

**Informal Summary
High-Level Segment
of the Economic and Social Council in 2007**

**Roundtable on “Growth, poverty eradication
and equity – emerging paradigm”**

Palais des Nations, Geneva, 2 July 2007

- Chair:** H.E. Mr. Dalius Čekuolis (Lithuania), the President of ECOSOC.
- Panelists:** Mr. George Gyan-Baffour, Deputy Minister of Finance and Economic Planning, Ghana
Mr. Bourguignon, Senior Vice-President and Chief Economist, World Bank
Ms. Jayati Ghosh, Professor, Jawaharlal Nehru University
- Moderator:** Mr. Kemal Dervis, Administrator of the United Nations Development Programme

Key points:

- A new paradigm, in terms of objectives, is emerging which recognizes that poverty, growth and inequality need to be tackled together, but there is no new paradigm or agreement as yet on policies regarding how to get there.
- There is no “one-size fits all” approach to poverty eradication and equality. Hence countries should be afforded sufficient policy space to pursue their own set of policies to implement their national development strategies.
- Countries need to take advantage of markets and private capital, but the market alone will not be able to deliver the desired level of poverty reduction.
- Macroeconomic policies need to give greater attention to social outcomes. Policies targetted specifically at the people at the bottom of the pyramid are needed.
- Domestic efforts to promote good governance, including through fighting corruption, need to be complemented by support from the international community, including to middle income countries.
- Environmental issues need to be brought into the equation. Climate change could pose a serious threat to the achievement of the MDGs.

H.E. Mr. Dalius Cekuolis made the opening remarks.

Mr. Kemal Dervis said that the fact that the global economy is growing as rapidly as ever in aggregate terms. At the same time new inequalities within countries are rapidly increasing, with a huge concentration at the top. This was a key challenge the international community was facing today. While there is widespread agreement on the basic elements needed for development to take place, such as taking advantage of world markets and attracting private capital, it is widely recognized, at the same time, that markets alone will not be able to generate the desired level of poverty reduction. He said that the key question emerging was how to ensure that the benefits of strong worldwide economic growth were shared by all.

Mr. George Gyan-Baffour, Deputy Minister of Finance and Economic Planning of Ghana, emphasized the need to strike the right balance between social investment and the need to promote economic activities. He said that the experience of Ghana indicated that there was a need for a new paradigm that combines growth, poverty eradication and equity. Key elements of such a new paradigm are a strengthened role for the private sector and a government that takes on the role of removing the obstacles to growth, including by providing macroeconomic stability. He underscored that in an effort to create an enabling environment, attention should focus on increased investment in infrastructure, water resources, electricity and information and communication technology, while ensuring that public investment does not crowd out private investment.

Mr. Bourguignon said that the title of the discussion was well chosen and that indeed a new paradigm seemed to be emerging, which tries to strike a balance between growth, poverty and inequality. He welcomed that the focus on the poverty debate had now widened from an a posteriori assessment of the outcomes of economic activities to an analysis based on opportunities afforded to different groups of society, giving greater attention to distributional concerns, such as access to basic economic mechanisms and social services. He also noted that voice was another dimension of opportunity, which needs to be taken into consideration. He concluded that today it was widely accepted that that growth was not a silver bullet and that country specific approaches were needed.

Ms. Jayati Ghosh, Professor, Jawaharlal Nehru University, stated that the current economic growth had not resulted in adequate employment growth and had been accompanied by sharp increases in inequality in most countries. She said that citizens of the developing world were experiencing greater volatility of incomes, more material insecurity, and reduced access to basic services, which she attributed, inter alia, to low and insufficient levels of public expenditure in critical areas as well as new pattern of global imbalances where developing countries are providing net resources to the rich countries, in an attempt to guard against potential financial crises. Against this backdrop, while recognising that it was important to ensure economic sustainability in the medium-term, she advocated for greater flexibility in the short term on public expenditure and public investment for key physical infrastructure and human resources and strategic sectors. Monetary policy should not only be about stabilisation and inflation control but should also aim at expanding supply in strategic sectors and take into consideration employment implications. Professor Ghosh stressed that, in order to be effective, macroeconomic polices needed to be completed by the right institutional conditions, enhanced voice of different groups and democratic forms of public accountability.

In the debate following the presentations, Member States from both developing and developed countries expressed their concern that economic growth had not translated into the desirable level of poverty reduction. **India** said that sustained economic growth was a key factor for development, but despite strong growth, inequalities and imbalances had remained and that there was a need to promote more inclusive growth. **Benin** said that growth had not translated into improved results on human development indicators. **China** noted that growth will not automatically result in the achievement of the MDGs

and that significant challenges remained. The **Dominican Republic** said that economic growth was not sufficient for poverty reduction and that governments needed to focus on the people at the bottom of the pyramid. **Costa Rica** asked the panelists to elaborate on the conditions which were needed to reach all three elements of the triangle – growth, poverty and equity and to elaborate further on the trade-offs between the three elements.

