis could deepen the sense of social discontent and erupt into new protests

(Barrett, 2022^[37]). These social risks further expose the need for overarching development strategies that consider interlinkages between the green, digital and social dimensions. The underlying social and political issues surrounding challenges such as environmental degradation and the advancement of technology can only be solved through systemic transformative change.

2.2. The Triple Transition: A systemic response

Addressing the social consequences of the twin green and digital transitions appears as a necessary but insufficient condition to break the vicious circle of social, economic and environmental imbalances. In the absence of appropriate policy measures, positive interactions between transitions can be reversed (Nilsson et al., 2018^[38]), while siloed policies and technological fixes are not only insufficient but could potentially become harmful.

A Triple Transition framework would allow the development of a systemic approach by acknowledging that addressing one issue in isolation may yield limited results since the root causes of many problems are intertwined. The Triple Transition would therefore simultaneously foster: *i*) greater productivity, innovation and digital inclusion; *ii*) a green economy; and *iii*) greater social well-being and cohesion through participatory and legitimate decision-making processes (FIIAPP, 2022^[39]; Sanahuja, 2021^[40])

Developing countries face the challenge of addressing the transitions in contexts where development traps and limited fiscal resources are at play (Table 2.1). These traps hinder development progress, as they are based on structural and consolidated processes. They occur in the productivity, social, environmental and institutional aspects of society, and involve circular, self-reinforcing dynamics that limit the capacity of transitioning towards greater development (OECD et al., 2019^[41]). Addressing the social and institutional vulnerabilities that drive discontent and affect productivity and environmental sustainability is even more crucial in this context to ensure the success of the green and digital transitions.

Table 2.1. Development traps: Vicious circles in four development dimensions

Low productivity trap	The concentration of exports on primary and extractive sectors undermines participation in global value chains (GVCs). This, in turn, is associated with low levels of technology adoption and few incentives to invest in productive capacities. Competitiveness remains low, making it difficult to move towards higher added-value segments of GVCs. This fuels a vicious circle that negatively affects productivity.
Environmental trap	Production structures that are biased towards high material and natural resource-intensive activities tend to lead towards an environmentally and economically unsustainable dynamic for two reasons: a concentration on a high-carbon growth path is difficult, and costly, to abandon; and natural resources upon which the model is based are depleting, making it unsustainable.
Social inclusion trap	Vulnerable middle classes have low quality, usually informal, jobs associated with low social protection and low – and often unstable – income. Because of these circumstances, they tend not to invest in their human capital, or lack capacity to save and invest in an entrepreneurial activity. They thus remain at low levels of productivity, hence with access only to low-quality and unstable jobs that keep them vulnerable.
Institutional trap	The expansion of the middle class is often accompanied by new expectations and aspirations for better-quality public services and institutions. However, institutions tend to have difficulty responding effectively to these increasing demands, hence producing a decline in trust and satisfaction levels. In turn, citizens see less value in committing to the fulfilment of their social obligations, such as paying taxes. Tax revenues are thus negatively affected, limiting available resources for public institutions to provide better-quality goods and services, and to respond to the rising aspirations of society.

Source: (OECD et al., 2019^[41]), *Latin American Economic Outlook 2019: Development in Transition*.

The Triple Transition framework adds qualitative value by approaching the root causes of development challenges through specific consideration of the Social Transition pillar – not as a residual approach, but rather as way to ensure that addressing social vulnerability and institutional traps are at the core of new development paths. In the health sector, experts refer to the “social determinants of health” (WHO, 2023^[42]), which include income and social protection, education, housing and early childhood development. In this light, it is possible to refer to the “social determinants of the green and digital transitions” as the social ex-ante conditions needed for the success of any green or digital efforts.

The social transition is a process that entails an active role of the welfare state in the provision of a wide range of policies for the attainment of greater levels of well-being and social cohesion through participatory and legitimate decision-making processes (Box 2.2) (Barron et al., 2023^[19]). It is not a linear process from one scenario A to a scenario B. This is aligned with recent demands for a new social contract that restores trust and empowers citizens at all stages of the policy-making process, yielding development results across socio-economic groups, territories and generations (OECD, 2021^[43]). More specifically, it responds to people’s demands for recognising the social transition as a pillar with its own substance. This was confirmed by the requests of civil society, labour networks, organisations and platforms in a declaration ahead of the 2023 summit of the European Union and the Community of Latin American and Caribbean States (CELAC) (Coordinadora ONG, 2023^[44]).

Box 2.2. The Social Transition pillar

The concept of a social transition has received less attention than the economic and environmental aspects of the green and digital transitions. This is primarily due to its complexity, localised nature and long-term scope (Barron et al., 2023^[19]). Social aspirations vary significantly based on historical and cultural backgrounds, and a diverse range of concepts and metrics are needed to measure them.

Recently, in response to persistent social grievances, there have been notable conceptual developments that contribute to a more systematic and in-depth understanding of the Social Transition. First, social development is defined as a process that leads to improvements in human well-being and equitable social relations. It encompasses material achievements, social and cultural attributes, and political achievements (UNRISD, 2015^[45]). Second, social sustainability involves communities and societies working together to overcome challenges, deliver public goods and ensure the well-being of all (Barron et al., 2023^[19]). It comprises four key components: social cohesion, inclusion, resilience and process legitimacy (Barron et al., 2023^[19]). Social cohesion entails a shared purpose and trust among individuals and groups, as well as between them and institutions. Inclusion involves universal access to basic services and markets, and participation with dignity. Resilient societies can withstand shocks while protecting their culture. Meanwhile, process legitimacy exists when communities accept who has authority, what goals are formulated and how policies and programmes get implemented.

