**Mandate of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights,**

**particularly economic, social and cultural rights**

**Call for Contributions**

**International Financial Obligations, Digital Systems and Human Rights**

1. **Background and objectives**

The backbone of the digital economy is hyper connectivity which means growing interconnectedness of people, organisations, and machines that results from the Internet, mobile technology and the internet of things. The fast-growing digital economy has implications on human rights, the international financial architecture and how it is regulated in the context of prevailing multidimensional inequalities. The digital economy is worth US $11.5 trillion globally, equivalent to 15.5 percent of global GDP and that has grown two and a half times faster than global GDP over the past 15 years, almost doubling in size since the year 2000.[[1]](#footnote-1) An estimated 70% of new value created in the economy over the next decade will be based on digitally enabled platform business models. When one puts a human face to this, globally, 62% of men go online, compared with only 57% of women.[[2]](#footnote-2) The share of internet users in urban areas is twice as high as in rural areas. 71% of the world’s younger population aged 15-24 is using the internet, compared with 57% of all other age groups. Even though new technologies are spreading rapidly around the world, an estimated 37% of the population — or 2.9 billion people — have still never used the internet.[[3]](#footnote-3)

Despite this very diverse and varying experience of digital systems, whether all activity an individual needs to have done uses the system to where there is no engagement with the digital system at all: its use, speed, manner of operation, capacity and pace of operation and growth affects every single person, entity and state globally. The regulation of this space is continuing to evolve and as a result, laws, regulations, guidelines, and norms are in constant flux.

Within the context of foreign debt and international financial obligations and its impact on human rights, this brings in a host of specific dimensions and concerns. Remittances, for example, which are the largest and most stable source of foreign exchange, with digital advances, have been a growing source of revenue in many countries around the world.[[4]](#footnote-4) Mobile money providers through their everyday transactions are leveraging the system, as are all others operating within economies engaging in cross order transactions which before was close to impossible.[[5]](#footnote-5) The issue of remittances, when linked to other issues in development finance, such as lack of access to sufficient condition-free, debt-free liquidity, chronic under-provision of official development assistance and volatile private capital flows, in a digital world when all pooled together form into a financial systems with information flows that can be both supportive or undermine the realization of human rights.[[6]](#footnote-6)

In more technologically advanced spaces, the use of data and its analysis through artificial intelligence in the digital economy is transforming business models, facilitating new products and services, creating new processes, generating greater utility, and ushering in a new culture of management.[[7]](#footnote-7) However state processes are not keeping up with these developments. However, states also engage with the same digital systems in assessing and ensuring public services are delivered to those most in need effectively and efficiently.

Greater transparency is a commonly agreed public good for guiding financial transactions. Yet too often, public access to public finance contracts is minimal and bilateral agreements remain inaccessible on the one hand, while on the other hand state access to financial transactions in order to assess financial flows for purposes of regulation are also not accessible on the other hand.[[8]](#footnote-8) Unequal access to information and general opacity is a peculiarly difficult problem when digital systems are used. Three elements of fiscal legitimacy – responsibility, transparency and accountability – will be the focus of the investigation of the Independent Expert into the limits of financial information data that countries and the public are able to access in order to generate revenue that can promote the realization of human rights.[[9]](#footnote-9)

Access to data remains an impediment for the monitoring and control of these transfers, which, should they be controlled, would result in two financially related achievements in all countries: (a) more money would remain in an economy and therefore continue to circulate there, resulting in the lowering of prices of goods and services and possibly creating more jobs, promoting the progressive realization of human rights; and (b) the State would be in a better position to regulate and collect tax revenue, thus financing its activities, including those related to human rights, resulting in their progressive realization, including an understanding of relevant challenges, opportunities and risks.[[10]](#footnote-10) However this should take place in an ecosystem that is fiscally legitimate and allows for stakeholders to access information while participating in a space that allows for freedom of expression.

In measuring the diverse elements of the global, continental, regional, national and subnational economies, whether formal or informal, the Independent Expert, through consultations and stakeholder engagement, will set out what areas States could choose to engage with and what they may want to regulate better in order to improve protections for their populations and to lift living standards.[[11]](#footnote-11) This discussion will include but not be limited to cryptocurrencies, virtual assets, digital currencies, the metaverse and stakeholders active in the digital provision of financial services, often across borders.[[12]](#footnote-12)

In her annual report to the Human Rights Council in March 2023 the Independent Expert on debt, other international financial obligations and human rights, Ms. Attiya Waris, will address the links between **international financial obligations, digital systems and human rights**.

1. **Questionnaire**

The Independent Expert invites and welcomes all contributions from States, international financial institutions, civil society organizations and networks, trade unions, United Nations agencies and entities, private actors, academia, think tanks, and any other relevant stakeholders.

She invites all to share information, documents, statements or analysis to address generally, the links between **international financial obligations, digital systems and human rights**. The Independent Expert welcomes, in particular, answers to the following questions:

1. What are the challenges facing the regulation of financial transactions within the digital economy in the national, regional, continental and international levels?

Response of Costa Rica:

Financial regulators should focus their efforts in making more inclusive and broader the access to financial and banking services, specially for low income class. Inclusiveness is possible thought the appropriate educational and communication channels that could facilitate the access to financial services. Financial and banking entities should also consider reducing the fees related to international transactions and between national entities as they discourage the utilization of regulated financial and banking services.

1. What is the nature, scope and purpose of an international consensus on taxation of the digital economy that supports human rights?