Several speakers highlighted the need to take advantage of markets and private capital and the important role of governments to provide favourable conditions for economic development. The **Dominican Republic** highlighted the important role of the government in providing a favorable environment for the private sector, and, in this regard, emphasized the positive role of Public Private Alliance of ECOSOC and the Global Alliance on ICT for Development (GAID).

While recognizing the importance of markets and private capital, several Member States noted that the market, if left alone, will not be able to deliver the desired level of poverty reduction. **Pakistan** asked how to ensure that the benefits of globalization reach wider population, whether lessons on how to remove inequalities within and between countries could be learned from the experience of the European Union and whether a global macroeconomic policy could help to reach these objectives. **Thailand** asked how the international financial groups which often obstructed efforts to eradicate poverty could be tamed. **Venezuela** said that it had adopted a new form of democratic model of development, not compatible with neoliberal economic policies. **Bolivia** welcomed that the international community had moved beyond the Washington Consensus and that it was now widely recognized that there is no single formula, emphasizing that there is a need to address the root causes of poverty. **India** underscored the need for policy space.

Several speakers stressed that macroeconomic policies should pay greater attention to social outcomes and target in particular the most vulnerable groups of society. **Venezuela** said that poverty limits the productivity of society and that there was a need to transfer power to the poor. **Namibia** also stressed the importance of empowering indigenous people. **Bolivia** identified empowering the poor as a key for successfully fighting poverty, taking into consideration the views of the indigenous people. **Thailand** stated that in order to advance its MDG+ agenda, it had focused on all three layers of society – the rich, the middle class and the poor – which all had to play their roles in the three pronged strategy. **Brazil** reported on its new approach to poverty eradication, which was focusing on the calamities faced by the most affected, such as children who need to work, and on issues of sexual exploitation, gender discrimination and discrimination against indigenous people. **Singapore** said that the key to poverty reduction was to increase the productivity of the poor so as to enable them to lift themselves out of poverty. **Benin** said that more attention needed to be given to the issue of employment.

The need for promoting good governance, including through institutional engineering and the fight against corruption, was stressed by several delegations. **Algeria** stressed the importance of fostering the development of institutions which take into account the specificities of individual countries. **Singapore** stressed the importance of

fighting corruption. **Guinea** noted that its efforts to achieve the MDGs were hampered by violent conflict.

Several speakers highlighted the challenge of providing social services to citizens and noted that national efforts to fight poverty needed to be supported by the international community, including through promoting an enabling international environment. **Namibia** said that it was a big challenge for the country to sustain redistributive measures for its ageing population and ex-fighters in the long-run, noting that as a middle income country, its ODA was dwindling and that its revenue from commodities was volatile. In this regard, Namibia asked which action the international financial institutions were considering to assist such countries. **Benin** also noted that efforts needed to be made to enable the Least Developed Countries to better benefit from the trade preferences accorded to them. **Slovakia** said that it made a transition from a recipient to a donor of ODA. **Algeria** said that there was no silver bullet or panacea and expressed concern that over-nurturing and over subsidies, which had proven successful, could stifle the development of new initiatives.

Several speakers recognized that a new paradigm was emerging in terms of policy outcomes, but that the international community had not yet identified the appropriate mix of policies to get to the desired policy outcome. **Guinea** said that the measures to address the emerging paradigm of fighting poverty still remained to be developed. **Mr. Dervis** said that the three principles of growth, poverty and equity were the beginning of a new paradigm, a paradigm of objectives, but that a new paradigm had not yet emerged in terms of policies on how to get there. The need to bring the environment into the equation was highlighted and it was noted that climate change can pose a serious threat to the efforts to eradicate poverty.

In their closing statements and in response to the comments and questions raised during the debate, panelists said that growth and poverty reduction are not polarities but go together. They also stressed that we have not seen poverty reduction without growth. They noted that investment in social goals can accelerate growth and, against this backdrop, pointed out that it was possible to have win-win situations. Panelists agreed about the centrality of institutional engineering and the importance of enabling the poor to lift themselves out of poverty by unleashing their productive potential, including through public investment targeted at the bottom of the pyramid. The importance of access to all kinds of credit, not only micro-credit, and the need for greater accountability of governments was underscored. They also highlighted the importance of a successful conclusion of the Doha Round of trade negotiations and the need to enable developing countries to make better use of the preferential market access granted to them.