Despite their differences, these concepts share important elements that indicate what could be defined as the main aspects of a Social Transition: *i*) a process, or continuum, by which greater levels of well-being and equity are attained; *ii*) material progress at the individual level for all persons, irrespective of gender, race, territory or any other identity, but also a shared sense of belonging to a larger community across these different groups, expressed in formal and informal rules; *iii*) decision-making systems that are participatory and legitimate. In addition, these components interact with and reinforce each other.

With the Social Transition, social issues that are often side-lined have an independent and positive agenda, which should be applied with an “ex ante” mindset in relation to the other transitions. This includes the implementation of foresighted social policies that provide societies with the capabilities to optimise the success and shared benefits of their green and digital transitions. Education, health care and gender

policies, underpinned by progressive tax reforms, appear here as key enablers to rebalance the distribution of the enhanced capabilities needed to jump into the digital economy and cope with climate change.

At the same time, this ex-ante approach implies embedding the Social Transition within new growth models so that the common good is a primary objective from the outset and the need for ex-post policies is minimised. For instance, the emergence of Big Tech brought about by the digital transition has consolidated the market power of a few technology companies whose cross-country and digital architecture challenge current taxing systems (Andersen et al., 2021^[32]). New rules and policies need to be set in place to ensure that digital business models contribute to general well-being and equity.

As described above, positive interactions between transitions do not come spontaneously but require nuanced assessments and systemic approaches. What is more, the elements that comprise the social transition are interrelated and reinforce each other (Box 2.3). National policies will not suffice. The societal, environmental and productive transformations ahead are shared and challenging on a global scale. The concept of the Triple Transition can inform an update of the international system of co-operation with developing countries – across all income levels – to make these transitions truly attainable for all.

Box 2.3. A regional snapshot of the social transition: The case of LAC

The two decades before the COVID-19 pandemic, Latin America and the Caribbean saw significant improvements in average well-being. But progress has slowed since the mid-2010s, and persistent structural problems, such as informal employment and inequalities, have endured in the region. Looking beyond averages has helped to reveal wide variations between and within countries. Many of the resources that underpin the sustainability of well-being – natural, human, social and economic capital resources – are under threat or in decline (OECD, 2023^[46]).

A deterioration in levels of social cohesion has also been observed in LAC countries in recent years. This trend is reflected in diminishing levels of trust, not only among individuals but also between citizens and the institutions that govern them. Interpersonal trust fell from 20.7% in 1995 to 12.8% in 2020, while citizens with a lot or some trust in government fell from 43.7% to 27.3% over the same period (Latinobarómetro, 2023^[47]). Most of the region's inhabitants express a lack of trust in both their fellow citizens and government. This could be explained by the persistently high levels of poverty and inequality in LAC, and high levels of insecurity experienced by inhabitants (OECD et al, forthcoming^[48]).

These trends show the importance of advancing in all aspects of the social transition simultaneously. A well-being approach to policy would provide governments with a very much needed output legitimacy and would support LAC countries in addressing the highly interconnected societal challenges they face, from well-being and equity to social cohesion. In terms of social cohesion, it includes bonding cohesion (between individuals), bridging cohesion (between groups) and linking cohesion (between citizens and institutions in power) (Barron et al., 2023^[19]).

Assessing current development challenges as interconnected and self-reinforcing dynamics increases the need for a systemic approach. Poverty, inequality, climate change and access to education are rarely isolated problems. Instead, they often form a web of interconnected challenges – both with national and international dimensions – that amplify each other's impact. Poverty can exacerbate environmental degradation as individuals struggling to meet their basic needs may resort to unsustainable practices for immediate survival. Similarly, climate change can disproportionately affect vulnerable communities, further deepening economic disparities.

The Triple Transition adds value by providing a 360° perspective to understand the interlinkages between transitions, and by stressing the role of public policy to ensure positive trade-offs between development dynamics. Understanding the interlinkages between the three transitions – social, green and digital – is

key for integrated decision making and partnership building that responds to each country's development needs and opportunities. The types of interactions are multiple and depend mostly on contextual factors such as governance systems, geographical conditions and the policy timeframe (Nilsson et al., 2018^[38]).

2.3. The EU's approach to the transitions

The European Union is playing a pioneering role at this critical juncture, emerging from the pandemic with a renewed determination to advance sustainable development through a development model leveraged by fair green and digital transitions (Muench et al., 2022^[29]). The new European Growth Model is duly captured by the EU's EUR 806.9 billion recovery plan, NextGenerationEU, which is intended to be a transformational instrument for green and digital growth and a more healthy and resilient society (European Commission, 2022^[49]; European Commission, 2023^[50]).

With renewed development leadership, the EU is fostering a Fair Green and Digital Transition. This entails ambitious policy proposals like the European Green Deal and its comprehensive package of legislation to make Europe the first climate-neutral continent by 2050, and the Digital Europe Programme (European Commission, 2023^[50]). The fairness aspect of the twin green and digital transitions is being approached through several regionwide policy instruments that look to compensate the regions most affected by a transition towards climate neutrality.

Backed by its own social pillar and based on the Just Transition framework, the EU is putting in place ambitious policies to seize the opportunity to achieve a fair transition. Member states have established the Just Transition Fund and have proposed a Social Climate Fund. The Just Transition Fund will invest some EUR 19 billion in the upskilling and reskilling of workers, and in small and medium-sized enterprises (SMEs); the creation of new firms; research and innovation; job-search assistance; and transformation of existing carbon-intensive installations (European Commission, 2023^[51]). The Social Climate Fund is a proposal by the European Commission to direct a share of the revenues from the new emissions trading system to finance temporary direct income support for vulnerable households and to support measures and investments that reduce emissions in the road transport and building sectors, and that as a result reduce costs for vulnerable households, micro-enterprises and transport users (European Commission, 2023^[52]).

