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Substantive session of 2007

PROVISIONAL SUMMARY RECORD OF THE 21st MEETING
(FIRST PART)*

Held at the Palais des Nations, Geneva,
on Friday, 6 July 2007, at 10 a.m.

President: Mr. CĚKUOLIS (Lithuania)

later: Mr. DAVIDE (Vice-President) (Philippines)

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* The summary record of the second part of the meeting is published in document E/2007/SR.21/Add.1.

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

DIALOGUE WITH THE EXECUTIVE SECRETARIES OF THE REGIONAL COMMISSIONS ON THE THEME "REGIONAL ASPECTS OF THE THEMES OF THE HIGH-LEVEL SEGMENT OF THE ECONOMIC AND SOCIAL COUNCIL'S 2007 SUBSTANTIVE SESSION" (E/2007/15-20)

The PRESIDENT said that the dialogue being held pursuant to Council decision 2007/17 would consider, from a regional perspective, the thematic debate and the Annual Ministerial Review of the high-level segment. Recalling the important role of the regional commissions in policy analysis focused on regional and subregional priorities, he said that the regional analyses of the achievement of the Millennium Development Goals had brought together various relevant United Nations agencies and regional stakeholders, in line with the Council's objective of promoting coherence and coordination substantively.

Mr. JANNEH (Executive Secretary of the Economic Commission for Africa (ECA)), describing the development challenges confronting Africa - a growth rate of 5.7 per cent in 2006, which was likely to be replicated in 2007, but was not sufficient to meet the Millennium Development Goals - said that poverty, unemployment, income disparities and commodity dependence remained key challenges. Efforts had been made at the national, regional and global levels and common positions had been adopted at several recent regional meetings on the most effective ways of addressing development challenges in Africa. In that connection, the Conference of African Ministers of Finance, Planning and Economic Development remained an important forum for assessing member States' needs and incorporating them into the ECA Programme of Action.

Mr. Janneh said that the Commission's new vision of support for the African development agenda focused on two core issues: promoting regional integration in support of the African vision and priorities, and special needs and emerging global challenges. ECA was improving its cooperation with development partners, strengthening its presence in the subregions (a total of five subregional bureaux in Niamey, Rabat, Kigali, Lusaka and Yaoundé) and prioritizing knowledge management (networking, in particular), consensus-building, technical cooperation and advisory services (assistance for ECA member States in capacity-building, particularly in the area of statistics).

As the African Ministers of Finance, Planning and Economic Development had acknowledged at their most recent Conference held in April 2007, the Millennium Development Goals would only be achieved in Africa through accelerated African development. The plan of action that they had recommended identified a number of areas for action (ownership and self-belief; comprehensive national development strategies; resource mobilization; investment in gender equality; climate change and development; fulfilment of commitments on official development assistance (ODA); and employment generation). The Economic Report on Africa 2007 showed that Africa was experiencing less macroeconomic instability, more economic growth and increased employment generation.

Lastly, Mr. Janneh said that ECA had adopted an ambitious programme of actions which, taken together, should contribute to sustainable economic growth that benefited the poor in Africa.

Mr. HALIM (Sudan) asked what the ECA position was on the human capital represented by the African diaspora, and said that he would welcome information about the criteria used to select locations for regional centres, given that some were very close to one another.

Mr. MILLER (United States of America) said that he welcomed the greater unity, firmness and conviction with which Africa had clarified its expectations of donors and the achievements that it could hope to make by itself, thus encouraging countries to invest more and more willingly in Africa. The attitude was a positive one which the United States Government supported.

Mr. HACKETT (Barbados) asked whether the region intended to focus more on education; the experience described by several delegations at the Annual Ministerial Review held the previous week showed that, in the long run, education could contribute significantly to development.

Mr. GOMES CRAVINHO (Portugal), speaking on behalf of the European Union, said that he welcomed the adoption by the African countries of a common position on African development policies, problems and objectives, together with the strengthened cooperation between ECA and other United Nations organs, the African Union, the African Development Bank, the Bretton Woods institutions and the Organisation for Economic Co-operation and Development (OECD).

