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Contents

Foreword

The Secretary-General of the United Nations has assigned UNDP the role of global "campaign manager" in implementing the Millennium Declaration of September 2000 and "scorekeeper" for the eight Goals. This third issue of the *Development Policy Journal* looks at a variety of challenges posed by the Millennium Development Goals (MDGs) under three headings: their feasibility; their relationship to sustainable development; and prospects for reaching Goal 8, a global partnership for development.

Although the United Nations began setting development goals in 1960 for each successive decade, they tended – until very recently – to stress the primacy of economic growth over human development, with little more than a nod to the natural capital on which sustainable growth depends. Several articles of this Journal issue draw attention to how this lingering assumption still skews countries' statistical systems, generates unrealistic notions for overcoming poverty, and distorts the framing of policy to reduce deprivation. Other articles underline the interdependence of the MDGs. They show how neglecting human development can stunt a country's potential for economic growth. They reveal the social and gender dimensions of the environment-poverty nexus. They point to ways in which changing trade rules could serve people rather than markets. Several articles also discuss the relationships of governments, private enterprise and civil society bodies within and beyond national borders – and the partnerships among them that could create a global compact for development.

There is a concern that the MDGs will not be universally attained by 2015. But there is no reason to believe that they cannot be reached within a foreseeable future. They represent a consensus on the complexity of interactions among different human activities – and the need to unite different strengths to meet multiple challenges.

As usual, we welcome any comments from readers on the contents of this *Journal*.

Shoji Nishimoto
Assistant Administrator and Director
Bureau for Development

The Millenium Development Goals and Their Targets

GOAL 1:	**Eradicate extreme poverty and hunger**	
	Target 1:	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
	Target 2:	Halve, between 1990 and 2015, the proportion of people who suffer from hunger
GOAL 2:	**Achieve universal primary education**	
	Target 3:	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
GOAL 3:	**Promote gender equality and empower women**	
	Target 4:	Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015
GOAL 4:	**Reduce child mortality**	
	Target 5:	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
GOAL 5:	**Improve maternal health**	
	Target 6:	Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio
GOAL 6:	**Combat HIV/AIDS, malaria and other major diseases**	
	Target 7:	Have halted by 2015, and begun to reverse, the spread of HIV/AIDS
	Target 8:	Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases
GOAL 7:	**Ensure environmental sustainability**	
	Target 9:	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
	Target 10:	Halve, by 2015, the proportion of people without sustainable access to safe drinking water
	Target 11:	By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers

GOAL 8:	**Develop a Global Partnership for Development**	
	Target 12:	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
	Target 13:	Address the special needs of the Least Developed Countries
	Target 14:	Address the special needs of landlocked countries and small island developing states
	Target 15:	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
	Target 16:	In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
	Target 17:	In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries
	Target 18:	In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Are the MDGS Feasible?

Jan Vandemoortele[1]

Although the MDGs are ambitious, all targets will be met by some countries, including a few among the least developed. If these countries can achieve the goals, there is no reason why others cannot. However, "average" progress during the 1990s disguises the conditions of the poorest and most disadvantaged groups — and conceals the way social deprivation obstructs economic growth. Reaching the MDGs will require universal access to basic social services.

"As long as you travel to a goal, you can hold on to a dream."
Anthony de Mello

The Millennium Development Goals (MDGs) are a set of numerical and time-bound targets that express key elements of human development. They include halving income-poverty and hunger; achieving universal primary education and gender equality; reducing under-five mortality by two-thirds and maternal mortality by three-quarters; reversing the spread of HIV/AIDS; and halving the proportion of people without access to safe water. These targets are to be achieved by 2015, from their level in 1990 (United Nations, 2000).

It is often said that global targets are easily set but seldom met, which begs the question whether the MDGs are feasible. Progress in over 130 developing countries regarding the many dimensions of human development — such as education, health, nutrition and income — is difficult to summarise. The 1990s saw many success stories, including education in Guinea and Malawi; HIV/AIDS in Senegal, Thailand and Uganda; child mortality in Bangladesh and the Gambia; nutrition in Indonesia, Mexico and Tunisia; and income-poverty in China. Globally, the number of polio cases dropped from nearly 250,000 in 1990 to less than 3,000 in 2000, making its eradication by 2005 a realistic goal.

But for each success story there have been setbacks. The under-fives mortality rate increased in Cambodia, Kenya, Malawi and Zambia — an unprecedented trend after decades of steady decline. The primary school enrolment ratio dropped in Cameroon, Lesotho, Mozambique and Tanzania. The gender gap in primary education widened in Eritrea, Ethiopia and Namibia. Instead of decreasing, malnutrition increased in Burkina Faso and Yemen. Access to water became more difficult for millions of people; Bangladesh faced a major problem with arsenic water poisoning. In

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the 1990s, countless countries saw their HIV prevalence rate double, triple, quadruple, even increase ten-fold — severely undermining the feasibility of most MDG in health and beyond.

Monitoring can be done at different levels, from the global to the local. The level of assessment will influence the outcome regarding the feasibility of the MDGs. If MDGs appear feasible at the global level, it does not necessarily imply that they will be feasible in all nations or at all locations. Averages are commonly used at each level to measure MDG progress. While they give a good sense of overall progress, averages can be misleading. The failure to understand that the average is an abstraction from reality can lead to unwarranted conclusions that are based on deduction from abstractions, not on real observations.

A good assessment of progress towards the MDGs must, therefore, go beyond averages and aggregates. The failure to disaggregate for gender, for instance, easily leads to the fallacy of "misplaced concreteness" (Daly and Cobb, 1994). Average household income is very much an abstraction for women who have little or no control over how it is spent; it may exist in the mind of economists, but it does not necessarily correspond with the reality faced by millions of poor women.[2]

This article reviews global progress towards the MDGs during the 1990s. The picture that emerges shows a very uneven pattern across regions and countries and between different socioeconomic groups within the same country. Although the picture is mixed, the overall conclusion is that none of the agreed targets for the year 2000 was met at the global level. If the 1980s were the "lost decade for development", the 1990s should go down in history as the "decade of broken promises". If current trends prevail, only one MDG will be reached by 2015.

Is Progress on Target?

The review is based on the best data that are currently available. It focuses on indicators for which global information is reasonably reliable, comparable and up-to-date.[3] However, it must be kept in mind that global trends are estimates; they are never precise or actual values. Therefore, different sources often give different estimates, without necessarily being inconsistent. Indicators without trend data or with inconsistent data have been omitted. Hence, the review does not include all MDGs.

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2 Cost recovery in a water project in western Kenya, for example, was low despite seemingly high average household income. The cause was traced to the fact that women were responsible for this expense but had little or no control over household income. Affordability studies often target the wrong group and frequently produce misleading policy advice.