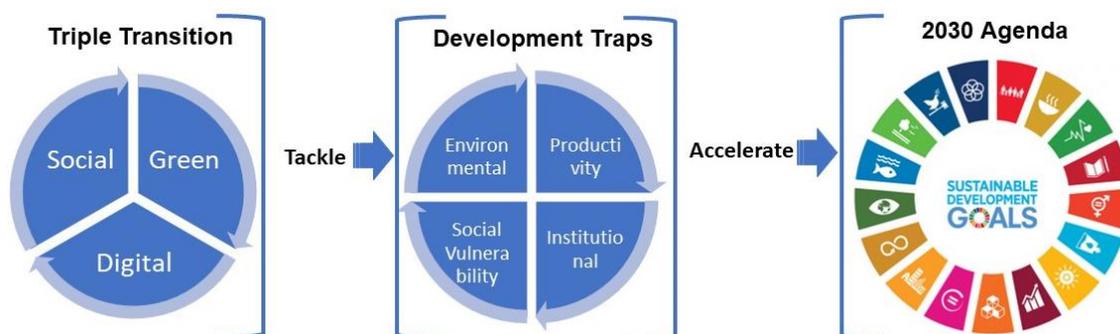
In parallel, the EU has started to expand its sustainability efforts to its partners with the aim of becoming a renewed global development leader. Through Global Europe and its operational arm, the Team Europe Initiatives (TEIs) and the Global Gateway strategy, the EU is developing stronger green-deal diplomacy. This effort is focused on supporting others to take on their share of promoting more sustainable development through green alliances with Africa and other partner countries and regions, particularly in Latin America, the Caribbean, Asia and the Pacific (European Commission, 2019^[53]).

The EU's support for new models of development abroad represents very positive progress. However, there is no universal or one-size-fits-all solution to advance sustainable development. The European model cannot be imported by, for instance, LAC or Africa. Developing countries and regions should transit this turning point with a strong sense of ownership, following their own development priorities while contributing to internationally shared goals.

Developing countries face different contexts or specific development traps that need to be considered when approaching the three transitions altogether. The Triple Transition concept could help to contextualise the Just Transition framework in developing regions by acknowledging that the transitions will unfold in contexts where development traps are at play, and proactively tackling them in order to avoid the risk of asymmetric transitions (Sanahuja and Costafreda, 2023^[54]). This would help to ensure SDG progress across the entire 2030 Agenda, promoting tailored approaches to specific countries and regions

or further defining the specific capacities that need to be built in specific countries in order for the transitions to work (Figure 2.2).

Figure 2.2. The Triple Transition, development traps and the 2030 Agenda



Source: Authors' elaboration.

Without proper consideration of development traps, siloed policies and technological fixes will not only be insufficient for ensuring positive interactions between transitions, and might even be harmful. For instance, changes in an energy matrix – towards renewables or the extraction of the critical raw materials needed for many new technologies – do not necessarily mean progress towards a production transformation that narrows inequalities for the developing countries that endowed with these resources. If institutional and social traps are not specifically addressed, these changes could create the political capture of the transitions by already established elites, fuelling inequality gaps and environmental degradation. The next section will propose options for mainstreaming the Triple Transition in the context of European partnership efforts.

3. The Triple Transition: An opportunity for the EU as a global player

At a time when the world is significantly off track with the SDGs and the risk of further reversals is imminent, the international co-operation system needs to adapt to a new context of development interconnectedness. The current context is bleak, aggravated by the COVID-19 pandemic, increased geopolitical fragmentation and other intersecting crises, with large reversals in poverty, inequality, human development and informal employment. These social tensions can create a vicious circle with environmental pressures, and fuel further discontent and mistrust with national and international institutions. In the face of this pervasive trend, collective action is needed.

The Triple Transition aims to be a 360° framework to analyse and address transformational change through policies that mutually reinforce green, digital and social transitions. It adds value to existing frameworks by providing the basis for a whole-of-system approach that considers both positive and negative interlinkages between transitions. Further, it establishes a foundation for addressing the underlying causes of existing social inequalities by adopting an ex-ante approach that acknowledges existing development traps. This approach regards the social transition as an independent and positive agenda, one that lays the groundwork for the success of other transitions by creating the necessary social determinants and by centring social issues within new growth strategies.

This context creates an opportunity for the EU to bolster its development leadership through a renewed international co-operation strategy focused on the Triple Transition. This would bring long-lasting change in developing countries while contributing to the provision of Global Public Goods (GPGs), and to the secure and sustainable value chains that are needed for the EU's own just green and digital transitions. In a world of growing geopolitical rivalry, new partnerships that place adequate emphasis on social challenges and include all countries would improve trust in the multilateral system, contribute towards international stability, and represent an asset for the multilateral and rule-based global order that the EU safeguards.

Given recent updates to its international development strategy aligned with its foreign and internal development policy, the EU appears particularly well positioned to seize this opportunity and apply further innovations for development progress at scale responding to a changing world seeking new approaches to shared challenges and more inclusive partnerships.

3.1. Updates in the EU's international co-operation

International challenges call for all countries to work together through innovative partnerships to find common solutions to shared problems. The Development in Transition (DiT) framework proposed by the OECD in 2019 provides a set of principles for renewed international co-operation (Table 3.1) (OECD et al., 2019^[41]). DiT presented a new multidimensional lens on development and adopted more comprehensive and inclusive approaches to international co-operation, allowing for adaptation to each country's development traps and context.