Mr. MERORES (Haiti) asked whether the improvement in the macroeconomic climate in the region could be ascribed to better and more democratic management of countries' public affairs.

Mr. ANGULA (Observer for Namibia) said that he wished to hear Mr. Janneh's views on the importance of microeconomic policies, since a good macroeconomic policy that was not supported by proper microeconomic policies could achieve little. He also asked Mr. Janneh whether the Governments of the region were taking action on climate change and industrialization strategies, in the light of the upcoming Bali Conference to be held in December 2007.

Mr. LAWAL (Observer for Nigeria) asked what initiatives the Commission had taken on employment and microcredit, two vital areas for the realization of the Millennium Development Goals.

Ms. BLOEM (Observer for the Conference of NGOs in Consultative Relationship to the Economic and Social Council of the United Nations (CONGO)) said that she welcomed the opportunities created in Africa to give civil society its say and, in that connection, she recalled that CONGO had contributed to the Forum of NGOs in consultative status with the Economic and Social Council, and of civil society, held in March 2007 and attended by over 300 African NGOs.

Mr. BARUTI (Observer for the United Republic of Tanzania) said that the Commission should focus more on improving infrastructure, if it wished to improve trade relations between the countries of the region. He said that account should furthermore be taken of external factors that had contributed to many conflicts in Africa.

Mr. JANNEH (Executive Secretary of ECA), responding to the Sudanese delegation, said that the importance of the African diaspora had been highlighted many times and that close attention was being given to the best way of using it for capacity-building in Africa and of utilizing remittances for development in Africa.

Mr. Janneh assured the representative of Barbados that education remained at the heart of the Commission's programme of action for development. Responding to the representative of Haiti, he said that the African Peer Review Mechanism, an innovative structure, had provided Africa with a tool for better management of its own affairs, in particular conflicts, and had thus contributed to the success of the programme of action for development.

On the subject of climate change, Mr. Janneh said that the Commission took the issue very seriously and was working closely with the African Development Bank and the African Union on initiatives which took account of climate change.

Responding to the question from the representative of Nigeria, Mr. Janneh said that employment creation and microcredit had been discussed at a recent meeting with the International Labour Organization.

On the subject of infrastructure, which had been raised by the delegation of Tanzania, Mr. Janneh said that the issue was crucial for African integration. A meeting had been held in Accra in June 2007, under the auspices of the African Development Bank, to discuss how best to deal with energy issues in Africa.

Lastly, Mr. Janneh assured Ms. Bloem that the Commission, in all future discussions, would continue to offer civil society an opportunity to speak and to make its views known.

Mr. KUBURSI (Executive Secretary of the Economic and Social Council for Western Asia (ESCWA)) said that the strong economic growth experienced by the countries of the region was due to the surge in oil prices. Jobless growth of that kind did nothing to resolve unemployment, which was at a record high in the Arab countries, and simply increased income disparities between and within the countries of the region. States would not escape from that unsustainable cycle of growth if they applied traditional macroeconomic policies. They needed to implement pro-policies, i.e. to promote sustained growth by maintaining full employment and price stability and securing tangible reductions in inequalities. To that end, they must ensure the widest possible participation of all sectors of society and improve health conditions and education for the poor. ESCWA took the view that countries must act on three fronts. First, they must improve the investment climate in order to make the shift from consumption-led growth to sustainable, investment-led growth. Typically, they invested less than 25 per cent of gross domestic product (GDP), which was very little compared to countries like China, which invested 40 per cent. Second, they must empower the poor, by undertaking far-reaching reforms to eliminate the “freedom deficit” and guarantee respect for civil and political rights. They must eliminate the “knowledge deficit” by narrowing the digital divide in those countries, and they must put an end to the feminization of poverty, unemployment and illiteracy and promote the emancipation of women. Third, the member countries of ESCWA must improve regional coordination and create mechanisms to facilitate their integration into the global economy. That strategy would also help them to deal more effectively with the impact of globalization and reduce their dependency on a narrow range of commodities.

