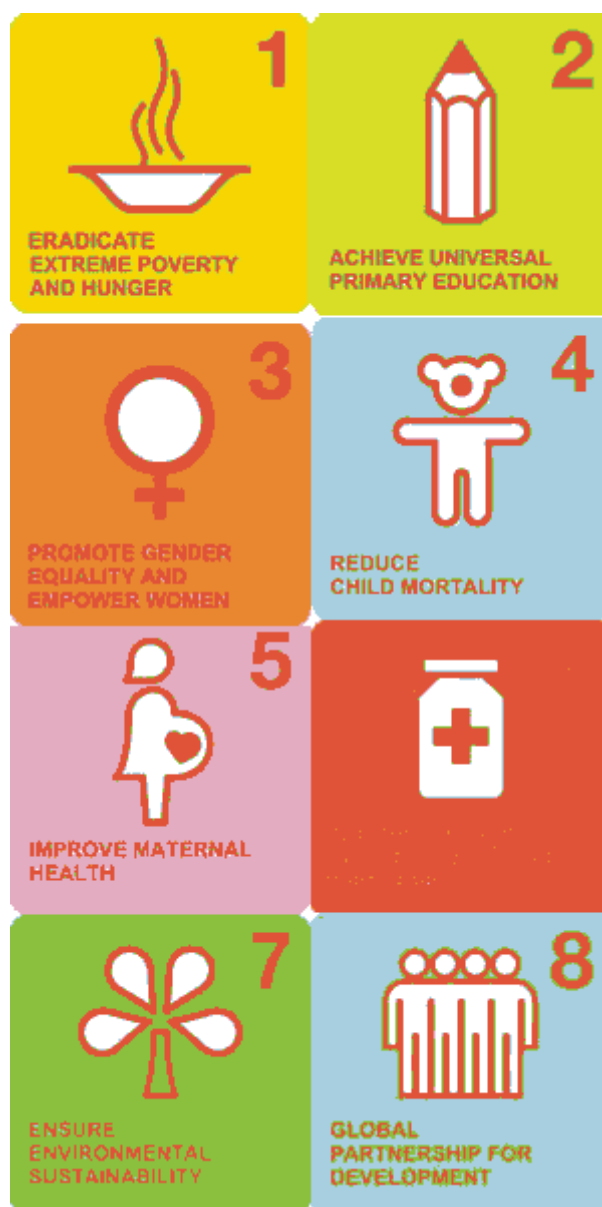


Promoting Pro-Poor Policy after the MDGs



DSA/DFID POLICY FORUM

Think-Piece

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Introduction

The Millennium Development Goals (MDGs) represent the strongest commitment made by the international community, to alleviate poverty and secure universal development, in the world's poorest countries. The goals themselves encompass universally accepted human values and rights for all by 2015. However we are just seven years away from the 2015 deadline and now is the time, for the development community to regroup around the MDGs, look beyond 2015 and change direction if necessary.

Has there been an Impact?

At this crucial juncture, it is important to assess what has been achieved by the MDGs so far. The 2008 Global Monitoring Report (World Bank, 2008) and the Millennium Development Goals Report 2008 (United Nations, 2008), both present the picture 'of a half full and half empty glass.'

Without a doubt progress has been made, with perhaps the most significant success being the breadth and depth of the global commitment to all the MDGs. Not only have the international development community and governments of the developing countries, integrated the MDGs into their frameworks of corporation, but so have the private sector and civil society organisations. Private sector foundations have proven not only to be important advocates of the MDGs, but also a useful source of funding for the diverse range of movements, which are committed to achieving them. Furthermore civil society organisations in developing countries have contributed significantly in the undertaking of activities, which have been designed to meet the MDGs, as well as in the monitoring of their outcomes.

In terms of tangible results there has been good headway in some MDG areas. There has been significant global progress on income poverty, thanks to substantial growth rates and the high performance of mostly Asian countries. Early estimates

show that between 1990 and 2004, the number of people living on less than \$1 a day fell by 278 million. As a result the overarching goal of reducing absolute poverty by half is within reach for the world. Furthermore the gender parity index, illustrates that significant headway has been made in achieving gender parity goals. The data illustrates that girls' access to primary school education, has increased by 95% in 6 of the 10 regions, including the most populous ones.

Yet the data also elaborates upon the unequal impact of the MDGs. If Asian countries have been the over-achievers in the income poverty goal, they have performed relatively worse in health, and in the case of South Asia, in education and gender equity. Conversely, Latin America and the Middle East have been relative underachievers in the poverty reduction goal, but relative overachievers in health, education and gender equality. While in terms of environmental sustainability, despite having a great potential for renewable energy use, Sub-Saharan Africa still has a high mortality rate from indoor air pollution.

Quite simply, though the data clearly indicates that progress has been made in achieving some of the MDGs, the overall picture is less positive. In terms of achieving the MDGs by 2015, projected forecasts indicate that the majority of countries are off track.

Game Changers

The already formidable task of achieving the MDGs has now become more challenging. There are a number of global processes, which will have a significant impact in influencing the achievement of the MDGs, e.g. climate change and the rise in global food prices. African countries demonstrably require additional resources for adapting to the climate crisis, since they are particularly vulnerable to the effects of climate change and the growing risks of natural disasters. While the rise in global food prices is putting great pressure on African economies and is threatening to unravel the progress made, in fighting hunger and malnutrition.