Table 3.1. Development in Transition: Key dimensions for rethinking international partnerships

Dimension	Description
Working inclusively	Engaging countries at all development levels on equal footing as peers, to build and participate in multilateral and multi-stakeholder partnerships.
Operating with more tools and actors	Expanding instruments for greater international co-operation, such as new finance mechanisms, knowledge sharing, policy dialogues, capacity building and technology transfers, and including more actors.
Building domestic capacities	Strengthening countries' capacities to design, implement and evaluate their own development policy priorities and plans, encouraging alignment between domestic and international priorities, and ensuring integrated approaches to more complex and interlinked challenges.

Source: (OECD et al., 2019^[41]), *Latin American Economic Outlook 2019: Development in Transition*.

The DiT framework has been relevant in recent updates of the EU's international co-operation strategy, and in particular during Portugal's presidency of the European Council in 2021, as it provided a rationale for reflection on critical issues that called for a transformation in the EU's partnership approaches. These issues included the need to establish tailored partnerships with countries – in particular MICs – within the framework of new and more complex shared challenges, underscoring technical co-operation and the exchange of policy experiences beyond traditional co-operation tools (Council of the European Union, 2021^[55]).

These updates reflect the European response to the evolving geopolitical landscape in international co-operation, which demands a more strategic, integrated and impactful approach (Del Hoyo and Fernández-Mazarambroz, 2022^[56]). The EU has continued updating its instruments and tools, including in response to events, such as the COVID-19 pandemic and Russia's invasion of Ukraine, that have highlighted the need for more and better use of existing resources, and for more co-ordination and joint actions. Among the most recent updates, four stand out: the Neighbourhood, Development, and International Co-operation Instrument (NDICI); Team Europe; the European Financial Architecture for Development (EFAD); and the Global Gateway Investment Agenda (GGIA).

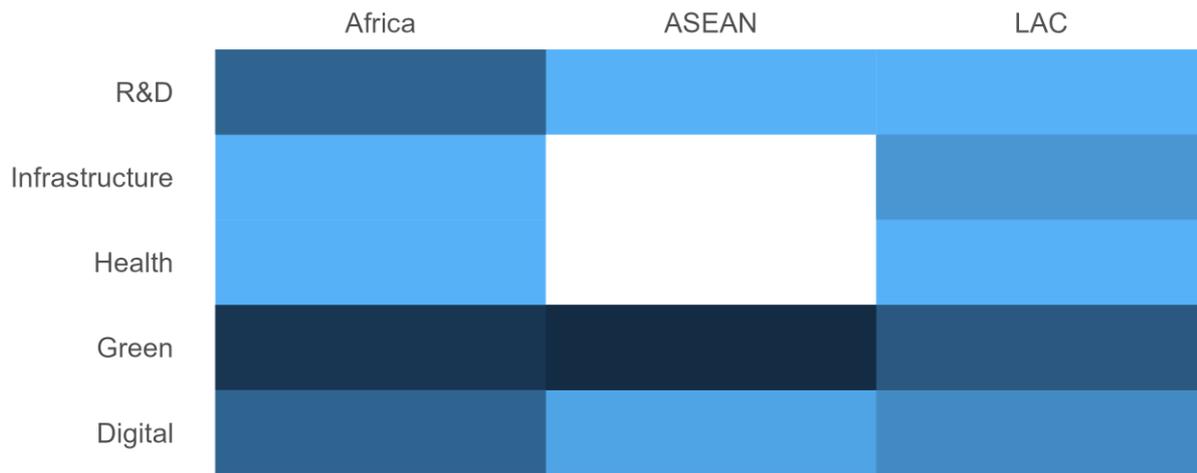
The NDICI, also referred to as Global Europe, is the main financial tool for the EU's international development action over 2021-27. With a budget of nearly EUR 80 billion, it covers more than 70% of the EU's external relations funding (EEAS, 2022^[57]). The NDICI incorporates flexible and inclusive features that allow it to work with developing countries across all income levels, and has a non-programmable rapid-response pillar dealing with crisis response.

Team Europe is the new integrated approach of the International Partnerships Directorate. Born out of the COVID-19 pandemic, it unites EU member states (including their implementing agencies and public development banks), the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) to provide co-ordinated and coherent responses to the challenges of development partners (European Commission, 2023^[58]). This approach focuses on shared challenges and provides tailored and innovative partnerships, including political dialogue, knowledge exchange, horizontal technical assistance and innovative financial instruments. More than 15 Team Europe Initiatives (TEIs) have been approved across the world to date.

EFAD seeks to multiply the impact of the EU's development financial co-operation by mobilising the European development financial ecosystem, primarily the EIB and the EBRD. This entails enhanced collaboration with development banks and financial institutions from EU member countries, following a Team Europe approach, while also increasing the visibility of the EU (Del Hoyo and Fernández-Mazarambroz, 2022^[56]). EFAD underlines the importance of concentrating investments in the regions where they are most needed, particularly in LDCs, fragile or conflict-affected countries, and regions significantly affected by the pandemic.

The Global Gateway Investment Agenda is a new investment strategy to boost smart, clean and secure links in the digital, energy and transport sectors, and to strengthen health, education and research systems across the world (Figure 3.1) (European Commission, 2023^[59]). It works through a Team Europe approach and aims to mobilise up to EUR 300 billion in investments, including funds mobilised by the private sector. This presents an opportunity to close part of the SDG financing gap of USD 3.9 trillion (OECD, 2023^[60]), as well as the investment gaps in developing countries in terms of gross capital formation. The GGIA brings more actors to the table, particularly from the private sector.

