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**ECONOMIC AND SOCIAL COUNCIL HIGH-LEVEL SEGMENT**  
***“Promoting sustained, inclusive and equitable economic growth for  
accelerating poverty eradication and achievement of the MDGs”***

**Wednesday, 6 July 2011**

**10:00 am – 12:00 pm**

**Talking Points for Dr Noeleen Heyzer, Undersecretary-General of  
United Nations and Executive Secretary of UN-ESCAP**

*Moderator:*

*Question 2: What are successful approaches and key policies for  
achieving sustained, inclusive and equitable economic growth that  
accelerate poverty reduction and promote the achievement of the  
MDGs?*

(Lead Discussant: Noeleen Heyzer, Executive Secretary, UN-ESCAP)

- Mr Moderator and distinguished delegates: I would like to address the question in the context of Asia-Pacific region. The region has emerged as the growth pole of the world economy with high growth sustained over the past decade. Even though the region recovered rather strongly from the depths of the financial crisis of 2008/09, there are question marks on the region's ability to sustain its dynamism in medium term beyond the exit of expansionary policies. It is becoming clear by the day that developed countries will have to restrain their debt-fuelled consumption in the coming years as they unwind the global imbalances. Hence, they will not be able to support the dynamism of Asia-Pacific countries as before. The implication for the

region is that alternative sources of demand generation will need to be found to mitigate the potential loss of demand in the West. With 980 million people in poverty and wide gaps remaining in terms of MDGs achievement, infrastructure and other development gaps within and between countries, the region has much headroom for expanding aggregate demand for sustaining growth. By focusing attention on poverty reduction and closing the development gaps, this challenge can be turned into an opportunity. Seen this way poverty reduction, inclusive development and MDGs achievement will be critical for sustaining the region's dynamism in the coming years.

- Let me now outline a five point policy agenda for sustaining inclusive and equitable growth that ESCAP articulated in its recent Economic and Social Surveys. Firstly, the growth has to be refocused on job-creation. Over the past decade, the growth in the region has increasingly turned jobless. A post-crisis macroeconomic framework should seek full employment for men and women as a core policy goal. Over time the fiscal policies have been turned to provide incentives to capital investment often at the cost of job-creation. Time has come to reverse such distortions if not to create incentives for job-creation. Furthermore, social protection should be strengthened to provide basic income security to the vulnerable sections of people. The crisis has prompted some countries in the region including Malaysia and the Philippines to consider establishing unemployment insurance schemes while India expanded its national rural employment guarantee scheme.

- Second element of our policy agenda includes a much greater focus on agricultural growth and rural development as it will benefit the bulk of poor people that derive most of their income from agriculture. With the return of high food prices, boosting agricultural growth is also critical for increasing food security. We need to reverse the neglect of agriculture in public policy over the past two decades by enhancing support for agricultural research, development and extension, rural credit, and other inputs to foster a new green revolution based on sustainable agriculture.
- Thirdly, the financial inclusion of the poor and vulnerable also has to be increased. If the poor are to release their pent-up demand they will need access to a more diverse and appropriate range of financial products and services— on more favourable terms and with less stringent demands for collateral. Governments will need to ensure an institutional and regulatory environment that fosters an inclusive, fairer and more efficient banking system and expands and safeguards the options for the poor.
- Fourth element includes closing the infrastructure gaps. ESCAP's infrastructure index shows that there are wide gaps within the region in terms of levels of infrastructure development between countries like Singapore or Japan on the one hand and Papua New Guinea among other least developed countries on the other. It has been estimated that closing these gaps would need an investment of USD 800 billion per annum. These are huge investment requirements. The region has also accumulated huge excess savings and foreign

exchange reserves of the order of over USD 5 trillion that are largely invested outside the region because of lack of a well developed regional financial architecture. ESCAP is elaborating the elements of an architecture that may assist in more efficient intermediation of region's savings and investments needs with a mandate given by the member governments.

- Finally, the lagging parts of the region need to be connected with emerging economies to benefit from their dynamism. This connectivity covers both physical or hard connectivity and soft connectivity covering integration of trading regimes, harmonization of custom procedures among other aspects of trade facilitation. ESCAP is assisting its member states in strengthening all aspects of connectivity with intergovernmental agreements on Asian Highway and on TransAsian Railways, capacity building in trade facilitation and regional trade liberalization. The 68<sup>th</sup> session ESCAP Commission in 2012 will focus on strengthening regional economic integration in Asia-Pacific.
- Mr Moderator and distinguished delegates: I believe that this policy agenda can assist the Asia-Pacific region to not only sustain its dynamism in the coming decades but also make the growth more inclusive, equitable and balanced.

