Helping the poor, helping the world: inclusiveness and sustainability for a more durable growth

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Economic growth is considered a key driver of poverty reduction. Between 1990 and 2010, the global economy grew at an average rate of 2.7 % each year, while the percentage of people living on less than USD 1.25 a day was reduced from 43 % to 21 %. But how much the poor in a given country benefit from growth – which is defined as an increase in the inflation-adjusted value of the goods and services produced by an economy over a given period of time – depends on growth patterns and policies. In fact, according to UNCTAD, growth has accompanied increasing income inequality in most countries, for a number of reasons: labour income has become a smaller part of the total output, tax systems have grown less progressive and social transfers less generous. What is more, in many developing countries, growth has contributed to depleting the natural resources and natural capital on which the poor depend, threatening their livelihoods and opportunities for wealth creation.

In debates on international development, 'desirable' growth is therefore increasingly described with adjectives: growth should be 'inclusive' (or 'pro-poor'), and 'environmentally sustainable' (or 'green'). Inclusiveness requires that growth benefits all segments of society, including – or, in some definitions, focusing on – the poor. Research shows that specifically targeting the poor is critical: bringing down extreme global poverty to 3 % by 2030 will only be possible if the income share of the poorer 40 % of the population grows faster than the mean. At the same time, this may have macroeconomic benefits. Greater equality in income distribution has been correlated to faster, more durable growth. To ensure ecological sustainability, growth should ideally be fully 'decoupled' from environmental impact and the use of natural resources. In other words, the environment and natural resources should not 'suffer' from economic growth, or at least not suffer as much as output increases. In the long run, this 'decoupling' may also be good for the economy: the introduction of green technologies is expected to spur growth, and the reduced environmental costs and savings on resources could repay much investment.

The Millennium Development Goals (MDGs), which have guided international development efforts since 2000, have a strong focus on human development but do not contain any growth-related targets. The new Sustainable Development Goals

(SDGs) to be adopted by the UN in September 2015 are likely to encompass growth objectives, with one proposed goal being ‘sustained, inclusive and sustainable economic growth’, with targets including a 7 % annual GDP growth rate for the least developed countries, as well as an 'endeavour to decouple growth from environmental degradation.' A redistribution of new wealth is also envisaged with a stand-alone goal for reducing inequality, including sustained and above-average income growth for the bottom 40 % of the population.

Not everyone agrees with this revived focus on growth as a driver of development. Some researchers and activists question the likelihood of ‘decoupling’ growth and environmental impact. They have called for alternative economic models that do not stress growth, sometimes even advocating ‘degrowth’. Others refer to research suggesting that an increase in a country’s average per capita income above USD 10 000-15 000 does not bring added value in terms of wellbeing. That said, for developing countries – which are characterised by low productivity, high poverty and rapid population increases – the dominant view remains that growth is a legitimate, or even necessary, objective.

A recent paradigm shift In EU development policy has put growth higher on the agenda. While the 2006 European Consensus on Developmentrecognised ‘pro-poor growth’ as one of many aspects of addressing poverty eradication, the 2011 Agenda for Change makes ‘sustainable and inclusive growth’ a cornerstone of the EU’s strategy to improve human development. The new paradigm in linked to more EU support for infrastructure, trade and a favourable business environment, and for more strongly engaging the private sector. To make growth ‘sustainable’, EU aid promotes cleaner technologies, agro-ecological practices and the use of renewable energies. ‘Inclusivity’ is advocated, in part, by targeting small companies and micro-enterprises, promoting rights at work, enhancing women’s economic empowerment and setting up social protection and fair tax systems.

The European Parliament has generally supported the Agenda for Change, while placing a stronger emphasis on the need to redistribute wealth and for growth to serve as a means of combatting poverty and exclusion. In view of the new SDG framework, Parliament has acknowledged the crucial role of inclusive and sustainable economic growth, involving climate change mitigation, the creation of decent jobs and the efficient use of resources in a more sustainable model of consumption and production. Parliament, which strongly supports the stand-alone goal on inequality, has further highlighted the need to monitor to what extent the needs of the most deprived and vulnerable groups are being addressed and whether wages remain in line with increases in productivity. Parliament has also called for a broad definition of poverty that encompasses not only income, but other measures of progress and well-being.

Originally published: *https://* europa.eu/eyd2015/en/eu-european-parliament/posts/sustainable-growth