Figure 3.1. Number of projects by region and sector in Europe's Global Gateway



Note: Darker blue represents a greater number of projects. ASEAN is the Association of Southeast Asian Nations.
Source: Authors' elaboration based on (European Commission, 2023^[61]), "Global Gateway projects by region".

These new instruments and institutional arrangements can enhance the capacity to deploy integrated responses and address the challenges presented by the Triple Transition to the international co-operation system. Nevertheless, the complexities posed by the dynamic interlinkages between the transitions, and the need to address the root causes of current development challenges, including in the social realm, call for exploring further innovations in international partnerships.

3.2. Mainstreaming the Triple Transition agenda in new international partnerships

Advancing the Triple Transition – acknowledging the positive and negative intersections across the green, digital and social transitions – when supporting countries can be a driver to transform and upgrade international partnerships. Although the multidimensionality of development has gained wide consensus, this has not translated into concrete tools that respond to the need to create positive interlinkages between these multiple dimensions. Considering the relevance of recent changes in the international co-operation landscape and the potential of the EU as a global development player, this is an opportune time to propose concrete updates and explore innovations.

On the basis of discussions at a seminar on the Triple Transition held in Madrid in July 2023², this section proposes advancing new international partnerships that: *i)* have policy discussion at their core; *ii)* advance

² The seminar, "Triple Transition: Shaping international co-operation to face the digital, green and social transitions", took place on 5 July 2023 and was jointly organised by the OECD Development Centre and Spain's Ministry of Foreign Affairs, European Union and Co-operation.

the three transitions and their positive interlinkages; *iii*) align co-operation and new investments for more impact across all transitions; *iv*) avoid the risk of asymmetric transitions by supporting the reduction of development traps and structural inequalities; and *v*) strengthen national capabilities for a Triple Transition.

Bring policy discussions to the core of international partnerships

As noted above, the green, social and digital transitions, and the positive synergies between them, do not happen automatically but rather require a set of integrated policy approaches. Sustained political and policy dialogues are therefore at the core of new international partnerships for a Triple Transition. This will require appropriate platforms at both the national and regional levels. By combining political leadership and technical expertise, these platforms could oversee current initiatives, correct imbalances, seize synergies and indicate where better support is needed. The “policy first” approach has stressed the need to build institutional partnerships around policy dialogues with a whole-of-government approach. This would certainly help in mobilising the expertise of EU Member State administrations in policy dialogues with their counterparts, and would also allow for a more structured co-operation (Terrón Cusí, 2022^[62]).

In the case of the new investment agenda, an increased focus on policy dialogue would provide a context for hearing the needs of developing countries and accompanying investment funds with policy support in order to determine the specific requirements for improving the enabling environment to achieve a greater impact of the investments. A renewed focus on policy has the potential to redefine developing countries’ ownership, recognising the significant influence of contextual factors in shaping their transitions, and to orient the focus and co-ordination of European support according to the priorities revealed.

Country-led platforms for international co-operation and investments, instead of donor-led platforms, could be scaled up. Such platforms have emerged as a key medium for ensuring a holistic perspective and country ownership. This would not only bring co-ordination at the national level between government, civil society and the private sector, but it would also promote better co-ordination between government sectors (e.g. social, digital and environment) and between co-operation clusters that currently work mostly in silos (international organizations, multilateral development banks and bilateral donors).

Recent experiences in EU co-operation initiatives could provide valuable lessons in the creation of these country-led platforms. One example is the Advanced Framework Agreement signed between Chile and the EU in December 2022 (EEAS, 2022^[63]). Announced as an agreement “to deepen ties and boost the Triple Transition: Green, Digital and Social”, the new multidimensional partnership is set to foster investments and co-operation on clean energy, raw materials and sustainable supply chains, and will include new areas such as human rights, rule of law, good governance and gender equality. Another example is Spain’s *Mesas país*s, or country roundtables, which were supported by the Ibero-American Foundation for Administration and Public Policies (FIIAPP) during the COVID-19 pandemic (OECD, 2021^[43]). The roundtables were implemented to facilitate structured dialogue between peers in order to create synergies, manage trade-offs and take a coherent approach to sectoral and multidimensional development challenges.

Regional policy and political platforms could also be fostered to strengthen developing countries’ voice at the multilateral level, and to address regional asymmetries, reduce co-ordination costs and maximise spillover effects across countries from different income groups, particularly between MICs and LICs. Middle-income countries are home to 62% of the world’s poor (World Bank, 2023^[64]). But despite persistent development traps and structural inequalities, MICs are poles of economic growth, generating opportunities and investment for lower-income countries in their regions (Humphrey and Prizzon, 2022^[65]). This is the case of Kenya, Nigeria and South Africa in their respective subregions of Africa. MICs contribute to regional development through spillover effects, acting as engines for growth by offering markets for trade and providing a source of remittances (World Bank, 2016^[66]). As the example of Team Africa shows (Box 3.1), regional co-ordination is crucial to amplify the impact of co-operation and investment initiatives and to ensure ownership by aligning international funding with shared regional goals.

Box 3.1. Team Africa's whole-of-society approach

The Team Africa Resource Mobilisation Campaign was launched in August 2023 as a new instrument to support the African Union's Agenda 2063. The campaign, which mirrors the experience of Team Europe, was launched by the African Union Commission (AUC), the African Union Development Agency-NEPAD (AUDA-NEPAD) and Regional Economic Communities (REC) (AUDA-NEPAD, 2023^[67]).

