

SECURING THE ECONOMIC GROWTH through social COHESION IN DEVELOPING COUNTRIES

Some ideas to reflect on

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Casablanca, February 2nd, 2011

PLAN

- Foreword
 - Social bond: A complex concept
 - Economic growth and social cohesion: A dynamic relationship
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FORWARD

A world that is increasingly vulnerable to global and interdependent crises,.

A multidimensional crisis highlighting the boundaries of the current mode of governance to end the imbalances of the world system

World governance system

Financial and economic crisis
Food crisis
Social crisis
Energy and environment crisis

- ✓ Increased volatility in the prices of agricultural and energy raw materials in a way that pressurizes the public budgets (as in cases of grants).
 - ✓ Serious threats of food supplies, especially for the disadvantaged sections of society.
 - ✓ Strong control of the world economy by financial markets.
 - ✓ Economic growth that generates social inequalities worsened by massive job losses.
 - ✓ Negative impacts of climate change on the environment sustainability (health risks, natural disasters, etc.)
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... Leading to more uncertainty

- An embryonic new world order that forced the international systemic crisis to indicate the emergence of new paradigms that are different from the traditional benchmarks:

- Challenging the liberal regime of growth around the world while highlighting the market mechanisms limitations as determinants of the exclusive creation and definition of value.
 - Major questions about the sustainability of the developing countries' integration scheme into the global economy as derived from the international labor division (demands for a more equitable distribution of global wealth).
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(Continue)

- A major increase in the number of non-governmental stakeholders at the national and international levels.
 - An increased awareness that necessitates supporting the efforts extended to restore macroeconomic and financial balance by strengthening social cohesion. Such social cohesion can be strengthened through the reweaving of the social bond (new paradigms separating the market economy and market society).
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• SOCIAL BOND: A COMPLEX CONCEPT

Social bond: A complex concept 1/3

- **A Diffused concept**
 - Difficult to comprehend even after the spread of sociological sciences.
 - **A set of rules of conduct, norms and values**
 - **To be established** between persons sharing history, identity, a common place (national, regional or local) and common values.
 - **To presuppose** the existence of trust and solidarity among members.
 - **To determine** the socio-political cohesion and economic performance.
 - => **Its consolidation** is the main role of the state in all regimes.
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Social bond: A complex concept 2/3

- **Poorly investigated**
 - It is a **real concern**.
 - **The major transformations in social relations** have contributed to a change in the forms of solidarity, bonds between citizens and between the bonds of the state itself.
 - **To restore and revitalize it**
 - To assume **the most accurate knowledge of its condition**.
 - It is a **matter of strategic importance**.
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Social bond: A complex concept 3/3

- **Its assessment may be performed through:**
 - The **social integration** degree, social networks (family, interpersonal relations and solidarity, etc.) and community activities (political, religious and sportive activities, or trade union and community activities, etc.).
 - The **economic activities** at the level of fluidity and density.
 - The direct and indirect political contributions (direct >parties, elections; indirect >civil society).
 - The issues caused by the social bond problem are mainly issues of **identity, socio-politics, social cohesion** and **trust**.
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A strong correlation between the existence of an open social order and the level of development

Source: IPD 2009

- Customized authoritarian social regulations
 - Customized Fragmented social regulations
 - Open social order
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Social cohesion and economic growth: A dynamic relationship

- Diversity of international experiences, often with contrasting results.
 - Complexity of the social cohesion issue requires a deployment of multidisciplinary approaches, which promote comparative analysis and help acquiring interdependencies.
 - Three dimensions to address the issue of social cohesion in line with economic growth: They are trust, social inequality and corruption.
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Social cohesion and economic growth

- Corruption
 - Institutional and interpersonal trust
 - Social inequality
 - Generating direct and indirect costs in the economic and social plan
 - Setting the basis of the social capital and political and social stability of a country (Main determinant of competitiveness and attractiveness).
 - Inequalities hinder the potential economic growth, especially with regards to inequality in abilities (access to basic services, health, education, housing, etc.)
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Trust: Mobilize social cohesion and stakeholders towards a shared vision of development

- Trust, as perceived globally, is a relevant indicator reflecting that a society is fit and sound. It provides information about:
 - The functional **quality** of institutions,
 - The ability to build **solidarity relationships**,
 - The existence of an **appropriate policy system**,
 - The **State of law**, etc.
- A founding Lever of competitiveness as it leads to:
 - Prevalence of transparency and competition,
 - Credibility and legitimacy of regulatory bodies,
 - The reliability of the business environment,
 - The high visibility of domestic and foreign investors.

