

**Social Policy in South Asia:
Towards Universal Coverage and Transformation
for Achieving the Millennium Development Goals**

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Edited Transcript of Opening Remarks

Thank you very much for those very kind words of introduction. I would like to thank Gabriele Koehler, UNICEF ROSA, the Innocenti Centre and UNRISD for all your efforts in making this meeting possible. I am looking forward to the discussion over the next day and a half. I do think we are living in very important times, not only in terms of what is happening in this country, Nepal, under the emerging new dispensation. Many things now seem possible with a whole discourse opening up even if I can only read the English language media. We are also living in very difficult times, in terms of the future of the UN system. What I would like to do over the next few minutes is to pick up where Richard Jolly has left off, in talking about our own roles in understanding and elaborating what is emerging as a UN development agenda, one which is quite distinct from, say, the Washington Consensus, moved by different norms, different priorities and different policy agendas.

In September 2005, over 150 heads of governments and heads of states, met at the Millennium plus five (years) Summit in New York and endorsed what is now known as the Summit Outcome Document. There are many important aspects of the Summit Outcome Document which need to be highlighted. Allow me to emphasise two things which are important for us here. Time and time again, the Summit Outcome Document makes a strong re-affirmation of the commitment of the “international community to the internationally agreed development goals, including the Millennium Development Goals (MDGs).” This formulation refers to the whole range of conferences, particularly from the 1990s into the early part of this decade, which have been extremely important in terms of shaping an alternative vision for humanity. Perhaps most relevant for our purposes was the 1995 Copenhagen Social Summit which I think shapes our discussion. The formulation re-affirms some commitments missed in the summary formulation of the Millennium Development Goals, such as the commitment to achieve full employment and decent work, mentioned in Copenhagen and reaffirmed in 2004 by ILO Social Dimensions of Globalisation.

Two weeks ago, our department was involved in organising a Development Conference on employment and we invited the chief of macroeconomics in one of the leading international financial institutions to address us. He declined politely to participate in the meeting because employment issues were outside his expertise. For those of you who know the history of macroeconomics, this admission is most shocking for someone in charge of macroeconomics. But it is really a reflection of our times; Keynes’ macroeconomics was principally about employment. By the beginning of this century, this head of macroeconomics of a powerful IFI mandated to ensure full employment replies that employment is not a macroeconomic priority.

The other important community made by the international committee was to create and prepare national development strategies within the year. Implicit in this commitment is an attempt to try to explore and elaborate what UNCTAD has formulated as policy space that will be extremely important in trying to develop development strategies which are much more meaningful, much more inclusive, and truly nationally owned, rather than formulated in Washington or somewhere else and then foisted on national executives.

Towards this end, some UN colleagues are working on a modest project to prepare some policy guidance notes as alternatives to existing policy straightjackets, which you might be familiar with, in only six areas – (1) macroeconomics and growth, (2) finance, (3) trade, (4) public

investment management, (5) investment and technology, and (6) social policy. We are trying to identify policy interventions perhaps most different from what is offered in the PRSP manual. I urge you all to contribute to the process of improving these guidance notes for the use of member states. Many of the same issues which we all face are very different in terms of implications and consequently policy challenges. For example, size matters. What is possible for a large country like India may not be possible for a small country like Nepal. A country like Bhutan which is land locked has different options from an archipelago country like Mauritius. One which has developed industries to a reasonable degree like India has different options from a country like Afghanistan which has a very modest manufacturing capacity, and so on. We have moved away from and reject a 'one size fits all' paradigm where 'best practices' are supposed to be universally appropriate.

After a quarter of a century of experience, we now have fairly broad recognition that the Washington Consensus has basically failed and was fundamentally wrong. Very importantly also, the experience of economic liberalisation basically has largely failed to deliver growth. Cecilia Lotse has correctly mentioned the growth fetishism which has been the rationale for structural adjustment. Trade liberalisation has failed to deliver on growth. Even recent World Bank documents published at the end of 2005, as well as other research show a strong relationship between trade liberalisation and lower growth, de-industrialisation, and even agrarian collapse. Meanwhile, IMF research now acknowledges that financial liberalisation has neither enhanced growth nor reduced volatility. This is a tremendous indictment of the Washington Consensus but hardly well acknowledged. The economic counselor of the IMF, a professor at Harvard University, reviewed Joseph Stiglitz's *Globalization and its Discontents*, at a launch at the World Bank, and referring to Stiglitz, he used the term 'a beautiful mind'. This was soon after the release of the film 'A Beautiful Mind', referring to John Nash, a brilliant schizophrenic who won a Nobel Prize for economics. The implication was hardly subtle. Stiglitz might be brilliant, even a Nobel laureate, but he was really 'beyond the fringe' of rationality, so to speak.