This initiative promotes a whole-of-society approach, bringing together member states, civil society organisations, academia and the private sector to work towards multiple objectives. It aims to:

- *promote ownership* of development initiatives by African countries and their citizens, fostering the participation of local communities in decision-making processes and aligning development interventions with national priorities and strategies.
- *mobilise resources* to support the implementation of Agenda 2063's second ten-year implementation plan and AUDA-NEPAD's programmes aligned with the RECs flagship projects. This includes financial resources, technical expertise and in-kind contributions.
- *attract investments* from domestic resources, including the private sector and other funding entities, to support the development agenda. The campaign aims to create an enabling environment for investment and showcase Africa's potential for economic growth and development.

The Team Africa Resource Mobilisation Campaign will prioritise key areas of Agenda 2063, including building inclusive and sustainable food systems, infrastructure for regional integration, education and training, health and pharmaceutical systems, accelerating the digital transformation, trade and investment, peace and security, and migration.

Source: (AUDA-NEPAD, 2023^[67]), "Launch of Team Africa".

Regional and policy platforms could also be used to foster horizontal exchanges among countries to learn from each other's innovative policies that address the Triple Transition. For example, all countries could learn from the EU's ongoing process of policy innovations for just green and digital transitions through the Green New Deal, the Just Transition Fund and the Social Climate Fund. This pioneering process could be the object of policy dialogues and joint monitoring in order to understand what can be scaled or transferred to other regions and when local-level innovations are needed.

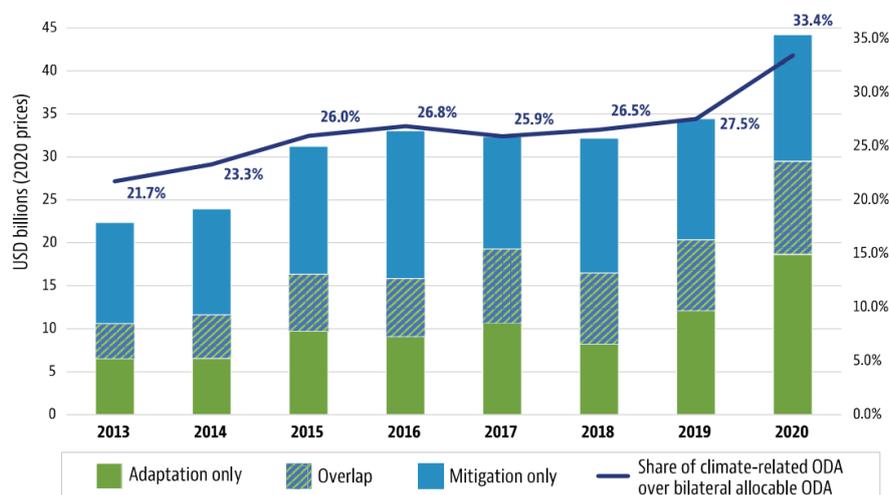
Advance the three transitions and work on their interlinkages for policy coherence

The Triple Transition acknowledges the interconnectedness of the green, social and digital transitions. It dismisses trickle-down assumptions that advocate focusing on only one of the transitions or that disregard the possibility of negative spillovers. Balanced progress across all transitions, and specific focus on the interactions between transitions, are needed to ensure coherence and impact.

First, this could mean ensuring that **all transitions receive balanced support**. For instance, tension has arisen in the sphere of official development assistance (ODA) between the green and social transitions. ODA supporting climate objectives rose significantly in the previous decade, from 21.7% in 2013 to 33.4% in 2020 (Figure 3.2), while spending on social protection has been consistently low (OECD, 2022^[68]). Though it nearly tripled in volume from 2019 to reach USD 2.5 billion in 2020, it still represented just 1.5% of the bilateral ODA provided by members of the OECD's Development Assistance Committee (DAC) (OECD, 2023^[69]). Similarly,

analysis of current investment projects in the EU's Global Gateway Investment Agenda shows that they are focusing more on the green transition in all regions (Figure 3.1, above). It is important that green and digital projects contribute to advancing employment and social inclusion objectives, while projects focussed on social inclusion consider the implications of digital and green transformations.

Figure 3.2. ODA in support of climate objectives rose significantly in 2020



Source: (OECD, 2022^[68]), *Climate-related Official Development Assistance: A snapshot*.

The aim of a balance between transitions should provide clarity on where to allocate each type of international funding, bearing in mind their comparative advantages in specific sectors, how they could work together and where additionality is needed. Both the commitment by developed countries to spend 0.7% of their gross national income on ODA, as well as the goal of mobilising annually USD 100 billion of public and private funds for climate action in developing countries, remain unfulfilled. It is therefore important to ensure that scarce financial resources are used to advance the integrated SDG agenda and works towards mobilising additional public and private financing to advance the different components of the Triple Transition. A concrete proposal would be for the Global Gateway to emulate the NDICI's criterion stipulating that minimum percentages of the general budget are to be allocated to certain goals. For instance, according to the NDICI, at least 20% of the EU's ODA spending should be dedicated to social inclusion and human development (European Commission, 2023^[70]).

Second, improving the interlinkages between transitions can be achieved by seizing **opportunities for win-win interventions**. A case in point is the Social Protection and Public Finance Management project, which is funded by the EU and implemented jointly in 24 countries of Latin America, Africa and Asia with the International Labour Organization (ILO), UNICEF and the Global Coalition for Social Protection Floors (ILO, 2023^[71]). The project aims to strengthen social protection systems at a national level and ensure sustainable financing. In Senegal, the project achieved a successful alignment of the social and green transitions when the government reduced subsidies on electricity, diesel and fuel in order to reallocate them to social sectors supporting vulnerable households (ILO, 2023^[71]). Senegal's family security grant was notably increased by 20%.

