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FINANCING GLOBAL SOCIAL DEVELOPMENT

REPORT

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INTRODUCTION

The International Forum for Social Development is an initiative of the Department of Economic and Social Affairs of the United Nations Secretariat. It brings together personalities from governments, international and regional organizations, the civil society and the private sector for a dialogue on global issues of development and social progress. The overarching theme of the Forum is *Open Societies, Open Economies: Challenges and Opportunities*. Its aim is to facilitate the social development of developing countries, their participation in the globalization process, and thus to contribute to the orientation of this process towards the common good. It seeks to address current questions and problems in a long term social perspective.

This Report relates the debates of the first meeting of the Forum, which took place on 7-8 February 2002, in New York at the Headquarters of the United Nations. Attended by 44 invitees from different regions of the world, this Forum was devoted to the question of ***Financing Global Social Development***. An open symposium on the first day was followed by a closed seminar on the second day. The list of participants is annexed to this Report.

Social development was taken broadly as a set of objectives, a process, and a perspective on society. As a set of *objectives*, social development, or social progress refers to the well-being of the person and to the harmonious functioning of society. It includes improvements in individual and family well-being through the enjoyment of human rights, the provision of economic opportunities, the reduction of poverty, and access to social security, social protection and social services. It includes also the building or maintenance of social relations, structures and institutions through which individuals and groups constitute a viable society. The pursuit of these objectives obviously involves the use of economic means.¹

As a *process*, social development implies various forms of redistribution of opportunities, income, assets and power. Every society recognizes the need for correctives to the mix of fortuitous circumstances and inherited or acquired talents and assets that determine individual destinies and status. One of the evidences of underdevelopment is the absence of procedures and institutions for such redistribution. And this process of social development requires the active involvement of governments, of international and regional organizations, and of the various elements of society, from trade unions to entrepreneurs and from intellectuals and artists to various advocacy groups.

As a *perspective* on individual and collective life, and as a perspective on local, national and global human endeavours, social development takes the inherent dignity of the human person, the fundamental equality between all human beings, and the pursuit of the common good as values and criteria to assess the quality of ideas, actions and policies that affect the human condition. For instance, a social perspective on the quality of the world economy demands recourse to such values. Within the United Nations, based as it is on the purposes and principles of its Charter, it is therefore illegitimate to dissociate a social from a moral perspective on development.

The use of the word “global” in the title of this first Forum to qualify social development stems from the following reasons. Firstly, even when focused on a group or category of countries - in this case the developing countries - a debate under the aegis of the United Nations has by nature and necessity to adopt a universal standpoint. Norms and standards emanating from this world body, starting with the Charter and the Universal Declaration of Human Rights and including the six “fundamental values essential to international relations in the twenty-first century” listed at the beginning of the United Millennium Declaration, apply to all peoples and countries, rich or poor, developed or developing.²

Secondly, while social development occurs, or fails to occur at the national and very local level where social interactions take place, it is increasingly true that the primary actors of this development are subjected to growing and diversified external influences. In particular, the public authorities of developing countries are exposed to various normative prescriptions emanating from regional and international organizations - including through the delivery of assistance - and to the multiple stimuli, benefits, opportunities, problems and constraints arising from their situation in an interdependent world and from their participation in a progressively globalized world economy.

The question of the financing of this global social development was therefore seen in this Forum essentially in its international and global dimensions. National means for such financing were only considered peripherally, in relation to international issues. This choice was made in full awareness of the fact that external resources for social development were only and at best a necessary or useful complement to national resources, however presently limited these might be. The Report highlights this fundamental point by presenting first the view of those who asserted that external resources for social development should be avoided or refused by the governments of developing countries.

Given the comprehensive conception of social development adopted for this Forum, no attempt was made to introduce in the debate a distinction between external sources of financing for “development” and the same sources of financing for “social development”. Official development assistance, in particular, was treated without consideration of the “sectors” in which it is affected. Above all, it is a social perspective, as evoked above, which was applied to development and its external financing.

This Report was prepared by the Coordinator of the International Forum for Social Development. It was not submitted to the participants for their prior approval. It is an attempt at presenting and interpreting the rich discussion that took place during these two days of February 2002. Similarly, the orientations and conclusions of this Report do not necessarily reflect the views of the Department of Economic and Social Affairs and the Secretariat of the United Nations. The objective of this endeavour was to make a contribution to the continuing discussion that takes place, including in intergovernmental bodies and international conferences, on crucial issues of development and social progress.

Part I RATIONALE FOR AN EXTERNAL FINANCING OF SOCIAL DEVELOPMENT IN DEVELOPING COUNTRIES

Responding first to the View that Social Development Ought to be Exclusively a National Responsibility

The case for “social autarchy”

Social development is a national affair and ought to remain so. It is deeply rooted in the culture of a society, in its norms and values, in its traditions and sense of identity. It involves institutional arrangements and human relations that stem from the spirit of a nation. Any external financial assistance, coming from multilateral or bilateral sources, from public or private agencies, carries with it ideas and practices, consultants and technologies expressing a model of social development that is bound to clash with national realities and projects.

Outside aid, therefore, is either ineffective or detrimental to the social fabric and polity of the recipient country. And its perverse effects are currently being exacerbated by the new forms of conditionality linking financial assistance to the pursuit of democracy, good governance, the promotion of human rights, and the adoption of strategies to combat poverty. Concepts and recipe elaborated in the centres of international power are flooding developing countries and preventing them from designing their own solutions to their specific problems.

External assistance for their economic development does not involve such problems for developing countries. Resources for physical infrastructure, for constructing roads, railways and other public goods that affect the well-being of the poor, for researching and controlling tropical diseases, for developing non-conventional energy resources, are unambiguously beneficial and value-free. Especially when foreign aid is stagnant or declining, the shift from such economic assistance to aid for “social sectors” is doubly damaging to developing countries.

According to this line of reasoning, social development should indeed receive greater priority, but the developing countries themselves should take the required decisions and make the necessary choices. Health and education are key aspects of social development and are not particularly demanding in terms of capital expenditure or use of reserve of foreign currency. If, it was ascertained, a country is unable to provide its citizens with universal primary education and primary health care, which are two basic requirements of any state, it does not deserve external support. This country should seek charity from non-governmental organizations rather than international financial transfers.

The alternative to external aid for social development and interference with domestic affairs is for developing countries to propose a “strategic compact”, whereby they themselves would undertake to provide their citizens with basic elements of social development and in return donors would adequately support their economic development, including through aid, the removal of trade barriers, a satisfactory solution to the debt

problem, private foreign investments, and in general the establishment of a world economic system operating with fair and transparent “rules of the game” and in which developing countries would have a greater say.

The intellectual and political appeal of this position

Such rejection of an external financing of social development has considerable intellectual and political appeal in a variety of circles, albeit for very different reasons.

It permeates the mentalities of many people struggling for a just world order based on mutual respect, acceptance different cultures, and a more even distribution of power. From this standpoint, international cooperation and assistance carries under the guise of a vague universalism a project that remains the expression of Western cultural and political imperialism. The current globalization process is only exacerbating this historical trend. Needed is not aid but a political strategy to alter the balance of power in the world. To an extent, this is a view consistent with the preservation of the notion of national sovereignty and with the search for cultural identity and cultural diversity, the latter being a much debated theme since the unfolding of the process of globalization

International assistance for the financing of social development is also suspect for those at another end of the political spectrum who believe that each region, each nation and ultimately each individual is responsible for its welfare. This view reflects the liberal and utilitarian tradition according to which economic activities and exchanges between free and honest partners are sources of prosperity and peace and are the foundations upon which individuals and nations can develop and express their creativity and preferences. Social transfers and redistribution of resources can only interfere negatively with such processes. Only humanitarian assistance, which is the extension of individual charity, is acceptable when required.

And there are those who consider that international cooperation and assistance propagates a model of development and progress that is unsustainable physically, politically and morally. It destroys the environment, creates inequalities and marginalization, and disseminates greed and egoism. It leads humankind towards a suicidal race for competition over finite resources. Rather than trying to bring through aid more people and nations into this “mainstream”, the energy and imagination of those who have the possibility and capacity to invent the future should be devoted to the search for a new meaning of the notion of progress. The very concepts of “prosperity”, “poverty”, “success” and “failure” need to be reinvented, and what is currently labelled the “developing world” has much to teach to the “developed” regions.

“Social autarchy” is nevertheless an untenable project

These schools of thought, or political tendencies and inclinations, were represented at the Forum, albeit with many nuances and overlaps. They shaped a number of the comments and positions reflected in this Report. But participants did not express these views in their “pure” and “ideological” form and did not draw from them the “logical” conclusion that

the external financing of social development ought to be avoided...Rather, a sort of consensus emerged to consider the identification of “social” with “national” as untenable. Four types of argument were advanced.

Firstly, to see social development as a preserve of national action rests on a narrow and truncated conception of the “social”. Social “sectors”, notably education and health, are not the only components of social development. For the purpose of this Forum, and in line with the heritage of the World Summit for Social Development, this concept was defined as having four elements. The first is the possibility to earn a sufficient income from one’s economic activity, be it through independent work or through employment. This basic aspect of the human condition refers to the traditional “social question”, which prompted the creation of the ILO in 1919, to Article 25 of the Universal Declaration of Human Right³ on “the right (of everyone) to a standard of living adequate for the health and well-being of himself and of his family”, and to the current emphasis on eliminating, in the words of the United Nations Millennium Declaration, the “abject and dehumanising conditions of extreme poverty”. The second element is access of all to social services, including education, social security and social protection. The third is the redistribution of opportunities, income and assets deemed necessary to remove some of the obstacles to the actualisation of the principle that “All human beings are born free and equal in dignity and rights” (Article 1 of the Universal Declaration.). And the fourth constitutive element of social development is the harmonious working of structures, institutions, relations through which individuals constitute a society.

Secondly, although these various elements of social development are not equally amenable to precise policy making and to external financing, they cannot be neatly separated from the economic components of development. Employment, entrepreneurship, poverty, education, health, redistribution of income, institutions to regulate market transactions, are domains which can and should be considered from a social perspective, from an economic perspective, from an environmental perspective, and obviously from a political perspective. These different perspectives call for different methods of inquiry and different analytical tools, but the domains of society that are investigated and subjected to policies remain the same. Should a policy maker in a developing country decide that this aspect of education is “economic” and therefore open to foreign aid whereas that aspect is “social” and therefore reserved to domestic financing? To avoid the somewhat absurd implications of such question, one has to declare *a-priori* and arbitrarily that, for instance, education, health, social security are social “sectors” and that income distribution and redistribution, consumption patterns or the taxes levied on small enterprises and large companies are economic issues. The production of statistics, through such arbitrary classifications, of the proportion of official development assistance allocated respectively to economic and social sectors might serve some useful analytical and political purposes, especially for the donors. But decisions on the level and allocation of development assistance that a developing country could seek and use productively have to respond to a better rationale.

Thirdly social development cannot be treated as a purely national affair also because issues traditionally seen as social have an international dimension. This is increasingly

the case with the growing interdependence of countries through communications and exchanges. The condition of women, questions of working conditions and workers rights, and all issues of the protection and enhancement of human rights are no longer within the confines of national sovereignty. The aspirations of youth are influenced by the media with a global reach and many students are studying abroad. Should the government of a developing country refuse external aid for its primary schools and accept that its young elite attends the universities of the North? Wages and salaries are influenced by multinational corporations and the revenues and living conditions of farmers partly determined by decisions taken by far away entities responding to different constituencies and different preoccupations. This form of globalization does not mean that governments of developing countries do not have any margin of manoeuvre, but it is certain that the extraordinary expansion of exchanges of all sorts during the last decades of the 20th century has significantly reduced the space for national autonomous social as well as economic or financial policies of all governments, except perhaps for the leader(s) of the movement.

Lastly, there are social or societal problems that are global in nature, either because they ignore national borders in their manifestations or because they cannot be usefully addressed at the national level. Leaving aside all questions of the protection of the environment, not discussed during this Forum but which have nevertheless critical social facets related to attitudes and cultures, suffice to mention the increasingly important global social problems of criminality and corruption, of pandemics and communicable diseases, and, in a different register, of movements of people across borders and continents. Few countries, poor or affluent, have reasonable grounds to ignore these issues. Perhaps the notion of global public good, referring to the elimination or prevention of such problems as the destruction of the environment, criminality, or extreme poverty- and which will be discussed further in the third part of this Report- will eventually receive broad intellectual and political acceptance and be associated with independent and additional sources of financing coming for example from the taxation of wealthy individuals and companies and managed by a supranational authority. In such eventuality, certainly favoured by those who aspire to the creation of a global benevolent political authority, the distinction between developed and developing, donors and recipient countries, would lose, in this regard, much of its significance. At present, however, in the absence of an acceptable distinction between domestic social problems and global social problems, developing countries can only seek external assistance from all sources, and hope that new concepts such as global public good will not diminish the legitimacy and appeal of traditional instruments such as official development assistance.

On the basis of this understanding, the Forum could proceed to debate the various aspects of the rationale for an international and global financing of social development in developing countries. This part of the discussion will be reported along the three types of rationale that were mentioned in the agenda, i.e. economic, political, and moral. Before doing so, however, it is important to mention a slightly different approach that was suggested by a participant.

First are *moral considerations*, which underlie all other considerations. The principle is that the “well to do” are expected to extend assistance to develop enabling environments

for those with modest means in order to enhance their living standards. This principle is rooted in humane values and urged by all major religions, a point further elaborated later in this Report. Second are *considerations of equity and fairness*. These are morally grounded but analytically separable. There are claims that economic transactions involving industrialized and developing countries often entail unfair advantages to the former. Redressing such inequities constitutes an appropriate foundation for redistributive measures. And third are *functional considerations*. These are societal benefits to be realized from distributive measures for social development. Particularly important are economic benefits, in terms of enhancing the pace, equity and sustainability of economic progress and security benefits, realized when people perceive a sense of fairness, and the opportunity to participate in decisions that affect their lives. Finally, these benefits and other gains from social development can be expected to elevate moral and ethical values as well as civility indispensable for orderly, humane, and productive societies.

This approach, notably the emphasis on functional considerations, was supported by a number of participants.

Assistance to Developing Countries is Right and Necessary Simply Because Differences in Levels of Development and Standards of Living Ought to be Eliminated

The Forum did not have on its agenda a discussion on the specifics of the problems faced by developing countries and on the reliability of available data. Various views, however, were expressed on the direction of the trends since the intellectual and political transformation of the world that took place in the 1980s. But, overall, well known estimates on current living conditions in developing countries were taken for granted. It might be useful to summarize them here, using as a source the Report of the Secretary General on the Follow-up to the outcome of the Millennium Summit, entitled Road map towards the implementation of the United Nations Millennium Declaration, dated 6 September 2001.⁴

The number of people living on less than a dollar a day is 1.2 billion. It was 1.3 billion in 1990, and this change is due to progress in East Asia. In sub-Saharan Africa, approximately 51% of the population lives on less than a dollar a day. Some 826 million people of the developing world are not getting enough food to lead normal, healthy and active lives; 6.3 million children die of hunger each year before reaching the age of five. Nearly 1 billion people do not have access to clean water and 2.4 billion do not have access to basic sanitation. In spite of great strides in enrolment in education systems since half a century, some 113 million school-age children are not enrolled in primary education, and 97 % of them live in developing countries. There, one child in three does not complete five years of schooling, and the gender bias is still prevalent.