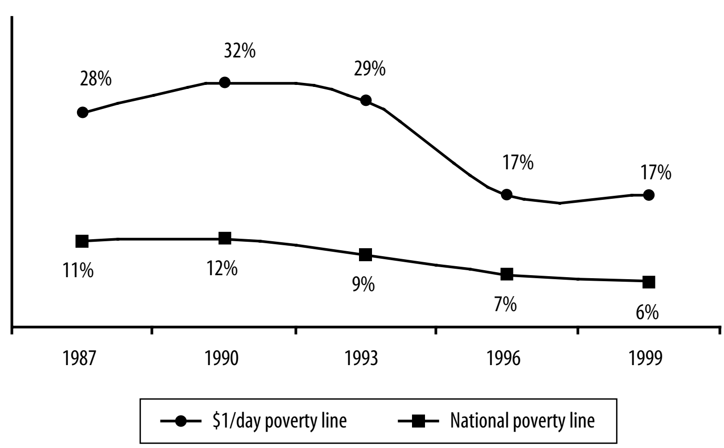
3 Based on the latest information from a variety of sources, mostly from within the United Nations system, and particularly UNICEF (2001).

Income Poverty

In developing countries, the average proportion of people living on less than $1 per day decreased from 32% in 1990 to 25% in 1999, according to the latest estimates (World Bank, 2002).[4] The simple extrapolation of this trend suggests that the world is on track to halving income-poverty by 2015. Unfortunately, the reality is more complicated and decidedly less satisfactory. Most of the global progress was due to a rapid decline in Asia, particularly in China. Progress in Latin America and the Caribbean, Sub-Saharan Africa, and the Middle East and North Africa, combined, was merely a tenth of what was required to meet the agreed target.

In addition, poverty estimates for China show large discrepancies, which seriously undermine the reliability of global poverty data. Diagram 1 shows a steep decline in China's income poverty between 1993-96, when the headcount index reportedly declined from 29% to 17%. This implies that the number of people in China struggling to survive on less than a $1 per day dropped by a staggering 125,000 people per day for three years running. This remarkable achievement came to a sudden — and mysterious — end in 1996. Actually, the number of poor people reportedly increased slightly between 1996 and 1999.

Diagram 1: Incidence of income-poverty in China *(percentage of the population below the poverty line)*



Source: Based on World Bank (2002) and data from the Ministry of Agriculture

[4] Global poverty estimates are often presented with a decimal point, which may give a false sense of sophistication and accuracy. Given their approximate nature, rounded figures are more appropriate.

National poverty estimates, on the other hand, show a less dramatic decline in China's poverty level. Poverty estimates reported by the Ministry of Agriculture show a decrease by less than 1 percentage point per year between 1993 and 1996 (Khan and Riskin, 2000), considerably less than the 4 percentage points suggested by the World Bank estimates.[5] Moreover, if demographic change has been a major force behind China's success in reducing income-poverty — as some analysts have documented (Gustafsson and Zhong, 2000) — then it would be unwise to assume that its rapid decline will continue till 2015.

In short, global poverty trends cannot be taken at face value. Given the inherent weaknesses associated with the fixed and static poverty line of $1 per day and given the inaccuracy of PPP conversion rates (purchasing power parity), global poverty estimates are not a reliable source of information. Global poverty data are not robust; therefore it cannot be argued that the world is on track to reaching the target for halving income-poverty by 2015. Dozens of countries experienced a decline in average living standards in the past decade. Moreover, the simple extrapolation of global poverty trends to 2015 is invalid because large countries — such as China and Indonesia — will gradually become less powerful in pulling global poverty down as they reach lower levels of poverty. Global poverty projections will only be meaningful if they are based on country-specific projections.

Education

In 1990, the goal was set to provide basic education to all children by the year 2000. The sad truth is that the 1990s saw only about a fifth of the global progress needed. For developing countries, the average net enrolment ratio for primary education increased from 78 in 1990 to 83 in 2000. Not surprisingly, the goalpost was moved to 2015; but this promise will not be kept either if progress does not accelerate two-fold between 2000 and 2015. At the current rate, the global education target will not be reached until the year 2030.

Diagram 2 shows that progress was significantly slower in the 1990s than in the preceding three decades, when the average enrolment ratio increased by approximately 10 percentage points per decade — compared with only 5 percentage points in the 1990s.[6] In 2000, an estimated 120 million school-age children

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5 The data of the Ministry of Agriculture relate to rural poverty, whereas World Bank data refer to total poverty. Since poverty in China is overwhelmingly rural, the discrepancy cannot be explained by the difference in geographical coverage. The national poverty line is lower than the international one based on $1 per day. Therefore, the national poverty estimate falls below the $1 poverty trend. It should be noted, however, that the difference between the two poverty trends was halved, narrowing from 20 percentage points in the early 1990s to about 10 percentage points in the late 1990s.

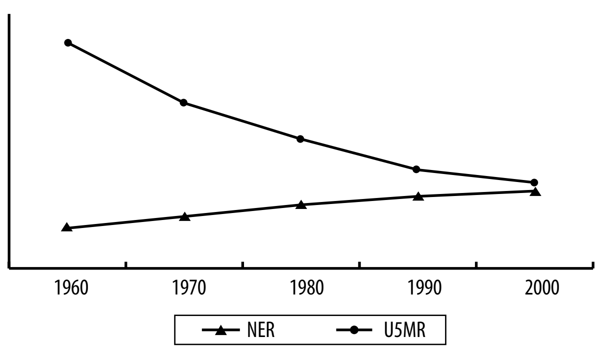
6 Another way of assessing progress is by measuring it against the remaining gap; but this interpretation of the data also shows that progress slowed down in the 1990s. It should be noted that global targets set for reducing U5MR and NER by 2015 are not out of line with historic trends.

were not enrolled — about the same as a decade earlier. They joined the ranks of the nearly 1 billion adults who cannot read or write — most of them women. Globally, the world is not on track to meeting the education target.

Failure to meet the education target will reduce the chances of reaching other MDGs because basic education is key to unlocking positive externalities and synergies. Basic education empowers a young woman and enhances her self-confidence; an educated mother is likely to marry later, space her pregnancies better, and seek medical care for her child and herself when needed. Evidence shows that babies born to mothers without formal education are at least twice as likely to suffer from malnutrition or die before age 5 than are babies born to mothers who completed primary school (Bicego and Ahmad, 1996). An educated girl is also the best guarantor that her children attend school — thereby ending the inter-generational transmission of poverty. Health investments are more efficient when the people are better educated, in large part due to the adoption of good hygienic behaviour. In short, girls' education is key to achieving the MDGs.