The effectiveness of most member countries’ fiscal policies was being undermined by the use of a fixed exchange-rate mechanism, the application of a tax regime that relied heavily on indirect taxation, spiralling external debt and the free movement of capital. Pro-poor fiscal reform that guaranteed greater equity would also serve to enhance the legitimacy of Governments. The countries must restructure their public spending so as to invest more in physical infrastructure and social services and thus improve health conditions and education for the poor. To combat corruption and tax evasion, they should introduce more stringent rules and disciplinary sanctions and lower real interest rates, particularly in priority sectors for poverty reduction. Their interest rate policy should focus on investment promotion rather than the maintenance of a fixed exchange rate. Pro-poor financial reform should result in the creation of a vast network of financial institutions which encouraged savings and investment in the poorest regions and micro-enterprises. Development banks should be created to provide subsidized loans to sectors such as agriculture and small-scale industry. Microcredit programmes for the poor should be established.

The use of the dollar peg undermined the effectiveness of monetary policy in the countries of the region. None of the countries was capable of adopting a floating exchange rate and of defending its currency in the prevailing context of the free movement of capital, intensified international speculation and the absence of international monetary institutions guaranteeing a stable global financial system. Given their high volume of imports in other currencies, the countries of the region had lost over $500 billion in purchasing power by using the dollar peg. After considering all the options, ESCWA had concluded that the best way to adopt a unified exchange-rate mechanism would be through coordination between all the ESCWA countries. Such coordination would stabilize intra-regional trade and insulate national economies. Countries could then focus their energies on the problem of unemployment and, ultimately, the adoption of a single currency.

Mr. HALIM (Sudan) recalled that the large number of expatriate workers in ESCWA countries with high rates of unemployment posed problems and asked if the Executive Secretary had a view on that issue.

Mr. SAVINYKH (Belarus), addressing his comments to all the executive secretaries of the regional commissions, asked how the commissions coordinated their activities, bearing in mind the reforms under way to improve system-wide coherence at the United Nations.

Mr. GOMES CRAVINHO (Portugal), speaking on behalf of the European Union, said that he welcomed the measures taken by ESCWA to promote sustainable development in the region and that he urged ESCWA to redouble its efforts to build partnerships with all relevant entities and civil society.

Mr. MILLER (United States of America) said that his country had not had many opportunities to work with ESCWA but that things would change soon, in view, inter alia, of the excellent presentation by the Executive Secretary.

Mr. MERORES (Haiti) asked what specific measures ESCWA had taken to remedy the “freedom deficit” mentioned by the Executive Secretary and to encourage the emancipation of women.

Mr. KUBURSI (Executive Secretary of ESCWA) said that the high number of expatriate workers in the region, particularly in the Gulf States, did indeed pose problems, given the rate of unemployment among the population. ESCWA worked with national authorities on initiatives to create employment and promote education. Particular attention was paid to women and their acquisition of the necessary skills for entry into the labour market. Countries must also consider the question of remittances from expatriate workers. Responding to the representative of Belarus, Mr. Kubursi stressed that the commissions had their own specific characteristics and dealt with very different kinds of countries. The ESCWA countries were characterized by over-dependence on oil, inadequate economic diversification, water supply problems and political tensions. Naturally, those problems should not prevent the countries from working to achieve sustainable development and the Millennium Development Goals. The Executive Secretary thanked the United States representative for his support and said that he hoped that ESCWA would be able to work closely with the United States in the near future. Responding to the representative of Haiti, Mr. Kubursi said that ESCWA was the only regional commission to have established a women's centre dealing exclusively with the emancipation of women and the mainstreaming of the gender issue into all its activities.

Mr. Davide (Philippines), Vice-President, took the Chair.

Mr. BELKA (Executive Secretary of the Economic Commission for Europe (ECE)) said that while the region was experiencing rapid economic growth, it was growth characterized by wide disparities between very rich and very poor countries. For example, income per capita was over $35,000 in North America and under $10,000 in the Community of Independent States. At a time of fast-moving globalization, the issue for many countries in the region was preserving their social welfare systems. In the future, growth would be driven by knowledge-intensive sectors.