## **Some comments/ talking points on questions posed to other panelists.**

*Moderator*

*Q.1 How can policymakers address the issue of growing inequality between and within countries? How can the international policy environment promote high, sustained growth with greater equity?*

(Lead Discussant: Zhu Min, Special Advisor to Managing Director, IMF)

- Inequality is a critical problem in Asia-Pacific in terms of the income gap both between and within countries. In the region, the national income share of the top 20 per cent of the population has steadily increased while that of the bottom 20 per cent has decreased. Across countries, LDCs displayed only a quarter of the average income level of all Asia and Pacific countries, despite the high growth of the region as a whole. Distributing the fruits of the region's development to LDCs is essential for the achievement of the MDGs.
- Rising inequality threatens growth and poverty reduction targets in Asia-Pacific. Appropriate policy measures at both the country and regional levels could foster greater equality without sacrificing the benefits of growth. At the domestic level, countries can reduce inequality within their borders by pursuing inclusive development policies which not only support growth but also increase equality. Measures include boosting social protection and increasing resources for the agricultural sector.
- At the regional level, countries can reduce inequality between themselves by increasing regional integration. For trade, seamless

regional trade can be supported by a region-wide trade agreement which encapsulates the plethora of subregional and bilateral trade agreements prevalent in the region. Furthermore, there is need to boost the connectivity of the region, both physical connectivity and "soft" connectivity. Indeed, the latter is the greatest impediment to regional integration, encompassing issues such as trade facilitation.

- Asia-Pacific economies should be encouraged to coordinate to fund the investment needs of the region. With combined reserves of \$5 trillion, the region now has the ability to develop a regional financial architecture. If governments have access to a well-endowed regional crisis response and prevention facility, they would feel less need to build up large foreign exchange reserves to protect their economies against speculative attacks and liquidity crises, and could thus free up reserves for more productive investments.
- At the global level, the G20 Summits could take measures to decrease the inequality prevalent in globalisation. For example, a global financial transaction tax system could moderate the volatility of short term capital flows while generating billions of dollars of revenue for funding the MDGs and other development gaps. The G20 can also take regulatory measures to reduce the volatility of oil and food prices, which dramatically contribute to income inequality, and which have been partly caused by negative side-effects of the increase in financial globalization.

*Moderator*

*Q3: What is the effect of trade liberalization on income inequality and how can benefits from trade liberalization be shared equally and accelerate poverty eradication? What will be the likely effects of green growth policies on economic growth, inequality and poverty eradication?*  
(Lead Discussant: Cho Tae-yul, Ambassador at Large, Republic of Korea)

- Trade liberalization, while leading to higher economic growth for some, also increases inequality between countries. It must be accompanied by compensatory programmes to reduce the impact of inequality. Least Developed Countries (LDCs), in our region and globally, have been some of the countries excluded from the fruits of the globalization process that has been fostered through trade liberalization. ESCAP research shows that LDCs in Asia-Pacific have been marginal exporters—their share in merchandise exports has been lower than 0.25% throughout a period when total world merchandise exports in current terms have increased 42-fold.
- LDCs need to be supported with specific policies by the international community to allow them to participate more fully in the global marketplace. They require enhanced and predictable market access, support for the establishment of export supply capacity that is competitive both in cost and quality, and new trade-related infrastructure. More transparent and simplified rules of origin and more comprehensive product coverage could improve the use and the value of Generalized System of Preferences (GSP). In addition, developed countries and developing countries in a position to do so

should implement fully the duty-free market access as agreed in the Hong Kong WTO Ministerial Declaration. Aid for trade should assist LDCs in building productive infrastructure and trade capacities to enable them to participate effectively in the multilateral trading system. It should be aligned to the national development strategies. In addition, LDCs should receive priority in the disbursement of funds.

- “Green growth” is a new paradigm of economic growth that maintains or restores environmental quality and ecological integrity, while meeting the needs of all people. Green growth strategies spur economic growth. For example, strategic collaborations between government and industry promote investments in environmentally-friendly technologies and products. Because of market failures such investments may not be immediately profitable, so many environmentally-friendly technological innovations will initially need government support. The public support can also help develop and commercialize products that serve to raise the wellbeing of the poor and the rural areas by encouraging affordable and environmentally-friendly technologies. In Bangladesh, Grameen Shakti provided soft financial options for home solar systems in rural and remote off-grid areas. About 220,000 systems were financed and installed by 2009. A number of Asia-Pacific countries including Japan, China, India, and the Republic of Korea are promoting such innovations as a part of their national action plans on climate change.

