PROVISIONAL

E/2006/SR.19
19 July 2006

Original: ENGLISH

ECONOMIC AND SOCIAL COUNCIL

Substantive session of 2006

Coordination segment

PROVISIONAL SUMMARY RECORD OF THE 19th MEETING

Held at the Palais des Nations, Geneva,
on Friday, 7 July 2006, at 10 a.m.

President: Mr. HANNESSON (Vice-President) (Iceland)

CONTENTS

Corrections to this record should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent within one week of the date of this document to the Editing Section, room E.4108, Palais des Nations, Geneva.

GE.06-62667 (E) 140706 180706

In the absence of Mr. Hachani (Tunisia), Mr. Hannesson (Iceland), Vice-President, took the Chair.

The meeting was called to order at 10.15 a.m.

SUSTAINED ECONOMIC GROWTH FOR SOCIAL DEVELOPMENT, INCLUDING THE ERADICATION OF POVERTY AND HUNGER (continued) (E/2006/56)

Panel discussion on policy approaches to achieve economic growth, poverty reduction and development: lessons learned, challenges and opportunities

The PRESIDENT said that the Secretary-General’s report (E/2006/56) stressed the importance of dealing comprehensively with social and economic issues and adapting policies to specific contexts. It also highlighted the impact of global policies on the achievement of national development goals. The panel discussion would focus on policy approaches, including pro-poor, human development-based and alternative approaches, and on the experiences of development partners and developing countries.

Mr. KIWANUKA (Minister of State for Finance, Planning and Economic Development, Uganda) said that his country’s mechanism for achieving the Millennium Development Goals was its Poverty Eradication Action Plan, which had been introduced in 1997 in response to demands for greater investment in the social sector. Under the plan, his Government aimed to reduce the incidence of poverty to 10 per cent by 2017, as compared with the target of 28 per cent by 2015 set out in the Millennium Development Goals. Major improvements had been made in the food security and nutrition situation, and the Government was vigorously pursuing its food and nutrition policy with a view to achieving the relevant Goal by 2015. Under its policy on universal primary education, enrolments in primary education had increased from 2.5 million to 7.5 million between 1997 and 2005, and his country was on track to achieve Millennium Development Goal 2 by 2017. As well as helping to reduce the poverty gap, that policy had eliminated the gender gap in primary-school enrolment so that the focus could now be shifted to secondary education. His Government was conscious that, despite the implementation of a strategy for reducing infant and maternal mortality, there was a need to improve his country’s response to the challenge of Millennium Development Goals 4 and 5. As a result of strong leadership, a focus on prevention and a multisectoral approach, Uganda had witnessed a decline in HIV/AIDS prevalence from around 20 per cent in 1991 to 7 per cent in 2005 and by 1996 had already achieved the Millennium Development Goal of halting and reversing the spread of HIV/AIDS. Progress in ensuring environmental sustainability had included the extension of access to water in both rural and urban areas to over 50 per cent of the population, the continued upgrading of sanitation facilities and other environmental management programmes such as tree-planting. The experience of Uganda was that investment in all sectors, not simply the social sectors, was essential for attaining the Millennium Development Goals.

Good governance, peace and security were also vital to economic growth and sustainable development. Uganda's decentralized political and administrative system had become a point of reference for the rest of Africa. Recently, his country had successfully concluded multiparty elections to the presidency, parliament and local government, and peace negotiations were now under way with the Lord's Resistance Army, with the aim of extending peace and stability to the north of the country.

With respect to the goal of developing a global partnership, Uganda had ratified the treaty establishing the East African Community, had entered into commitments with the African Union, the Intergovernmental Authority on Development, the New Partnership for Africa's Development and the Common Market for Eastern and Southern Africa, and was pursuing economic integration efforts at the regional level. Uganda had been the first country to reach completion points for debt relief under the heavily indebted poor countries (HIPC) initiative, which had contributed substantially to progress in achieving the Millennium Development Goals.