Following the dismemberment of the Soviet Union and the break-up of Yugoslavia, transition countries had experienced a protracted period of recession. GDP had fallen by 20 per cent in Central Europe, 30 per cent in South-East Europe and 50 per cent in most countries of the former Soviet Union. Social services institutions had collapsed, resulting in rising unemployment, poverty and inequalities. Inequalities were much greater than in Western Europe but less marked than in Latin America. Poverty was particularly severe in Central Asia and the Caucasus, where some countries were poorer than African countries like Morocco. As often happened, poverty hit rural areas, the unemployed, ethnic minorities, older persons, unskilled persons and single parent families particularly hard. In transition economies, poverty was closely linked to unemployment, which remained high in South-East Europe. It was also the result of ineffective social welfare systems, restrictive eligibility conditions for benefits and the lack of funds for active labour market policies. The informal sector, where workers received no benefits, was also a key factor. Unemployment was particularly high among women and young persons. In the resource-rich Community of Independent States, economic growth had contributed little so far to employment creation. During the transition, the gender wage gap had widened. Poverty also had an ethnic dimension and was disproportionately high among the Roma people of South-East Europe.

It was difficult to evaluate a country's policies on meeting the basic needs of the population. To gauge from the human development indicator devised by the United Nations Development Programme, (UNDP), most transition countries were doing better than the income-per-capita figures suggested. In some ways, those countries did rather well in supplying the population's basic needs. Not all growth policies were pro-poor and not all pro-poor policies were pro-growth. The challenge then was to implement policies that were both pro-growth and pro-poor. It was sometimes difficult, however, to evaluate the effectiveness of a policy that would only yield benefits in the long run. Generally speaking, donors favoured poverty reduction policies while Governments preferred growth policies. In order to encourage investment, in particular foreign direct investment, and to increase competitiveness, the ECE countries had opted to cut taxes, make them less progressive and reduce social services and the role of government. Many had adopted a flat tax. The public sector tended to be smaller in low-tax countries where less was invested in social services, human resources and infrastructure. Some countries had experienced rapid growth, but it was difficult to tell whether that was due to tax policy. The poorest ECE countries (Albania, Kyrgyzstan, the Republic of Moldova, Tajikistan and Uzbekistan) formulated their macroeconomic policy in the framework of the Poverty Reduction and Growth Facility of the International Monetary Fund, which offered concessionary loans. It was difficult to evaluate the facility's effectiveness, although countries had made some progress towards the Millennium Development Goals. The Bretton Woods institutions should undertake research to determine whether the policies being pursued really did help the poor.

To reduce poverty and promote development, countries should improve their social welfare systems and access to education and health. On macroeconomic policy, they should: reduce cyclical fluctuations by making fiscal policy more counter-cyclical; stimulate employment growth by helping sectors that were not resource-intensive; and keep their borders open to benefit from trade and migration. Politically, they should first resolve conflicts, give the disenfranchised a voice and accord civil society a more significant role. Lastly, they must address gender-based and ethnic discrimination.

Mr. NJONKOU (Observer for the International Labour Organization (ILO)) said that he welcomed the stress that Mr. Belka had placed on the importance of employment in poverty eradication, a factor that seemed to have been overlooked to some extent during the general debate.

Mr. SADYKOV (Kazakhstan) recalled that his country, which belonged both to Europe and Asia, had the privilege of being a member of both ESCWA and ECE, and that it also benefited from the United Nations Special Programme for the Economies of Central Asia, which the two commissions were implementing. Kazakhstan attached great importance to the Europe-Central Asia Business and Investment Forum, which was due to be held in November 2007 in the framework of the Programme.

Mr. MILLER (United States of America) said that he appreciated the informative presentation by Mr. Belka, which showed how difficult it could be to find a good combination of policy instruments to promote both growth and equality.

Ms. BLOEM (Observer for the Conference of NGOs in Consultative Relationship to the Economic and Social Council of the United Nations (CONGO)), noting that, despite the importance attached to the reduction of gender inequality, there were still significant disparities between men and women in regard to income and working conditions, asked what ESCWA intended to do in that regard. She said that, in the context of reform of the Economic and Social Council, the regional commissions should involve civil society more fully.

Mr. GOMES CRAVINHO (Portugal), speaking on behalf of the European Union, said that he welcomed the ECE reform process and viewed it as a model for wider United Nations reform. The European Union would continue to cooperate with ECE to help remedy the region’s various problems, which Mr. Belka had described so well.