- Moderator

*Q.4: Must developing countries focus on achieving sustained growth or on policies to promote equity, inclusion and social protection? How can the gains from growth be shared in an inclusive way, reaching all people in society, particularly the most marginalized?*

(Lead Discussant: Frances Stewart, Director of Centre for Research on Inequality, Human Security and Ethnicity (CRISE), University of Oxford)

- I have highlighted how countries do not need to choose between growth and equity, inclusion and social protection. Indeed policies for inclusive development will produce growth, especially in the new post-crisis circumstances for Asia-Pacific. While the need to make growth fairer in our region, as well as others, had existed long before the crisis, it is certainly true that the opportunity that inclusive development offers to maintain growth has made inclusive development of greater interest to policymakers in this new environment. We have pointed out through numerous analyses that even the dynamic growth of our region in the past did not reach many of our poor and vulnerable citizens. However, in so-called good times, it is more difficult to make the case for a change to development policies, when headline growth numbers remained attractive. Now, the situation is different. We can offer policymakers a win-win situation in which alterations to policies are not perceived as possibly coming at the cost of growth but instead as a source of boosting falling growth prospects, while at the same time improving the livelihoods of the poor.

- The gains from growth have to be directed to areas where the poor live, to sectors in which poor people work, to the factors of production they possess and to the products they consume. The task for governments lies in applying the fruits of higher growth, in terms of greater available government funds, to overcoming the barriers which are preventing the poor from participating in the growth process. Therefore, as I outlined earlier, government resources should be applied to increasing the scope and coverage of social protection, to increasing funding for the agricultural sector in order to improve its productivity and increase food security, and to providing greater financial services to the poor to improve their financial inclusion.
- Government funding of social protection is one of the key areas to spread the gains of growth. While governments remain wary of the costs of such programmes, experiences from our region show that major initiatives are affordable enough to be undertaken. Thailand has a universal health-care programme – formerly called the ‘30 baht’ scheme, but now free. India has the National Rural Employment Guarantee Act (NREGA) which provides a guaranteed 100 days of employment each year to adult members of rural households and also has gender-sensitive provisions. The crisis has also prompted some countries in the region, including Malaysia and the Philippines, to consider establishing unemployment insurance schemes.

*Are there specific education policies that promote sustained, inclusive and equitable economic growth and accelerate poverty eradication? Which approaches at the country-level could ensure that economic growth is equitable?*

(Lead Discussant: Esther Duflo, MIT)

- One of the most important measures for lifting people out of poverty and reducing vulnerability is to improve standards of education so as to open up opportunities to enhance capabilities. This has been especially important for girls, with significant benefits both for women's empowerment and for child health. Too often, however, the poorest children have either not enrolled in school or tended to drop out early. So although many countries in the region have successfully raised enrolment ratios, they have not necessarily been able to keep children in school. However there are innovative programmes from our region which have made strides in tackling this problem.
- One example is the Indian government's Sarva Shiksha Abhiyan programme, launched in 2001, aimed at universal elementary education for children aged 6-14 years by 2010. This aimed to ensure that children and parents found the schooling system useful and absorbing, according to their natural and social environments. The scheme involved building more schools and improving many others, providing almost all rural inhabitants with elementary schools within three kilometres. Children were also offered incentives such as free books, uniforms, and mid-day meals. This is also part of the Cooked Mid-day Meal scheme, launched in 2002, which itself has been

found to boost school attendance. A sample survey of schools found an improvement in enrolment ratios between 2001 and 2007 from 89 to 93 per cent, along with a notable increase in access for children with disabilities. Children were also more likely to stay in school – about two thirds of children reported attendance of more than 75 per cent.

- Another noteworthy example is the Philippines government's "4 Ps" programme (Pantawid Pamilyang Pilipino Programme), for poverty reduction and social development. It provides conditional cash grants to extremely poor households to improve their health, nutrition and education, particularly of children aged 0-14. Only families that keep their children in school and ensure that children and pregnant women receive regular health checkups can obtain the cash grants, which offset the costs of both health care and education. The poorest households in municipalities are selected through the National Household Targeting System for Poverty Reduction, which determines the socio-economic category of the families by looking at certain proxy variables. The programme has dual objectives: social assistance by providing cash assistance to the poor to alleviate their immediate need (short-term poverty alleviation); and social development by breaking the intergenerational poverty cycle through investment in human capital. Currently, the programme operates in 80 provinces covering 734 municipalities and 62 key cities. Pantawid Pamilyang targeted an estimated one million households by the end of 2010.