The good news is that the gender gap in primary enrolment narrowed in the 1990s. For developing countries, the number of girls per 100 boys enrolled in primary school increased from 83 in 1990 to 88 in 2000. However, this was insufficient to reach gender equality by 2005, as agreed in the MDGs. Progress would have to accelerate more than four-fold in the period 2000-05 if this target were to be achieved. Globally, the world is not on track to reaching gender equality in primary education by 2005.[7] At the current rate, the target will not be met until the year 2025. Gender discrimination in primary school enrolment remains a concern in several countries, particularly in Sub-Saharan Africa, South Asia and the Middle East and North Africa.

Diagram 2: Average net primary enrolment ratio *(NER)* and under-five mortality rate *(U5MR)* in developing countries



Source: Based on UNICEF (2001) and data from UNESCO

[7] Faster progress was made toward gender equality in secondary and tertiary education, but it was not enough either to close the gender gap by the agreed date.

Child Mortality

In 2000, more than 10 million children under the age of five died, mostly due to preventable causes such as pneumonia, diarrhoea, measles malaria, HIV/AIDS and malnutrition. For developing countries, the average under-five mortality rate decreased from 103 to 91 deaths per 1,000 live births between 1990 and 2000. The rate of progress was less than half that achieved in the previous three decades, as shown in Diagram 2. For several countries, slow progress was due to the mother-to-child transmission of HIV, which is contributing to an unprecedented increase in infant and child mortality. In Zimbabwe, for example, some 70% of deaths among children under the age of five are due to AIDS.

There is no marked difference between girls and boys when it comes to the average under-five mortality rate, but Demographic and Health Surveys (DHS) show that in virtually all countries, baby-boys experience higher levels of infant mortality than baby-girls; mostly due to biological factors — sometimes 50% higher. After infancy, however, the gender gap in terms of mortality gradually reverses, switching from being pro-female in infancy to being pro-male in childhood (ages one-four). Such reversals are observed in Bangladesh, Bolivia, Brazil, Cameroon, Dominican Republic, Gabon, Guatemala, Haiti, India, Kenya, Kyrgyz Republic, Nepal, Niger, Nigeria, Peru and Viet Nam.

In the absence of a biological explanation, environmental factors must be examined to understand the causes for this reversal. DHS surveys consistently show that baby-boys are more likely to be vaccinated and breastfed than baby-girls.[8] Both indicators suggest a greater commitment on the part of parents and service providers to the health and development of boys vis-à-vis girls.

If the global trend of the 1990s were to continue at the same rate until 2015, the reduction in the under-five mortality rate would be about one-quarter, far less than the agreed target of a two-thirds reduction. Meeting the global target will require that the rate of reduction increases more than five-fold between 2000 and 2015 — an extremely unlikely scenario. Almost half of the under-five deaths occur in sub-Saharan Africa, so that a sudden and dramatic improvement in child mortality in that region must come about if the global target is to be achieved. Globally, the world is not on track to reaching the target for child mortality.

[8] Lower levels of vaccination among baby-girls explain, in part, their increased child mortality rate vis-à-vis boys. Countries where a significant shift occurs from a pro-female bias in infant mortality to a pro-male bias in child mortality are often those with the largest gender gap in terms of immunisation. Another factor that is likely to add to explaining the reversal in gender-specific mortality rates is nutrition. Food allocation within the family is frequently determined by gender, and disparities in feeding practices between girls and boys appear early in life. Data on breastfeeding reveals that in most countries, a baby-boy is more likely to be breastfed than a baby-girl.

Immunisation is essential to reducing child mortality. Measles is among the leading causes of child mortality that are vaccine-preventable, but immunisation coverage stagnated in the 1990s at about 70%. The coverage has to reach at least 90% to effectively reduce measles deaths. That level was reached only in Latin America and the Caribbean and in East Asia, whereas coverage actually decreased in Sub-Saharan Africa to about 50% in 2000, down from over 60% in 1990.

Child Malnutrition

Deaths among children under the age of five are often associated with malnutrition, mostly with moderate malnutrition; only one-quarter of the deaths result from severe malnutrition. The crisis is, therefore, largely invisible as the young victims seldom show outward signs of under-nourishment.

In 1990, the target was set to halve the proportion of children suffering from malnutrition by 2000. Data show that moderate and severe underweight declined from 32 % to 28%, respectively. Thus, only one-quarter of the promise was kept. As part of the MDGs, the goalpost was pushed to 2015; but the current rate of progress will have to increase three-fold if malnutrition in developing countries in 2015 is to be half the level that prevailed in 1990. Globally, the world is not on track to meeting the nutrition target.

The largest decline was observed in East Asia, especially in China; substantial improvements were made in Latin America and the Caribbean. Less progress was made in South Asia where underweight prevalence remains very high. Sub-Saharan Africa saw little or no change over the decade. Overall, the number of malnourished children in developing countries fell by approximately 25 million — or 15% — decreasing from 174 million to 150 million. However, their numbers increased in Sub-Saharan Africa and South Asia.

Data from over 100 countries do not suggest that girls are more likely to be malnourished than boys. Except for South Asia, most regions actually show a slightly higher rate of malnutrition for boys. However, gender gradually becomes a greater liability as girls grow older, and by the time they reach reproductive age, many suffer from anaemia. In almost all countries, rural children are more at risk of malnutrition than their urban counterparts. In some countries, the percentage of rural children who are underweight is more than 50% higher than that for urban children.

HIV/AIDS

Two decades after it was first reported, AIDS is the most serious threat to human development in a growing number of countries. It is the leading cause of death in Sub-Saharan Africa; worldwide, it is number four in the league of major killers. The pandemic — raging in Africa and spreading fast in other regions — is perhaps the greatest impediment to achieving the MDGs by 2015. Even countries with a relatively low national HIV prevalence rate can have clusters of people or specific locations where the prevalence rate is as high as 20% or more; but these pockets of crises are hidden in national statistics due to their relatively small population size.

About one third of those currently living with HIV/AIDS are aged between 15-24 years. Adolescent girls are at particularly high risk, due to a mix of biological and social factors. HIV/AIDS is a disease for which gender could not be more central; women represent a growing proportion of people living with HIV/AIDS. In countries with high HIV prevalence, young women with little or no education — i.e. those without much power in society — are at the greatest risk of infection (Vandemoortele and Delamonica, 2000). Studies in Africa show that teenage girls are five to six times more likely to be infected by the HIV virus than boys their age (UNAIDS, 2000). New HIV infections are disproportionately concentrated among poor and illiterate adolescent women.

