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Regional Bureau for Europe and the CIS

"Enhancing Economic Cohesion in Europe"

Remarks at the Bi-Annual Meeting of the UN Euripean Commission for Europe

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Your Excellency Mr. Chairman, Excellencies, ladies and gentlemen,

Let me begin by thanking the UNECE for the opportunity to discuss issues of poverty, vulnerability, and cohesion in Europe today. It is difficult to find a more pressing topic for the European economy, both in general and in terms of this session's presentations.

Two years ago, when I spoke at the biannual Commission meeting, the European economic situation was radically different. According to World Bank data, in 2005, poverty—defined as the share of the population in the Europe and CIS region living below $2.15/day in purchasing-power-parity terms—had dropped below 10%. Some forty million people had been lifted out of poverty. Likewise, the share of those the World Bank defines as vulnerable to falling into poverty (with daily incomes between $2.15 and $4.30) had dropped to 30% in 2005 (and closer to 70% in Central Asia). Thanks to continuing strong economic growth, absolute poverty rates almost certainly fell further through mid-2008.

Today, poverty rates in Europe and the CIS are increasing – not declining. Sharply higher food prices had raised the spectre of food insecurity for millions of low-income households in the region already during 2007-2008. The sharp growth slowdowns and recessions that have taken hold across the region since mid-2008 will combine with these food prices to push at least 10 million vulnerable people back into the poverty from which they have only recently escaped in a matter of very few years. We know it from experience, e.g. of the 1998 Russian financial crisis that caused a major increase in poverty.

In economics, as in Tolstoy's families, happy times are quite straightforward. But every unhappy time is a story of its. It is our duty to make this story as painless and cohesive as possible. When rising waters lift all boats, it matters less whether some boats are rising much faster than others. However, in bad times it is extremely important that sacrifices be borne by all, and particularly by those that can bear them most easily. In contrast to the wealthy for the poor – even small declines in income can reduce living standards to morally unacceptable levels. In our region, very often the absolute poverty levels are relatively low, but the vulnerability is large. If unable to forge the solidarity and common purpose needed to protect the dignity of all its members, societies risk disintegration and implosion. It is the solidary protection of the dignity of all members of the society that social cohesion is all about. This is what the Millennium Development Goals framework measures.

Social cohesion may be difficult to define, but this does not diminish its importance—especially during times of hardship. Social cohesion can be understood as the presence of a common commitment to ensuring that all citizens enjoy at least basic minimum levels of income, as well as access to education and health services of suitable quality. It is the recognition that an individual's prospects for self-realisation can not be separated from his or her social milieu. It is a commitment to ensuring that the dignity of the less well-to-do does not undergo irreparable harm during reversals of circumstance. At issue is avoiding social stratification and polarisation that lead to social and security implosions, exacerbating secondary and even more devastating vicious cycles of loss.

Measures to protect the region's middle classes are also important – particularly when it protects people who have climbed out of poverty from falling back into it. In some cases, this means supporting household incomes via expanded, more effective social protection systems, particularly for the more vulnerable. Cash transfers from the state budget are not enough. Measures to ensure that small business do not lose access to finance, or that public employment is not indiscriminately sacrificed at the altar of fiscal adjustment, must also be key priorities. So should developing new public/private partnerships to help private employers keep workers on the payroll and off the unemployment rolls. Wherever possible, efforts to ensure access to quality social services—education, health care, water and sewage—for both middle class and vulnerable households should be maintained and expanded. Too often, loss of access to such services means loss of personal dignity and aspirations for a better life. In this context, I look forward to the contribution of Mr. Fatmir Besimi, Minister of Economy, The former Yugoslav Republic of Macedonia who will discuss the impact of the crisis on the labour markets.

Social cohesion has many more dimensions than income and its distribution. A key dimension affects all – gender equality. In the wider European region, gender issues are as varied as the economies, countries, and cultures that comprise it. In Tajikistan and Kyrgyzstan, water and energy insecurities are depriving growing numbers of households of access to reliable water sources. Traditional gender roles combined with men's work as migrant labourers mean that women are likely to be the ones hand carrying water canisters from wells and stand pipes. So, reductions in access to basic services are not likely to be gender neutral. Will these emerging inequalities be further exacerbated by the global economic crisis? In Ukraine, recent research indicates that unmarried women generally have higher incomes than married women. Will the economic crisis further reduce the attractiveness of the social institution of marriage for Ukrainian women? If so, how might this affect Ukraine's already worrisome demographic trends—in which problems of population shrinkage and aging are already all too prominent? A peculiar form of gender inequality to our region – the large declines in male life expectancy that have taken hold since the 1980s in Russia, Ukraine, Belarus, and Kazakhstan – these can be seen as particularly troubling indicators of fraying social cohesion.