His country was currently facing an acute energy crisis as a result of various factors, including a drought that had caused the level of Lake Victoria to fall by three metres. His Government appealed to the international community to fulfil the pledges made at the G8 Gleneagles Summit in 2005. While gratefully acknowledging recent debt cancellations by the World Bank and the International Monetary Fund (IMF), it believed that greater emphasis should be placed on aid-for-trade. For its part, it would continue to invest in the building of durable and functional institutions, which were a prerequisite for attaining the Millennium Development Goals.

Mr. HARVEY (Department for International Development (DFID), United Kingdom) said that DFID's work with the World Bank, the French Development

Agency (AFD) and the German Federal Ministry for Economic Cooperation and Development (BMZ) on the "Operationalizing pro-poor growth" project had yielded three main lessons. Firstly, economic growth was the single most important way of lifting people out of poverty - by giving them an income, by providing them with a decent job that allowed them to lead a fulfilled life and care for their children, and by expanding economies to enable Governments to raise money for public services. Secondly, tackling inequality helped poor people participate in growth and enhanced its future impact. Countries with greater inequality found themselves in a vicious circle since inequality limited the benefits of growth. Thirdly, reducing poverty sustainably meant ensuring that growth today did not come at the cost of environmental failure tomorrow. While growth performance had varied considerably in different parts of the world, and had been particularly poor in Africa, the evidence suggested that growth was generally good for poverty reduction and that growth and inequality were likewise correlated.

The goal of pro-poor growth accordingly presented five challenges. Firstly, poor countries needed to grow faster, by promoting economic stability, fostering good governance, fighting corruption, reducing barriers to business, investing in infrastructure and improving agriculture. Secondly, attention needed to be paid to equity, by making sure poor people could benefit from growth through better access to economic opportunities. Thirdly, growth had to be based on the sustainable use of natural resources. Fourthly, reform of the international trade system was required if the capacity of poor countries to trade was not to be hampered by unfair rules and protectionism. Fifthly, it was important to learn to manage the internal and international migration inseparable from growth to make it work best for poor people.

Pro-poor growth and broader economic growth were linked. Yet, according to a recent study by the New Economics Foundation in the United Kingdom, every $1 of growth benefiting poor people required $166 of global production and consumption. Some would claim that the solution lay in increasing the size of the economic cake, arguing that predictions about "limits to growth" had always proved wrong in the past. However, local limitations on growth - such as water shortages - were starting to become apparent and would be exacerbated by a rise in global temperatures. It followed that measures were needed to ensure that an increased share of economic growth accrued to and benefited poor people and to increase efficiency in the use of resources, especially water and energy, and biological productivity.

From an economic perspective, there were a number of key priorities for pro-poor growth: improved market access and reduced transaction costs; well-defined property rights; a good investment climate; appropriate price and trade policies; effective risk management; and broader access to infrastructure. From a social or decent work perspective, one also had to include: education, especially for girls; labour-market regulation, including for migration; and social transfers and safety nets. Finally, the priorities from an environmental perspective included: increased access to energy for poor people; improved water access and more efficient use of water; better agricultural technology; better resource governance; the use of clean energy; and steps to tackle climate change.

The international system clearly had a very important role to play in all the areas mentioned, mainly through supporting nationally owned and led poverty reduction strategies. That included more effective and coherent United Nations activities at country level that were aligned with national strategies and coordinated with bilateral and other multilateral organizations. But it also implied greater coordination between country, regional and international levels, especially on global public-good issues such as trade and climate change.

Ms. LUSTIG (Bureau for Development Policy, United Nations Development Programme (UNDP)), speaking on the topic of how development economics could contribute to the achievement of the Millennium Development Goals, said that four basic principles should guide the relevant national development strategies: the inclusion of specific policies designed to achieve the Goals, which did not rely solely or primarily on trickle-down economic growth - a policy that had clearly failed; the attainment of broad consistency between macroeconomic growth policies and policies designed to achieve the Goals; the selection of policies that were pro-growth at least in the long term; and the establishment of minimum standards for all population groups and regions, without relying solely on the performance of national averages of indicators such as education or infant mortality.