After a strong public information campaign, Uganda saw the number of new cases of HIV/AIDS drop from 239,000 in 1987 to 57,000 in 1997. But even in this exceptional case, the impact on the poor — i.e. those with little or no education — was the least. The HIV infection rate among educated women dropped by almost half in the 1990s, whereas it did not show a significant decrease for women without formal schooling.

Millions of young people do not know how to protect themselves against HIV. In the late 1990s, surveys in Sub-Saharan African countries found that half the teenagers do not know that a healthy looking person can be HIV-positive. The proportion of young people who do not know that HIV/AIDS cannot be transmitted by mosquitoes is over 80% in Albania, Azerbaijan, Chad, Niger, Somalia, Tajikistan and Uzbekistan. Out of a sample of 23 countries, that proportion is less than half in only two: Cuba (35%) and Kenya (45%). In many countries, open and frank discussions about HIV transmission face a wall of silence. Four allies make the virus so prevalent in many societies: silence, shame, stigma and superstition. These four S's thrive in a climate of ignorance and illiteracy, making education a key to defeating this deadly alliance.

But several countries face a Catch-22: education is important to reverse the pandemic but HIV/AIDS undermines the education system. Absenteeism among teachers is high, due to AIDS-related illness and deaths, care for sick family members, attendance at funerals, and increased moonlighting. In Zambia, for instance, 1,300 teachers died in the first 10 months of 1998 — twice the number of deaths reported in the previous year. In the Central African Republic, 300 teachers died in 2000, 85% due to AIDS. Several African countries are reportedly losing more teachers than the number of new recruits. HIV/AIDS also reduces the demand for basic education, due to the family's inability to pay for schooling, concerns about sexual activity at school as they are not always sanctuaries and safe heavens for children and the declining quality of education that make many children and parents lose interest in school. Globally, no progress has been made towards the target of reducing the HIV prevalence among young people.

Maternal Mortality

Complications during pregnancy and childbirth cause the death of approximately 500,000 women each year — about one every minute. But measuring maternal mortality is notoriously difficult due to under-reporting and incorrect diagnoses. Countries with a comprehensive vital registration system represent less than one-quarter of the world population.

Together with income-poverty, the maternal mortality ratio is among the most difficult indicators to monitor. But there is consensus that the proportion of births attended by skilled health personnel — doctor, nurse or midwife — is very closely correlated with maternal mortality. Access to care by a skilled health provider at childbirth — when obstetric complications are most likely to occur — greatly reduces maternal mortality.

In 1990, the target was set to reduce maternal mortality by half by the year 2000. In developing countries, the proportion of births attended by skilled health personnel increased from 42% to 53%, respectively. This was just over a third of the agreed target.[9] Not surprisingly, the goalpost was changed to reducing the maternal mortality ratio by three-quarters by 2015, which is slightly less ambitious. But the current rate of progress will have to increase more than three-fold if the target is to be met by 2015. Globally, the world is not on track to reaching the target for maternal mortality.

Progress differed across regions. Sub-Saharan Africa and the Middle East saw little or no change, whereas North Africa and East and South Asia observed considerable progress. Latin America and the Caribbean, with the highest percentage of births attended by skilled health workers, saw moderate progress. High fertility, combined with high maternal mortality risk, make a woman in Sub-Saharan Africa face a 1-in-13 chance of dying in childbirth over her lifetime, compared with 1-in-160 in Latin America and the Caribbean, and 1-in-280 in East Asia. In industrialised countries, the risk is 1-in-4100.

9 Assuming a proportionate change in the maternal mortality ratio and the percentage of births attended by skilled health personnel.

Safe Water

Safe sources of drinking water include piped water in the house, public standpipe, borehole, protected dug well, protected spring and rainwater collection. In developing countries, coverage of improved drinking water sources rose from 71% in 1990 to 78% in 2000 — leaving an estimated 1.1 billion people without access to safe water.

Progress fell far short of the goal set in 1990 to reach universal access to safe water by 2000. Not only was the goalpost moved to 2015, the new MDG target was lowered from universal coverage to halving the proportion of people without access to safe water. Thus, the new target is nearly five times less ambitious than the initial one. At the current rate of progress, the world is on track to reaching the new target for safe water by 2015.

The fastest progress was made in South Asia; little or no progress was made in the world's poorest nations — the Least Developed Countries. Rural areas lag far behind; the rural-urban gap in terms of access to safe water is greatest in Sub-Saharan Africa, where only 45% of the rural population have access — against 83% for their urban counterparts.

Do the Poor Benefit from "Average" Progress?

There are different ways for reaching a global or national target. At one extreme, it can be achieved by improving the situation of the already better-off segments of society — i.e. a top-down approach. At the other extreme, a target can be achieved by improving the situation of the worst-off population — i.e. a bottom-up approach. Many combinations are possible in between. The evidence suggests that most countries come closer to following the top-down rather than the bottom-up approach. Frequently, the poor are not fully taking part in national progress; evidence suggests that disadvantaged groups are often bypassed by "average" progress.

Different groups in society usually have very different levels of social and economic wellbeing — based on characteristics such as gender, age, rural/urban location, region, ethnicity, religion, wealth, and any combination thereof.[10] Disaggregated data confirm that social indicators vary enormously across groups within the same country. Thus, national indicators hide wide disparities.

[10] Therefore, generalisations about the feminisation of poverty should be used with caution. Statements such as "70% of the poor are women" are not always backed by hard evidence. Aggregates and averages can be used — and abused — to back either side of an argument. The 1997 Human Development Report points out that not all evidence supports different poverty levels between male — and female-headed households (UNDP, 1997). A recent World Bank report on rural poverty in China states, "available evidence does not suggest that women are greatly over-represented among the poor"' (World Bank, 2001). Gender discrimination does not occur indiscriminately, but is often mediated through a multitude of factors. Gender, for instance, is more a liability to a poor girl than to her non-poor counterparts, to a girl from an ethnic minority than to one from the majority, to a rural girl than to an urban one.

Data from over 40 demographic and health surveys show that a child from a poor family is invariably more likely to die before age five than her counterpart from a rich family — on average, about twice as likely. Similarly, children from poor families are less likely to complete primary education than children from rich families. Data for 12 countries in Latin America show that over 90% of the children in the top income-decile complete primary education. The share falls to two-thirds for children in the middle-decile and drops below 40% for children in the bottom decile (IDB, 1998).

Given these significant differences in the absolute value of social indicators across groups, progress is likely to be very different for different groups. Indeed, an increase in a national indicator does not necessarily mean that all groups will see their situation improve at the same rate.

Demographic and Health Surveys for 1994 and 1997 in Bangladesh, for instance, show that improvements in access to basic education benefited foremost the children from better-off families, while children from poor families saw little or no improvement.[11] In Peru — where access to primary education worsened in the 1990s — only the poor bore the consequences; the non-poor were not affected. Data for over 40 countries indicate that poor children represent a growing proportion of the "education queue" as the national indicator for education improves, suggesting that the poor find themselves often at the end of the queue and do not always benefit from "average" progress.

