COMMISSION FOR SOCIAL DEVELOPMENT

Fiftieth session, 1-10 February 2012
United Nations

Special Event: Financing of Social Development

3 Feb. 2012, 3:00-6:00 pm

Chair's summary

In response to General Assembly resolution 66/191 of 22 December 2011 entitled "Follow-up to the International Conference on Financing for Development", the Commission for Social Development held a Special Event on Financing of Social Development. The Commission heard presentations from Mr. Elliot Harris, IMF Special Representative to the United Nations; Ms. Christine Bockstal, Chief Technical Cooperation and Country Operations Group, ILO; Mr. Eva-Maria Hanfstaengl, Director, Social Justice in Global Development; and Mr. Elias Eljuri Abraham, President of the National Institute of Statistics of the Bolivarian Republic of Venezuela. The panel discussion was moderated by Mr. Alex Trepelkov, Director, Financing for Development Office, UN-DESA.

The importance of augmenting financing of social development was strongly noted. These resources constitute critical investments in societies and in economic growth. It was pointed out that far too many people remained socially excluded or suffering extreme poverty, hunger or unemployment given the negative impacts of the global economic crises. Speakers referred as well to the uneven distribution of income and wealth around the world and certain country efforts to address it.

Opportunities and challenges to mobilizing resources for social development

The panellists concurred that social development was the primary responsibility of States. On financing of social development, it was pointed out that most States generally try to balance external resources with national resources to finance social development in a sustainable way. In large part, this was influenced by the risks related to the sustainability of external financing over time. Additional risks include dependency on such sources and subsequent questions about domestic ownership of national programmes.

It was also pointed that donors are now increasingly emphasizing concrete results. This meant that interventions are often focused on immediate, short-term results. However, such interventions are not always appropriate in any given country's national context. Furthermore, there was also an expectation from the donors that receipt countries would provide a domestic counterpart. Because of these dynamics, the primacy of domestic resources for the financing of social development was underscored.

As countries are primarily responsible for their own social and economic development, it is important that greater efforts are directed towards improving tax collection efforts. However, while domestic resources are less volatile, in many cases they are not enough to meet the needs of most poor countries. It is equally important that developed countries fulfill their international commitments. Countries and their development partners should prioritize the financing of social protection and strengthening financial inclusion.

Countries and their development partners should also explore ways of better leveraging official development assistance (ODA) for social development and how existing mechanisms could be scaled up and extended to achieve the Millennium Development Goals, such as education, food security and poverty eradication. It was also pointed out that additional efforts could be made to enhance the contribution of foreign direct investment to social development efforts, including through the UN Global Compact.

The potential of mobilizing additional resources from the implementation of a financial transaction tax (FTT) was also discussed. An FTT was considered a technically feasible way to raise a large annual volume of funds for international cooperation, but concern was raised about its potential for universality and how the resources generated would be allocated.

Other potential sources of financing of social development could include a greater national control of natural resources and the revenues they generate, cuts in defense budgets, eradication of tax havens, tackling tax avoidance, and the repatriation of stolen public assets. For these efforts to succeed, an appropriate regulatory environment needs to be put in place.

Additional resources could also be harnessed from fair international trade and the removal of agricultural subsidies by some developed countries.

Addressing these myriad challenges requires the State to play a more active role in the development sphere as well as greater cooperation among countries. Enhanced people's participation was also cited as making a positive contribution to a more inclusive social structure.

The global economic and financial context

Concern was raised that there was increasing vulnerability at the bottom of the world economic pyramid, and that the efforts of the G-20 were not consistent with the desire of the developing world to lead development in the right direction. It was therefore imperative that a right balance was struck between social and economic investments. Particular attention has to be paid to growing inequalities and to issues of redistribution. Furthermore, the debt crisis and the fiscal austerity measures in the wake of global financial and economic crisis in advanced economies were highlighted as critical challenges to mobilizing resources that are necessary for the financing of social development.

Reforms were proposed in the international financial architecture of institutions and policies to bring about a more enabling international economic and financial environment for social development, and facilitate countries taking a rights-based approach to policy design. Not only were specific reforms needed in financial regulation and cooperation policies, but the adequacy and coherence of the major institutions required strengthening. Further internal governance reform of the Bretton Woods institutions was advocated and new global coherence bodies were proposed, such as an intergovernmental Financing for Development Commission and a Global Sustainable Development Council.

Social Protection in the Context of Social Development

Social protection has proven to be an effective tool for reducing poverty and enhancing human development. However, it was pointed out that a large majority of people in developing countries lacked access to adequate comprehensive social coverage and that governments required the fiscal space to expand social protection. There was broad support to the social protection floor approach articulated in the report of the High Level Advisory Group to the UN Social Protection Floor Initiative.

Countries at various levels of development have made great progress in implementing the Social Protection Floor Initiative. Innovative financing mechanisms could help fund social protection floors, although universal social protection systems could be funded through the adoption of conventional progressive taxation.

Political commitment is key to mobilizing domestic as well as international resources. It was also noted that efforts aimed at seeking social justice in global development had to include campaigning for universal social protection floors.