The Millennium Development Goals were a “mixed bag” of qualitative and quantitative goals, some general, some specific, and some dependent more on the developing than the developed countries. There were two views of the development process: the first was that growth led to human development and poverty reduction; the second that human development and poverty reduction eventually resulted in growth. The Millennium Development Goals were not only an end in themselves, but could also be a means of achieving higher growth in the long term. They were based on the theory that investment in human capital and the elimination of income poverty traps led to increased growth, a theory borne out by empirical evidence, which showed a high correlation between nutrition and health and economic growth. Indeed, it had been posited that improved food and nutrition had been responsible for one third of growth in the United Kingdom between 1860 and 1960. Hence, in considering both theory and empirical evidence, it was necessary to take all the dimensions of growth into account. Investment in social services was therefore essential for attainment of the Millennium Development Goals as well as for economic expansion.

Research was giving way increasingly to practical strategies, which called for the definition of priorities in national strategies; the identification of binding constraints to do with institutional knowledge, social norms and political instability; careful selection of policy interventions; an estimate of their cost; and the allocation of the necessary resources with trade-offs in mind. Current approaches - the poverty-elasticities approach, the World Bank’s Maquette for MDG Simulation, the needs-assessment approach, and the evidence-based interventions approach - had their strengths and weaknesses, but only through a heuristic exercise could countries address both the demand-side constraints on growth, such as those linked to behaviour, norms, low aspirations and cash flow, and the supply-side constraints reflected in the lack or poor quality of human and physical resources, or absenteeism.

Mr. TANDON (Executive Director, South Centre), speaking on alternative approaches to development, said that development was a term applied to themselves by the people who sought it. It was not something imposed on them from outside nor was it confined to economic well-being. It was a complex phenomenon deeply rooted in the history, geography, political and government institutions, culture and value systems of societies and could not be reduced to the callous logic of economics or trade. Every nation had a right to determine its own destiny. The question of “policy space” was not an ideological or academic matter, but one of principle and practicality. Although the countries of the South, erstwhile colonies of the North, had won their political independence, their economies were still entrenched in an antiquated asymmetrical structure.

The general equilibrium model, with its circular logic based on certain assumptions, could not be falsified in its own terms because of its circularity and had become a tool of global institutions such as the IMF, the World Bank and certain regional organizations for legitimizing policy strategies. Countries in the South should do what the early industrializing countries had done in their own time: contrary to the prescriptions of the free-trade liberalists, in the developing countries the State had a definite role to play in encouraging the industrialization of their countries, including the use of tariffs and subsidies, since the right to development was enshrined in the rights recognized by the United Nations. The developing countries must not accept aid and debt relief or technical assistance if they were used by the industrialized countries as leverage to agree to trade arrangements damaging to their interests.

Given that resource sovereignty was the key to development, the peoples of the South should be the real owners of their own resources. To that end, the Governments of the developing countries should individually and collectively negotiate with global corporations and Western nations for the return, in 10 to 15 years, of those countries' rich resources to the people.

Mr. SOW (Guinea) said that in Guinea, as in most African countries south of the Sahara, poverty had worsened in recent years. It was estimated that 53 per cent of the population was poor, and there were strong disparities among the regions and between rural and urban areas. The inflation rate had risen five-fold since 2002, which had further lowered purchasing power. Most people were long-term unemployed or, at best, held precarious jobs. The poor economic situation was in large part due to the wars waged in neighbouring countries and the rebel attacks perpetrated against Guinea itself in 2000 and 2001. Guinea had received nearly a million refugees, equivalent to about a tenth of its population. In addition, revenue from bauxite and other exports had declined drastically from $250 million per year in the 1990s to under $100 million, and the country's foreign debt had become unsustainable.