There are 24 countries with at least two Demographic and Health Surveys between the late 1980s and the late 1990s, which makes it possible to track progress in child mortality across different groups in the same country. They show that disparities across wealth groups widened in the majority of them. The gap between the bottom and top quintiles increased most significantly in Brazil, Colombia, Dominican Republic, Ghana, Indonesia, Kazakhstan, the Philippines and Zimbabwe (diagram 3).[12]

In Indonesia, for instance, children in the bottom quintile witnessed a reduction in U5MR by one-fifth between 1987 and 1997; those in the top quintile saw a reduction by one-half. Thus, the ratio of U5MR for the bottom quintile over that of the top quintile rose from 2.3 to 3.8. The trend in Zimbabwe was even starker; a decline in average under-five mortality masked a rise in the number of deaths of children in the poorest fifth of the population. Between 1988 and 1999, the national under-five

[11] DHS surveys do not collect income or consumption data, but the information on household assets such as a bicycle, radio, size of the dwelling, type of construction materials, and source of drinking water allows cross-tabulation social indicators by socio-economic groups, as has been done by Filmer and Pritchett (1999) and Gwatkin *et. al.* (1999).

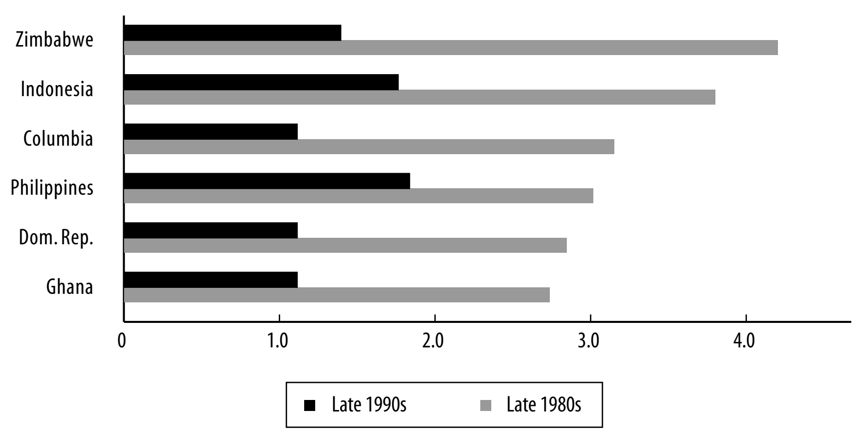
[12] Only two countries — Guatemala and Togo — reported a significant improvement over time in child mortality for the poorest quintile vis-à-vis the richest quintile.

mortality rate decreased by a modest four percentage points, but that for the bottom quintile actually increased by some 20 percentage points. By 1999, children in the poorest quintile had a U5MR that was four times higher than that for their counterparts in the richest quintile. Thus, the average trend had little to do with the reality faced by poor Zimbabwean children during the 1990s. Indeed, averages can be deceiving.

On the income front, disparities are also on the rise. A growing body of data suggests that income disparities are widening, both between and within countries.[13] No matter how it is measured, it is increasingly difficult to dismiss the evidence that inequality is on the rise. Disparities are not only increasing between the rich and poor, but also among the poor. Nigeria, for instance, saw the poverty headcount index decline by nine percentage points between 1985 and 1992; but the incidence of extreme poverty increased by three percentage points (Demery and Squire, 1996). This led to the paradoxical situation in which the number of poor declined, yet the number of destitute people increased. A similar story emerges for rural Kenya and rural Tanzania.

In sum, averages do not tell the full story. Groups for which social progress has been fastest seldom represent the disadvantaged people. Some countries appears to be on track for reaching a particular target, based on "average" progress; yet the situation for disadvantaged groups is stagnant or deteriorating. As disparities are widening for

Diagram 3: Under-five mortality by wealth group in selected countries *(ratio of average U5MR for bottom/top quintile)*



Source: Based on Delamonica and Minujin (2002), using DHS data

[13] See UNCTAD (1997); Galbraith *et. al.* (1998); UNDP (1999), Cornia (1999) and Milanovic (1999).

a range of indicators — such as income, mortality and education — the informational value of national averages is gradually decreasing, thereby augmenting their potential to induce misleading conclusions.[14]

Are the MDGS Affordable?

Why are the promises not being kept? Why are hundreds of millions of people struggling to overcome the daily grind of hunger, disease and ignorance when the global economy is experiencing unprecedented prosperity? Many reasons account for this apparent paradox, and they are often country-specific. However, two reasons stand out in virtually all countries: (i) under-investment in basic social services; and (ii) public action that frequently fails to take advantage of cross-sectoral synergies.[15]

Recognising the fact that global goals will require extra money as well as new approaches, the United Nations proposed the 20/20 Initiative (UNDP *et. al.*, 1998). It embodies the principle of shared responsibility for the MDGs by encouraging developing countries to allocate about 20% of their national budget to basic social services; and developed countries to devote about 20% of their development assistance to the same services. Experience shows that once access to an integrated package of basic social services of good quality becomes universal, social progress can be dramatic and economic growth can be sustainable and equitable.

But instead of a "20/20" deal, the reality comes closer to a "12/12" ratio (diagram 4) (UNICEF and UNDP, 1998). Governments in developing countries spend, on average, between 12-14% of the national budget on basic social services. Donor countries allocate, on average, about 10-12% of their aid budget on these services. Both shares have shown an upward trend in recent years, but they fall far short of the share of 20% that is accepted as a minimum — based on the experience of high-achieving countries such as Botswana, Costa Rica and the Republic of Korea.