About 515.000 women die each year of pregnancy related causes, 99% of them in developing countries. Approximately 11 million children under five still die annually in developing countries, mostly from preventable diseases. By the end of 2000, HIV/AIDS had claimed nearly 20 million lives. Some 36 million people are currently living with this

disease; 13 million children, 90% of them in sub-Saharan Africa have been orphaned as a result of HIV-AIDS, and this number is expected to increase dramatically. Each year, two million people die from tuberculosis, one million from malaria, and the incidence of these diseases has also been increasing over the past two decades.

It was also pointed out at the Forum that some 250 million children are working as child labourers, and that these various social problems have a tendency to cluster. Poverty, unemployment and underemployment, illiteracy, limited access and poor quality of education, poor health and limited access to care and sanitation, gender inequality, and also problems of governance, generally go hand in hand.

To assess this situation correctly, that is to understand it with one's mind and heart, to have the imagination necessary for empathy and compassion, and to consider it as a scandal that has to be addressed with generosity, courage and rigour, it is necessary to restate the basic rationale for international cooperation and development assistance.

People who are educated and trained, who are in good health, and who benefit from decent and secure living conditions in an environment ensuring the exercise of human rights and fundamental freedoms are happier and more productive than those who are deprived from these various amenities. A life of dignity and self respect is what every human being has the right to expect. When, for whatever reason, the government of a country does not have the resources to provide such amenities to its citizens, other more fortunate countries must help, directly or through international organizations. In addition to being "normal", "natural", this help will contribute to the prosperity of all and to the emergence of a more peaceful world.

This reasoning is at the core of the Charter of the United Nations. Together with efforts at avoiding and resolving conflicts, the betterment of the human condition underlie the concept of international cooperation. It is a reasoning at the root of the distinction between "developed" and "developing" countries and it has provided since half a century the main rationale for efforts at reducing the inequalities and disparities between these groups of countries.

Today, this same reasoning underlies the policies of those who firmly believe that public international aid to development remain necessary in a context of an increasingly open world economy and growing role of the private sector. In addition to the least developed countries, there are still many developing countries that do not have the financial resources and the economic, social and institutional foundations to address their problems, including widespread poverty, with sufficient means. Sometimes the cost of servicing their debt is superior to their export earnings. Private investments, even if they were less concentrated in a few countries than they are now, will not provide financing for non-profitable projects.

It is therefore necessary, while working to make the world economy more just and more responsive to the needs of developing countries, to continue giving financial assistance to these countries. Their social sectors, and more generally all policies contributing to

address the roots of poverty, are prime candidates for receiving this aid. Humanitarian assistance is unfortunately often necessary, but, as already stated in this Report, its financing should be separated from the financing of development. Social development should be seen as an integral part of the pursuit of economic growth and sustainable development. This position is most common among decision-makers at the international level. With nuances, relating in particular to the policy prescriptions accompanying external assistance, it is a position shared by most regional and international organizations. Proponents of a “globalization with a human face” also concur with this line of thinking.

This “simple” rationale for cooperation and external assistance has been seriously undermined in recent years.⁵ An excessive enthusiasm for the virtues of liberalized and deregulated markets has led to the view that transfers of resources and solidarity between rich and poor were no longer necessary. A certain hardening of the notion of national and self interest among the most powerful undermined the foundations for international cooperation. When the individual and the satisfaction of his needs and appetites are presented as the *ultima ratio* of life in society, little room is left for generosity and solidarity. And when the financial economy is being treated as an end in itself, disconnected from the productive economy and its benefits for the majority of people, the creation of a fair and safe world community recedes in an improbable future. Together with examples of waste and corruption among the recipients of aid, these tendencies of the dominant political culture at the dawn of the 20th century are certainly parts of the explanation for the overall decline of the position of the developing countries, in particular the poorest of them, on the world scene.

The announcement at the Monterrey conference in March 2002 by the European Community and the United States of America of an increase in their official development assistance marks perhaps the beginning of a reversal of these negative trends in international cooperation for development.⁶ At the Forum, it was stated that the “Washington consensus” was being revised. This “consensus” had provided during the past twenty years policy prescriptions to integrate developing countries into the global economy. These prescriptions were essentially macro-economic stability, domestic liberalisation, privatisation, and removal of barriers to international trade and investments. The priority was on reducing the role of the state, instead of making it more effective. There was confusion between means and ends.

The new emerging view in international circles of power stresses that liberalization, privatisation, and global integration are all important but need to be supplemented and supported by reforms in the area of governance. Successful development requires markets underpinned by solid public institutions. A laissez-faire attitude at the national and global levels is not tenable. Various forms of technical assistance are very useful for institutional development and official development assistance is absolutely necessary for social development. It was stressed in this connection that such aid, albeit insufficient and sometimes misused, had been of critical importance and efficacy in a number of developing countries. Progress in these countries during the second part of this century had been real, as evidenced by various basic indicators of living conditions. There was no

good reason to neglect instruments of cooperation and solidarity that had demonstrated their usefulness. From this standpoint, the rationale for cooperation and financial assistance for social development should be reaffirmed in all its simplicity and vigour: the rich must help the poor.

Also, the debate confirmed three frequently mentioned points:

- external assistance for a country to build its legal and institutional framework, to improve what is now frequently called its governance, is justified by the need to attract capital and technologies from abroad, notably foreign direct investments; it is assumed that a “good” and reliable social system would be particularly attractive to “good” foreign private capital, that is investments with more productive purposes than mere mergers and acquisitions of existing companies;
- the same external assistance, including for education, health, and other domains such as urban infrastructure and amenities which are only arbitrarily labelled as “economic” or “social”, is also positive for creating the domestic conditions for the mobilization of savings, a spirit of entrepreneurship, and a general culture of economic progress and achievement; and,
- this assistance, aware of national characteristics and of the specific leverages that can appropriately be used to help a country lift itself from stagnation to socially productive activities, is equally positive to enable recipient developing countries to participate actively in the global economy and to render this global economy more democratic and more efficient for a larger number of actors.

More Openly Political Reasons Were Invoked to Justify External Assistance to Developing Countries

The numerous conflicts that affect the world have created in international circles a greater awareness of the need of the countries victims of these conflicts for aid in various domains - economic, social, institutional - going beyond humanitarian assistance. This greater sensitivity to the devastating effects of organized violence was also heightened by the terrorist events of September 2001. Reconstruction efforts orchestrated by the international community are part of the global agenda. It was noted during the Forum that indeed conflicts involving developing countries were more numerous than in a recent past and that they were distorting economies and preventing social development. Foreign investments are obviously affected by a climate of violence and insecurity. Banking systems suffer serious disturbances. Tax bases, already generally weak, are further reduced and public revenues shrink. International support is necessary to reconstruct the foundations of social development. In many cases, it is becoming difficult, and undesirable to keep the distinction between aid for reconstruction, aid for development, and also aid for prevention of conflicts.

As already mentioned, the Charter of the United Nations expresses the conviction that prosperity through economic and social development, the enjoyment of human rights and

fundamental freedoms, and peace and security are linked. A link, however, does not mean a relation of causality, nor the subordination of one goal to another, nor *a fortiori* the possibility of trade offs between goals. Along its half a century history the United Nations has pursued simultaneously these three goals - development, human rights, peace - as representing three fundamental facets of the human condition. For instance, efforts at improving levels of living through international cooperation do not need to be justified by the observation that individual and collective prosperity tends to be associated with peaceful attitudes and policies. Even less so as the formulation of such relationship between material comfort and benevolence immediately conveys opposite examples drawn from history and the contemporary scene. From the origins of World War II to the causes of imperialism and colonialism, from the Vietnam war to the recent wars in the former Yugoslavia, from the conflict in Kashmir to the conflict in the Middle East, from the anarchist surge in Europe at the eve of the 20th century to the terrorist acts in the United States at the beginning of this century, there is unfortunately ample evidence that violence feeds more on emotions, passions and cynical calculations than on mere poverty. This relative “independence” of the major objectives of the United Nations continues to be recognized. Thus, the Millennium Declaration has different sections for “Peace, Security and Disarmament”, “Development and Poverty Eradication”, “Human Rights, Democracy and Good Governance”, and also “Protecting our Common Environment”.

It is with full awareness of this somewhat ambivalent relationship between the major goals of the international community that participants in this Forum made further comments on the political rationale for assistance to social development. It was noted that “security benefits” are realized at national and international levels when the public perceives a sense of fairness, and is given the opportunity to participate in the formation of decisions that affect their lives. This aspect of social development, which is the creation of a well educated citizenry, contributes to the constitution and maintenance of democratic governance and the rule of law and adds greatly to political stability and international security. It was also noted that political and security imperatives demand generous transfers from rich to poor countries, that no lasting peace is possible without economic and social development. National as well as international security is solid when built on solidarity. A distinction was made between “hard” security, concerned with conflict resolution including by the use of force, and “soft” security which would be greatly enhanced by a reduction of the inequalities between rich and poor, both at the national and international levels. The growing inequalities in income and other aspects of social life, obvious both within countries and between developed and developing countries and which can be attributed to the characteristics of the current process of globalization, were said to be politically unsustainable. Among the correctives for this dangerous trend, is an increase in development aid. It is in the best interest of the most affluent - individuals and countries - to avoid the consolidation of dual societies and a dual world.

This notion of “best” or “enlightened” self-interest was present all along the debates of the Forum. Perhaps because the “realist” school of thought is losing some of its dominance, there is a noticeable reluctance in international circles to talk about self-interest without such qualifying and softening adjectives. In some cases it means simply a

clear-minded and comprehensive perception of one's interest, for example the assumption that investment and aid in a developing country will create markets, employment, good relations with the donor, and reduce the desire of people to migrate in search of work. In other cases, "enlightened" conveys the introduction of some moral considerations in the reasoning, and it gives to self-interest some long-term dimension. Relevant in this regard is the point that financial assistance helps keep political stability in the countries of the South and is therefore in the general political interest of the North. But, it was pointed out, stability is not desirable if a regime oppresses its citizens. Moreover, it is even probably a precarious stability, if one assumes that the consent of citizens is important for the legitimacy and longevity of a regime. Many governments rule by fear. In such cases then, the enlightened self interest of the donor might be to do nothing that could favour stability.

The strongest political argument made at this Forum in favour of financial solidarity was that the absence of social development meant the certainty of incoming chaos. It was ascertained that current trends lead to deep resentments, alienation, abject poverty and deteriorating public health, even when the gross national product of some countries continue to grow and when some social groups become richer. Those who are excluded from the promises of development suffer most from its disruptive changes. When people lose a sense of belonging to a community in which their worth is validated, when they see no future for themselves or their children but exclusion and humiliation, they are drawn to ideologies which offer other worldly compensations, magical solutions, and the channelling of their frustration into hatred of other classes, ethnic groups or nations which come to embody the causes of their despair. This is the breeding ground of terrorism and conflicts that can erode and overwhelm the fabric of nations and bring chaos to the world. Financial aid and other forms of solidarity and assistance for genuine social development can contribute to halt this spiral of despair, hate and violence, not only by their direct effects on living conditions but also by the "multiplier effect" that have acts of respect and generosity.

Is the fear of chaos, or perhaps more commonly the fear of a violent revolution of the poor and oppressed, or of an uncontrolled migration of the poor towards prosperous lands, or of a spread of diseases, or of any threat that those who have might incur from those who do not have, a good reason for more solidarity? More precisely, can responsible leaders of affluent countries and international organizations legitimately use the fear argument to push an agenda of increased transfers of resources from rich to poor countries?

One response was an unequivocal "no". To play with fear is to play with fire. Fear is an emotion traditionally used by demagogues and autocrats to manipulate people and advance their cause. Even if the motives are respectable or good, to generate fear can have unforeseen and dramatic consequences. Politically, it is not an easily manageable emotion. When fear recedes, so does the "generosity" it extracted from people. It is a most dangerous way of sharing our common humanity and building a harmonious community. The multiple barriers of prejudice that separate us from one another are based on fear and ignorance. In all manifestations of racism, intolerance and

discrimination, one can detect a strong element of fear. The fear of God as a source of good behaviour is not of the same nature as the fear of “thy” neighbour as a motive for sharing one’s wealth.

Perhaps this is true, was the answer, but fear can be a driving force, a powerful way of drawing attention to real problems. In a typical modern affluent country, the level of information of people on the realities of what is perceived as the outside or “overseas” world is not high. The attention span is not very long either, as “news” chase rapidly one another. In such “competitive” context, fear is a powerful motive for action. Since the objective is the creation of a world with more justice and more solidarity, the quality of the end justifies the choice of dubious means. When the rich “have legalized egoism”, it makes perfect sense to show them with data and figures that their greed will eventually destroy them. And it is perfectly possible to transform the reasons for fear into reasonable and technocratic arguments for action. Such transformation is the duty of responsible politicians and leaders. To publicize statistics, for instance on the growing gap in income, knowledge, access to technology between the developed and developing countries, coupled with statistics on the respective demographic weight of these two parts of the world, can generate useful and rational reactions and policies partly, but only partly motivated by fear. The positive and useful aspect of fear is a sense of vulnerability, an understanding of one’s position in the world and the universe. From this sense of vulnerability, sometimes source of humility, can come a better understanding and a greater empathy for “the Other”.

All should remember, however, that the opposite of fear is selfless love.

Should Moral Reasons for an External Financing of Social Development be Explicitly Debated and Used?

The current international discourse includes moral pronouncements and exhortations. The Copenhagen Declaration on Social development, adopted by the World Summit held in 1995 mentions the need for an “ethical and spiritual vision of social development” and presents the goal of eradicating poverty in the world as “an ethical, social, political and economic imperative of humankind”. One of the preparatory seminars for this Summit had been devoted to “Ethical and Spiritual Dimensions of Social Development.” The Millennium Declaration refers to the creation of a “shared future based upon our common humanity” and considers “certain fundamental values to be essential to international relations in the 20th century.” These values are freedom, equality, solidarity, tolerance, respect for nature and shared responsibility. Economic and political justifications for international solidarity and efforts at financing social development are generally accompanied by brief references to moral reasons for adopting these policies. For example, the recent Report of the Commission on Macroeconomics and Health, devoted to a demonstration of the economic benefits to be derived from a serious effort at addressing the health problems of the least developed countries, also mentions the fact that “improving the health and longevity of the poor is an end in itself, a fundamental goal of economic development”.⁷ The document of the Chancellor of the Exchequer of the United Kingdom outlining a Modern Marshall Plan for the Developing World states

that “we must also work together to address the causes of poverty - not just because to do so is central to long-term national security and peace, but because to do so is right - a moral imperative, an economic necessity and a social duty.”⁸

Such explicit references to values and to the moral foundations of human action are much more frequent today than twenty years ago, at least in the United Nations. Official documents issued through intergovernmental negotiations, such as the International Development Strategies for the different decades, or the Declaration on a New International Economic Order, or documents produced by independent commissions such as the Brandt Report on North-South Cooperation or the Club of Rome Report on Limits to Growth, were written in a language essentially derived from economics and politics immersed in a diplomatic culture. Sometimes technocratic, this language did not venture into moral, or even less spiritual grounds.

This change of tone, this effort at moralizing the international discourse on development was considered positive by a number of participants in this Forum.