As a result, prospects for development had been undermined, and the chances of achieving the Millennium Development Goals were slim. Social tensions had risen. Trade unions were rejecting the economic and financial governance standards put in place by the Government at the behest of the IMF and the World Bank. In such a critical situation, it was impossible to combat poverty in society or even among the working population on the basis of current levels of growth. It was thus necessary for the Government, in its dialogue with the social partners, to reconsider the link between growth, employment and poverty reduction.

Employment, growth and relations with development partners would be gradually integrated into Guinea's development programme, in particular in the poverty reduction strategy. While the use of common country assessments and the United Nations Development Assistance Framework (UNDAF) held out good prospects, the assistance arriving from the international community was insufficient. To meet its challenges, Guinea needed continued international assistance, in particular technical and financial support from international financial institutions.

Mr. RIMDAP (Nigeria) said that he agreed with Mr. Kiwanuka that food security and nutrition were central to poverty alleviation, and that in that context, it was all the more interesting that one third of economic growth between 1860 and 1960 in the United Kingdom had been attributable to food and nutrition. It was also very interesting to hear about Uganda's experience in ensuring universal access to primary school and its move to make secondary-school access universal as well. He wondered how schools were funded and whether schooling was compulsory. Did the programmes in Uganda also address adult education and vocational training?

Noting that, like Uganda, Nigeria was making very slow progress towards the Millennium Development Goals related to health, he asked what factors hindered efforts in that field. He agreed that the Millennium Development Goals could not be achieved through investment in the social sectors alone. As export-led growth was the main driving force for economic expansion, the issue of market access for goods and services produced in the poor countries was crucial. He expressed surprise that Mr. Tandon should support the use of tariffs and subsidies by developing countries, which ran counter to the general thrust of the Doha Round of trade negotiations. Was he advocating protectionism over free trade? The developing countries had for years been insisting on the need for the developed countries to open their markets to free trade, advocating the removal of subsidies and tariff and non-tariff measures that blocked access.

Mr. OULD TOLBA (Mauritania) said that more precise information was required on the importance of education in economic growth. It was true that demand for education was sometimes weak, as educating children, especially girls, involved a loss in household productivity. But another element entered into the question: that of the education levels of the families themselves. Generally, in populations with high illiteracy there was low demand for education. Literacy campaigns thus fuelled demand for further education. Concrete analyses and specific models drawn up by specialists and approved by United Nations bodies and donor institutions such as the World Bank should guide efforts to ensure the social development and sustained economic growth that had so far been lacking.

Ms. CAVALIERE (Observer for the Bolivarian Republic of Venezuela) said that the focus of development models must be on human beings, human dignity, social development and the elimination of poverty rather than on economic expansion. Economic growth was just one tool among many for helping to eliminate poverty and hunger, which must be the primary and ultimate goal of development strategies.

Her Government was carrying out a policy to combat poverty and to guarantee the economic, social and cultural rights of its people through concrete actions in what it called "social missions". It had eliminated illiteracy and had greatly increased the country's human development index between the 1980s and 2005. She agreed with Mr. Tandon that the peoples of the developing countries should exercise sovereignty over their natural resources. The Venezuelan State oil company, PDVSA, had provided funds for a wide range of social programmes that had had a genuine and effective impact in combating poverty.

Ms. VUORINEN (Observer for Finland) said that in country-level development projects, economists often played a dominant role, and their thinking was often driven by a "growth first" approach. Noting Ms. Lustig's contention that investment in social services was not only good for achieving the Millennium Development Goals but also a prerequisite for economic expansion, she asked what role UNDP could play in strengthening the voices of those who advocated such an approach. And, since economists lacked training in a number of areas, how could UNDP promote a multidisciplinary approach to sustainable development in that context?

Efforts to ensure economic growth should never jeopardize environmental well-being, as the poor were particularly dependent on environmental resources. To achieve a bottom-up approach to making growth pro-poor it was essential that all people and enterprises should benefit from economic development at the grass-roots level.

