



Inclusive Economic Growth: Increasing Connectivity, Expanding Opportunity, and Reducing Vulnerability

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February 2013

This paper was presented at the January meeting of the U.N. High Level Panel of Eminent Persons on the Post-2015 Development Agenda. The composition of the High Level Panel was announced by U.N. Secretary General Ban Ki-moon in July 2012. The High Level Panel is tasked with providing a written report of their recommendations for a Post-2015 Development Agenda by June 1, 2013.

With broad consensus, panelists have agreed that ending extreme poverty in our time should be the core tenet of the post-2015 global development agenda. There has been almost equally broad sentiment within the panel that fostering sustained and inclusive economic growth, creating decent jobs, improving living standards, and addressing youth unemployment were underemphasized in the original goals and should be more prominent in any post-2015 development agenda.

There is no silver bullet to ensure rapid, broad, and equitable economic growth that can reach the poorest of the poor. Indeed, if the formulation were so simple, countries at every range on the economic scale would have already embraced it.

That said, we do know that the only way to reach the 2.5 billion people living on less than \$2 a day is to create greater opportunity for them while more deeply connecting them to the economic, social, and political lives of their countries—and through their countries to the global economy.

Evolving patterns of growth make clear that reaching the poor and traditionally marginalized populations in middle-income countries and the many poor who reside in fragile and conflict-affected states will require an approach that moves beyond a simple focus on raising national gross domestic product or on increasing foreign direct investment, although both remain vital. What is needed is an approach that captures the enabling

conditions of economic and social development and includes a deliberate and actionable focus on inclusive economic growth.

As the global population continues to expand and 40 million more people enter the global labor force every year,¹ our task—through the post-2015 development agenda—should be to embrace the bold but practical steps that must be taken to help ensure that every person has the opportunity to be healthy, to work, and to be counted, and that everyone has access or “connectivity” to the infrastructure, social services, and fundamental rights they need to contribute to development and improve their own lives.

A central focus on economic growth in the post-2015 agenda can not only trigger sustained increases in average GDP but can also end extreme poverty in our generation and substantially reduce low-income poverty. A majority of the world’s extreme poor survive on no income or on less than \$1 per day. Expanding the opportunities for growth to include these populations would enable many countries—working in partnership with the international community and the private sector—to make sure that all of its citizens are free from the crushing burden of extreme poverty. Reaching this ambitious goal will require countries to adopt the policies and programs that can lead to sustained increases in national GDP and to implement targeted national strategies ensuring that these economic opportunities and benefits extend to all citizens—including subsistence-level producers, the urban poor, and traditionally marginalized populations.

In pursuit of sustained and sustainable development, the panel must come out in strong support of the economic growth as the strongest counterforce to poverty, while recognizing that ending extreme poverty in our generation is the undeniably ambitious goal that should be the cornerstone of the post-2015 development agenda. It is a powerful, clear statement of purpose reflecting the will of the poorest of the poor, of civil society, of member states, and of an enormous range of partner organizations and institutions. It also underscores the appreciation that the end goal of strong economic growth must be to realize the benefits of broadly increased individual and household incomes and improved living standards for the many—not the few.

To ensure that our efforts truly stimulate inclusive economic growth, we must increase GDP. But we must also deliberately focus on breaking down the barriers that prohibit individuals, families, and entire communities from connecting to opportunities within their countries. Isolation comes in many forms—whether through geography, ethnicity, gender discrimination, or conflict—and our task should be to factor these hurdles into proposed growth strategies.

There appears to be no disagreement within the panel that our recommendations should include a primary emphasis on consolidating and expanding the gains we have seen in GDP, particularly in low-income and a growing number of now-middle-income countries. We have also observed that—with few exceptions—substantial pockets of

extreme poverty persist even in middle- and higher-income countries. Following are three actions we should consider that can propel increased growth and ensure a level of inclusivity that would enable us to target—and put an end to—extreme poverty.

Increasing connectivity

For sustainable economic growth to flourish and benefit the poorest of the poor, each person must be connected to the engines of growth and the government that regulates them. Full connectivity means that a person is able to pursue a broad range of economic opportunities and also has access to the infrastructure, social services, and government institutions that are an essential part of any social compact or development success.

Access to quality educational and health care systems

For citizens to take advantage of economic opportunities, they must be able to achieve at least minimum standards of education and health. With an ambitious effort to promote education—such as achieving universal youth literacy and numeracy by 2030—the post-2015 development agenda can focus on tangible, quality-based outcomes. (There are numerous ways to track and encourage educational attainment; our focus here, and in other areas, should be on not just the quantity but also the quality of outcomes and on the ability of all citizens to access services such as basic education.)

Similarly, citizens must be able to access a health care system that enables them to enjoy a healthy life free from the fear of a health crisis that can undermine their economic progress. As in the case of education, we should focus here on the access to basic health services and emergency care, and particularly on the availability of reproductive and maternal health services, nutritional support and care, and early childhood interventions that we know have the greatest impact on development, as well as on the quality of outcomes.