Mr. SOW (Guinea), noting that, contrary to the usual trend, the poorest countries in Europe, like Bosnia and Serbia, appeared to be benefiting most from ODA, asked what the reasons were for such an encouraging state of affairs.

Mr. BELKA (Executive Secretary of ECE) said that he took note with satisfaction that the complexities of formulating a pro-poor growth strategy had been understood. The issue was a fundamental one which the Council was well-placed to discuss, with the participation of all relevant stakeholders. The regional commissions played a vital role in bringing coherence to development efforts, a result that could not be achieved through global and national efforts alone. Civil society's role was to address the inevitable failings that not even the best governmental strategy on poverty could prevent. The reduction of gender inequalities was another important issue for ECE, since, even if only from the perspective of effective management, a country that ignored half of its population would only realize half its economic growth potential. Lastly, with regard to ODA, Mr. Belka said that the reasons why relatively prosperous countries sometimes received more aid than poor countries were manifold and could include, for example, the fact that they were emerging from a conflict. He said that he welcomed the European Union's new strategy for Central Asia, which should result in increased ODA for the countries of that region.

Mr. KIM Hak-Su (Executive Secretary of the Economic and Social Commission for Asia and the Pacific (ESCAP)) said that while rapid economic growth in the region over the past two decades had contributed to a marked reduction in poverty, particularly in countries like China and Viet Nam, deprivation remained a serious problem and income disparities persisted. To remedy those problems, Governments should adopt macroeconomic policies that fostered both growth and equity, accelerated income growth for the poor and promoted services delivery. Some countries of the region had taken steps to reduce the indirect tax burden, which fell on the poor and the rich alike, relative to direct taxation, or had increased spending on education and basic services. Sectors like agriculture and construction, which generated employment for the poor, should be promoted. There was a close link in the region between the increase in the share of agriculture in GDP and poverty reduction. To achieve pro-poor growth, it was necessary to extend the benefits of growth to the rural poor, to invest in agricultural research and development, including infrastructure, education, health, sanitation and the rural water supply, and to eliminate the obstacles to services delivery. ESCAP undertook studies and activities to help member States to adopt such policies and implement good practices in those areas.

Mr. HALIM (Sudan) recalled that the Asia and Pacific region was a special region where countries experiencing strong economic growth coexisted with many of the least developed countries. He asked what links ESCAP had formed with regional groups such as the Association of South-East Asian Nations and the South-Asian Technical Cooperation Association. He also wanted to know whether or not the fact that Asia appeared to be the only continent without a pan-continental political organization was an obstacle for ESCAP.

Mr. NEBENZYA (Russian Federation), having thanked the executive secretaries of the regional commissions for their informative presentations, said that he wished to reiterate the need for a stronger role for the commissions in regional coordination of United Nations efforts to achieve the Millennium Development Goals. Stressing that the necessary optimization of United Nations regional activities must not be accompanied by a weakening of the commissions or by their subordination to other United Nations organs like UNDP, for example, he said that it was important to maintain the commissions' prerogatives and functions. The commissions had strong technical and analytical skills that could significantly improve the effectiveness of United Nations development activities. Stronger coordination of the commissions' work and cooperation with other development partners was needed, however. He said that he would like to hear the views of the executive secretaries on the commissions' priorities, in the light of reform of the United Nations development system.

The Russian Federation was very appreciative of the activities carried out by the two regional commissions - ECE and ESCAP - of which it was a member. It was most grateful to Mr Kim Hak-Su, whose mandate was set to expire; under his dynamic leadership, ESCAP had become a model of truly effective pan-regional cooperation, as demonstrated, inter alia, by the intergovernmental agreements on the Asian road network and the trans-Asian railway network.

Mr. QIAN Jin (China) said that, although prevailing economic conditions in the region were favourable to poverty reduction, the environment was becoming degraded, the gap between rich and poor was widening and there were serious problems in the sphere of health. Developed countries must therefore reach a consensus on increasing ODA, particularly for the agricultural sector, and developing countries must demonstrate greater self-reliance in achieving poverty reduction. ESCAP should play a larger role in trade development, investment promotion and scientific cooperation on environmental issues and health.