It reflects a disenchantment with the estimated meagre results of decades of international cooperation and development. The persistence of human suffering and human malignity justifies a last resort appeal to moral principles. With the disappearance of the East-West competition, the national interest of the affluent countries in being fair with poor countries, and helping them, is less clear on political grounds. This national interest has to be transcended by ethical principles. Moreover, the move from a technocratic to a moral tone is made necessary by the shortcomings of the dominant Western model of modernity. This model has reached an impasse with its emphasis on predatory economic growth, amoral rationalism, and spiritless secularism. One should recognize the simple evidence that people have spontaneously a strong sense of solidarity and are anxious for concrete expressions of their common humanity. The West has no longer all the answers and a monopoly in the formulation of the questions. The design of a plausible and attractive alternative to the severely challenged dominant model of development needs moral justifications. Common moral grounds are imperative at a time of economic and technological globalization and seemingly strong disagreements on cultural values and religious credos.

In fact, stressed those participants anxious to introduce a moral component in the international discourse on development, there is a large agreement among the main religious traditions on the principles and values that should guide relations between rich and poor, powerful and weak, and shape public and private attitudes towards money and power. All these traditions accept private property and pecuniary reward for one’s work and efforts. Individual and collective prosperity is blessed. But all condemn, generally with great force, private appropriation, accumulation and use of wealth for its own sake and for selfish purposes. The wealthy are only the custodians of their wealth. And all religions and traditions consider charity, sharing, generosity and justice as virtues and obligations. These virtues define the humanity of a person. They also legitimise ownership of wealth and power. A verse of the Koran states that redistribution of wealth, or “zakat”, meaning charity, or “alms tax”, is a “duty imposed by God”. And the practice

of these virtues gives true satisfaction, happiness, and individual and social harmony. The Biblical saying “It is in giving that we receive”, has an echo in all great religious teachings.

Some participants believed that the only secure foundation for clear moral prescriptions was precisely to be found in these religious traditions. There is no moral sense without an understanding of transcendence. Human beings are able to rise above mediocrity and selfishness only if they have a common spiritual base. With the loss of this sense of a transcendent and immanent world, moral orientations and prescriptions are uprooted, and they eventually fade, and die. Hence the sad state of world affairs, marked by violence, greed and cynicism.

Although this Forum was obviously not in position to debate on this alleged intrinsic relation between religion and morals, comments of a number of participants suggested that they continue to hold the view that various forms of secular humanism, compatible with religious beliefs as well as with deism, agnosticism and atheism, gave a secure foundation for moral sentiments and moral prescriptions, and in particular provided a moral rationale for justice and financial solidarity between rich and poor, powerful and weak. Rooted in philosophies of human nature, natural law, natural rights and obligations, having invented, particularly with the European Enlightenment, notions of inalienable rights of individuals, fundamental freedoms, equality in worth and dignity, and also endorsing concepts such as general interest, common good and common humanity, secular humanism remained well equipped to advocate reason and justice, fairness and compassion, cooperation and partnerships in international and global relations. And indeed it is very necessary to proclaim *urbi and orbi* the relevance of these shared values and to work continuously on their practical implications for social development in different parts of the world.

To use a moral lens to address questions of external financing of social development is also to stress the importance of the attitudes of donors and recipients as a determinant of the quality of aid. Virtues of charity, prudence, courage, integrity, justice, should govern all social intercourse, not least the financing of development. The practice of these virtues is not a luxury, a sort of nice touch over cold economic or political rationale, but a necessity to prevent the breakdown of society, be it locally or globally. Giving is good, in times of famine or disaster as in ordinary times, but moral teaching suggests the better gift involves measurable sacrifice on the part of the giver. When aid is given on expectations of returns, for instance market opportunities for the donor, the actual gain for the recipient is fortuitous happenstance. If the motivations of the receiver is personal gain, in money or power, aid will also be unproductive. It was asserted that as long as development financing remains an economic and political calculation, and not a heart felt moral responsibility, the world will remain full of suffering and resentment. When empathy and love are at the helm, there is imagination, the smile of enthusiasm, however grimy the conditions. There is mutual respect and honour. Then the machinery for cooperation and development financing responds appropriately. Also, aid needs a moral purpose, the sense of a noble goal that it will help to reach. Building a harmonious world community, while giving respect and autonomy to all members of the human family, is

such a goal. But poverty will keep growing, if the main goal of humankind is to seek wealth and power.

Different views were expressed on the useful manner to approach the tension between the political and moral realms.

The explicit use of moral arguments, both to demand an increase of development aid and to insist that the quality and usefulness of such aid depends on the intentions of the donor and the recipient, often generates a slight embarrassment. There is a sort of tacit agreement in international circles that philosophical and moral considerations need to be treated, if at all, with a very light touch, and preferably kept in the preambles of declarations and resolutions. Moral considerations are seen as divisive. The moral is often confused with the religious and the philosophical with the abstract and unpractical. There is such a long distance between principles and action. The frequent call for “action-oriented” debates and agreements is partly the expression of this unease with a normative approach to development issues.

According to this school of thought moral invocations are not helpful to justify financial and other commitments from the developed towards the developing countries. It was noted that official development assistance, in a recent past, was simply a normal budget category, a line or a chapter in the budgetary procedures and discussions of a number of donor countries. Amounts proposed by the executive branch could have often been insufficient and inferior to the target of 0.7% of the GNP established by the General Assembly of the United Nations, but the whole matter was treated routinely, as an aspect of cooperation or foreign policy that was not questioned and did not require profound philosophical and moral justifications. A policy and a commitment are all the more serious and secure than they have a somewhat mundane status. It is when ODA started to decline under the fire of the neo-liberal doctrine that moral arguments for its maintenance came to be explicitly used. And this call to lofty moral principles yields uncertain results. All efforts should therefore be made to give back to official development assistance and other forms of aid their routine status.

The Forum heard a plea for keeping the “secular argument” in its right place - the first for many decision makers - during negotiating processes. It was ascertained that with the globalization process, a consensus on the necessity to manage global relations and global interdependence with reason and compassion was emerging. There was still plenty of room in the world for progress on the basis of mutual interest. It was also said that moral exhortations tend to ignore the fact that there is an egoistic core in every individual and every community. Since self-interest is a fundamental feature of human behaviour, it is the duty of those who want a different economic and social order to address their arguments to this core. To do otherwise is naiveté leading to deception and inefficiency.

This position presupposes the existence of a sort of moral “capital” existing in the political culture of a country or of an international organization like the United Nations or the World Bank, from which decisions which are right from the viewpoint of the weaker members of the international community can be taken in a “normal”, “simple”

and “natural” manner, without explicit recourse to the moral and philosophical arguments on which they are ultimately founded. If this moral ground happens to be cracked or depleted, for instance by a cynical and selfish current running in the dominant political culture, the efficient response of those who continue to hold the same benevolent views is not to brandish moral principles and values in political arenas but to work patiently and diligently through the various social institutions and channels whose function is to debate, nurture and also examine critically those principles and values.

A strong plea was also made for an eclectic and pragmatic use of the various rationale for a better financial solidarity to promote social development. One rationale does not exclude another. There is no need for choosing one at the exclusion of others. All depends on the particular motivations and interests of the interlocutor. Rather than adopting a definite line of argument, there was currently a need, in international organizations, for some “deconstruction” of the formulation of questions on development and progress. It should be realised that each rationale for development cooperation had its own limits and limitations.

An intemperate use of the moral argument leads easily to a Manichean vision of world affairs, whereby good and virtuous people constantly battle nasty and obtuse individuals and countries. An excessive taste for politically minded arguments is a sure recipe for moral relativism, expediency and compromises in situations requiring courage and convictions. And a fascination for economics, its rationality and language, opens large avenues for the marketisation and moneytisation of societies, transforming rapidly all aspects of individual life and social relations into tradable commodities. The expression “enlightened self-interest” probably captures fairly well this pragmatic eclecticism in the choice of arguments and this care for avoiding excesses of all types, of generosity as well as egoism.

This moderate and reasonable position was not fully convincing to all. It leaves a number of questions without answers. For instance, is the current “division of labour”, more or less prevalent in international negotiating forums, whereby representatives of governments use mainly a “secular” and “reasonable” language and representatives of non-governmental organizations, especially those which are “faith-based”, use a morally explicit language, satisfactory and sufficiently responsive to the needs of the poor and the powerless? How to avoid a balanced and moderate attitude to degenerate into a mild and comfortable indifference to the inequalities, tragedies and suffering that beset the world? How to explain that after half a century of international and bilateral cooperation the gap between developed and developing countries, and generally between rich and poor people, is still increasing? Insufficient means? Wrong policies? Lack of historical perspective? Or lack of commitment and lack of passion for a truly noble cause which is the building of a harmonious world community?

The intellectual obstacles to a better consciousness of the necessity to have a far greater financial solidarity in the world should not be underestimated.

The Forum was reminded that the dominant culture shaping the current process of globalization is more active than reflexive, more interested in the “how” than in the “why”. This is an advantage for matters which are intellectually and politically clear. Development cooperation does not have such characteristics.

It is also a culture focused on the short term and the immediately “measurable”. This might be one of the reasons why the word “development” itself, evoking a long, complicated, sometimes conflicting process, involving many actors with different agendas, is not as prominent and widely used as it was some decades ago in international circles. One might even wonder if it is not a word, and therefore a goal and a project fading in history.

Further, the dominant culture, precisely because it is for the time being truly dominant and not seriously challenged, is not very inclined to accept alternatives to its assumptions and prescriptions. The very notion of one or several possible alternatives to an apparently well chartered path to economic and social progress is often dismissed as incongruous and futile. Ideologies and ideological stances are still more popular than careful judgements.

The spirit of the time is more on the enforcement of rights than on the exercise of responsibilities. It was stressed that the issue of responsibility, notably of the media, was of critical importance. Moral and ethical principles can be rapidly promoted, or destroyed, through modern instruments and techniques of communication and information. The UNESCO was in this regard a most critical organization. There was a need to develop a new enlightenment, a new secular humanism. A world view, comprehensive, imaginative and generous in spirit, was seen as an absolute necessity.

For these various reasons, the advocates of justice and solidarity on a global scale have to argue its rationale on economic, political, intellectual as well as moral grounds.

II NATIONAL CONDITIONS FOR A USEFUL COMPLEMENTARY ROLE OF EXTERNAL FINANCING OF SOCIAL DEVELOPMENT

Though considered extreme and untenable the formulation of the view that developing countries should seek assistance only for their economic projects and take care by themselves of their social development had the great merit of reminding participants in the Forum that the external financing of this development could only be a complement of national efforts. “Complement” has certainly a quantitative meaning. Least developed countries that finance half or more of their public expenditure from outside sources have to be anxious to reverse this situation, particularly as evidence of their own progress. But more importantly, external assistance of a developmental nature has to be seen by receivers and donors as a supplement, as an additional means facilitating the implementation of planned objectives, or permitting to experiment a new technique or launch a new project. The opposites of “useful complement” are in this case disposable luxury, wasted supplement and, at the other extreme, money outside the control of the recipient government.

The fundamental reason for external financing to be only a useful complement of national efforts is that social development occurs, or fails to occur, exclusively at the level of a nation, a community, a town and a village. The modalities of individual well-being and societal harmony are determined at very concrete and very localised levels. Increasingly, norms and standards have a regional or international origin, but the policies and actions that make these norms succeed or fail occur at the basic level of human institutions and human relations. The implementation of social development demands a concrete and geographically limited framework. It takes place effectively in families, enterprises and other institutions that constitute living local communities, whether in urban or rural settings. Not only survival but also social progress depends on good national policies relayed by institutions and processes through which the ingenuity, initiative and sense of empathy and solidarity of individuals can find channels for expression. Social development cannot be simply “imported” or “bought” from some international market of ideas and finances. It is neither a commodity nor the automatic application of universal recipe.

Thus, questions arose during the Forum on the domestic conditions under which external financing of social development could be truly useful to the recipient countries. The comments made can be regrouped under three headings: the state, the policies, and the political climate conducive to social development.

Establishing a State Able to Promote Social Development

Present circumstances are not favourable to the emergence or maintenance in developing countries of a state with the capacity to promote social development.

It was argued that the concept itself of “nation state” was somewhat problematic. It had led to an abundance of states, a number of them too small, often land locked, without natural resources, with no viable economic base, no tax base, and no predictable and

sustainable funds for normal government activities. To alleviate these problems, in addition to “capacity-building” through bilateral and multilateral assistance, greater impetus should be given to regional agreements and institutions. Particularly at a time of economic and financial globalization, regional regroupings were a necessity for a number of developing countries.

It was also argued that comparative data reveal considerable variation among countries in priorities placed on social development. Countries with similar economic conditions, as indicated by GDP per capita, differ substantially in rates of illiteracy, educational enrolment and quality of educational systems, life expectancy, infant mortality, status of women, and density and quality of institutions. Given similar economic levels, these differences in critical aspects of social development cannot be explained by shortage in finance, domestic or external, alone. Decision-makers make different choices, including the wrong choices for the well-being of their citizens. Also, in countries where the great majority of the population suffer from severe poverty, one cannot help noticing cases of great wealth and privileges, in the public or private sector, and more often in both, suggesting that some individuals manipulated existing conditions and laws to their exclusive own advantage.

Thirdly was the observation that with the globalization process and its underlying political philosophy there had been in the last twenty years a major realignment of power. A pre-eminence of the private sector was accompanied by an ascendancy of the civil society and a decline of the national state. The state, not only the state of totalitarian regimes but also the state of democratic societies, had been targeted as the source of many evils and stripped of many of its functions. The “reforms” and “structural adjustments” imposed to a large number of developing countries during the 1990s were insensitive to the requirements of social development. Most of the regulatory regimes that had been established in developing countries since the 1960s had been weakened and made subservient to private, often foreign actors and interests. As a result, wealth became highly misdirected and concentrated and states were unable to have coherent social development policies.

This battering of the state, accompanied by a reduction of its financial resources and a loss of prestige of its civil servants, had particularly serious consequences in developing countries where public institutions were slowly being built or had to be carefully reformed after decades of often excessive growth and complacency. Needed at this juncture was a rehabilitation and redefinition of the role of the state. A few aspects of this task were evoked during the Forum.

Good government and good governance

Social development, the mobilization and productive use of resources devoted to the well-being of the people, requires a well organized state, having the right priorities and taking the right decisions. “Right”, in the perspective of this Forum, meant being the most likely to help a maximum number of persons to live in dignity and freedom. This is an objective more demanding than the reduction of material poverty and the improvement

of levels of living. There are plenty of historical examples showing that feeding, housing and putting people at work can best be achieved, at least in the short term, by authoritarian and technocratic regimes. Awareness of this fact, led participants to favour both competent and effective governments and what is now called “good governance”. With distinct differences of emphasis, it is probably fair to report that most of them were anxious to avoid either an over emphasis on “good government”, which could be interpreted as a conservative suspicion with the growing influence of the civil society and the private sector, or a systematic reference to “good governance”, which evokes the familiar dislike for any public intervention in the affairs of society.

Good government and good governance require participatory and plural democracy with free and clean elections, respect for human rights, the rule of law, and an independent judiciary. These are goals in themselves but they are also necessary means for advancement in other economic and social domains. It was recalled that from the early days of the European Enlightenment movement the importance of public debate and public scrutiny of decision makers was clearly emphasized. Put more concretely, it was stated that frequent obstacles to social development were lack of adequately open and participatory mechanisms for shaping the national development agenda; limited capacity to articulate the needs of the people and to put together policy options to achieve goals and articulate expected trade-offs; lack of experienced and strong political opposition to lead an informed public discussion on policy issues; and lack of effective and decentralised institutions for ensuring that policy formulation and implementation are participatory.