Access to infrastructure

It will also be necessary for nations, the private sector, and the international community to ensure universal access to modern energy, transportation, and telecommunication and financial services. Quite simply, this aspect of economic growth is about physically connecting people to the economic opportunities and systems that will allow them to thrive.

Effective infrastructure systems provide the backbone for economic growth by enabling innovation, business development, trade, investment, and, most importantly, scale. But providing broad-based access to modern sustainable energy, transportation, and finan-

cial and communication services will no doubt be a tall order in many countries because it will necessitate major capital investments in such infrastructure.

The importance of this goal—and of the international community articulating it as a priority—cannot, however, be overstated. Reliable sustainable energy, extensive roads, and expansive communications coverage allow local businesses to operate competitively and build investor confidence. It will take a concerted effort of public and private investment to reduce the global infrastructure deficit and bring modern energy, transportation, and communication services to all—including the poorest of the poor—but it is a crucial step in promoting sustainable economic growth. It will also be vital to ensure that infrastructure is expanded in an environmentally sensitive and sustainable way, and that it does not undercut other key aspects of the development agenda, particularly as they relate to our shared environment.

Access to effective and transparent governance

One of the most important connections that can encourage economic growth is that of a citizen to his or her government. Citizens should be able to expect their governments to create the conditions needed for broad-based economic growth. When people can access a government's decisions and regulations affecting economic growth, they can inform their own actions and hold governments accountable. The political inclusion of all groups, especially the poorest of the poor, helps to ensure that their economic perspectives, realities, and interests are understood and acted upon by governments.

A crucial platform for connecting citizens to their governments is through a country's budget. National budgets clearly reveal a country's priorities and actions, as well as the trade-offs that nations and governments must make. As such, they should be publicly accessible to all. Budget transparency is also critical to economic growth because it promotes accountability, helps to reduce corruption, and can inspire confidence in investments and the decisions that regulate those investments. Budget transparency additionally allows public officials and the citizenry to determine whether the fruits of sustained economic growth are being shared.

Crowding in the private sector

Another necessary element of strong economic growth is connecting with and incentivizing the private sector. From entrepreneurs and small enterprises to large infrastructure projects, the capital and expertise of the private sector is essential in realizing the goal of ending extreme poverty in our generation. As limited government resources are stretched to meet increasing demands, it will fall to the private sector to kick-start many of the engines of growth across the globe.

The question, then, is not around the necessity of the private sector but in how it should figure in the post-2015 development agenda. As with many of these issues, further discussion is warranted about how the private sector might fit into any new set of goals. We should be mindful, however, of creating the right incentive structures to encourage and facilitate a robust private-sector role in sustaining economic growth and encouraging effective public-private partnerships in every aspect of the post-2015 agenda. It will be incumbent upon us, as well, to think of innovative ways to align the development motives of the U.N. Millennium Development Goals with the profit motives of businesses. If we seek to engender a new arrangement that goes beyond corporate social responsibility to “shared value,” we can indelibly link the development agenda to the expanding private sector, thereby ensuring that economic gains are far reaching and sustainable.

Expanding opportunity

Even as citizens are connected to the enabling tools and conditions for economic growth, they must also have opportunities for advancement.

Creating employment opportunities

It is impossible to discuss economic growth without also discussing the need for increased employment opportunities. There have been calls for job creation, a right to decent work for all, and employment targets for underserved-but-growing sectors of the workforce, including women and youth. The panel has yet to determine exactly if and how it wishes to address employment opportunities as a function of economic growth, but this conversation must happen.

The connections between unemployment levels and economic stagnation (or worse, decline) are well-documented, but, again, there are no easy answers when it comes to nurturing sustained employment growth. It remains to be seen how we will choose to define, measure, or even include employment in any post-2015 development agenda.

Employment, especially for people who live and work outside of the formal economic sector, provides the best means of tackling extreme poverty. Among some marginalized populations, however, the causes of their marginalization—discrimination, for example—preclude the attainment of good jobs and/or increased incomes and frequently drive them to remain in the informal sector. Several practical steps would go far in economically empowering traditionally marginalized populations and greatly enhancing prospects for growth at the national level.

Identity

Ensuring that every person is afforded a registered identity—whether through a birth certificate, national identification, or another form—opens a wealth of opportunities currently unavailable to those unknown and unrecorded by their countries.

A national identity can make a number of economic opportunities far more accessible. It is difficult—and in some cases impossible—to open a bank account or access money services without some form of identification. Those seeking to lift themselves out of poverty are therefore often left out of formal economic institutions due to lack of identification, denying them the opportunity to protect and grow their incomes and denying governments the opportunity to count and build upon the economic success of their citizenry. Credit, a key ingredient in growing businesses, is similarly hard to access without identification. Identification can enable the correct registration and inheritance of assets, land, and resources, as parents seek to leave their children more and better economic opportunities.