Ms. HOUNGBEDJI (Benin) said that it was extremely important for each country to find its own development path while drawing lessons from the experiences of others. She asked whether the panellists considered that countering corruption was a prerequisite for development, or rather a long-term objective. While speaking about corruption control measures and good governance in relation to the developing countries was in vogue, it was by no means a problem that arose only in the developing world; indeed, corruption in the wealthy countries involved colossal amounts of money.

Mr. MILLER (United States of America) said that the panel had provided the Council with ample food for thought, some stimulating, some rather indigestible. On the whole, it had presented a complex, large and varied menu of ways to move ahead.

In development efforts, it was important to secure a national consensus, and the tried and true way to achieve consensus was through democratic processes. Individuals and communities must be allowed as much freedom as possible to do what they judged to be best, as they were better judges than their Governments of their own needs. It was necessary continuously to test ideas and programmes and to adjust them as necessary, and it was of the utmost importance to ensure the reliability of data and an honest presentation thereof. Ideological debates must be avoided, as they would almost always be artificial and extreme.

Mr. KIWANUKA (Minister of State for Finance, Planning and Economic Development, Uganda), responding to the representative of Nigeria, said Uganda’s educational system was funded by the Government and its development partners. Education spending was a protected item in the budget and could not be reduced. Education was not compulsory but it was free and every effort was made to encourage parents to ensure their children attended school. Primary-school attendance had increased from just over 4 million to 8 million pupils and his Government hoped to extend that same success to the secondary level.

Education was an important factor in addressing the need to develop Africa's human capacity for human development. He noted for example that when his Government had devolved power to local communities, it had not taken into account the fact that often those communities did not have the necessary management capacity for budgeting, accounting and administration. Training and education were therefore essential to ensure that governance systems functioned properly.

He agreed with the representative of Finland that development strategies must be multisectoral; that was the approach his Government had adopted in its efforts to combat HIV/AIDS and one which had certainly contributed to their success. He stressed that there could be no single model for poverty reduction. His Government, for example, had just launched a programme to provide affordable loans to small groups of households, involving at least 30 individuals, with a view to teaching participants how to save and manage money.

Turning to the issue of economic growth and possible limits for growth, he stressed that growth itself was not the problem. The real issue was what policies were implemented to ensure the benefits of growth were shared equitably, so that growth would contribute to poverty eradication. He felt there was too much discussion of the need for subsidies and market access and pointed out that thousands of products from Africa already had access to the markets in developed countries. The problem was one of supply; African countries must ensure that they were supplying products for which there was a market.

Mr. HARVEY (DFID, United Kingdom) said it was important to promote pro-poor growth and the international community must address the question of why in some countries, despite growth, poverty rates remained the same or even increased. Every country was different and diagnostic tools must be developed to analyse the impact of growth in specific countries. He felt that discussion of economics-led versus human development-led growth was based on a false dichotomy. Growth was important for development but it was a means to an end - to achieving the Millennium Development Goals, promoting human development and identifying ways to promote more and better growth.

Improved market access for developing countries' products was an important factor in growth but it was also necessary for the developing countries to supply products for which markets existed. That was why he supported the “aid-for-trade” initiative. He did not believe that growth should be encouraged at the cost of environmental degradation but stressed that where damage to the environment had already occurred the damage could often be repaired. Environmental concerns should not be seen as a drain on the economy and economic growth but should be considered one of the costs of growth.

He was in favour of a bottom-up approach in which people themselves were empowered to take decisions regarding their own development in the context of a country-led approach to human development and growth. In order to succeed, development partners must have access to comprehensive and accurate data in order to understand the real situation on the ground; those data must likewise be properly interpreted. Finally, with regard to the issue of corruption, which was a major factor in poor governance, for example with regard to the development of natural resources in the developing countries, he said that development should lead to the creation of conditions in which corruption was less acceptable.