For good government and good governance it is crucial to find effective ways and means to combat corruption. It was ascertained that the prevalence and magnitude of this destructive societal disease had been and was among the major impediments to development and social progress. It is a global problem, affecting the current process of economic and financial globalization, the relations between affluent and poor countries, and the countries themselves, irrespectively of their level of economic development. Variations are in form and degree. There is little doubt that the effectiveness of available financing for social development is often diminished significantly because of corruption. It undermines the interests of both recipients and donors. The view was expressed that, with some exceptions, management and accountability in the administration of assistance programmes could be greatly improved, to some degree on the part of donor and lender countries and international organizations, and to a greater degree on the part of the receiving countries.

Corruption in all its manifestations, from the bribing of a civil servant to the private appropriation of public money, from the determination of public policy by specific corporate interests to the making of profit by the selling of products harmful to health or the environment, undermines greatly a society. It is a cancer that is more vigorously denounced than in a recent past. A number of organizations, notably the OECD and the United Nations, are engaged in the elaboration of codes or conventions of good behaviour in various domains. A non-governmental organization, Transparency International, is publishing influential reports on the issue.⁹

It is difficult to assess whether this interest in combating corruption is the result of a larger spreading of corrupt practices, or of a better exposing of these by the media and some non-governmental organizations, or simply of a greater moral consciousness at the beginning of the 21st century. In any case, this is a struggle where clear guiding moral principles do matter immensely. Anti-corruption campaigns cannot be successful if based on purely utilitarian arguments, for instance that honesty is “good for business.” It will always be possible to prove that moral short-cuts are more profitable. Among the signposts required by anti-corruption campaigns, is the fact that the holders of power and influence, in the public or private sphere, have special moral obligations and responsibilities. The corruption of the powerful has devastating consequences for a society and the world as a whole. Another guiding principle is that laws, however elaborate, need to be complemented and vivified by a political culture of honesty, integrity, compassion and moderation. Best constitutions and laws can coincide with deplorable practices. Also, a firm and non-conciliatory attitude towards corruption gains in credibility and humanity if informed by the awareness that no country, social group, culture or civilization, past or present, had or has a monopoly on virtue and good behaviour.

Good government demands a competent a dedicated civil service. It was said at the Forum that the civil service in many, if not most, of the developing countries is bloated, badly outdated and poorly equipped. A major reform of this crucial force in the implementation of policies would contribute greatly to the various aspects of development. It can be done by training programs for leaders and instructors who in turn can impart what they learned to others locally. Emphasis in these programs should not be limited to processes and techniques alone; equally imperative would be teaching of the ethics of public service. While this is a complex and expensive undertaking, it is necessary, and the costs would be well justified. After centuries of high social status and prestige, sometimes lived with arrogance and the granting of undue privileges and excessive power but also closely related to the difficult search for the general interest, public servants have been severely attacked during the last few decades. The rise of the power of the private sector, the social prestige gained by entrepreneurs and executives of businesses, is one of the important facets of the globalization movement and is directly related to the decline of the concept of public service and the role of civil servants. It is to be hoped that the creation of a more balanced situation will soon be on the agenda of the international community.

The necessary role of parliaments

The characteristics of a well functioning democracy have traditionally been associated with the parliamentary system. Overall in the world, in spite of the spread of regimes including the recognition of opposition political parties, free elections and representative assemblies, the effective role and power of parliaments has been under some questions in recent decades. It was pointed out that in the case of the poverty reduction strategy papers, which are promoted by the World Bank and the UNDP largely as a replacement of structural adjustment programmes, there are only two developing countries in which

these papers were debated in parliaments. Even in long standing liberal democracies, parliaments have been to some extent “squeezed” between technocratic public agencies, a growing emphasis on the role of the executive branch and a growing personalization of power, the increasing visibility and influence of corporatist groups, lobbies of various types and organizations of the civil society, and those features of the globalization process that transfer power from national states to transnational institutions and forces.

No participant in the Forum saw that evolution as positive for democracy and social development. And the weakening of parliaments is a trend that hopefully is not irreversible. The strong virtues of the parliamentary system were recalled: the seeking of a renewed mandate makes the parliamentarian necessarily aware of people’s needs; the frequent practice of coalition majorities is an excellent school for able negotiators; public figures, elected representatives learn not only to address the public but to listen to their constituents; and members of parliaments, through their international contacts and organizations, make a significant contribution to the emergence of true world community. The suggestion was made that all new loans, from multilateral or bilateral sources, be first debated and accepted by the legislative organ of the recipient country.

Entering into fair and useful “partnerships”

What used to be called participation is now increasingly refers to as partnerships. Participation evoked the general issue of the involvement of people in political decisions affecting their community and lives, and, more specifically, the involvement of workers and employees, usually through their unions, in the determination of their working conditions and, more ambitiously, in the management of their companies and of the national economy as a whole. From the local to the national level, participation was a complement to representative democracy, most particularly with regard to economic life and the relations between capital and labour. At the international level, it evoked mainly the procedures for giving a voice and role to non-governmental organizations in international debates and institutions.

Partnership, as currently used, applies mostly to relations between the state and the private sector, the state and organizations of the civil society, and different configurations of rapports between these three actors of national life. One of the goals of the Millennium Declaration is “to develop strong partnerships with the private sector, and with civil society organizations, in pursuit of development and poverty eradication.” There is the New Economic Partnership for Africa’s Development. The Monterrey Consensus refers to the need for “a new partnership between developed and developing countries”, to the involvement of “all stakeholders in active partnership”, and notes “the initiative undertaken in the United Nations to promote global partnerships.”

Partnership implies compatible purposes and interests, a common language, and a fair degree of equality among the partners. It is a concept related to the business and the sport cultures. It evokes team-work, the complicity of “stakeholders” and “shareholders”. It requires the acceptance of the rules of consensus. Partners do not question the “rules of the game”. Most significant of the spirit and power structures of the time is the

partnership between states or international organizations and the private business sector. It means that public authorities, in charge of the general interest, recognize private actors as equals and associates in the pursuit of a common goal, which is economic expansion. In fact, particularly in the case of poor developing countries searching for investments from transnational corporations, the traditional subordination of the private to the public is reversed. There, partnership with a state is a sort of concession from the private sector. In the case of the relationships between developed and developing countries, partnerships also evokes a commonality of interests and the sharing of a vision of the objectives to be achieved. "Partnership" has a more informal, more "business like" connotation than "cooperation". Partners do not "waste time" in discussing the moral foundations or the long term implications of their actions.

Participants in the Forum had no reservation on a greater involvement of organizations of the civil society of developing countries in the elaboration and implementation of social development policies and in the use of financial and other aspects of development assistance. In the best situations, these organizations complement very usefully public national and international agencies. And they are in themselves an expression and a component of social development. When public institutions are excessively weak, or corrupt, or autocratic, NGOs are one of the expressions of the attempt and ability of people of good will to cope with adversity and help their fellow human beings, sometimes at great personal risk. Although not specifically mentioned, it can be infer from the debate that a proper attitude on the part of the donors was seen as always trying to keep a balance between public authorities and organizations of the civil society, and bypassing the former only when it is absolutely necessary. The point was made that on issues of globalization and social development organizations of the civil society, from the North and the South, and including public intellectuals, should move from an essentially critical attitude to the elaboration and advocacy of proposals for a better international order.

Regarding partnership between public authorities and the private sector, there was agreement that there is no social development without individual initiative, economic creativity, and a legal and institutional framework that encourage economic activity and employment. At the national level, a dynamic private sector, a class of entrepreneurs is an intrinsic and indispensable part of social development. And, like all citizens, capitalists and entrepreneurs are part of societies where the requirements of responsibility, solidarity and social cohesion must be recognized as superior to the desire for personal or corporate advantage. On this, however, and especially with regard to the global level, views differed.

For some, capitalist expansion being the welcome result of the suppression of ideological and concrete obstacles that misguided political regimes had placed in front of human freedom, obstacles to that expansion should be carefully avoided. Developing countries should adopt policies that promote their private sector and are as attractive as possible for private investments from foreign and multinational companies. And domestic and foreign companies can certainly contribute to social development, not only by creating jobs, but

also by helping with training, housing, social protection and various efforts at community level.

For others, the growing power of the private sector is a phase in history created by an unchecked and uncontrolled process of liberalization of capitalist forces, and one must work to establish laws and regulations at the national and international levels that will tame those forces and orient them towards a better contribution to the common good. Such legal framework is currently insufficient in many societies, developed and developing, either because it was dismantled or never existed, and largely absent at the global level for lack of appropriate institutions. Various forms of liberalization, in trade, finance, investment, are not automatically and not necessarily positive for the social development of developing countries. In such context, “partnership” might be construed as the legitimisation of a trend at odds with social development and the common good.

Partnerships, or a “global partnership” between developed and developing countries was not seen as an alternative to the struggle for a more effective and more equal participation of developing countries in the management of a world economy that has a growing impact on their economic and social development. Nor was it perceived as an alternative to the multiple forms of international cooperation that, notably under the aegis of the United Nations, have created some forms of solidarity and reduced some types of inequality between affluent and poor countries. It was noted that “partnership” became part of the international language when official development assistance was diminishing and when liberalization and privatisation started to be considered as the unique paths to development. If bilateral partnerships and efforts at a global partnership provide a political atmosphere where the demands and needs of developing countries received a better hearing and where increased levels of financial and other forms of aid are negotiated and delivered on the basis of solidarity and mutual respect, then reservations on the use of this “new” concept will prove to be unfounded. When “partners” are unequal, and in this case they certainly are, unbiased rules of the game perpetuate inequalities.

The forum was also aware of the chronological and ideological connection between the popularity of the concept of partnership and the quasi disappearance of the open use of the concept of conditionality. To summarize fifty years of history of development cooperation in a very cursory and schematic manner, assistance was first provided on conditions of economic and political returns for the donor, then on conditions of domestic reforms according to a precise liberal agenda, and now in conjunction with a “contract” among “partners” that includes a commitment to reduction of poverty, respect for human rights and “good governance”. At face value, from the viewpoint of the integration of developing countries into a world community governed by mutual respect and universally recognized political principles, this evolution is a progress. What could be resented as a very intrusive meddling with domestic political affairs, should actually be welcomed by all concerned as evidence of the growing acceptance of basic decency in the conduct of human relations and the organization of societies. And there is little doubt that respect for human rights, for example, is not separable from social development conceived as more than the meeting of the basic material needs of individuals. Yet, the risks of deliberate or

innocent neglect of the interests of the weaker elements of the international community under the guise of an apparent semantic “progress” are always present. The real evolution of official development assistance, debt relief and other expressions of solidarity between rich and poor in the aftermath of the Monterrey Consensus will tell whether “partnership” in the pursuit of prosperity and freedom for all was more than an illusion or a deceptive short lived tactic.

From independence to “ownership” of projects and policies

The emphasis on partnerships is accompanied by an insistence, notably of international organizations, on “ownership” of development strategies, policies and projects by the developing countries themselves. The Monterrey Consensus refers extensively to this notion in its part on “Increasing international financial and technical cooperation for development”. Multilateral and bilateral financial and development institutions are invited to make ODA “more effective” by placing it within development needs and objectives that are “under the ownership of the recipient country”; “development frameworks”, which “embody poverty reduction strategies” and which are “owned and driven by developing countries” should be the “vehicles for aid delivery upon request”; the recipient countries’ “input into and ownership of the design, including procurement, of technical assistance programs” should be enhanced; the regional development banks should give “flexible support” to national efforts so as to “enhance ownership and overall efficiency”; and the “lending effectiveness” of financial institutions will also be enhanced, inter-alia, “through increased country ownership.” After the conference in Monterrey, the President of the World Bank said in preparation of the meeting of the Development Committee of this institution that “first and foremost, to be successful, development has to be country-driven, country-owned and country-specific”. The International Monetary Fund has on its policy agenda an item entitled “Streamlining conditionality and enhancing ownership.”

Apart from the fact that it can be seen as another illustration of the invasion of the public policy domain by the language of capitalism and private property, the use of the word “ownership” for development policies and projects implies a relation of dependency. One would never say, for instance, that a state member of the European Union needs to have the “ownership” of a project implemented in its territory and financed partially or totally by the European Commission or the European Development Bank. Such “ownership” would go without saying, or even thinking. For “developing” countries, it is, as it were, in the essence of their condition and in the nature of their relationships with the “developed” countries and the international institutions in charge of promoting “development”, that they have to adopt ideas and “things” conceived elsewhere. In a relatively not too distant past, this fundamental cultural and political dependency was questioned by part of the elites of the South and some intellectuals of the North. A “new international economic order”, “self-sufficiency”, “indigenous development” were some of the concepts expressing this unsuccessful attempt at a re-appropriation of their history and future by the “developing countries”. Today, in a context of the globalization movement and the related strategies of the most powerful countries, institutions and social classes, developing countries are encouraged to “own” policies and projects which are still

conceived elsewhere and are fairly homogeneous across the world. Questions that arose during the Forum are: does the emphasis on their ownership of the projects partly or totally financed from outside sources help the developing countries determining themselves their preferred allocation of resources, financial and others, between different aspects of social development? Does it help them defining themselves the precise contours of these projects? Does it enable them establishing their own approach and own priorities in their efforts at reducing poverty? Does it reflect a real change in the attitudes of donors, bilateral and multilateral, towards an open dialogue with their “partners”?

The answers to these questions were a tentative, prudent and provisional “yes”. In the current overall political atmosphere an insistence on “ownership” is a progress compared with recent technocratic diktats on the right path to development. There is no doubt that following the great world conferences of the 1990s and also the dissent and protests of the non-governmental organizations there is in international circles a greater understanding of the political, social and cultural elements in which development policies are immersed. Most importantly, the calls for partnership and ownership are accompanied not only by the familiar insistence on private sources of financing but also by pledges to accelerate the reduction of the debt burden and increase development assistance. And, with ownership, the development of the domestic “capacities” of developing countries continue to be on the international agenda. “Capacity building”, in various domains, remains totally relevant and is the genuine objective of many public and private, multilateral and bilateral development agencies. It was stressed during the debate that enhancing human capacity was the primary purpose and justification of development aid.

Yet, some difficult questions remain open on the compatibility of an effective ownership of development projects by developing countries with other aspects of the current overall “consensus” on development strategies. Can developing countries “own” their social development if their macro-economic policies have to follow a rigid model? As indicated below in the section of this Report on policies providing a basis for social development, the demand for flexibility according to national circumstances has gained some strength, but it is always difficult to introduce nuances into an orthodoxy without appearing as a proponent of a previous orthodoxy by definition obsolete. And can social development be genuine if “anti-poverty strategies” and “poverty reduction strategy papers” are elaborated perhaps locally but according to common principles and orientations decided upon by international organizations? Even more generally, there is not much open space between integration in the world economy with its fairly rigid and universal policy prescriptions and a “de-linking” currently without weight and credibility. Could it be that the search for some national autonomy in the conception and contours of social development, irrespective of the weight of external financing, is no longer an option, for developing as well as for developed countries?

To pursue a reflection on this theme, it seems to be necessary to consider whether the concept of “dependency” has kept any relevance, or could be revived. Elaborated in the 1960s and 1970s as a theory to describe the situation of developing countries depending on their exports of commodities to the North, this notion has been buried by the powerful tide of globalization and integration into a world economy ignoring borders. Self-

reliance, the opposite of dependency, tends to be associated with autarchy and seen as an economic absurdity and a vain political project. On the other hand, notions such as “ownership” and “capacity building” seem to imply the existence of a national entity endowed with some autonomy. And developed countries are certainly not abandoning some degree of control of their social policies, even when they belong to a regional organization as the European Union. There would be intellectual and political merit in recasting the idea of avoiding dependency while participating in the global economy and benefiting from international financial solidarity. It was noted that there were crucial differences in needs and forms of financing. A one shot or finite number of allocations for specific purposes, notably developing infrastructures and training, was very different from continuous allocations for operational purposes. The latter type should be the responsibility of states, because external financing of current expenditure creates indefinite dependency. But this leaves unanswered the question of the meaning of national autonomy in an increasingly globalized economy.