Reaching the MDGs will require universal access to basic social services of good quality. The financial cost of reaching universal coverage is modest, whereas the benefits that beckon are enormous. Global public spending on basic social services falls short

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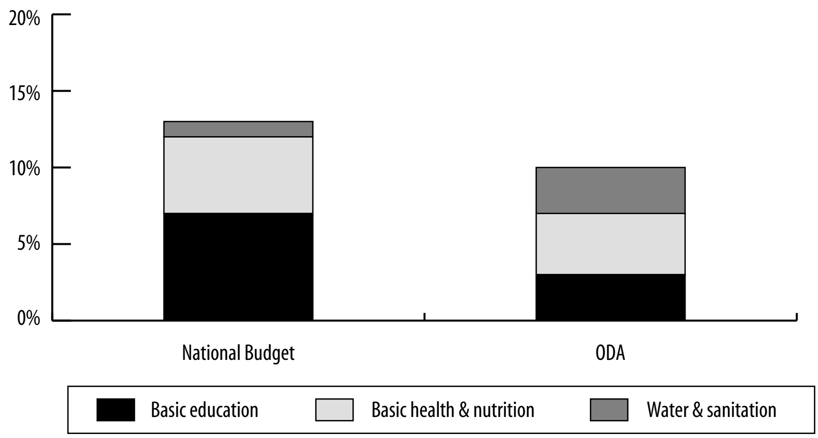
[14] An example of "'misplaced concreteness" is the well-publicised finding that income of the poor rises one-for-one with overall per capita income (Dollar and Kraay, 2001). Although the finding may be statistically correct, it is not necessarily true. When the same statistical analysis is applied to random values, the same results are obtained. The argument that a one-for-one relationship exists between the income of the poor and average per capita income is more the result of using aggregates and averages, rather than of actual behavioural relationships. It is striking how a simple analysis based on a set of aggregate averages can exert so much influence on so many people — policy-makers, researchers and journalists alike.

[15] Too often, health goals are pursued through health interventions alone; education goals are pursued through education programmes alone. Basic social services comprise an integrated package of basic education, primary health care, nutrition, reproductive health, water and sanitation.

by about $80 billion per year (at 1995 prices) of the level required to ensure universal coverage (UNDP *et. al.*, 1998).[16] The full implementation of the 20/20 initiative would generate enough resources to close this financial gap. Although large in absolute terms, $80 billion represents about one third of 1% of global annual income. Indeed, achieving the MDGs is more about setting priorities than about mobilising extra resources or making technological breakthroughs.[17]

Diagram 4: Under-investment in basic social services
(spending on basic social services as percentage of national budget and ODA)



Source: Based on UNICEF and UNDP [1998]

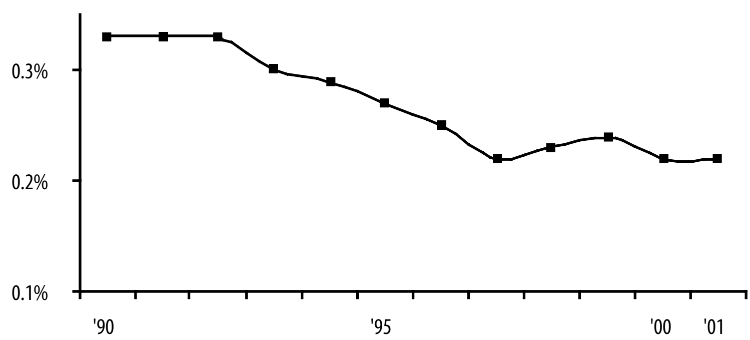
[16] Estimating the cost for reaching the MDGs is a complex task, which is beset by serious methodological problems. Unit costs in absolute terms vary greatly from country to country because salaries dominate the cost structure, which relate to the level of economic development. In addition, expressing them in a common currency, such as the US dollar, introduces more inaccuracies. Unit costs vary much less when expressed in relative terms (as a percentage of per capita income). Using average regional unit costs unduly inflate the cost of reaching the target; relative country-by-country unit costs are preferable. However, average costs may lead to considerable under-estimation because reaching the last 10 or 20% of the population with basic social services is likely to be more costly (i.e. marginal costs will exceed average costs). On the other hand, efficiency gains can reduce overall costs, but improving quality may off-set these gains. HIV/AIDS has significant cost implications, but its quantification is virtually impossible given current knowledge and available data. Furthermore, calculating the costs of the each MDG separately will unduly inflate the total cost because synergies and complementarities will be missed. Last, but not least, dividing total cost between domestic sources and ODA flows is subject to judgment, and can always be challenged. Thus, costing the MDGs is not as straightforward as is seems at first glance. Approximating it by using the 20/20-rule is unlikely to be less "scientific" than other approaches.

[17] Reaching the MDGs will not only require extra spending, but also better spending. Money alone will not solve the problem; human and institutional capacities need improvement too. However, the argument that existing resources must be used more efficiently first before investing extra money in basic social services misses the point that insufficiencies often create inefficiencies. For example, when teacher salaries absorb 98% of the budget for primary education but fail to provide a living wage, there is little scope for improving the quality of education. Indeed, inefficiencies and insufficiencies are not independent, but very much interdependent.

Although the MDGs appear affordable at the global level, many governments will be hard pressed to meet the financial requirements for achieving the targets by 2015. Sub-Saharan African and South Asian countries, in particular, will need to expand their budgetary outlays on basic social services at a rate that will be not be sustainable without additional assistance — in terms of aid, debt relief and trade. It would be unrealistic to expect that low-income countries can meet the MDGs without additional and concerted international support.

Official development assistance (ODA) and debt relief will be indispensable, especially for the least developed and low-income countries. A steady decline in ODA characterised the 1990s, when the relative aid effort fell by one third — dropping from 0.33% of the combined gross national income of developed countries in 1990 to 0.22% in 2000 (diagram 5) (OECD/DAC, 2001). It now stands at less than one-third of the agreed target of 0.7%. The total shortfall vis-à-vis that target amounts to about $125 billion per year. Aid efforts vary considerably among donor countries,[18] and none of the G-7 countries is a member of the "G-0.7" group, which comprises Denmark, the Netherlands, Norway and Sweden — and more recently, Luxembourg. An extra $50 billion per year in donor resources — as called for by the UK Chancellor of the Exchequer (Brown, 2001) — would go a long way towards reaching the MDGs at the global level.

Diagram 5: ODA in decline *(total ODA as percentage of combined gross national income of donor countries)*



Source: Based on OECD/DAC (2001)

18 In 2000, they ranged from a high of 1.06% of gross national income for Denmark to a low of 0.10% for the United States. The aid effort of G-7 members is considerably lower than that of non-G7 countries. In 2000, the respective averages were 0.19 and 0.45% of their combined income.

A study of budgetary spending in 30 developing countries found that two thirds of them spend more on debt servicing than on basic social services (UNICEF and UNDP, 1998); with some spending three to five times more on debt. In Sub-Saharan Africa, governments spend about twice as much to comply with their financial commitment vis-à-vis external creditors than to comply with their social obligation vis-à-vis their people. Debt servicing often absorbs between one third and one half of the national budget — making macro-economic stability an elusive goal. To spend more on external debt than on basic social services — when tens of millions of people see their fundamental human right denied — is ethically wrong and makes no economic sense. The HIPC initiative (Heavily Indebted Poor Countries) is a first attempt to resolve the debt problem comprehensively, but its implementation is painfully slow, while declining commodity prices are making it increasingly ineffective.[19] Slow debt relief will often mean slow MDG progress.