Such questions underscore the importance of examining questions of social cohesion through gender and demographic lenses. We are therefore fortunate to have in our panel H.E. Ambassador Arthur, Ambassador for Gender Equality of Norway's Ministry of Foreign Affairs; and

Mr. Marin from Austria's European Centre for Social Welfare, to help us better understand the links between gender, demographics, and social cohesion in the wider Europe.

I am also very eager to hear the views of Mr. Marin Anton, Secretary of State of Romania's Ministry of Transportation and Infrastructure, as well as Mr. Abaza from UNEP's Economics and Trade Branch, to help us better understand the links generally - between transport and the achievement of the MDGs, and in particular – between sustainable transport sectors, green jobs, and social cohesion. State funds should be used not to subsidise high-carbon sacred cows in the automotive, metals, energy, and financial sectors, but should be invested in rural development, education, public transport, and alternative energy/energy saving projects. We hear about the "greening" of the fiscal stimulus in the US and elsewhere, but keep in mind that 1% invested in development of innovative technologies can go a long way in generating "green", low cost employment: cleaning, energy efficiency and forestation initiatives all could do much for poor environment and social cohesion. Fiscal, external, environmental, political, and social sustainability must become policy watchwords in both developed and developing economies. The introduction of simple, transparent carbon taxes in developed economies would be a good place to start.

Before passing the floor to today's speakers however, I would like to also take a minute loo ahead at the policies and global governance that will ensure both more sustainable and more equitable growth in the future. Growth lifted the poor from our region in the past decade—and it could and should have been more equitable then, but inclusive growth will be even more necessary to ensure sustainable human development throughout our region in the future.

First, in contemplating the future of social cohesion in Europe, we must remember that social cohesion has international, as well as national and local dimensions and that measures to protect it have to be invested now. As was discussed earlier today here, the roots of the global economic crisis lie in wealthy countries whose policies permitted the accumulation of unsustainable macroeconomic imbalances to combine with lack of regulation of their financial institutions. Policy mistakes made in these countries are now taking a growing toll on living standards around the world. These countries now bear not only a moral responsibility to repair the damage that has been wrought but would simply be wise, self-interested, to do that. Bailouts are funded by international borrowing that is denying developing and transition economies the finance they need to prevent sharp declines in their own living standards. Such policies can not, in good conscience, be paired with empty declarations that bemoan the lack of fiscal space in these countries—and stop there. The continued credibility of the open global trading and financial regimes that have contributed to world's post-1945 economic progress—credibility that is necessary for both developed and developing countries—is at stake.

Policy dialogue on bailouts and stimulus packages should be couched in terms of international social solidarity, and extend to development finance. More ODA for developing and transition economies is urgently needed, to offset the devastating capital outflows these countries are now experiencing. Since developed countries are currently able to borrow in order to stimulate their economies while most developing economies can not, boosting ODA flows would at present amount to a much needed "levelling of the international playing field".

This increased funding should be accompanied by a renewed commitment to reform the global financial architecture and to the Doha round of international trade negotiations – as we heard much about this today I will not repeat it. I would just like to stress that more could be done to, instead of fighting international financial fires, build financial firewalls, and that it is not enough to minimize protectionism in the more developed countries that count with unlimited access to finance. As I said, the ground should be “levelled” by skewing financial and trade agreements at least temporarily.

Finally, a reconsideration of the nature and sources of global economic growth is urgently needed, both now and in the longer-term future. In the longer term, we must reject a return to a global growth models predicated on unsustainable levels of consumption (particularly of fossil fuels) in the richest countries, and the unfettered cross-border movements of inadequately regulated capital flows. Our region, in particular, will not be able to count with growth generated by the massive capital inflows produced by out-of-balance macroeconomic policies. Instead, it will need to look inward into lifting the education and health levels of its population to raise the quality and competitiveness of its labour while protecting its human development.

A crisis is an opportunity, and as a member of the US administration said, it should not be wasted. In this region we should use it to build XXI century mechanisms for social cohesion and sustainable growth – that were rejected in the past two decades.

I call on UNECE to provide a framework for the discussion that should make this possible.

Thank you for your attention.