Politically, a national identity gives citizens the opportunity to have their voices heard and counted. The most obvious benefit is the opportunity to vote and determine national leadership and priorities. In many countries, there are also a number of government benefits to identification—including social safety nets, welfare systems, or cash-transfer opportunities—that can accrue to those citizens in need. To access these economic and social opportunities, however, one must possess national identification.

Ensuring a universal right to a national identity will help level the playing field for the marginalized and poorest of the poor. There is also ample reason to believe that achieving the universal right to a national identity would also have many beneficial additional effects such as promoting stability and conflict resolution in conflict-affected and fragile states.

Modern and effective land tenure and title

Another crucial element in providing economic opportunity for the poorest of the poor is secure land-tenure property rights. An overwhelming majority of the world's poor rely on agriculture for their incomes, and many of these agricultural workers are women. Yet in many countries, traditional and often-inequitable land-tenure systems mean that some agricultural workers cannot own their land, nor can they inherit or bequeath it. Many countries still operate on the basis of multiple and diverse land-tenure systems—each rooted in a particular culture, tradition, or geography—but with the effect that land rights vary from region to region within a given country. Changing land-tenure systems often entails high-level politics and can trigger local conflict, but it may be possible to at least establish a standard on land rights and titles that enables poor farmers to make the maximum use of land for productivity.

Given the demographics of global poverty and the fact that a growing number of the world's poorest citizens now or will soon reside in urban areas, property rights—and in particular titles—also impact the potential of poor people to produce goods, secure credit, and trade. Here again, even the attainment of basic standards on urban land titling could generate significant gains by providing a pathway for the extreme poor to the formal economic sector and the tools available there.

The Food and Agriculture Organization's Voluntary Guidelines on Responsible Governance of Tenure, issued in 2012,² provide an excellent starting point for the panel's work. In this day and age, and in such a highly competitive global economy, we must move past the idea that someone cannot hold or inherit land simply because of their gender, ethnicity, or identity. Broad and secure rights to land, coupled with a national legal identity that makes title accrual and transfer possible, will lead to increased household incomes among the poorest of the poor. Crucially, these benefits could accrue to women and men equally, correcting the severe disparity in land title that currently exists between men and women. Each country would no doubt implement land-tenure reforms most appropriate to their local needs and traditions, ensuring that the economic opportunities from land ownership and security lead to sustainable growth and prosperity.

Reducing vulnerability

Finally, we must take into account that it is the world's poorest who are the most vulnerable to internal and external shocks—for example, fluctuations in weather, food, or other commodity price increases, climate change, and local or major conflict. Even if they are able to increase their incomes, their economic coping mechanisms are few and far between. As we saw during the 2007–2008 spike in world food prices, a major shift in global markets can plunge as many as 100 million people into poverty.³

In order for the gains that could be attained through the above actions to be sustained and for vulnerability to be reduced, there are two trends of which we should take advantage. The first is the concept of resilience and the specific steps required to ensure that people and communities are able to withstand—or at least rebound from—external shocks. For the poorest of the poor, this may mean building on a growing body of work in the humanitarian relief field over the past several years—including, for example, treating malnourished children by both providing food and by using the high-nutrient products that address both hunger and brain development, or taking deliberate steps to ensure that local markets do not collapse in times of acute food shortages by providing vouchers rather than food aid.

The second is to build on the successes of a growing number of countries to deploy social safety nets, cash transfers, and other programs that can reduce a poor family's

cash outlay and, importantly, provide access to critical services, including health and education. The opportunity here is that a significant number of middle- and low-income countries have taken the lead in this area and have proven that these programs yield immediate benefits, as well as long-term developmental gains. The challenge is that many social safety net programs are poorly targeted and either provide too much to those less in need and not enough to those who need support, and/or they overlook the most marginalized and disenfranchised populations. Targeting these programs to the poor could yield both greater and faster progress toward eliminating extreme poverty while also freeing up poorly targeted resources for other purposes.

Conclusion

Sustainable economic growth is not simply about increasing the size of national economies but about shaping enduring systems that respect the rights of individuals and give them the tools they need to help lift themselves out of poverty now and forever. The post-2015 agenda offers an important opportunity to move beyond simply talking about the importance of growth, decent jobs, and reduced inequality and to start putting in place the practical measures and mechanisms that make such advancements possible.

As with all parts of the post-2015 agenda, the economic portion of our work is deeply interconnected with our efforts in other areas. We will not achieve our economic growth aims if we fall short in education, public health, the environment, and in promoting peace and security. We must identify and address those challenges that sit most centrally in the web of social and economic development in ways that move beyond the often simplistic North-South dichotomy of the original Millennium Development Goals.

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Endnotes

1 International Labour Organization, "Global Employment Trends 2012: Preventing a Deeper Jobs Crisis" (2012).

2 Food and Agriculture Organization of the United Nations, "Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security" (2012).

3 The World Bank, "Global Monitoring Report 2012: Food Prices, Nutrition, and the Millennium Development Goals" (2012).