Align co-operation and investments for greater impact

The new international investment agenda embodied in the GGIA brings enormous opportunities but also adds a new layer of complexity in the international co-operation system. This necessitates consideration of the comparative advantages of each resource in different contexts and circumstances, as well as

exploration of avenues for collaborative efforts to achieve common development objectives (ECOSOC Development Cooperation Forum, 2016^[72]). For instance, global debates have reframed ODA in three key roles: *i*) specialised ODA, focused on the poorest people and countries; *ii*) catalytic ODA, which aims to mobilise other forms of public and private finance, including ODA for domestic resource mobilisation; and *iii*) global ODA, for providing global public goods (ECOSOC Development Cooperation Forum, 2016^[72]).

It is thus fundamental to co-ordinate new investments with existing and new co-operation programmes. There are two factors for ensuring success. First, investment and co-operation efforts should be co-ordinated based on the national development plans of developing countries, and investments should be accompanied with policy expertise (see above on country platforms). Second, the EU's partner countries need to adapt their institutional arrangements in order to bring together the institutions in charge of international co-operation and those in charge of investments and planning, so that they can work towards shared development objectives and create new spaces for co-ordination with the private sector.

Co-ordinating co-operation and investments can also provide alternatives for ensuring an adequate resource mix that contributes to the Triple Transition in partner countries. For instance, when countries are classified as MICs, aid modalities tend to shift from social sectors towards more productive and economic ones, with fewer concessional loans and assistance – given that investing in social projects does not usually bring immediate returns to help repay the loan (Pudussery and Prizzon, 2021^[73]). This may occur in MICs that still face a social vulnerability trap as well as financing shortfalls, resulting in unbalanced incentives across the different transitions. By aligning policy, co-operation and investment stakeholders, it could be possible to identify this type of situation and provide partner countries with more adequate support throughout their Triple Transition.

The new role of investments in the international co-operation agenda could also imply a qualitative change for multilateral development banks and Public Development Banks (PDBs). These development actors play an increasingly important role in the new era of partnerships (Finance in Common, 2023^[74]). This should be accompanied by promoting collaboration among MDBs to harmonise standards. In the EU, this would allow for the EIB and EBRD to work together more effectively with MDBs from developing countries, ensuring scalability and relevance in their collective actions. The potential of these proposals is exemplified in the Just Energy Transition Partnership in South Africa and the new wave of country platforms that are underpinned by MDB alignment with existing domestic policies and a strong country-owned process (Humphrey and Prizzon, 2022^[65]).

Avoid the risk of asymmetric transitions

By recognising that the green, digital and social transitions will occur in contexts where development traps and structural inequalities are at play, partnerships can avoid the risk of perpetrating or worsening asymmetries. In fact, they have great potential for closing current inequality gaps and addressing the root causes of these structural challenges.

First and foremost, this means including the broadest sections of society in the participatory and decision-making process of international partnerships. Proposals from civil society, unions and other social organisations are strategic for avoiding the trap of asymmetric transitions. They bring together local knowledge and a multidimensional perspective that helps to prevent territory-level disputes and the potential adverse social effects of investment projects (Sanahuja and Costafreda, 2023^[54]). For instance, civil society organisations that gathered before the latest EU-CELAC summit made concrete demands for the inclusion of Environmental, Social and Governance (ESG) standards in the Global Gateway Investment Agenda (Coordinadora ONG, 2023^[44]).

Avoiding the risk of asymmetric transitions also implies refocusing partnerships on specific gaps or on sectors that are conducive to improving social outcomes in partner countries. The new investment agenda brings an opportunity for creating new growth models that put people and the planet first. By going to the

core of current production patterns, investments can help in the greening and digitalising of the economy while fostering equality and well-being. This can be achieved both by creating quality employment opportunities and by fostering production schemes and sectors that distribute wealth more fairly – as with the impact economy, the popular and solidarity economy, and the care economy.

Prioritising the goal of reducing asymmetries should translate into better tools. For example, targeting inequality has not been a key focus in ODA allocations to date (OECD, 2023^[69]). Although such targeting could come via explicit priorities in other SDGs (e.g. climate change as seen in Figure 3.2), it is also true that operationalising impacts on inequality is not a straightforward process and depends on contextual variables. The EU's experience with inequality, gender and disability markers is a good reference point (Box 3.2). These markers could be revised so that they measure impact and adapt to each context's challenges to ensure that projects reduce structural and intersecting asymmetries. Including income as well as territorial, gender, ethnic, among others. The expertise of local academics could add value to this process.

Box 3.2. The EU's Inequality Marker

The latest marker to be developed by the European Union is the Inequality Marker (I-Marker), which joins the EU's gender and disability markers.

The I-Marker does not directly assess the impact of development co-operation interventions on, for instance, Gini levels, but rather whether, and to what extent, inequality reduction is an objective of a donor's intervention, and therefore how likely it is to have an impact on reducing inequalities within a country (European Commission, 2023^[75]). This is customarily the case of interventions designed to benefit the bottom 40% or other socio-economically disadvantaged individuals, households or groups, thereby fostering their opportunities to increase their income, wealth or socio-economic position.

I-Marker criteria have been developed to establish whether inequality reduction in the EU's interventions is: not targeted (0 points); a significant objective (1 point); or the principal objective (2 points).

The I-Marker is complemented by the Distributional Impact Assessment (DIA), which provides an evidence-based assessment of the intervention's potential inequality-reducing effects. It can inform *ex ante*, during the design phase, and *ex post*, as to whether the poorest 40% have been targeted or reached, and the comparative share of beneficiaries who enjoy higher income or wealth.