Summing Up

The MDGs are technically feasible and financially affordable. Yet, the world is off-track to meeting them by 2015. The MDGs are ambitious, but each and every target will be met by some countries, including a few low-income countries. If these countries can achieve the MDGs, there is no reason why others cannot.

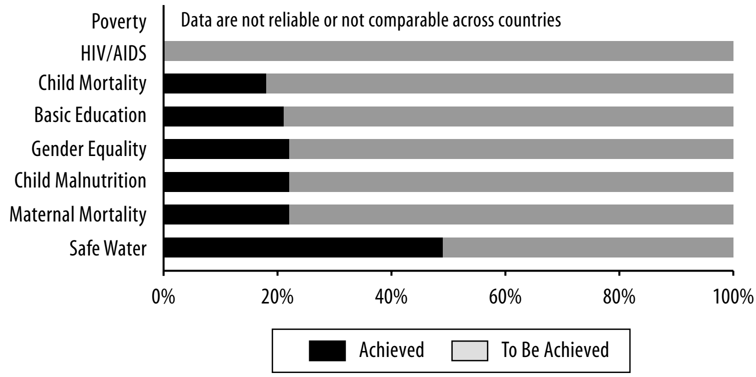
Diagram 6 summarises global MDG progress so far. Of the eight targets listed, only one is on track. Monitoring income-poverty at the global level is subject to serious conceptual and measurement constrains. Global estimates based on the norm of $1/day tend to under-estimate global poverty and over-state poverty reduction (Reddy and Pogge, 2002). Current data on global poverty are simply not robust enough to make an informed judgement as to whether the world is on track towards the 2015 target.[20]

Little or no progress was achieved in reversing the HIV/AIDS pandemic; HIV prevalence rates continue to rise in numerous countries. Only a few succeeded in reducing the spread of HIV, including Cambodia and Uganda. The HIV/AIDS pandemic is a major obstacle on the road towards the MDGs. Progress was slow for child mortality, basic education, malnutrition, maternal mortality and gender discrimination in primary school enrolment. They all recorded about one quarter or less of the agreed target; leaving three quarters or more be covered in the next 15 years. Since the MDGs are to be achieved between 1990 and 2015, 40% of the road should have been covered by 2000. Instead, they recorded just over half that level.

[19] The criteria for eligibility under the HIPC initiative are exclusively trade-related, despite the obvious fact that it is government, not exporters, that repay external debt. The "enhanced" HIPC initiative does not take into account the fiscal burden of debt servicing in determining a country's external debt sustainability.

[20] Progress toward the poverty target is best measured on the basis of national poverty lines, although this will not readily produce internationally comparable poverty data. However, the quest for comparable data in this area has been rather elusive so far.

Diagram 6: Broken promises of the 1990s *(share of the target covered in the 1990s, unfinished agenda for 2000-15)*



Only a fifth of the education target was achieved in the first 10 years, leaving 80% to be covered in 60% of the time period (between 2000 and 2015). No matter what the challenge is — HIV/AIDS, child mortality, malnutrition, income-poverty, maternal health, gender discrimination or environmental degradation — basic education is invariably at the centre of the solution. Failure to keep the promise to give each and every child a good basic education will undermine the chances of reaching the other MDGs.

There is no good reason why universal primary education should not yet be a practical reality. Progress toward that goal is truly discouraging: its global cost is perfectly affordable,[21] no new technology breakthroughs are needed to get all children in school; there is consensus that it makes good economic sense,[22] and basic education is a fundamental human right that must not be denied to any child.[23] But if these conditions are not enough to ensure success, then the question arises as to what it will take to meet the other MDGs.

Only one MDG is on track, the one of halving the proportion of people without access to safe water by 2015. However, the current rate of progress may not be sustainable; countless countries face acute water shortages in the near future if no swift and decisive action is taken soon. Wastage, population growth, urbanisation and desertification are gradually leading to looming water scarcity in many parts of the world; industrialisation and modern agriculture are adding to the risk of more water pollution. Future conflicts over the allocation of fresh water resources are likely to slow down progress in the years to come.

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21 See Delamonica *et.al.* 2001.

22 Numerous empirical studies have documented the critical role of basic education in the economic and social development in Europe, North America, Japan, and more recently in East Asia (e.g. World Bank, 1993)

23 Perhaps it is the most "human" of all human rights, since it is reading and writing that sets homo sapiens most apart from all other species.

Not only was global progress inadequate in the 1990s, much of it bypassed the poor. Slow "average" progress was compounded by limited progress for the poorest and disadvantaged groups within countries. Global goals are primarily meant to help improve the situation of the poor and the disadvantaged, not only that of better-off and privileged people. Unfortunately, the poor have benefited proportionately little from "average" progress, as evidenced by widening disparities in terms of income, education and mortality.

In sum, the world is not on track to meeting the MDGs by 2015. In 2001, Nelson Mandela asked, "*Will the legacy of our generation be more than a series of broken promises*?" In opening the Children's Summit in May 2002, Kofi Annan, UN Secretary-General, stated, "We the grown-ups must reverse this list of failures." In 1993, the late James Grant, then UNICEF Executive Director, said, "The problem is not that we have tried to eradicate global poverty and failed; the problem is that no serious and concerted attempt has ever been made." Sadly, these words still ring true today.

But while the MDGs remain unfulfilled, they also remain feasible and affordable. Committed leadership, stronger partnerships, extra money, and deeper participation by the poor can bring the world back on track towards the MDGs. It is not too late to realise the dream by 2015.

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Financing the MDGs: an Analysis of Cameroon, Uganda and Philippines

by Stephen Browne and Martim Maya[1]

The only meaningful measurements of the costs and financing of the MDGs are at the individual country level. A comparison of three developing countries shows the high interdependence of the MDGs. It also reveals that both a middle-income country and one of the least developed can reach the MDGs, the former with improved fiscal management, the latter if it maintains its present high growth and continues to receive ODA at current levels. A second lower-income country, however, will fall far short of the Goals, in large measure because of the ravages of HIV/AIDS. All three countries, though, will need to increase their domestic resource mobilisation and gain greater market access for their exports.

The studies on which this article is based were carried out by national research teams in 2001 to attempt to answer a single critical question for the International Conference on Financing for Development (FfD): *What will it take, in resource terms, to meet the universal human development goals of the Millennium Declaration – the Millennium Development Goals?*

No simple answers emerged. No single price-tag could be attached to meeting each goal in each country, in part because the goals themselves are mutually reinforcing — often in unanticipated ways — in patterns that differ not only from one country to another, but among geographic regions within national frontiers and, within these, across rural/urban divides. Nonetheless, the findings in Cameroon, Uganda and Philippines give some indication of the enormity of the tasks that a wide range of developing countries face in mobilising the substantial resources required.