Mr. SADYKOV (Kazakhstan) recalled that, at the sixty-third session of ESCAP held at Almaty in May 2007, the member States had reaffirmed their commitment to cooperation in pursuit of the Millennium Development Goals and had acknowledged the special difficulties of the landlocked countries of Central Asia. He invited the two regional commissions in which Kazakhstan was a member to step up their efforts to promote economic integration in Central Asia.

Mr. SOW (Guinea) asked whether the trend of jobless growth still obtained. He also wanted to know whether the least developed countries had the faintest chance of attaining Goal 1, namely, eliminating hunger and extreme poverty.

Mr. ANGULA (Observer for Namibia) said that he appreciated the stress that Mr. Kim Hak-Su had placed on the delivery of basic services and the need to reduce indirect taxation. He would welcome information about the extent of the cooperation between the different regional commissions.

Ms. BLOEM (Observer for the Conference of NGOs in Consultative Relationship to the United Nations Economic and Social Council (CONGO)) said that she would like to see the working relations between the regional commissions and civil society institutionalized in some way.

Mr. FEYDER (Luxembourg) asked what, in Mr. Kim Hak-Su’s view, was the role of trade policies in poverty eradication and development promotion. He wanted to know whether a comparison had been made between the fairly closed and restrictive trade policies adopted during certain phases of their development by Japan, South Korea and the Chinese province of Taiwan and the more open and liberal policies now being implemented by many developing countries in the region, in cooperation with international financial institutions.

Mr. STROM (Observer for Sweden) said that he had found Mr. Kim Hak-Su's comments on the productivity of the poor most interesting. He wondered whether ESCAP had taken steps to boost national policies in that domain and whether Mr. Kim Hak-Su could provide some examples.

Mr. EKANZA-EZOKOLA (Democratic Republic of the Congo) recalled that Mr. Kim Hak-Su had spoken of the need to remove the obstacles to access to public services. He wondered what those obstacles where, what effect they had on the population and whether they affected men and women in the same way. Had measures had been taken to resolve that problem?

Mr. MERORES (Haiti) recalled that 50 per cent of the workforce in rapidly-growing countries like China, India or Viet Nam worked in agriculture, a fact which had probably led to increased internal output and exports. In that regard, he wanted to know whether ESCAP had played a role in facilitating access to markets for the agricultural products of the countries concerned.

Ms. MWASHA (Observer for the United Republic of Tanzania) said that many developing countries had formulated effective employment-generation strategies, but the problem was implementation. Developing countries had great difficulty gaining access to the necessary resources for strategy implementation, and Governments should do more to help the private sector support employment creation in sectors such as agriculture, education and health. Ms. Mwasha asked whether developed countries ought not to increase aid so as to enable developing countries to allocate more resources to the private sector for employment creation.

Mr. KIM Hak-Su (Executive Secretary of ESCAP) recalled that he had held the post of Executive Secretary for seven years and was therefore aware of the crucial importance of coordination. ESCAP coordinated the activities of the many subregional intergovernmental organizations present in Asia, such as the South Asian Association for Regional Cooperation, the Association of South East Asian Nations and the South Pacific Forum. ESCAP considered that role an important one and had set up five special working groups to deal with it. It had organized the Forum of Enterprises of Asia and the Pacific, focusing mainly on the social responsibility of enterprises and on public-private partnerships. It had also carried out several projects to identify best practices on poverty reduction in some countries and replicate them elsewhere.

In the Asia and Pacific region, five main countries (China, India, Pakistan, Bangladesh and Indonesia) played a decisive role in the realization of development goals. Since those countries accounted for around 67 per cent of Asia's poor, the goals would only be met if the efforts of those countries succeeded. With regard to hunger, Asia had sufficient quantities of food but it was distribution that mainly continued to pose problems.

The situation in Asia was very mixed: some countries, like China, Kazakhstan, Thailand and Viet Nam, had very rapid growth rates and looked set to double their income in the coming seven years. Asia still had 14 of the least developed countries, however. ESCAP had suggested that South-South cooperation should be strengthened so that countries that were good performers could help the poorest countries, including through investment. South-South investment currently stood at around US$ 57 billion.