Adopting Policies Providing a Basis for Social Development

In order for developing countries to strengthen their national foundations for social development greater efforts were seen particularly necessary in four domains: macro-economic policies, the mobilization of internal resources, the related task of putting in place effective tax systems, and education.

Implementing effective macro-economic policies

Considered of late as particularly important is the pursuit by developing countries of macro-economic policies favourable to the mobilization and effective use of domestic and external resources for social development. The Forum was aware of the notion of “sound macro-economic policies”, as currently understood and expressed in international texts subjected to agreement by consensus. The Monterrey Consensus, for example, recognizes the “need to pursue sound macroeconomic policies aimed at sustaining high rates of economic growth, full employment, poverty eradication, price stability, and sustainable fiscal and external balances in order to ensure that the benefits of growth reach all people, especially the poor.” And, “governments should attach priority to avoiding inflationary distortions and abrupt economic fluctuations that negatively affect income distribution and resource allocation; along with prudent fiscal and monetary policies, an appropriate exchange rate regime is required.”

Comments were made on the necessity to reconcile such universal recommendations with the diversity of situations, including politically, in developing countries. In particular, the frequent use of the adjective “sound” could convey the misleading impression that in matters of economics there was one single road to intelligence and wisdom. It was pointed out that the relationship between social development and macro-economic policy was not working well and should be further addressed. Often, macro-economic policies reinforce instead of attenuating the effects of the cycles of economic activity. In Latin America for example, people who had been laid off their jobs found employment again but remained in poverty. It is estimated that in this region thirty per cent of the population

is below the poverty line. There is no longer a close relationship between employment and enjoyment of a decent level of living. Still in Latin America, social expenditure doubled during the last decade, but poverty was not reduced accordingly. Macroeconomic policies must include in their explicit objectives more work stability, as well as progress in education and health protection. Also, the poor and underprivileged social classes need to be represented in institutions that concretise the links between economic policies and social development. These issues were discussed by the Commission for Social Development at its 40th Session in February 2002.

Mobilizing internal resources

During the 1990s a widespread belief in international circles was that the liberalization of capital movements will generate a great inflow of investments in developing countries, including the least developed among them. The assumption was that if these countries were to adopt the “right policies”, attractive to foreign investors, capital will go where it was the most needed and therefore where rates of return were to be the highest. Then, official development assistance will become of marginal usefulness and developing countries with low saving and investment capacities will be spared the slow and painful process of building themselves their economic foundations. Facts have not confirmed the validity of this theory. Official development assistance has indeed declined, and the political atmosphere of great faith in the role of financial markets certainly played a role. But foreign investments have been highly concentrated in the developed countries themselves, notably the United States, and have reached only a few developing countries. It seems that in this phase of the globalization process, marked by the financial crisis of 1997-1998, capital scarcity implies low returns and capital abundance generates high returns for investors. Poor countries cannot expect financial markets to push capital in their direction. And there is no alternative to national savings to finance domestic investments.

Further, it was noted that the “wrong” money, not directly productive and source of macro-economic volatility, was often going to developing countries. Portfolio investment is not as desirable as direct investment. Foreign direct investment in developing countries are increasingly linked to mergers and acquisitions, including acquisitions associated with privatisation. These operations do not add to the productive capacity of a country. Moreover, under the structural adjustment programmes which, strongly recommended by international organizations, were supposed to set straight the “fundamentals” of the economic policies of developing countries, savings did not increase. In Africa, they actually declined, together with rates of economic growth. It was recalled in this connection that growth rates have generally been slower in the era of globalization than in the 1960s and 1970s. Also, these last twenty years of the 20th century have seen everywhere in the world austerity of the state and profligacy of the private sector. High profits and high remunerations generated lavish consumption. And capital flew from countries that needed it most. There is evidence that Africa was during this period a net exporter of capital. A study was quoted according to which capital flight from sub-Saharan Africa between 1970 and 1996 was \$193 billion. And the debt of these same countries stood at \$178 billion in 1996.

As they were led to believe that the heart of their economic strategy was to attract foreign capital, developing countries took a number of decisions that were not in the interest of their citizens. Some abandoned the keeping of records of private flows of capital, for fear that low levels might discourage potential investors. Some concealed policies, such as support to unions or attempts at keeping under control prices of essential consumption items, that might be construed as “populist”, or “leftist” and therefore fiscally irresponsible. At the same time tax and other concessions were offered to foreign, and sometimes local companies. Also, to support national currencies, financial reserves were held at higher levels than in the past, thus reducing the resources available for investment. In this context, the ministries and public agencies responsible for attracting foreign capital and communicating with the international organizations sponsoring structural adjustment programmes gained the upper hand in domestic politics and relegated ministries responsible for matters such as employment and social affairs to a subordinate and obscure role. In the same process, technocratic attitudes prevailed and old or newly established parliaments were kept out of critical economic and financial decisions.

Thus, according to this judgment, which seems to be accurate not only for the least developed but also for a number of other developing countries, while official development assistance has been stagnating or diminishing, private capital has not been forthcoming, domestic policies have been tailored to the pursuit of this mirage, domestic savings have not been sufficient and not used productively, and there has been regression rather than progress in the capacity of these countries to sustain economic and social development. Hence the necessity for developing countries to put renewed emphasis on the mobilization and good use of their internal resources. It was stressed that this change of strategy was necessary, including to benefit from more private foreign investment and to properly utilize hopefully increased levels of official development assistance. States had to be reminded of their national capacities and of the untapped resources and capacities of their societies.

Establishing effective tax systems

The World Summit for Social Development put a strong and unusual emphasis on questions of taxation. Commitment 9 of the Copenhagen Declaration, concerning the increase and more efficient use of resources allocated to social development, includes the pledge to “ensure that, in accordance with national priorities and policies, taxation systems are fair, progressive and economically efficient, cognizant of sustainable development concerns, and ensure effective collection of tax liabilities.” In the Programme of Action are several recommendations, notably on the use of “appropriate taxation” to “address inequities arising from accumulation of wealth”, on “strengthening the administrative capacity for tax assessment and collection and tax evader prosecution”, and on analysing policies and programmes relating inter-alia to taxation in order to “promote a more equitable distribution of productive assets, wealth, opportunities, income and services”. Five years later, the resolution adopted by the 24th special session of the General Assembly entitled “Further initiatives for social development” attached the same importance to tax matters. It referred to “promoting equitable and progressive

broadening of the tax base”, “improving the efficiency of tax administration, including tax collection”, “exploring ways to combat the use of tax shelters and tax havens that undermine national tax systems”, and “preventing tax avoidance and promoting treaties for avoiding double taxation”. The Monterrey Consensus, in its section on “Mobilizing domestic financial resources for social development” has the following paragraph: “An effective, efficient, transparent and accountable system for mobilizing public resources and managing their use by governments is essential. We recognize the need to secure fiscal sustainability along with equitable and efficient tax systems and administration, and improvements in public spending that do not crowd out productive private investment. We also recognize the contribution that medium-term fiscal frameworks can make in this respect”. Then, in its section on “Addressing systemic issues(...)” this text includes a call to “strengthen international tax cooperation, through enhanced dialogue among national tax authorities and greater coordination of the work of the concerned multilateral bodies and relevant regional organizations”, and a pledge “to negotiate and finalize as soon as possible a United Nations convention against corruption in all its aspects including the question of repatriation of funds illicitly acquired to countries of origin, and also promote stronger cooperation to eliminate money laundering”.

Participants in the Forum were unanimous in their acknowledgment that an effective and fair taxation system was a *sine qua non* condition for social development. Irrespective of foreign direct investment, official development assistance, and forms and extent of technical assistance from which they benefit, and even irrespective of the amount of revenues they receive from their export of a commodity in high demand, developing countries need to construct and manage taxation policies. This is a necessity for the public financing of a variety of programs and projects affecting living conditions and, perhaps as importantly, a necessity for social participation and social cohesion. An efficient, transparent and fair tax system, with enough public debates and public information on its modalities and on the use of public revenues, is one of the best indicator of the overall level of development and of the quality of democracy that a country has reached.

Globalization and the changes that it involves in the conception and exercise of national sovereignty does not and should not in the foreseeable future alter this fundamental relation between citizenship and participation – including through exemption because of low income, or through “reverse taxation”- in a national tax system. It was stressed that even in poor societies, some re-distribution and solidarity must be expected. To be a relevant universal value, solidarity needs to be a recognized local value. A key criterion of good government is the ability of developing countries to ensure adequate taxation. The co-existence, in a country of a well-off local elite escaping taxes for whatever reason, and of people living in slavery like conditions, is the negation of social development, a moral outrage and an insult to reason. This is of course true for “developed” as well as “developing countries.” Some participants were proponents of the merits of the value-added tax. Others saw it as socially regressive, by comparison with a progressive income tax.

It was noted that at this point the efforts of developing countries to develop effective taxation systems yielding sufficient revenue were hampered by a series of real or self imposed constraints related to the political and economic atmosphere surrounding the process of globalization and the management of the world economy. Firstly, the “international development paradigm” shaping the development agenda in developing countries includes an insistence on low tariffs on exports and imports, low corporate and low personal income tax rates. Secondly there is the ruinous competition with other countries, including developed countries, using tax exemptions and concessions to attract foreign investors. For this already mentioned problem, a possible remedy would be to encourage companies to voluntarily give up tax concessions, and to exchange exemptions from import duty and provisions for accelerated depreciation of equipment, for exemptions for employment creation and for training. A third element is the generally slow rate of growth and weak economic performance experienced by developing countries in the last period, which is a cause of equally slow growth of tax revenue. The last element noted in this context was the low salary levels of the majority of public servants in public or para-public agencies, leading to petty or serious corruption, creating an environment adverse to regular local or foreign business activities, and therefore again limiting the collection of tax revenue.

There is no legitimate taxation without representation. This remark points out to an important function and source of legitimacy for “new democracies”, in the developing world as elsewhere. But it will be taken again in Part III of this Report when proposals such as the Tobin Tax are examined.

Attaching priority to education

The normative framework for education policies was set at a high level by the Universal Declaration for Human Rights. Education is a “right for everyone”. It shall be “free, at least in the elementary and fundamental stages”. Elementary education “shall be compulsory”. Higher education “shall be equally accessible to all on the basis of merit”. Education “shall be directed to the full development of the human personality” and shall “promote understanding, tolerance and friendship among all nations, racial and religious groups”...Some fifty years later, after many declarations, strategies goals and targets adopted by the international community, the UNESCO had the following to say to the Commission for Social development: “ The right to education is a human right, and unless it can be secured, all other goals are bound to suffer. The right to education must be transformed from ideal to reality.” And the goal included in the Millennium Declaration reflects this fact that education for all is still a distant dream. It reads as follows: “(We resolve) to ensure that by the same date (2015) children everywhere, boys and girls alike, will be able to complete a full course of primary schooling; and that girls and boys will have equal access to all levels of education.” It was noted that in 1990, the accepted goal was education for all, beyond “a full course of primary schooling”. Does this apparent regression of the objective of the international community suggests greater “realism”, a better appreciation of the difficulties involved in reaching this sort of goal? Or a lesser commitment to education in an intellectual and political atmosphere dominated by utilitarian values and market transactions?

In their brief comments on education participants in the Forum could only insist that education was indeed critical to personal and collective development. It enhances human potential. It is a dimension of and a condition for social development. The issue of quality was raised, as it had been at the World Summit for Social Development. In primary education, for example, it is not just the numbers of people in school, the enrolment ratios that count, but the quality of the teaching that is delivered. Quality of education is a growing problem, in the North as in the South. The gearing of education to the “full development of the human personality”, as said in the Universal Declaration, implies the communication to pupils and students of the joy of learning and appetite for knowledge, the acquisition of the competences and skills to engage in a remunerated and socially useful activity, and the understanding of the virtues of good citizenship in a democratic society and a pluralistic and peaceful world. The world need good citizens, was it said. Not only to vote occasionally, but to exert their free judgment on matters of the political life of the City. A good functioning democracy includes the right to disagree. Education gives power. From this perspective, education ought not be defined as the formation of “human capital”, or the building of “human resources”. Without necessarily disagreeing with this humanist perception of education, other participants choose to use these terms of “social or human resources or capital” to emphasize the fact that education and training are essential to sustain economic growth and social development.

The direct relation between high levels of poverty and low levels of education was emphasized. This is because people with skills can make a better contribution to economic activity. But another reason is that education gives power: power of entrepreneurship, power to refuse economic exploitation, power to imagine for oneself and one’s community a better future. Not of course that to be educated is to refuse stoicism and contemplation. But to be uneducated deprives the poor and the exploited of any possibility to control one’s life. The concept of empowerment of the individual remains empty without education. And it is essentially because education is so fundamental to the life of any individual that it cannot be dependent on the level of one’s own resources and that it has to be the responsibility of the state - and now increasingly of the international community - to provide education for all. For the same reason, education cannot be treated as a service like any other - bank, insurance or consulting firm- and subjected to trade rules elaborated by the World Trade Organization.

There is not a philosophy of education, or a system of education, or a technique of education for the developing world, and a different philosophy, system or technique for the developed world. This banal observation is of critical importance for the attitudes, ideas and policies that shape international cooperation. The only difference is that developing countries, because of their low level of economic development, need financial assistance to build and run schools and universities and to educate teachers and professors. Education is, very much like health, this type of universal need where cooperation, solidarity and assistance can and should be fully generous without affecting the dignity and autonomy of the recipient.

An allusion was made to the familiar and yet very elusive question of the role of the media both as instruments to provide education and training and as powerful vehicles to influence the shaping of the mind and emotions of young and adults.

Creating a Political Climate Favourable to Social Development

Overall, there has to be at the national level a political climate favourable to social development and thus conducive to a good use of financial assistance as a complement to national efforts.

Having a “political mind” open to social goals

A first ingredient of this climate is a determined attitude on the part of public authorities, stemming from the conviction that each country, however weak and poor, has some autonomy and margin of manoeuvre that can be progressively expanded, has the possibility to make choices which are favourable to the majority of the citizens, and has the latitude to consider with open but critical eyes all the policy advices and prescriptions coming from outside. Made of determination and openness, rigour and imagination, this attitude is difficult to define and capture with a single concept, but there is little doubt that it is a “state of political mind” indispensable to an effective state and public institutions. It means a certain intellectual and political distance vis-à-vis all ideologies and doctrines, particularly, in an age of globalization of ideas, the one that happens to be dominant. It was noted, for instance, that the conviction that increased participation of one’s country in the global economy is both unavoidable and desirable will lead to better decisions and better results if informed by the equally strong conviction that it is possible to choose one’s own pace. A new aspect of modernity, or post-modernity, is the speed and complexity with which the process of globalization is moving. But those countries and social groups that are currently the weakest have the right to demand a slowing down of the train so that they can catch it and participate in its control.