Despite this, the current global economic slowdown is the most significant of these “game changers.” Quite simply due to the uncertainty surrounding the magnitude and duration of the financial crisis, it has the potential to reverse the advancements that has been made so far.

The financial crisis – a predicament not created by the developing countries – has hit them the hardest, as they lack the resources to cope with the shocks they are experiencing, from two fronts. On one front, direct financial channels such as private capital flows, have been hit hard. The Institute of International Finance (IIF) estimates that foreign bank lending to developing countries in 2008 was 40% of the 2007 level and by 2009, it forecasts a drop of more than 100% from its 2007 level. In essence this means that net flows to developing countries will be negative, as more money will be transferred to banks overseas, than is lent to developing countries. While on a second front, developing countries are also experiencing financial turmoil through real channels. This is clearly highlighted through the changes in terms of trade. Before the outbreak of the financial crisis African countries benefited from increases in commodities prices, as a result of the continuous demand for natural resources (especially from India and China). Thanks to this, terms of trade improved steadily since 2003. However the financial crisis has had a negative effect on the terms of trade, as a result of lower global growth dampening demand for African exports and the subsequent slump in prices. The predicted loss in trade revenue varies across the continent, but as the earnings from the trade for many of these countries are larger than other types of foreign flows, the impact from the adjusted terms of trade will be felt more significantly.

What does this mean for the MDGs? Where exports, investments and growth are expected to fall, fewer jobs, lower incomes and more poverty will persist. Furthermore government revenues from taxes and borrowing are also likely to fall. This in turn will have a direct impact of government spending, which will affect the poorest in society, as they are most dependent on social spending in areas such as, health and education. The World Bank predicts that between 200,000 and 400,000 more infants could die each between now and 2015, if the crisis persists. Overall the financial crisis will make it much more difficult for developing countries to achieve the MDGs, as unlike developed countries they lack the capacity to manage the shocks,

which are brought about by the global economic slowdown. Going by previous financial crisis's the cost for human development will be considerable, as many millions of people may be pushed back into poverty.

Now, 2015 and Beyond

At present it is imperative that despite the evidence suggesting that the majority of the countries are off track in achieving the MDGs, the international community continues to assert its commitment to achieving them by 2015. This has been clearly exemplified by the G20 countries at the recent London Summit, who have allocated \$50 billion to support social protection, boost trade and safeguard development in low-income countries.

However the primary responsibility for achieving the MDGs remains with the governments of the developing nations. They must continue to introduce impact initiatives, in combination with receiving the necessary support from their development partners. The private sector is an essential contributor to achieving the MDGs, through its core functions of creating economic value, delivering targeted investment and services through public-private partnerships, and providing critical co-financing in infrastructure and other public investments. Therefore governments should continue – as they have already done so through initiatives such as increasing the efficiency of their tax systems - to mobilize domestic resources effectively and attract private capital.

Yet sole reliance on domestic resources and private sector contributions, will not be sufficient enough to achieve the MDGs. In line with meeting MDG 8 there needs to be a greater and more sustained partnership, between the global North and South. This partnership is exemplified through the role of Official Development Assistance (ODA), in particular from the Development Assistance Committee (DAC). Though the total net ODA rose by 10.2% in real terms to \$119.8 billion in 2008, according to the MDG African Steering Group overall external public financing for development in Africa needs to rise to \$72 billion per year, in order to support the achievement of the MDGs. It is imperative therefore that DAC, makes a concrete

effort to fulfil the ODA commitments made at the 2002 Monterrey Consensus, of having annual ODA set at an equivalent of 0.7% of Gross National Income (GNI). So far only five of the DAC countries have fulfilled this pledge. Furthermore it is crucial that the quality of the ODA should meet in alignment with countries priorities, as agreed in the Paris Declaration of Aid Effectiveness. Therefore donor countries need to make sure that they increase the predictability of ODA and improve the division of labour among donors.

But what happens if we get to 2015 and we have failed to achieve the MDGs? Do we abandon them? I suggest no. The MDGs are themselves a set of universal values that need to be achieved. However there are a number of points which need to be taken into consideration. First and foremost, the MDGs as a set of goals are themselves alien to the global South. This is because when they were constructed the global South was not fully represented in discussions. Therefore beyond 2015, it is necessary to align a set of goals which provide not only a realistic portrayal of what is happening on the ground, but have also been constructed by those who it effects the most. It is only then, by working with, rather than against, the grain of reality in the South; it would be possible to build lasting social contract between donors, national governments, business and local citizens.

Furthermore despite history exemplifying the longevity of the development process, an arbitrary date of 2015 has been the focus of the MDGs. The pace of sustainable development is necessarily slow. In areas such as health and education, the acceleration needed to meet the targets in many countries would be faster than anything than we have witnessed in history. This focus also illustrates the goal orientated structure of the MDGs. Though this is something we need in order to galvanise international action, it does limit the scope of development. Take MDG 1 for example. To elevate 50% of the people of living on one dollar-a-day is a commendable development goal, but what kind of success does it really indicate? If we still had 50% of humanity struggling to subsist on \$2 a day, in my view it would not be much an achievement. It is therefore important that we set broad but realistic goals that are not limited by an arbitrary date.

The international community must therefore look beyond the perception of 2015, as being the end of development. It must instead learn from previous mistakes, embrace the changes in global leadership, ideas and attitudes and continue to strive to achieve the values represented by the MDGs when looking beyond 2015.

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