Source: (European Commission, 2023^[75]), *The European Commission Inequality Marker*.

Avoiding the deepening of asymmetries throughout the transitions implies addressing spillovers of national policies to avoid cross-border policy incoherencies. In the case of the EU, a clear example is the proposal for a Social Climate Fund and one of its revenue mechanisms, the Carbon Border Adjustment Mechanism (CBAM), a carbon tariff on products entering the EU. While the CBAM is set to bring long-term progress for a green transition at EU and global levels, its pace and form of implementation are expected to generate economic setbacks in the developing world, especially for countries with intensive iron and coal exports like Brazil, South Africa and Türkiye (Gupte, 2023^[76]). As the CBAM affects growth and social outcomes in the EU's partner countries, options for the use of its revenue for adaptation to the green transition in these countries should be considered.

Strengthen national capabilities for a Triple Transition

Enhancing local capabilities is at the core of new international partnerships for large-scale change. As noted above, national policies will not be sufficient for a Triple Transition at the global level, and therefore

more and better international co-operation is needed. At the same time, countries need support to develop the specific capabilities required to bolster a Triple Transition within their borders, in alignment with international development agendas. This includes capabilities in government, people and business.

International partnerships can boost governments' capabilities for investments by providing support in: *i)* the design of coherent strategies on investment attraction and production transformation through training in strategic sectors; *ii)* assessing and monitoring the impact of investments on job creation, suppliers' upgrading and access to technology; and *iii)* improving transparency and standards (OECD et al, forthcoming^[48]). In addition, through the implementation of country platforms, international partnerships can help strengthening state capabilities in partner countries, by contributing to a better alignment of the institutions in charge of co-operation and those in charge of investment and planning to work together, optimising their expertise towards shared goals.

International partnerships among public administrations for a Triple Transition should go further. They should involve the ministries and policy sectors needed to advance a social transition that creates the capabilities that determine the success of green and digital ones. Starkly, despite improvements at the beginning of this century, there is still a wide gap in tax-to-GDP ratios between OECD countries (33.5%) and developing countries (Africa 16%, Asia and Pacific 19.1%, LAC 21.9%) (OECD, 2022^[77]). Given the EU's social welfare experience, the regional block could continue providing technical co-operation in areas like public finance management, fiscal reforms and social policies, including the care economy, health and education. The EU is already well positioned to do so. A recent survey in LAC comparing providers of international co-operation rated the EU as the best partner in the areas of "fight against poverty and inequality" and "culture and education" (Nuso, 2023^[78]).

Preparing people and business for the transitions via academic, scientific and technological co-operation is a cross-cutting strategy to achieve production strategies with greater added value, based more on capacities and less on the extraction of natural resources. As noted above, the distribution of the enhanced capabilities needed to take part fully in the green and digital transitions is diverging more and more between countries with high and low human development. In addition, there are still considerable gaps between countries of different income levels in investment in research and development (R&D). While the global average of aggregate spending on R&D is around 0.93% of gross domestic product (GDP), the most recent average for least developed countries is only 0.21% (United Nations, 2022^[79]). International partnerships can focus on closing these gaps by providing more support to R&D, as well as sharing research infrastructure and reforming intellectual property rights to facilitate technology transfer to developing countries.

4. Key messages

- **Provide balanced support to green, social and digital agendas.** This is crucial given the manifold interlinkages across the three transitions. Working on these linkages allows the capture of opportunities for win-win interventions, ensuring greater policy coherence and preventing negative spillovers.
- **Bring forward a social transition pillar** with its own positive agenda to transform the sources of current structural inequalities and vulnerabilities that lead to further environmental degradation and political instability, with their potential negative impacts on investments and productivity. This will ensure more successful outcomes of the digital and green transitions.
- **Understand the role of development traps** in developing countries. This will allow systemic approaches to the Triple Transition to be better adapted to the specific context of each country, and will also contribute to better shaping new partnerships.
- **Make the Triple Transition a key framework of the EU's international policy agenda.** This can serve to better export European approaches to the digital, green and social transitions, including the European welfare model. It will also serve to highlight the relevance of multidimensional approaches to development challenges, as stressed in Agenda 2030; to acknowledge the relevance of these challenges for all countries, whatever their income levels; and to find options for tailoring partnerships with these countries.
- **Promote and engage in new international partnerships** aligned with the principles of the Development in Transition framework, which entail working inclusively across countries at different income levels in equal-footing platforms. Include more tools and actors, and build domestic capacities.
- **Focus on monitoring, planning and evaluating the impact** of international partnerships with a Triple Transition perspective in order to ensure positive interlinkages between the social, environmental and digital transitions.
- **Strengthen platforms at the national and regional levels.** This can facilitate the proposed systemic approaches to the Triple Transition, reinforcing the EU's position by better co-ordinating the efforts of its multiple tools, such as NDICI, Team Europe, the Global Gateway and the EFAD. It can also allow increased co-ordination with other development partners and actors in the partner country.
- **Align international co-operation and investments.** This is essential to leverage the comparative advantages of each resource in different contexts and the ways they can collaborate, while working in alignment with partners' national development plans and accompanying investments with the provision of policy expertise.
- **Include the private sector, civil society, unions and other social organisations** in new partnerships. This can be decisive for avoiding the risk of asymmetric transitions. New tools are also needed to design and monitor the impact of interventions in closing structural gaps.
- **Foster national capabilities for a Triple Transition**, such as those of government, people and business. This should be at the core of the new international partnerships. Policy exchanges between public administrations, and academic, scientific and technological co-operation, are at the centre of a capabilities-based model of partnerships.

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