Response of Costa Rica:

There is a broad consensus at the OECD´s BEPS Inclusive Framework to find a globally accepted solution to tax digital services not only to level the playing field but to have a progressive solution that could increase tax revenue to developed and developing countries, equally and according to market share and digital and physical presence. However, there is no unanimity on all members of the Inclusive Framework for the Pillar I proposal as there are remaining building blocks that require further clarifications to be accepted and understandable by all countries.

As for the Pillar II concerns, comprehensive guidelines are required to implement the Multilateral Instrument as well as the Model rules to reform domestic legislation. It is also necessary to have accurate estimations of the revenue impact as well as from the number of the number of multinational enterprises that would be impacted by the reform.

The international consensus on taxation is following the human rights principles since the discussions have been open to all jurisdictions with many options, the accountability covers all representants as gender equality is a matter of interest because all have the opportunity to share opinions, technical proposals, recommendations and provide solutions to various topics to be considered by all the participants, during the process. Also, all representatives and the public have access to updated information. Legal certainty is widely observed topic by topic because is the fundamental basis of the entire process.

1. What are the advantages/disadvantages of regulating the financial elements of the digital economy and of regulating digital systems that support transactions for least developing countries?

Response of Costa Rica:

Main advantage is to avoid inequalities and to have standardized processes with the appropriate communication channels for all financial intermediaries. If legal or administrative regulations are too rigid or not clear or easy to be understanding one disadvantage will be the excess burden to comply with them.

1. What measures and mechanisms should be put in place to ensure that a global digital tax incorporates human rights principles both in the way it is levied and how tax revenue generated is used?

Response of Costa Rica:

A global digital tax proposal should be progressive and must consider compliance burdens to ease them in order to increase voluntary compliance. Tax revenues should be used according to an inclusive agenda and projects of the Government such as to finance social, health and educational programs for all the population.

1. Are there practices, legislation, or policies at national or regional levels that could serve as good examples? Are there case studies that could be considered for this report, with specific reference where possible to remittances, cryptocurrencies and e-commerce marketplaces as well as taxation of businesses involved in digital systems?

Response of Costa Rica:

Costa Rica applies a withholding regime for the collection of value added tax (VAT) on inbound B2C supplies of services and intangibles when the foreign supplier has not registered to account for the VAT on such supplies. Financial intermediaries apply the 13% withholding following a list of foreign providers and intermediaries provided by the Tax Administration. More information can be found at: VAT Digital Toolkit for Latin America and the Caribbean <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-latin-america-and-the-caribbean.htm>

1. How should States deal with the interactions between fiscal transactions and the metaverse[[13]](#footnote-13) - from a human rights perspective?

Response of Costa Rica:

This topic is under analysis, and we do not have any position at the moment.

1. What other issues ought to be addressed by the Independent Expert in this domain, both for her report to the Human Rights Councils, 52nd Session, and for other activities and initiatives that she may undertake in line with her mandate?

A relevant topic could be the impact of external debt on vulnerable populations and how to create opportunities for them to cope with the impact of external debt or even how they can have better access to information or training of this type.

Additionally, how artificial intelligence could generate solutions to include and eradicate poverty and/or social exclusion through the digital economy and business models.

1. **Submission of information**

Due to limited capacity for translation, we kindly request that responses be submitted preferably in English **no later than 30 September 2022.** All responses will be posted on the official webpage of the Independent Expert, below unless it is indicated that the submission and/or the supporting documentation should be kept confidential:

* <https://www.ohchr.org/en/special-procedures/ie-foreign-debt>

Please keep responses to a maximum of 3,000 words and provide links to information or documents when available.

Kindly send your contributions to hrc-ie-foreigndebt@un.org, copying ohchr-registry@un.org.

1. Digital spillover: <https://www.huawei.com/minisite/gci/en/digital-spillover/files/gci_digital_spillover.pdf> accessed 10 August 2022. [↑](#footnote-ref-1)
2. ‘Overview on Digital Development’ (*World Bank*) [Digital Development Overview: Development news, research, data | World Bank](https://www.worldbank.org/en/topic/digitaldevelopment/overview) accessed 10 August 2022. [↑](#footnote-ref-2)
3. ibid. [↑](#footnote-ref-3)
4. ibid. [↑](#footnote-ref-4)
5. ibid. [↑](#footnote-ref-5)
6. ibid. [↑](#footnote-ref-6)
7. ‘What Is Digital Economy? | Deloitte Malta | Technology’ (*Deloitte Malta*) <https://www2.deloitte.com/mt/en/pages/technology/articles/mt-what-is-digital-economy.html> accessed 10 August 2022. [↑](#footnote-ref-7)
8. ‘Taking Stock and Identifying Priority Areas: A Vision for the Future Work of the Mandate Holder’ <https://primarysources.brillonline.com/browse/human-rights-documents-online/promotion-and-protection-of-all-human-rights-civil-political-economic-social-and-cultural-rights-including-the-right-to-development;hrdhrd99702016149> accessed 18 July 2022. [↑](#footnote-ref-8)
9. ibid. [↑](#footnote-ref-9)
10. ‘Taking Stock and Identifying Priority Areas: A Vision for the Future Work of the Mandate Holder’ (n 1). [↑](#footnote-ref-10)
11. ibid. [↑](#footnote-ref-11)
12. ibid. [↑](#footnote-ref-12)
13. In computing understood as a virtual-reality space in which users can interact with a computer-generated environment and other users. [↑](#footnote-ref-13)