This state of political mind means also the realization that proper laws and regulations are indispensable to any society. None of the countries considered as developed has acquired its economic, social and institutional base through individualistic anarchy. And rigour, respect for laws and regulations, and accountability apply first to public authorities and institutions. Governments are primarily accountable to their people. They are accountable to other governments and to international organizations within the provisions of international law. National and local accountability means transparency in the management of funds, irrespective of their domestic and foreign origin, so as to increase the likelihood that these funds are used efficiently and for their intended purpose. Strict evaluations of public investments and other public services were seen as critical. Through these attitudes, techniques and methods of government, which taken - or ignored - separately may not appear important, state and society forge a relationship of respect and trust which is a critical aspect of social development. And the key to all beneficial changes is still at the national level.

The need for responsible elites

The second and related ingredient of a political climate favourable to social development mentioned during the Forum was the attitude of the national elites. These include the top echelon of the public sector, the traditional bourgeoisie and aristocracy, and the new elite with a business and cosmopolitan outlook. Particularly important for social cohesion and development is their attitude regarding issues of equity, equality and solidarity. If the ruling elites of a country are self-centred, egotistic, cynical, or simply and more commonly indifferent, if they do not have enough imagination and empathy to understand the living conditions of the poor and oppressed, if they consider that inheritance, talent and luck, plus an efficient police force, determine a viable social order, then social development is hampered and vitiated. Essential is the realization that power and wealth are sources of responsibilities and obligations, that power cannot be monopolized and that wealth is not to be selfishly enjoyed.

The values of the elites determine the quality of all policies and institutions affecting social development, be it taxation policies, capital-labour relations, or education or health policies. A politician or a civil servant using his or her functions and power to accumulate personal wealth, even legally, and placing this wealth in a safe foreign account or portfolio, or tax haven, is not acting in the best interest of the country he or she is supposed to lead and serve. An entrepreneur or capitalist doing the same with his profits instead of reinvesting them in the country in which he lives and operates, may be acting in accordance with the “law of the market” but does not display much loyalty for his government and solidarity with his fellow citizens.

In addition to issues of corruption, which are critical because when affecting the elites they have devastating effects on any society and the spirit of the time, more attention should be given to the problematic relationship between global capitalism and the notion of responsible citizenship. There is some inconsistency, at the level of individual values motivating concrete decisions, in letting investors of the developed regions place and shift their capital according to purely financial reasons, and expecting their colleagues from the developing countries to be biased in favour of their own country. Reflections on this subject are hampered by the negative and aggressive connotations carried by the words “nationalism” and “patriotism”. What could be done to encourage the elites of the developing world, particularly these new elites who participate in the current process of globalization, finding a balance between their cosmopolitan outlook and an active interest in the social development of their own country and region? Is it a problem of global corporate culture? Of international regulations and incentives?

Related to the values of the elites and more generally to the capacity of a state and society to foster social development is the perception of the question of poverty, of its characteristics, causes and remedies. It was emphasised that poverty is material deprivation in a context of powerlessness. It is absence of hope, of capacity to influence one’s destiny. Unless one relies only, against all historical evidence, on the progressive dissemination of productive economic activity and its benefits, the reduction of poverty implies redistributive measures. It implies the steady implementation of policies made to

correct the disadvantages and inequalities resulting from birth and circumstances of life. It requires a redistribution of opportunities, income, and in a number of cases, assets. It was pointed out that contrary to a development strategy, which has broader dimensions, a poverty reduction programme should be built essentially on economic growth and redistribution. The latter is not a prominent feature of the dominant ideology shaping the process of globalization.

III TRADITIONAL AND NEW INSTRUMENTS FOR THE GLOBAL FINANCING OF SOCIAL DEVELOPMENT

Traditional instruments for the external financing of social development in developing countries are typically official development assistance, humanitarian assistance and debt relief. New instruments, at least in the sense of being more emphasized or more openly discussed than in a recent past, are for example foreign private investments, the financing of global public goods, or any tax levied on global transactions. The discussion on these traditional and new instruments was of necessity immersed in a debate on the characteristics of the international economic and political environment in which social development objectives are to be pursued. Is this environment, often summarized under the label of “globalization”, favourable or not to social development and its financing? Views on this issue are reported before the debate on traditional and new instruments.

Views on the International Environment for Social Development

Three types of views were expressed, ranging from a radical critique of the dominant ideology and trends to a qualified and reformist endorsement of the prevalent order, and including a call for changes in the rules governing international economic relations.

The current model of development and globalization seen as an obstacle to social progress

First are those who see the very model of development, propagated throughout the world by the Western civilisation since many decades, as the source of social problems in the developing countries as well in the affluent regions. Far from being potentially universally benevolent and value-free, economic development itself, as propagated by the current process of globalisation and by the doctrine of development, is harmful to many. Economic development redistributes resources from more traditional relationships of production to modern organizations integrated with world markets, destroying livelihoods and communities. It divides families, as men migrate in search of wage work. It creates gross inequalities and cultural disparities, and vast urban slums. It therefore implies the same kind of countervailing social policies which, over a hundred years, evolved in the most advanced industrial economies: redistributive taxation, social insurance, subsidized housing and urban infrastructure, public health measures, support for the integrity of the family and the welfare of children, equal educational opportunities and health care.

And, continue the beholders of this school of thought, most of the less developed countries of the world, even if they fulfil all the national conditions evoked above, do not have the resources even to begin to fulfil such an agenda. Moreover, the strategies of economic development they are being encouraged to pursue will not enable them to mobilize such resources in the future. The indiscriminate liberalization of world trade and capital flows, the privatisation of public services, the emphasis on cheap labour and low taxation as primary economic assets, all inhibit any attempt at a comprehensive social development strategy. At the same time, because the international economy is so integrated, and power so concentrated, it has become notoriously volatile, devastating

economies by speculative transfers of capital or abrupt changes in commodity prices. Weaker economies have few resources to protect themselves from these swings, undermining their ability to sustain a commitment to social programmes. The very means that are used according to the neo-liberal model to promote development in developing countries are creating the social problems that are then deplored and insufficiently addressed.

A contention shared by several participants was that the ideology underlying the current process of globalization was in itself unfavourable to social development. This ideology, with its emphasis on market forces, marked a shift from a development to an individualistic paradigm, and generated a decline in international solidarity. The concept of equality was reduced to equality of opportunities. Income and redistributive policies, progressive taxes, were more or less considered undesirable vestiges of a socialist view of development. The discourse surrounding globalization had so much influence that it provoked a shift in the political ethos and beliefs of a great majority of policy makers. Public services, on which social development partly depends, were eroded by declining prestige and declining financing. An overwhelming focus on economic and financial matters, treated in very technical terms within closed circles of power, marginalized social issues into mere “appendices” of “serious” matters. Regressive social policies, linked for instance to the discarding of subsidies for essential consumers’ goods, could be legitimately attributed to pressure from distant international organizations. Hence a decline of the capacity of people to identify and understand decisions affecting their living conditions. This form of alienation was seen as one of the explanations for the popularity of the notion of cultural diversity. People who think their lives are influenced by forces they cannot control are inclined to retreat into their real or imagined “cultural niche.”

Also, the pervasive idea that competition is a natural, good and fundamental feature of the human condition is not conducive to the understanding and practice of the virtues of empathy, compassion and justice which sustain the caring and redistributive facet of social development. It is not even clear that competition as a prevalent value is helpful in the achievement of the first and fundamental aspect of social development which is the provision of economic opportunities and remunerated work for a maximum number of people. A good market economy, national or global, contributes to social development when it avoids concentration of economic and financial power. The notion of equality of opportunities has also to be construed as a collective effort to avoid the monopolization by a few of these opportunities. The ethos of competition, as propagated through the globalization movement during the last decades of the 20th century, was clearly that those - individuals, corporations, or countries - in a position to win should pursue their advantage to the maximum. This created a fertile ground for the legitimisation of violence as a normal feature of social and international relations. Forgotten was the virtue of moderation, which is essential to both personal and social harmony, and world peace.

Thus, according to this perspective, developing countries received, through the globalization process, an ideological and moral message which was largely in contradiction with the pursuit of social development, be it the reduction of poverty or the

maintenance of harmonious relations between different social groups. At the same time, official development assistance declined and there was limited progress - for instance on the debt issue - or stagnation, on the various concrete aspects of an international policy which is supposed to narrow the differences between developed and developing countries. To redress this situation, traditional forms of financial solidarity should be increased - with the hope that the Monterrey Consensus is a step in this direction - and new forms should be put in place.

But an enormous intellectual and political effort is needed to modify a course of human affairs whose current logic is leading towards violence and chaos. There is need for a comprehensive and enlightened world view, for an integrated and new humanism constructed through a multi-cultural and multi-ethnic dialogue. Political parochialism, together with a powerful and blind globalization process and with an increased militarisation of the world - in quantity and strength of weapons and in spirit - is a deadly combination threatening of humanity. The quest for peace, the quest for development, and the quest for an international and global community inspired by a new humanism are one single ambition and necessity.

In this new humanism financial solidarity between the rich and the poor, social groups, nations and regions, for economic development as for social progress, is a *sine qua non* condition and should become a routine aspect of a true international community. All nations of the world are increasingly interdependent, linked by technologies, economic exchanges, migrations, cultural influences, as well as by the struggle against the degradation of the environment, organized crime and corruption, and the threat of weapons of mass destruction. For this *de facto* interdependence to become an opportunity for prosperity and peace rather than an added source of tensions, conflicts and inequalities, financial solidarity is imperative. Historically, small communities, villages and then nations have forged a reasonable level of social cohesiveness and harmony through mutual aid, charity and social assistance of various forms financed by taxation and redistribution. Modern states and now regions, notably the European Union, have evolved along such model of how individuals and groups forge a community with the help of public and private institutions. There are all reasons to believe that the same model should now be progressively applied to the world as a whole. The doctrine of development and the concept of assistance from rich to poor nations were first steps in this direction. In the same way that human rights and universal standards of decent behaviour have to shape the emerging world community, so must various forms of financial solidarity for social development of all.

The “rules of the game” governing development cooperation must be changed

Other participants to the Forum, without necessarily disagreeing at least with elements of the radical critique expressed above, focused their analysis on the need to introduce fundamental changes in the concepts and practices governing the North-South relations and development cooperation, notably in its economic and financial aspects. For them, the model of development is indeed loaded with deficiencies, but fundamental and long term problems, which are at least partially addressed through efforts at sustainable

development, should not detract from the pressing task of reducing the multifaceted gap that separates developing from developed countries. To make steps in this direction, the modalities of the globalisation process, the rules governing development cooperation have to be profoundly modified. At present these rules are systematically biased in favour of the most powerful.

It was ascertained that a new paradigm of global policy making was necessary. The process of globalization has serious shortcomings in its balance, sequencing and rate of implementation of its various components. Its champions demand universal policies, notably of liberalization, whereas each country ought to be able to choose one's own "tempo and menu" of reforms. The results are a number of unnecessary disruptions and sometimes collapses in the economies and societies of developing countries. The liberalization of trade is treated in an ideological way, while concrete policies systematically favour the most powerful. Protections are removed from the poor and kept for the rich. The history of the development of Europe, with its mix of protection and openness according to national circumstances and periods, is ignored when requests are made to developing countries to remove entirely any form of protection of their domestic economic activities. The modes of operation of the World Trade Organization have to be reviewed in light of an empirical analysis of the experience gained so far. Some rules and principles have to be abandoned, others have to be kept. The question of the terms of trade needs new methods of intervention on the markets. The economic policy prescriptions of the International Monetary Fund are also defective. Not only are their social consequences terribly damaging in the short term and uncertain in the long term, but their very intellectual basis is questionable. The macro-economic policy "package" recommended by the IMF is again too rigid since it is based on abstract principles that are given a universal application through the power and prestige of the institution and the professional consequence of its economists. More democratic governance of the international financial institutions would alleviate this problem. Developing countries must have some leeway in their decisions on exchange rate, capital control and other critical aspects of their economic policy. Then they can learn from each other and from good practices. For example, some developing countries of Asia managed to get internally high saving and investment rates, leading to economic growth and to concrete measures for the poor, such as low cost housing. International prescriptions should not obscure the relevance and applicability of these successful experiences. "Ownership" is not simply acceptance, however sincere. It has also to be related to the analytical and political power of the developing "partner" and to the pertinence of the measures contained in the agreement negotiated for instance with the International Monetary Fund. And, the "architecture" of the international financial institutions needs more democratic governance.

Another angle for criticism of the dominant thinking was that a confusion had been introduced between development strategy and poverty-reduction strategy, and that both had been reduced to a stimulation and management of economic growth. A development strategy is of a long-term character. It involves a structural transformation of society, a change in the mentalities and political culture. Social development is only solid and sustainable when rooted in such structural transformation. The globalization movement,

centred on liberalization and privatisation, is adverse to such concepts. An anti-poverty strategy has short-term and medium-term elements. It rests essentially on economic growth and redistribution measures. The latter are largely ignored by the prevalent ideology. Whereas most developing countries need strong domestic redistribution of opportunities, income, assets and power, and they also need such redistribution at the international level, the message coming from the neo-liberal view of world affairs is that a freeing of market forces is the only possible avenue to prosperity and freedom. Under such circumstances, poverty eradication objectives and strategies, as currently conceived by international organizations, have very remote chances to be successful.

Put in a different language, an additional criticism of the prevalent doctrine was that equality and respect for human dignity, and not only freedom and competition, should be at the core of all policies for development cooperation. The external financing of social development should therefore respond to five principles. There should be a perception of common problems and an understanding that to help those in need is to contribute to the common good. Secondly, it should be realized that threats to peace and security are related to social development and are dangers for all societies. A third principle is pragmatism. All occasions for concrete redistribution of opportunities, income and power should be seized. Fourthly, concrete examples of effective policies for instance implemented with the participation of organizations of the civil society, should be largely disseminated, including by the United Nations and other organizations of the United Nations system. Official international documents are often too abstract and too general. And fifthly, greater account should be taken of the enormous role that the media have in shaping the views on cooperation and development. Public agencies should make a greater effort to give a stronger voice to those countries and social groups that are currently in a weak position.

Moreover, developing countries are expected to integrate the new world economy characterized by a revolution in communications and an unleashing of private forces on a global scale, whereas most of them have not managed to be full participants in the “old” economy and vision of development that had evolved since the late 1950s. The drastic intellectual and political change that unfolded throughout the world after the collapse of the Soviet Union did not modify by sudden miracle the economic and social conditions of the developing countries. Well known problems remained that were not to be suddenly eliminated through a new set of prescriptions and reforms. It was stressed at the Forum that integration in the global economy should be an outcome of development, rather than a prerequisite. A rushed integration is necessarily on terms dictated by the most powerful and can only perpetuate or even aggravate existing imbalances and inequalities. Developing countries, with the help of the United Nations and of global alliances and coalitions involving various like-minded countries and organizations of the civil society, need to press for changes in the rules of the game governing development cooperation under globalization, while pursuing their own efforts for economic, social and political advancement.

From this standpoint, nothing should detract attention from the task of modifying in favour of developing countries the international and global economic and financial

environment in which these countries have to operate. The institutions, rules, decision-making processes governing trade, investments, patents and intellectual property and other major aspects of the North-South relations are in need of reforms. It has been repeatedly argued, for instance, that the removal of trade barriers imposed by the North to the products of the South would yield more resources, including for social development, than all forms of bilateral and multilateral assistance. Such assistance should of course be kept. It should in fact be increased to reach the long established target of 0.7% of the GNP of developed countries and it should not be confused with the financing of humanitarian assistance or the financing of global public goods. But assistance, in all its forms, should not detract attention from the struggle of attaining more justice in international and global economic relations. And the search for new instruments for the financing of social development, and development in general, should similarly not be used as an escape from the solution of well-known problems such as debt relief and participation of developing countries in the management of the global economy.