Ms. LUSTIG (Bureau for Development Policy, UNDP), responding to the representative of Mauritania, agreed that the costs of education and health care could be a drain on family finances, not only directly but indirectly through the so-called opportunity cost, where a child in school was not contributing labour to support the family or was not working and providing income. She took note of the new focus on households in Uganda and urged Member States to consider implementing a type of programme that had been highly successful in some 40 countries: conditional cash transfer programmes, where families were given a cash subsidy in exchange for ensuring their children attended school and received health care and proper nutrition. Such programmes had had significant positive effects, producing rapid reductions in poverty, greatly improved educational achievement and attendance, and improved health indicators for, inter alia, nutritional levels and infant and maternal mortality. Countries should consider introducing such programmes into their national development strategies; they were not expensive and they brought clear and easy-to-monitor benefits.

In response to the representative of Finland, she said that UNDP considered economic growth to be important for human development. Programmes such as the cash transfer programme showed that investment in the poor increased productivity. It was, however, important to be honest with policymakers and stress the need for immediate investment in programmes the effects of which would only become clear over the long term. For example, the improved health and educational level of children whose families took advantage of the cash transfer programme would only be felt when those children became active contributors to society.

She expressed some concern that the draft ministerial declaration of the high-level segment (E/2006/L.8) seemed to emphasize growth and employment more than the Millennium Development Goals, which were so important for improving people's lives and promoting more and better growth. Recognizing the need for a multidisciplinary approach, UNDP intended to develop an integrated package of services in order to offer developing countries technical assistance, policy advice and analysis in areas such as the economy, governance, the environment and HIV/AIDS.

She agreed with the representative of Benin that corruption was a problem in both developed and developing countries, and could be found in both government and the private sector. It was difficult to justify investing resources in education or health without any guarantees that those resources would be used for their intended purpose. Development efforts must therefore include measures to empower and encourage development partners at the local and community levels to denounce corruption.

She also agreed with the representative of the United States on the need for comprehensive and reliable data in order to be able to adjust programmes as necessary in real time, and on the importance of democracy. Free political debate and democratic change of government also created a climate where corruption could be identified and denounced.

Like Mr. Kiwanuka, she believed there should be less focus on subsidies and market access and more on identifying opportunities and supplying the appropriate products. Through its new integrated package of services, UNDP hoped to help developing countries identify supply constraints and take advantage of existing markets.

Mr. TANDON (Executive Director, South Centre) said participants seemed to agree on a number of points: the need for a bottom-up approach to empower individuals; the view that growth was a means for achieving the objective of human development; the need for comprehensive data; the need to avoid ideological debates; and the importance of eliminating corruption. Differences arose, however, over how to implement those ideas and make them operational. Mr. Harvey, for example, might stress free trade and property rights, whereas someone from a country of the South might have a different perspective.

The data he had provided in his presentation came from the Carnegie Foundation and were different from the findings of the World Bank with regard to the same issues. That difference could be explained by a difference in approach; both institutions had based their analyses on the general equilibrium model but the World Bank had concentrated on overall results at the country level whereas the Carnegie results had incorporated wages and the labour dimension, looking at specific sectors of society. Accordingly, for the World Bank, the liberalization of agriculture would be generally positive for Brazil, whereas according to the Carnegie results the effect would be positive for land development but negative for labour-intensive agriculture. The assumptions of the general equilibrium model - the free movement of factors of production and full employment - were not necessarily valid for Africa, where there was certainly not full employment.

In response to the representative of Nigeria, he said he had no ideological preference for free trade or protectionism. In his opinion the choice depended on the location of a country, its geography, its level of development and its culture. Sometimes, circumstances required a degree of protectionism; at other times, they called for the opening of markets. The developed countries had at various times used tariffs to protect their economies and the developing countries should not be denied the policy instruments those countries themselves had made use of when they felt it necessary. He cited the current situation of cotton: the world’s largest producers were the United States, China and India but they used most of their production internally; sub-Saharan Africa was a major producer of cotton for export but had difficulty breaking into markets such as that in the United States where local producers were protected by subsidies. In short, he advocated a practical and pragmatic approach.

The meeting rose at 12.45 p.m.