

Australia, The Netherlands and United Kingdom

Sustainable Development Goals Open Working Group, November 2013: sustained economic growth, macroeconomic policy questions, infrastructure development and industrialization

We have an opportunity to increase prosperity and once and for all eradicate extreme poverty. Growth is central to this because...

- **Long-term poverty reduction and shared prosperity requires strong economic growth.** The evidence is clear and unambiguous. High, sustained and inclusive growth rates are critical to eradicating poverty.
- **Growth is needed for peace and global security.** Economic growth and development based on openness to international trade, open markets and investment are the key drivers of national and international prosperity and vital **for global security**. There is an intrinsic connection between security and stability of governments and economic development and poverty eradication.
- **Growth is needed to create jobs.** In a world where 200 million are unemployed and 900 million are working and still poor, creating more productive and well-paid jobs for all is key to increasing future prosperity and eradicating poverty. Jobs and investment in human development are the central means through which economic growth translates into poverty reduction.

The post-2015 development agenda must prioritise global growth that is inclusive and sustainable in the long-term, reinforcing our commitment to poverty eradication and sustainable development.

Economic growth and trade are the key drivers of national and international prosperity. Strong, open, dynamic economies foster sustainable growth. It is important that opportunities for growth are balanced (across countries, regions and industries). This includes fair, open and transparent tax and trading regimes that are transparent to all citizens. Governments must remain on a sustainable financing path to ensure hard won gains are not eroded¹ and countries should return public finances to a more sustainable path. Strong economies facilitate the movement of capital flows to foster productive investment and business opportunities, as well as support an open and inclusive platform for global trade, which together are key to unlocking global economic growth.

- **There must be good policies:** The Commission for Growth and Development was clear that long-term periods of shared prosperity and sustained poverty reduction is driven by:
 - A country's openness to the global economy and a country's ability to trade
 - Macroeconomic stability
 - Public investment in key areas such as infrastructure and education
 - A policy and regulatory environment that encourages private sector investment
 - A functioning market system.

¹ Higher debt levels result in higher debt servicing which takes away from poverty reducing expenditure and also limits a countries' ability, beyond a certain debt level, to access other sources of finance.

- **There must be open and accountable national economic institutions** that create a fair and predictable, enabling environment for business growth and positive incentives for innovation, investment and enterprise. In particular, secure property and land rights and efficient and effective mechanisms for enforcing commercial agreements and resolving disputes.
- **Promoting gender equality will increase economic growth.** Women's economic opportunities are associated with reduced poverty, faster growth and better economic, health and educational outcomes for the next generation. **We must support women's economic leadership and empowerment** and address violence against women. This will ensure the barriers that currently prevent women from productive employment, access to assets and financial services and taking forward business opportunities are addressed.
- **Investment in human capital is needed.** Investing in education and health enables economic growth and reduces poverty. A healthy, well-trained and educated labour force will increase international competitiveness and attract private sector investment.
- **Investment in productive infrastructure is also key.** Infrastructure which deals with production bottlenecks and increases the productive capacity of the economy improves access to markets and economic services, stimulates enterprise opportunities, increases productivity and generates employment. Improved access to infrastructure also plays a significant role in promoting gender equality and empowering women.
- **Growth needs to be inclusive.** It needs to create sufficient productive jobs and provide access to markets, inclusive financial services and other economic assets for all. All segments of society need to be able to participate in the growth process and the government should provide active help to achieve this. In addition, pockets of poverty and high inequality are a barrier to sustained growth, and inequality can undermine social cohesion and political stability. In such circumstances, social protection systems including social safety nets and transfers may be needed to ensure that growth is inclusive. **Poverty eradication, inequality and tackling vulnerabilities should be an explicit focus.** An inclusive approach helps the most vulnerable overcome the barriers that prevent them from participating in the (formal) economy.

Growth must be sustainable and critically, natural resources should be managed in the long term interest of countries and people. Integrating **environmental sustainability** and natural capital into economic decision-making will allow us to plan for sustainable growth. Policies should ensure people's access to natural resources, clean air, clean water and sound ecosystems, to secure their livelihoods for the longer term. All countries should progress towards sustainable production and consumption patterns, ensuring that growth can be sustained, that natural capital will be secured for future generations, and that climate change is addressed.

What needs to happen to secure sustained high growth....?

- The post-2015 development agenda should take into account different country circumstances. For some countries, the focus is on supporting continued high growth and alleviating inequality. For others, catalysing growth and addressing the barriers to

growth and participation in the growth process will be the focus. In many cases, there needs to be a **profound economic transformation** towards more diversified and inclusive economic structures.

- **This OWG has an important opportunity to make a compelling case for high and sustained growth and economic transformation** that:
 - Is inclusive and sustainable and leaves no one behind
 - Builds shared prosperity creates jobs and eradicates poverty
 - Fosters open markets, international trade, robust economic institutions, and private sector development
 - Manages natural resources effectively and efficiently
 - And builds an international enabling environment to achieve this.

- We believe this is **best done through**
 - A **stable macro-economic environment**. An **enabling business environment** and robust economic institutions that reduce the costs and risk of doing business, reward entrepreneurship and innovation, and create vibrant and competitive markets, that provide opportunities to join global and regional value chains.
 - **Access to economic and social infrastructure for all**. All individuals and firms to have access to energy, information and communications technologies (ICT), roads and transport services as well as healthcare and education.
 - An **inclusive and open multilateral trading system** which enables all countries to engage in global markets
 - **Access to financial services for all** (inclusive finance) to help households and firms save and invest²
 - The **removal of impediments to marginalised groups** (including women) and, where necessary, the provision of social protection systems that provide safety nets.
 - **Inclusive political institutions** – participation in political processes; civic engagement; freedom of speech, association and protest; independent media; access to justice; open governments.
 - **Better management of natural resources and valuing natural capital**: We need improved energy security and efficiency, food security, resource efficiency; greater resilience to and mitigation of climate change, as well as more sustainable and productive use of natural assets.
 - **Education, health and women's empowerment** are critical enablers of economic growth. A healthy child can attend school and learn, a healthy and educated adult can participate as a productive member of the labour force, and can invest in their family and in their own retirement.

² Individuals (including women) to take advantage of new business opportunities, and weather economic and financial shocks.

In summary – high rates of global growth are essential for global prosperity in all countries and eradicating poverty. But this must be pursued alongside inclusive policies, strong institutions and managing natural resources effectively. Country level growth strategies thus need to be comprehensive – including the appropriate macroeconomic policy settings, placing trade and investment as the engine of growth, facilitating private sector investment in infrastructure, supporting economic opportunities for women, boosting employment and participation and undertaking structural reforms that improve the enabling environment for business.