The benefits of the globalization process need to be extended to all countries

The dominant view of international organizations, as expressed by their leaders and in official intergovernmental texts negotiated by consensus, is that globalization is a major trend reshaping fundamentally the world economy and international relations, that it corresponds to an important phase in human history marked by further gains in the freedom of the individual, that it should run its course without major impediments, but that its economic benefits, which are enormous, should be more evenly spread within countries and between developed and developing countries. For this, a number of reformist measures are advocated, involving forms of public intervention and regulation at the national, regional and international level, and involving also a greater participation of developing countries in the management of the world economy through the main international financial institutions. This view is clearly formulated in paragraph 5 of the Millennium Declaration. It should be quoted in its entirety:

“We believe that the central challenge we face today is to ensure that globalization becomes a positive force for all the world’s people. For while globalization offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed. We recognized that developing countries and countries with economies in transition face special difficulties in responding to this central challenge. Thus, only through broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity, can globalization be made fully inclusive and equitable. These efforts must include policies and measures, at the global level, which correspond to the needs of developing countries and economies in transition, and are formulated and implemented with their effective participation.”

In this perspective, social development, and even development in general, is very much identified with the reduction of poverty. It is recognized that the record of the last decade or so is in this regard ambivalent. As estimated with the indicator of a dollar or less a day available per person, poverty has decreased in some parts of the world and increased in others. In any case, it remains the major problem of the international community and it

must be addressed as a matter of priority and urgency. Hence the goal of the Millennium Declaration “to halve by the year 2015, the proportion of the world’s people whose income is less than a dollar a day and the proportion of people who suffer from hunger; and also by the same date to halve the proportion of people who are unable to reach, or to afford, safe drinking water”. Then there are goals and targets on education, mortality, HIV-AIDS and other major diseases, and housing. The other aspects of social development are left to national responsibility.

The Forum heard a number of ideas on how to render the process of globalization more inclusive. A list of seven general prescriptions was given:

- Developing countries should benefit from a better market access to their products;
- They should create a “climate” more favourable to foreign investment;
- The poor should have better access to education, health, and decision-making in institutions affecting their lives;
- Systems of social protection should be expanded;
- There should be more and better aid; ODA should be doubled; an additional \$50 billion is required for the attainment of the Millennium goals;
- Debt relief should be pursued; and,
- Forms of global collective action should be developed to address global problems such as HIV-AIDS and global climate change.

A similar view was expressed by another participant who saw a comprehensive approach to the development of developing countries in the context of globalization resting on three pillars:

- An increase of ODA and an improvement of its quality;
- More trade through more open markets; and,
- A strengthened capacity of developing countries in various domains, notably in financial institutions.

The negotiating capability of developing countries should be strengthened. International organizations can play a significant role in this respect.

At all levels, participatory processes should be encouraged and improved. This refers to the already mentioned role of Parliaments, to organizations of the civil society, to the private sector, and to the vulnerable and impoverished groups themselves. This refers also to the role of trade unions, which remains basic in every country.

Transparency is also critical for all institutions, national and international, private and public. The important role of the already mentioned organization Transparency International was noted in this connection. Also mentioned was the necessity to make transnational corporations accountable, including through the adoption of international accounting standards.

Thus, from this third and dominant perspective, which seeks improvements in the process of globalization without changing its premises and orientations, international action for social development is fully justified. The freeing of private initiative and the availability of different domestic and foreign sources of investment are critical for developing countries and for the reduction of poverty, but international solidarity is also indispensable and should be considerably expanded. Economic measures providing more resources to developing countries, notably on trade, investments and debt, should be accompanied by an increase in financial and technical assistance. New instruments for an international or global financing of social development, however, for the adepts of this “generous and concerned but realistic” school of thought, are generally considered premature or undesirable.

Comments on Traditional and New Financing Instruments

None of the participants in this Forum were favourable to the *status quo* for the external financing of social development. In addition to the efforts of the developing countries in various aspects of their domestic policies, and in addition to a functioning of the world economy more favourable to developing countries, old pledges of developed countries have to be renewed and assistance has to be increased. This was a sort of political basis on which all participants agreed. There was also considerable interest, but predictably less agreement on the new sources of international and global financing for development and overall progress of the world community that are currently debated in various forums.

A “Modern Marshall Plan”

A comprehensive example of this position, brought to the attention of the Forum and already mentioned in this Report, is the proposal by the government of the United Kingdom for “A Modern Marshall Plan for the Developing World”, also entitled “Tackling Poverty: A Global New Deal”. Also placing itself in the perspective of the Millennium Development Goals, this Global New Deal seeks a new strategy between “the old isolationism” and “the old laissez faire approach of doing nothing”. It is based on the recognition that markets and privatisation, but also competition are important; that private capital and private investment have a pivotal role, but that “the unfettered power of any vested interest is unacceptable”, that public investment is also necessary; and that there is need for “proper financial supervision” as well as a “sequencing of the liberalization of capital markets”. It has four building blocks. The first is for “rules of the games” in the global economy more favourable to the poorest economies, including better defined roles of the public and private sectors at times of “crisis resolution” and an effective international bankruptcy procedure. The second is to raise levels of domestic and foreign investments, essentially by creating a more favourable business environment. The third is “widening and deepening trade”, on the estimate that “full trade liberalization could lift at least 300 million people out of poverty by 2015”. And the fourth building block, on financing for development, includes further debt relief, an endorsement of the estimate included in the Zedillo report¹⁰ that additional aid of \$50 billion a year is required until 2015 to achieve the Millennium development Goals, an

improvement of the effectiveness of this aid and better use of the funds received by the poor countries, and a pledge that “in future no country genuinely committed to economic development, poverty reduction, and transparency and proper standards should be denied the chance to make progress because of a lack of investment.” A substantial increase in development aid is to be given to nations most in need and willing to focus on the fight against poverty.

Social spending as a good investment: the case of health

The justification of expenditures in social domains by their economic returns, though by no means new, is quite prominent in the present international discourse. A recent example is the already briefly mentioned Report of the Commission on Macroeconomics and Health, entitled *Macroeconomics and Health: Investing in Health for Economic Development*, and given to the Director-General of the World Health Organization in December 2001. Placing its work in the perspective of the Millennium Development Goals and of the “framework for poverty reduction” provided by the *Poverty Reduction Strategy Papers*, the Commission recommends donor grants to the least developed countries in an amount of \$27 billion a year by 2007 and \$ 38 billion by 2015, from a current level of approximately \$6 billion a year. This official development assistance for health should be, stresses the Commission, additional to current aid flows since “increased aid will be needed not only in health but also in education, sanitation, water supply and other areas.” But this programme “would yield economic benefits vastly greater than its costs”. Estimating that eight million lives, representing 330 million “disability-adjusted life years” (DALYs), would be saved from infectious diseases and nutritional deficiencies, the Commission suggests that in 2015 “the direct economic benefit would be \$186 billion per year, and plausibly several times that; economic growth would also accelerate, and thereby the saved DALYs would help to break the poverty trap(...); this would add ten of hundreds of billions of dollars more per year through increased per capita income.”

A plea for ODA as a permanent feature of a global community

When persons in position of responsibility on matters of development and international cooperation are confronted with political realism and feasibility, when they take account entrenched prejudices and phobias, they come to the conclusion that Official Development Assistance remains the solution. This observation was followed by an impassionate plea for this form of financial assistance to developing countries. Politicians and their constituencies must again and again remind themselves that ODA should not be seen as a short-term necessity to fix a temporary problem. ODA is not a way to finance the repair of some historical error or pay for colonial sins. Nor is it legitimate to see it as useless because there is still extreme poverty in the world after a quarter of a century of assistance. ODA is here to stay and should be dramatically increased as interdependence deepened. An organized global redistribution is a permanent feature of the minimally decent international society that has to be organized. This does not mean that development aid should become a sort of “global social gap-filling”. ODA, to have a maximum beneficial impact, has to be linked to reforms and change processes that

address structural and political inadequacies. In combating poverty, we must focus on the dynamics of social progress. ODA is both a permanent feature of the global community and a dynamic agent of social change.

A related remark was that donors - bilateral and international organizations - asking for good governance on the part of developing countries should also “practise what they preach.” As evoked in the first part of this Report on the importance of the attitudes of those who give and those who receive, the approach of donors to the users of ODA should be shaped by tolerance, humility, and the practice of self-evaluation.

A solidarity fund

Noting that not all development assistance needs to be channelled through Governments alone, a participant put forward a proposal for Global Solidarity Fund which would be based on contributions from the private sector, from individuals, as well as governments. For example, individuals would contribute, on a voluntary basis, 2% of their salary - based on an international agreement on the tax deductability of these contributions. Governments could be required to contribute 2.5% of military spending levels and/or 10% of their ODA to the fund. At the national level an example was mentioned of a country having established a “skills development fund” based on contributions from individuals and the private sector, including transitional corporations.

The importance of “human” capital flows

International debates often focus on international capital flows. The importance of foreign direct investments is recognized, including to provide an economic base for improvements of levels of living and other aspects of social development. It is also noted, however, that at present 83 % of these investments to developing countries are concentrated in 15 emerging economies. Africa as a whole receives less than 1% of the world’s total FDI. Sub-Saharan Africa benefits from only 5% of these investments going to developing countries. It was noted in this regard that ODA, as well as funds generated from new sources, should support the enhancement of private investment into developing countries. A new conception of public-private partnerships could also enhance resources for social development.

But attention should also be given to international capital flows generated by human work. Remittances from migrants from developing countries can be an important source of finance for these countries, which potentially could exceed ODA. Transient labour from developing countries working in developed countries normally pay social security taxes but in most cases never collect their benefits because they return to their home countries. One way to channel these resources back to developing countries would be to establish an international mechanism by which migrant workers could bring back their social security taxes paid in their country of employment. As Western countries, given their demographic trends, will have no option but to rely on migrant workers over at least the next fifty years, this could potentially be an important source of finance for developing countries.

It was also pointed out that it was essential to offset the continuing brain-drain from developing countries. This could be achieved by either imposing an exit tax on individuals who have received training in developing countries but who wish to move to a developed country, or by introducing a small tax - i.e. 1% - on their income collected in these developed countries.

A currency transaction tax and related ideas

Proposed several years ago by James Tobin, a laureate of the Nobel Prize of Economics, the currency transaction tax continues to generate interest, debates, strong support and fierce opposition. At the forum, it was noted that this tax was under serious consideration in several European countries and in the European Union itself. Leading figures in several developing countries have also spoken in favour of such a tax. Apart from generating new resources for development, this measure could be an important regulating mechanism to harness the process of globalization. One participant in the Forum co-authored a proposal for a treaty on the implementation of this tax, which includes the following elements:

- The purpose is to decrease economic and currency instability, generate revenue for development and stimulate economic participation;
- 30 countries need to enact the treaty in order for the tax to work;
- A significant part of the nationally generated revenues would be devoted to a global fund, with a democratic governing body deciding on the use of the funds;
- The governing body would consist of a council of Ministers and an assembly representing Governments, national parliaments, and civil society;
- The initial role of the United Nations would be to act as a depository for the international treaty. Some development activities of the fund could be implemented by the United Nations system.

Several participants stressed that the currency transaction tax as well as other related proposals such as the carbon tax, would be *an internationally agreed national tax*. The technical difficulties associated with their implementation could be overcome. It was important to stress the fact that such taxes could be introduced with a limited number of countries participating. One major difficulty was the question of how to share internationally the revenues of these nationally collected taxes. At present, no international organization in its present configuration would be able to handle this task. The Economic and Social Council, for example, would need to be reformed. One participant pointed out that not all of the revenues of a Tobin or equivalent Tax would need to be transferred directly to the international level. Even if it were agreed to transfer only 5% or 10%, a considerable amount of resources would still be generated to finance social development. It was also noted that the best solution to the problem of sharing

national revenues might be to simply have the taxes both agreed and collected internationally.

In a similar vein, the following question was posed: If governments can be prevailed upon to legislate two trees to be planted for every tree cut, would making transnational corporations and domestic enterprises pay for a child's growth and education, however defined, based on same percentage of payroll as labour utilised, as an earmarked tax, be analogous to planting human trees for economic growth and social development? Could this be more direct and practical than the Tobin tax?

Also related were the comments on the need for improved international cooperation on tax matters. The creation of an international tax organization was evoked and supported by a number of participants. A global forum on taxation should be established within the United Nations system and international support should be given to national efforts to counteract excessive tax competition and tax evasion. It was noted that international cooperation on tax matters was in fact a global public good (see below the discussion on this concept), which not only benefited individual countries but benefited all, *inter-alia* through a more efficient global economy.

It will be recalled that the High-Level Panel on the Financing for Social Development had the following to say on global taxes: "The Financing for Development Conference should explore the desirability of securing an adequate international tax source to finance the supply of global public goods (...) In particular, a currency transaction tax (otherwise known as the Tobin Tax) has often been proposed as a new source of finance. The Panel believes that further rigorous technical study is needed before any definite conclusion is reached on the convenience and feasibility of the Tobin tax. There is more likely to be more promise in a *carbon tax* – a tax on the consumption of fossil fuels, at rates that reflect the contribution of these fuels to CO2 emissions."

Also, this Panel proposed that "the international community should consider the potential benefits of an International Tax Organization. This could address many needs that have arisen as globalization has progressively undermined the territorial principle on which tax codes are based. Developing countries would stand to benefit especially from technical assistance in tax administration, tax information sharing that permits the taxation of flight capital, unitary taxation to thwart the misuse of transfer pricing, and taxation of emigrant income."

On this proposal, the Monterrey Consensus talks of the need to "strengthen international tax cooperation." On new sources of international finance, the following is stated: "We recognize the value of exploring innovative sources of finance, provided that these sources do not unduly burden developing countries. In this regard, we agree to study, in the appropriate fora, the results of the analysis requested from the Secretary General on possible innovative sources of finance, noting the proposal to use SDR allocations for development purpose."

The notion of global public goods: promises and necessary precautions

The Forum was provided with a succinct explanation of the notion of public good, noting that Adam Smith had considered as such national defence, the administration of justice, the protection of property rights, as well as the maintenance of competitive markets and the control of money supply, and noting also that the debate on global public good was stimulated in the late 1990s by a book published by the UNDP.¹¹ Two questions were put to the Forum: What would be the best method of financing global public good? And, what would be the implications and advantages, from the perspective of developing countries, of considering the elimination/reduction of poverty as a global public good?

Several comparable definitions of a global public good were given. It was said that such goods have two basic characteristics: they are necessary and are in principle non-competitive. These two features make possible the distinction from private goods. And they are global because they are of concern or significance for the whole world's population. A related approach was that these goods are freely available to all, generally without competition or exclusion. Or, a global public good is a public good that extends its benefits beyond one or a group of countries, accrues to several preferably all population groups, and does not discriminate against any population or any set of generations, present or future.

As to the number of global issues that might be covered by this notion, views differed. An opinion was that criteria for defining global public good have to be rigorous. Such goods are therefore rare. It would be wise to start multilateral discussions on the basis of a short, restrictive list of truly global public goods. The challenge is not to have numerous examples, but to have discussions launched on a few cases. Examples are prevention of communicable diseases through research and vaccines, education and knowledge, preventing climate change, and preventing the spread of water-borne persistent organic pollutants and heavy metals that concentrate in the food chain.