Thus in very important ways, the establishment, the orthodoxy, has rejected the real policy implications of their own research findings. Critical thinking is being beyond the pale of acceptability, beyond the pale of rationality and so on and so forth. In 2003, two IMF studies showed that financial liberalisation had not contributed to growth but increased financial turbulence, financial volatility as well as instability. Not surprisingly, many middle income countries have been 'opting out' of the IMF's 'conditionality' clutches not only in East Asia, which is paying the costly price of what is called 'self insurance', but also Brazil and Argentina who, at the end of 2005, pre-paid their loan commitments to the IMF to have a kind of macroeconomic 'policy space.' Argentina, in the last three or four years, has had very rapid growth, close to double digits, which is very impressive, given what had happened in the preceding decade and a half precipitating its crises.

There is now ample evidence that in terms of economic growth as well as social indicators, the world has actually done more poorly in the last quarter century (1980-2005) compared to the 1960s and 1970s. The whole relationship between growth and distribution – highlighted in the *2005 Report on the World Social Situation*, various *Human Development Reports*, and even the *2006 World Development Report* of the World Bank– is not only important for poverty reduction

efforts but, arguably, for sustaining growth itself. If you take a 2 dollar a day poverty line, for all its problems, almost half the population of the world is deemed poor. And only 4.2% of total growth has actually trickled down to that bottom half of the world's population. If we use a one dollar a day poverty line, about nine hundred million are deemed poor and only 1.4% of total growth will trickle down. So the claim that only growth will be able to alleviate poverty is actually misleading. It is very important, therefore, for us to not only address the question of growth, but recognise that re-distribution will be necessary to address the gross inequalities we face in the world.

I have no time to talk about the institutions of international economic governance. In pursuing our own work, we have to be very mindful that the United Nations system does not unwittingly become party to perpetuating welfare colonialism (Reinert 2005). Let me move back a little to reflecting on the work of Karl Polanyi on Europe during an earlier era, highlighting a 'double movement.' This was absent from the Washington Consensus, which only emphasised the first principle of the 'double movement' – liberalisation and globalisation – often at the expense of the second principle of social protection aiming at the 'conservation of man and nature.' Our role is to realise what the second part of that double movement would imply for our current work of creating public social institutions which would ensure that as market forces develop, the vast majority of humanity is not further marginalised and left behind. Some recent work at the ILO (Cochon 2006), for instance, emphasises that contrary to the widespread presumption that social programmes are unaffordable, especially for developing countries, it is really 'political will' -- or commitment -- which is necessary to make significant social progress as such programmes are not as unaffordable as usually presumed. For example, the Rural Employment Guarantee Act in India has been shown to be quite fiscally affordable – contrary to the claims of opponents.

There has already been mention of the important debate over universalism versus targeting in social policy. The World Bank itself recognises that targeting is actually quite costly and often quite ineffective. Unfortunately, most recent international rhetoric is about social safety nets, moving away from earlier commitments to universalism.

Second, universal policies are clearly more politically sustainable. We are not going to be able to sustain public policies if they are not politically sustainable – i.e. without broad support from the citizens for such policies. And when you target the poor exclusively, the policy loses support from other sections of the population and therefore becomes less sustainable, especially where you do not necessarily have people voting for public policies, but along other lines. Amartya Sen has famously reminded us that programmes for the poor can end up being very poor programmes. So being able to sustain public support is a very important reason for ensuring inclusion and for ensuring universalism.

The third point is about 'the power of ideas', the title of the summary volume Richard Jolly and the United Nations Intellectual History Project. That particular volume deals with the role of the UN in setting norms and developing international consensus around a range of issues, including development. The UN system does not have superior financial resources to offer, we do not have many other things which other agencies might well have to offer, but we do have more legitimacy and credibility. Hence, the ideas we are involved with and the policies associated with those ideas become extremely important. Part of the UN development agenda has been to

clarify and elaborate the complex relationship between human development and economic development and meaningful, equitable and sustainable human development, particularly in the medium and long term. I think we have something different to offer. This is all the more important because business as usual, and the default mode means falling back on what the Bretton Woods institutions might have to offer therefore, it is very important for us to begin to offer a truly meaningful alternative.

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