⇒ Trust promotes not only solidarity, but also increase trade and living standards.

Trust in justice and national income

Source: IRES calculation

Trust: Justice

Securing economic growth in developing countries through reinforcing the institutional and interpersonal trust

- Accelerate the transition from relation-based societies to law-based societies.
- Promote participatory democracy principles to allow people make their own decisions, projects and programs that affect them.
- Promote a balance in the relation between the administration, citizens and economic and social stakeholders.

Social inequality: A real hurdle facing medium and long term growth

- **Social Inequality**
 - It is the inequality in income and capacity
 - Hinders long-term growth and development
 - Weaken the social cohesion
 - Can threaten political stability
 - Their tolerance thresholds: Greatly unknown

⇒ Rising awareness about its spreading environment and mechanisms

⇒ Improve capacity and reduce inequality

Inequality in Income and human development

(.../...)

Source: IRES Calculations

IDH 2010

GINI Index

Norway, Sweden, Germany, Canada, Ireland, USA, Switzerland, Finland, Belgium, Spain, Greece, Italy, Austria, Estonia, Hungary, Qatar, Poland, Chilli, Romania, Argentina, Lithuania, Uruguay, Mexico, Croatia, Bosnia, Russia, Brazil, Ukraine, Iran, Albania, Tunisia, Venezuela, Turkey, Bolivia, Jordan, China, Thailand, Egypt, Moldova, Philippine, South Africa, Indonesia, Morocco, Vietnam, India, Bangladesh, Yemen, Mauritania, Madagascar.

Reduce social inequalities to achieve sustainability in economic growth in developing countries

- Struggle against social and spatial inequalities, through broadly inclusive public policies, while tolerating some positive discrimination in favor of the most vulnerable (women, people in difficult situations, etc.).
 - Consistency of public policies and their territorial aspects in the interest of balancing the level of development between regions;
 - Strengthening the institutional solidarity while consolidating the traditional solidarity;
 - Integrating young people into the productive process and encouraging their participation in decision-making: Decisions that directly affect them and others within the same community.
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Corruption: Direct and indirect costs leading to growth decrease

- Corruption: A global and social phenomenon with various aspects. It affects different sectors: economic, social and political sectors as well as institutional and media sectors:
 - Weakens the social bond;
 - Impose an exorbitant cost on society as a whole;
 - Leads to the creation of criminal networks even within the state apparatus;
 - Backslides the economic competitiveness;
 - Destabilizes the foundations of democracy and make institutions its captives:

=> It prevents growth

=> An effective fight against corruption will regain credibility in the state from the society's point of view.

Index of receiving bribery for each person's income

(.../...)

Enhance transparency and good governance for a greater economic efficiency in developing countries

- Accelerating the struggle against all forms of corruption to restore institutional and interpersonal trust;
 - Strengthening the credibility of the State, its actions and institutions in the eyes of laymen, and the political, economic and social stakeholders at the national and international levels;
 - Expanding a culture of assessment so as to promote efficiency and accountability, all for the purpose of giving priority to the state of law
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Conclusion 1/2

- A new philosophy for **public policy** requires:
 - Transforming relation-based societies to **law-based societies**;
 - Developing economic, social and spatial **solidarity**;
 - Integrating the **youth** and responding to the specific needs of this segment of the population.
 - Valuing the **identity and cultural diversity**;

=> Developing a strategic vision which will gather all stakeholders around a certain project for each society. Such project will be adapted to the specificities of each developing country.

Conclusion 2/2

- Reform dynamics to lay the foundations of an effective system of governance:
 - Better stress management of globalization;
 - Reforms depth and coherence (political, economic and institutional reforms);
 - Results-oriented system of public incentives, (carrot and stick are good couple).

=> A renewed social contract and a peaceful co-existence are main principles to maintain growth in developing countries.

Thank you for your attention

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