Finance in Common

The first global summit of all Public Development Banks

PARIS

12 November 2020

TO BUILD BACK BETTER FROM COVID, SOCIAL INVESTMENT IS KEY TO SUSTAINABLE ECONOMIC RECOVERY

AS OF 12 NOVEMBER

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PREAMBLE

Economic and interdisciplinary research is clear: social investments provide the highest returns. For example, as Nobel-prize winner James J. Heckman demonstrated[1], the earlier children go to school, the longer they stay in education, the higher their chances of getting better-paid jobs, and the higher the likelihood of breaking the cycle of worsening inequalities at the community level.

The SDG Health Price Tag published by the World Health Organization provides a striking illustration of the economic and social growth impact of investment in social infrastructure. In particular, among the three most resource-intensive health system components (health workforce, infrastructure, and supply chain), health infrastructure represents 36% of all investment needed in lower middle-income countries.

Furthermore, to guarantee a social protection floor to all their population by 2030, developing countries would need to invest on average an additional 2.2% of their GDP every year. For low-income countries, however, the additional investments required are much higher, pointing to the need for complementary international financial assistance at least in the short-term.

Social infrastructure-oriented investments, coupled with the appropriate level of human resources, contribute significantly to accessibility, affordability and quality of essential services. Progressive realisation of universal health coverage, social protection for all and equal access to services such as education, coupled with increased life expectancy and economic wellbeing, are all premises of durable economic development and inclusion. There is a persisting lack of affordable, quality services as an increasing barrier to access. Therefore, sound social investments should focus on the reduction of inequalities, especially from a gender, geographical and cultural perspective, as key factors for sustainable economic development[2].

Social investments are best defined as all the resources that increase individuals' capabilities, to use the concept of Amartya Sen, empowering them to act and live according to their own definition of what constitutes good standards of living. The overarching principle of the Sustainable Development Goals, our commonly agreed agenda, is to "ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment"[3]. This clearly calls for increased investment in education, health, gender equality, social protection and decent work – each being an SDG in its own right, and being instrumental in achieving the other SDGs.

1. James J. Heckman, Giving Kids a Fair Chance, Cambridge (Mass.), The MIT Press, Boston Review Books, 2013.
2. Stenberg, K. Hanssen, O. Edejer, TT-T et al. "Financing transformative health systems towards achievement of the health Sustainable Development Goals: a model for projected resource needs in 67 low-income and middle-income countries." Lancet Global Health. 2017 ; 5.
3. Preamble of the UN Resolution adopting the SDGs, Transforming our wolrd, : the 2030 Agenda for Sustainable Development, 25 September 2015, https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

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The Covid-19 pandemic has revealed the vulnerability of our societies to the mutually reinforcing impacts of growing inequalities and environmental degradation. Combined with conflicts and climate change, it has already reversed the gains in poverty eradication for the first time in a generation and may push up to 150 million people into poverty by 2021,[4] widening the poverty gap between men and women[5].

On the contrary, deferred or insufficient investment benefiting the most vulnerable population groups may increase costs to society as a whole and reduce its resilience to shocks. Indeed, according to the International Labour Organization, the loss in worked hours would have been 28% higher worldwide in the absence of income-support and other budgetary measures in the stimulus packages following the outbreak of the Covid pandemic.

A key challenge today is that stimulus packages in low and middle income countries show a financing gap of almost 1 trillion USD to match those in higher income countries, when an equivalent loss in working hours is factored in.[6] Part of this gap is explained by the importance of informal workers in the economy, as they have been hit most by the economic consequence of the pandemic and need not only short-term support, but also sustained investment in future.[7]

While short-term responses to the pandemic are necessary, they will be insufficient to tilt the scales to get us back on track to achieve the Sustainable Development Goals. How could more financial flows, both public and private, be attracted towards social investments? Public development banks, as with other assets, can act as the « visible hand » in this field and help drive major financial actors, including but not limited to public finance, towards social investments.

The crisis clearly demonstrated the need for increased social investment. Research has demonstrated it makes economic sense as it provides among the highest returns on investment. So, if we are serious about acting for people, planet and prosperity, social investments play a key role to build back better after the Covid crisis. For the economic recovery to be sustainable it will need to reduce inequalities and enhance inclusiveness in our societies, with a specific focus on vulnerable groups, while also tackling climate change and broader environmental sustainability challenges.

Shock-responsive institutions, and robust and integrated social infrastructure systems increase the resilience of our societies. Social investment encompasses infrastructure, complementary equipment, maintenance, as well as support to policies, institutions and capacity building for the many people in charge of delivering essential services to final beneficiaries. Together, they can strengthen societal resilience by simultaneously generating economic, employment, social inclusion and environmental benefits, and so facilitate a just transition.

Today, we join forces to push forward the social agenda that will be commensurate, in financing, scale and reach, to make the SDGs a reality within this decade.

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4 Poverty and Shared Prosperity 2020: Reversals of Fortune (PDF), World Bank, 2020.

5 From Insights to Action: Gender Equality in the wake of COVID-19, UNDP, 2020.

6 ILO Monitor: COVID-19 and the world of work. 6th edition. https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_755910/lang--en/index.htm

7 Covid-19 and the informal economy. Immediate responses and policy challenges. ILO Brief, May 2020. https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_743623.pdf

Declaration of intent

We, PDBs, active in supporting the social agenda of our constituencies, countries, and communities, hereby declare our intention to join forces in favour of the social agenda conducive to reaching the SDGs by:

- Taking stock of the Declaration of Public Development Banks of the Finance in Common Summit, in particular in its references to social investments, education, health, social protection, and decent work, and its call to all stakeholders to better support the SDGs and the objectives of the Paris agreement, while reinforcing the local financial systems;

- Creating a Working Group on the Role of PDBs for Social Investments, in order to contribute to address the underfinancing of the social sectors and present a series of outputs at the next Finance in Common Summit in 2021.

  The Working Group's workstreams could include:

  - Social Investment Outlook: map actors and assess financing gaps and capacity building needs in these fields;

  - Social Investment Action: share expertise, lessons learnt and initiatives to mainstream proven methodologies, effective interventions and enhanced accountability; increase cooperation and coordination on both sector and thematic approaches in the area of social investments.

WITH THE SUPPORT OF

- **Association of African Development and Finance Institutions** (AADFI)
- **Agence Française de Développement** (AFD)
- **Banque Ouest Africaine de Développement** (BOAD) (West African Development Bank)
- **Council of Europe Development Bank** (CEB)
- **European Investment Bank** (EIB)
- **FONPLATA – Development Bank**
- **Industrial Development Bank of Turkey** (TSKB)
- **International Labour Organisation** (ILO)
- **Latin American Association of Development Financing Institutions** (ALIDE)
- **United Nations Development Programme** (UNDP)
- **World Federation of Development Financing Institutions** (WFDFI)
- **World Health Organisation** (WHO)

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