It had been noted that the obstacles to delivery of basic services were largely institutional. States and civil society should therefore play a more decisive role in guaranteeing basic services delivery. The experience of Asia could be shared with other regional commissions. The executive secretaries of the regional commissions met once a year, but more could be done, in particular on exchanges of experience.

Mr. MACHINEA (Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)) said that the incidence of poverty had fallen sharply in Latin America over the previous decade. Extreme poverty had fallen by 25 per cent in the past four years, as a result of strong growth, which had also generated employment. At the same time, social spending had risen by around 40 per cent in Latin America over the previous 10 years and was now more targeted and therefore more effective. Much remained to be done with regard to public services delivery, although the situation of wealth distribution had improved significantly. There were still wide disparities between the countries of the region, however, and wealth distribution remained the main issue.

Policies on poverty should open up opportunities, build capacities and strengthen social solidarity. Greater macroeconomic stability should be assured through counter-cyclical fiscal policies, improved social welfare, a better development framework for small- and medium-sized enterprises, particularly with regard to credit, and job creation. The countries of the region must continue their efforts to achieve durable growth that generated the funding required for social spending on poverty. Fiscal pressure was 18 per cent on average in the region, and in some countries where large public enterprises exported natural resources additional income came from non-tax revenue. Overall fiscal pressure should be increased further and the wide disparities between different countries of the region should be reduced.

Aid from developed countries to developing countries was another aspect of poverty reduction. After falling sharply in the 1990s, ODA had rebounded after the Monterrey Consensus, although the amounts were still below the targets set in the document. Aid was still being targeted mainly at low-income countries and was usually for social spending. Over the past 15 years, aid for such countries had risen, while less had been given to middle-income countries, particularly those in the upper tranche. Latin America had lost ground to other regions, having received 12.5 per cent of aid in 1990 but only 9 per cent in 2005. There was a conspicuous lack of well-defined goals and instruments to help middle-income countries, although there were many good reasons to continue helping those countries, which were fragile and vulnerable to change and fluctuations in the global economy and financial markets, and which also faced many difficulties with technology. It was therefore vital for those countries, which accounted for 60 per cent of the pockets of poverty present in Latin America, to have access to international markets, since integration into the global economy was certainly one of the best contributions that could be made to their development. Efforts must furthermore be made to improve both their integration in the areas of trade, finance and technology and their participation in global economic institutions. Lastly, the outlook for economic growth throughout Latin America and the Caribbean would largely be determined by the removal of trade barriers erected by the developed countries.

Mr. URBIZO (Observer for Honduras) said that the main problem facing countries like his own, exporters of basic commodities like bananas or coffee, was restricted access to developed countries’ markets. A total of 25,000 jobs had been lost in Honduras because of European Union customs barriers. Since trade was a development tool, the United Nations should urge developed countries to remove protectionist barriers in important economic sectors like agriculture. As a small country that depended heavily on agricultural output, Honduras could not compete against unfair rules of trade. With regard to the comments made on the link between poverty and employment, there was no sign of a strong commitment on the part of regional and international banks to the implementation of microcredit policies in the region. The Bretton Woods institutions must formulate clear policies on credit for small- and medium-sized enterprises so as to increase employment opportunities in rural and urban areas. He asked what measures the Bretton Woods institutions had taken in that regard. Those institutions often imposed very strict conditions on social policy which contributed nothing to employment growth and thus to poverty reduction.

Mr. MARTINEZ ALVARADO (Observer for Guatemala) said that the problem of middle-income countries was an important one. While progress had indeed been made across Latin America, there were still wide disparities between and within the countries of the region. He wondered whether the new policies were not simply a reworking of the policies emanating from the Washington Consensus. Attention should furthermore be paid to the issues of good governance, consolidation of democratic processes and international trade barriers.

Mr. EGUIGUREN (Observer for Chile) said that ECLAC played a vital role in member countries' development. Stressing the importance of the search for innovative mechanisms to guarantee pro-poor development that would really address the problems of hunger and poverty, he asked Mr. Machinea if he could elaborate on that issue.

The summary record of the second part of the meeting
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