A different view, based on less strict criteria, was that the range of global public goods should be extended in many areas including health and the protection of the environment but also reduction of international crime - seeing the creation of the International Criminal Court as a global public good, reduction of financial volatility in world markets, the extension of distance learning, and the effective management of international conflicts. It was noted that the High-Level Panel on Financing for Development had assigned to international development cooperation four "vital roles", one of which being providing or preserving the supply of global public goods. For the Panel these goods included peace-keeping, prevention of contagious diseases, research into tropical medicines, vaccines, and agricultural crops, the prevention of CFC emissions, the limitation of carbon emissions, and the preservation of bio-diversity.

Views expressed at the Forum also differed on the usefulness of treating the reduction of poverty as a global public good. A participant thought that the notion of global public goods could provide a new foundation for improving international cooperation and that for developing countries the advantages would be additional resources on top of ODA,

and a binding, quasi legal system for a global redistribution for the external financing of the eradication of poverty. This view was anchored on the conviction that only a comprehensive, holistic development strategy, with people at the centre of global policies and concerns, would ensure the reduction and elimination of poverty. Critical for this strategy were transparent and efficient governance structures at the service of citizens, both locally and globally, real redistribution of income and wealth, and effective redistribution of decision-making power. For another participant, expressing a probably more widespread stance in international circles, poverty reduction did not meet the characteristics of a public good, neither nationally nor internationally. The struggle against poverty should rather be seen as part of the common good and as one of the dimensions of the right to development.

Of great relevance to all was the question of the financing of global public goods and the financing of official development assistance. At a time when it is not yet certain that the trend of decline in the level of ODA has been halted and reversed, any competition in the securing of funds for developing countries, or any justification for a “better use” of these funds should be seen with extreme caution by those who believe that the great North-South divide prevents the emergence of a global community. For the foreseeable future, as long as strong redistributive mechanisms at the world level are not in place, the financing of development and the financing of global public goods have to remain somehow separated.

It was ascertained that the aim of aid is more in the domain of equitable redistribution, of improvement of the capacity of develop, whereas the aim of global public goods is improvements in the efficiency of allocation of the means of production. Donors provide grants through their aid ministries. Global public goods should be financed through the responsible functional ministry, because they are of just as much benefit to rich as to poor countries.

But it was also stressed that fine theoretical distinctions between the two concepts will be ineffective if the political determination to multiply and reinforce all forms of solidarity between developed and developing countries was lacking or lukewarm. To take for example peace and security as a global public good would be a measure of globalization with a conscience. No definition will be useful if the average citizen in affluent countries do not feel concerned about the conflicts in Africa, either because of pure compassion or because of the fear of migratory flows or widespread insecurity. The discussion on global public goods should provide a fresh rationale for improved international cooperation for social development and for increasing official development assistance.

Other innovative suggestions

A number of other suggestions for improving directly or indirectly the financing of development were made by participants in the Forum and, for lack of time, were not further elaborated and debated. These included:

- The establishment of an independent and fair “debt arbitration mechanism” for current and future loans, which will promote ethical lending and borrowing policies.
- As part of the democratisation of the international financial system, the strengthening of the Economic and Social Council’s capacity to exercise its responsibility in the domains of development, economics, finance, trade, and social policy.
- The creation of a “social development index” akin to the global/international competitiveness index which is focused on macro economic, infrastructure and science and technology variables. The social development/competitiveness index would put down in a more rigorous fashion social indicators contributing to socio-political stability, cultural cohesiveness and other elements contributing to overall competitiveness. If there is value in such index, resources to finesse it involving public, private and social partners will come on board, for profit and the pursuit of the common good as well. In a moral economy, social trust and values, buttressed by good governance, are the best insurance. Currently there is asymmetry, between developed and developing countries, transnational corporations and workers, transnational corporations and consumers. Buffers are needed, from states to international organizations, to provide a social glue to an otherwise naked global society.
- The establishment of a “human progress compass”, to ensure that we are on course and that our development programmes and policies are people-centered, gender sensitive and environmentally sustainable. Social development is to expand the frontiers of knowledge, the boundaries of economic and social opportunities for all, and a sense of security for individuals and groups. The “compass” would monitor progress towards these ideals.
- The planning of an “international organization on political reform”. Whether on moral, equity, or functional grounds, political reform - that is reform of power and authority - is equal in necessity to economic reform. Planning for such an organization is overdue. It would need to identify the functions of the organization and how they would relate to the functions of the other organizations of the United Nations system. A structure would have to be designed, that addresses questions of foundations for legitimacy and sources of support. Processes for its operations would have to be designed, with attention to the substance of democracy and not only to its procedures. The theoretical and political difficulties are formidable, but the creation of an international entity to seriously attend to democratisation would help highlight the crucial importance of this aspect which is not separable from social development and from prosperity and security for all.

Innovations, Conservatism and Consistency

For the financing of social development as with other matters of international concern, new proposals and ideas such as those evoked above usually provoke strong reactions from those who are engaged professionally or “civically” into their discussion. Enthusiastic adhesion parallels vehement rejection. And these extreme positions feed each other, partly because they are *a-priori* associated with the labelling of the opponent, “neo-liberal” or “leftist”, or “global capitalist” and “philosopher”, or “realist” and “idealist”. Such unhelpful simplification is also related to the great difficulty there is in assessing soberly but realistically the nature of the present historical period. It is intellectually and emotionally tempting to think that one is part of a “new era”. Then those who are on the whole “happy” or “hopeful” about this radical departure from the past will feel that only those concepts and policies in tune with the prevalent ideology are worth pursuing. Typically, in the case in point, they will favour market mechanisms and private investment and neglect public regulations and official development assistance. But those who are “distressed” or “pessimistic” about this “new era” will also be inclined to forget traditional instruments in which they had previously invested their faith and energy, for instance official development assistance, and try “something new” and “up” to the “new challenge.” Thus, political adversaries, united by their judgment that there is a discontinuity between the past and the present, can both contribute to the neglect and obsolescence of policies that otherwise remain objectively valid.

Prominent in this Forum was a prudent but determined line of thinking, suspicious of intellectual political fashions and labels, careful in its judgments on the spirit of the time, mindful of history and of the easy emotional appeal of “new eras” and “new beginnings”, but clear minded on the objective to be pursued, aware of the numerous obstacles that have to be regularly overcome, anxious to use all available policy instruments and institutions, and open to experimentation and innovation. There are still developed and developing, affluent and poor, powerful and weak countries. Living conditions that offend decency and dignity, inequalities that render impossible the emergence of a human family and international community, have to be denounced and combated with humility and courage. This struggle has not started yesterday and will not be achieved tomorrow. Past policies and strategies were imperfect, and so are the current ones. Changes in ideas are necessary and useful, but on matters of development and progress there is no such thing as a “clean plate” and a *tabula rasa*. For this intellectual clarity not to turn into scepticism and resignation, people in a position of power in developing and developed countries, whether their power is political, intellectual, civic or corporate, need imagination, compassion and faith in the future of humanity. At a time when dark clouds of violence, hate and war obscure this future, proponents of this line of thinking are aware of the fact that everything that contributes to the common good counts, from individual courage and generosity to the increase of official development assistance, and from the dismantling of tax havens to the building of new international institutions.

CONCLUDING REMARKS

It might be useful to concentrate these remarks on a selected number of points of agreement, points of divergence, and markers for further reflection.

Points of general agreement

- Social development is no longer a purely national responsibility. A sharp distinction between economic issues having a large international and global dimension and social issues being intrinsically domestic is no longer valid. The concept of global social development is therefore acceptable and needs to be further defined.
- Social development of developing countries is increasingly immersed in an international and global environment characterized by interdependence and various forms of globalization. An overall judgment of progress or regress in the evolution of social conditions in developing countries during the last two decades remains highly subjective. But it is certain that governments of these countries face enormous problems and that a great majority of people live in a precarious manner. A prominent example is the HIV/AIDS pandemics.
- In spite of interdependence and globalization, states remain critical institutions for social and economic development. Their strengthening involves question of efficiency and questions of democratisation. Political development is a condition for social progress and one of its manifestations. It is at the national and local levels that decisions improving or hampering the well being of people are taken.
- Developing countries need more international assistance for their social development. This assistance should be financial, technical and human, and is in many cases a necessary complement to national efforts. It is neither possible nor desirable to draw a clear line between assistance for economic development and assistance for social development.
- Official development assistance should be increased, and other well-known measures to improve the economic situation of developing countries and give them a base for social development - debt relief, access to external markets, improved terms of trade- should be pursued.
- The financing of official development assistance should remain distinct from the financing of humanitarian assistance and from the financing of global public goods, at least until this latter notion is clarified and become accepted and operational.
- Investments necessary for economic growth and improvements in levels of living and coming from domestic and foreign sources, need to be increased. The level and productive use of domestic savings remain critical. At this point, foreign

direct investments are heavily concentrated in developed and a few developing countries.

- Effective, fair and progressive taxation systems are of critical importance for political, social and economic reasons. At all levels of economic development an element of redistribution is necessary, notably to address issues of poverty. At the international level, cooperation on tax matters needs strengthening, for instance to eliminate tax haven and to help developing countries resisting pressures for tax cuts that does not serve the general interest.
- Education, like health, is both a component and a condition of social development. In all its dimensions and forms, it should receive increased attention from national governments and international organizations.

Points of divergence

- The question of poverty and development: for some the reduction of poverty should be addressed essentially by policies for economic growth and by redistributive measures; development requires more comprehensive strategies; the current tendency to confuse the two and to “target” poor groups does not help either. For others, poverty is indeed the main problem of developing countries and it is legitimate and helpful to concentrate international and national efforts on this issue.
- The question of “new and innovative sources of financing social development”: although hostile viewpoints were not clearly formulated, the strong interest of a number of participants for the Tobin tax and other forms of taxations on international transactions was not unanimously shared. The same was true for the creation of a Security Council on Economic and Social Matters. The setting up of an International Tax Authority was perhaps more acceptable to all. In general, and not surprisingly, the need for new or strengthened international or supranational institutions is a contentious issue.
- On a point of strategy and political philosophy, there were those who believe that existing instruments for international cooperation and assistance to developing countries, notably ODA, should be used to the full and defended against their detractors. The fight for new instruments that meet strong opposition was, at this point, somewhat futile and counter-productive. For others, a “new era” demanded new forms of cooperation.
- The strongest defenders of ODA were also those who believed that this form of solidarity was the prelude and the embryo of a global system of redistribution rendered unavoidable and desirable by interdependence and the “political shrinking” of the world. Adversaries to this perspective, not to be confused with the proponents of new instruments such as the Tobin tax,” saw the future more in

terms of shared prosperity through a better distribution of the benefits of the current process of globalization.

Markers for further reflection

Apart from the suggestions for new instruments for the financing of social development that can be found in the third part of this Report, two points evoked during this Forum seem to deserve particular attention:

- The question of the moral foundations, or moral rationale for assistance to developing countries, and in general for concrete expressions of solidarity with those in a position of weakness and deprivation, underlined a good part of the debate (the agenda was elaborated with this objective). Some participants were inclined to think that such moral foundations or justifications should be made explicit, debated and advocated, notably by international organizations. Others, while recognizing the importance of the moral base for all human actions, thought that on matters of development and international cooperation a sober, reserved attitude, resting on simple notions of human decency and enlightened self or national interest, was preferable to a necessarily vague or divisive “debate on values.” This difference is not presented here as a “point of divergence” because the “idealists” or “moralists” and the “realists” or “rationalists” who participated in this Forum all shared the conviction that the threat of dual societies and a dual world had to be taken very seriously. Should the reflection on these different political and philosophical sensibilities be pursued somewhere in the United Nations, in a general manner or a-propos a very concrete issue such as official development assistance?
- In a similar vein, the concept of global social development, and the related issue of the contours and modalities of international cooperation for social development in the framework of the United Nations system, were touched upon but only superficially during this Forum. It was for instance reiterated that the participation of a variety of public and private actors was a condition and a manifestation of social progress. And comments were made on “partnership” and “ownership.” Under which conditions could a cooperation which is and should be essentially a transfer of resources from the North to the South become progressively a more balanced, more even, and richer exchange, for example on the features of the world community that has to be built together? It is imperative to address problems, to fight inequalities and to redress imbalances. It is also important to debate and share ideals.

NOTES:

¹ This broad conception of social development is consistent with the text adopted by the World Summit for Social Development. See United Nations, *The Copenhagen Declaration and Programme of Action, World Summit for Social Development*, 1995, New York, The United Nations.

² These six fundamental values are freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility. See *United Nations Millennium Declaration*, Resolution adopted by the General Assembly, 55/2, 18 September 2000, New York, the United Nations.

³ The Universal Declaration of Human Rights was adopted by the General Assembly of the United Nations on 10 December 1948. It has a preamble and 26 Articles. From it, were derived the Covenant on Civil and Political Rights and the Covenant on Economic, Social and Political Rights, which came into force in the 1960s. For the text of the Declaration, see *The Universal Declaration of Human Rights*, Reprint October 1989, New York, Office of Public Information, United Nations.

⁴ See *Road Map towards the implementation of the United Nations Millennium Declaration, Report of the Secretary General*, General Assembly, A/56/326, New York, The United Nations.

⁵ A prominent example of the problems affecting international cooperation for development is the low level and recent overall decline of official development assistance. Whereas since 1969 the accepted objective is for developed countries to devote a least 0.7% of their G.N.P to O.D.A, the actual level was 0.22 % in 2000, for a sum of \$53.1 billion, and a decline of 6% from 2000. A major reason for this decline was the reduction done by the country that is quantitatively the biggest provider of aid, Japan. Others countries, notably The United Kingdom, The Netherlands, Sweden, Belgium, Luxembourg, and Greece, increased their aid. See for this type of information, *World Economic and Social Survey 2001*, New York, the United Nations. This is an annual publication.

⁶ The United Nations International Conference on Financing for Development took place in Monterrey Mexico, on 18-22 March 2002. It adopted a text officially called “the Monterrey Consensus”. On ODA, the text says, inter-alia, the following: “We urge developed countries that have not done so to make concrete efforts towards the target of 0.7% of GNP as ODA to developing countries and 0.15 % to 0.20% of GNP to LDCs (least developed countries).” This is a language familiar to international conferences. But, during the Conference, the European Union announced that it will increase its aid from 0.33% to 0.39% of its GNP, adding \$20 billion by 2006, and the United States announced that its increase will be of 50% in the next three years to reach \$15 billion in 2006. At present the United States devotes 0.10%of its GNP to ODA.

⁷ See *Macroeconomics and health: Investing in Health for Economic Development, Report of The Commission on Macro-Economics and Health*, December 2001, Geneva, World Health Organization.

⁸ See *Tackling Poverty:A Global New Deal, A Modern Marshall Plan for the Developing World*, mimeographed, February 2002, London, HM Treasury.

⁹ See *Global Corruption Report 2001*, Edited by Robin Hodess, with Jessie Banfield and Toby Wolfe, 2001, Berlin, Germany, Transparency International. This publication includes regional reports, global issues, and data and research.

¹⁰ The “Zedillo Report” is the *Report of the High-Level Panel on Financing For Development*, a group of eminent personalities invited by the Secretary General of the United Nations to present their views on financing development. The Report was issued in June 2001 and made available to the General Assembly as document A/54/2000. It contains a number of innovative suggestions, including on institutional matters.

¹¹ See United Nations Development Programme, *Global Public Goods*, 1999, Oxford University Press, New York.

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