The Methodology

While various global estimates have been made of the costs of meeting the MDGs, they have relied on standard costings (e.g. minimum expenditures per head) applicable to all countries to arrive at the totals. The studies from which this article derives tackled the question at the level of individual countries, where costs can vary enormously, for a variety of reasons, among them different salary levels and availability of materials. In addition, the studies tried to take into account some critical quality dimensions that the MDG indices do not themselves reflect, such as the size of school classes.

[1] Respectively, Group Leader, Information and Communications Technology, UNDP, and Deputy UNDP Resident Representative, Guinea-Bissau. This article represents a radical condensation of five country studies that can be seen on the UNDP website at www.undp.org/ffd.

Another vital dimension of costing and financing concerns the "efficiency" of spending — the extent to which appropriated funds are used as intended and reach the stipulated beneficiaries. These issues of financial management encompass governance questions that are both administrative (e.g. the degree of decentralisation) and "moral" (corruption). Among the different goals, the methodologies of costing vary. Whereas a coverage target such as that selected for education may be costed in a relatively straightforward manner, "outcome" targets require more complex approaches. The causal relationships between certain policy actions and the particular development indicator need to be ascertained. This does not mean capturing and studying the full range of factors that determine a given outcome — important as that is — *but, rather, identifying and costing those policy actions that are known to have the most direct bearings on the outcome within the particular country context.*

Similarly, because the MDGs reinforce each other, progress on one front has positive spill-over effects on other variables. Thus, lower income poverty and increased household income levels facilitate higher school enrolment levels. Better access to clean water reduces the toll of disease, and affects school drop-out rates. For the three country studies, some basic methodological approaches were proposed, but the country teams determined their own variants.

Perhaps the most important aspect of this exercise was the fact that the researchers, working in conjunction with policy-makers in government, were challenged to make a comprehensive determination — perhaps for the first time — of the resources, policies and capacities required to meet the goals, taking local realities fully into account. For the purpose of this study, six MDG targets were selected — on income poverty, primary education, health (encompassing both under-5 mortality and maternal mortality), HIV/AIDS and water. In addition, wherever information was available, the studies attempted to mainstream the crosscutting dimension of gender across the three areas.

Each of the summaries below should be seen as work in progress, which UNDP and its UN partners wish to continue supporting as part of the ongoing global MDG Campaign.

Methodologies for each Goal

Income Poverty

The percentage of the population living below the national poverty line is a function of two key elements: the size of the economy and the distribution of the resources within it. Country teams attempted to estimate the level of growth under different distributional scenarios that would be required to shift the necessary percentage of the population across the national poverty line. Determining the growth rates required to realise the income poverty goal relied in most cases on observed "elasticities", which predict the degree to which income poverty falls for every increment of average income levels.

Education

The selected indicator, net primary enrolment rate (the number of primary school age children enrolled in primary school divided by the population of primary school age children) is held as the best estimator of sector performance towards UPE. By contrast, gross enrolment rate (the number of students enrolled in primary school divided by the population cohort of primary school age children) tends to misrepresent reality — high repetition/retention rates and adult education programmes can yield gross enrolment rates in excess of 100% (as in Uganda). Based on population cohort projections and estimated unit costs, progress towards 100% net enrolment was costed assuming a linear progression. These estimates were augmented by the costs of quality improvements in education, including falls in teacher pupil ratios, class sizes and increasing density of textbooks.

HIV/AIDS

The containment and reversal of the spread of HIV/AIDS is probably the most complex MDG to cost. Despite some success stories, there are still limits to our understanding of what works and what doesn't in the fight against this pandemic. Moreover, HIV/AIDS has long since ceased to be seen as a health problem, but rather as social problem with broad economic ramifications requiring a multi-sectoral response. Consequently, the country studies attempted to reflect the cost of the national plans, usually including the costs of anti-retroviral drug treatments. No attempt was made to quantify the cost of non-intervention that, in the case of some of the countries analysed, would most certainly dwarf the global cost of the full range of MDGs and would compromise and even reverse the performance of all other indicators.

Health

Under-five mortality (number of deaths per 1,000 live births) and maternal mortality (number of deaths per 100,000 live births) are outcome indicators that depend on health sector interventions and other measures that contribute to general health. Estimates were based on the projected costs of such health sector interventions as immunization, family planning, control of infectious diseases, and the required numbers of health facilities and trained personnel.

Access to Safe Drinking Water

By deriving per capita expenditure requirements, estimates were made on the basis of the projected population and effort required to expand access to the target levels.

Prospects

Cameroon

Cameroon is a middle human development country with an HDI above the average for both least developed and Sub-Saharan countries. This West African country has a population of 15 million, half of whom live below the national poverty line, with an annual per capita income of $570. The economy depends largely on agriculture, which accounted for some 44% of GDP in 1999 and provides for the livelihoods of 49% of the population. Industry and services account, respectively, for 19% and 38% of GDP. Oil provides 46% of the country's exports earnings, followed by coffee and cocoa. Given its reliance on three export products and an export to GDP ratio of 31%, the country's economy is particularly exposed to volatility in international commodity markets. Real GDP growth rates over the last four years have risen to the 4%-5% range with continued prospects for accelerated growth in the future.

CAMEROON		Year
Population (in millions)	15	2000
Growth (%)	3.0	2000
% urban	49	1999
% below poverty line	50.0	1999
HIV/AIDS prevalence in adult pop. (%)	11	2000
GDP growth (%)	4	2000
Income per capita (current US$)	570	2000
GNP per capita (PPP US$)	1573	1999
Agriculture as % of GDP	44	1999
Industry as % of GDP	19	1999
Services as % of GDP	38	1999
Life expectancy at birth	50.0	1999
Adult literacy rate (%)	74.8	1999
Human Development Index and rank out of 162 countries in 2000	**0.506** (125)	

Sources: national studies, UNDP, WDI

RESOURCES AS % OF GDP	1990	1999
Government spending:		
Education	2.8	1.8
Health	0.9	1.0
Tax revenue	10.8	12.8
Grant aid	4.0	4.7
Foreign direct investment (net)	-0.4	0.4
Exports	20.0	24.0
Debt service	4.7	6.0

Income Poverty

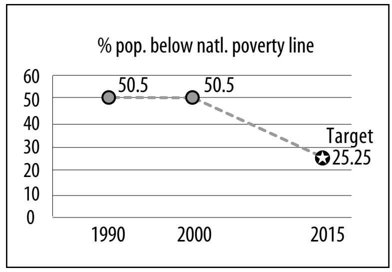
To reach the Millennium Development Goal of halving poverty by the year 2015, Cameroon will need to sustain an average annual GDP growth of the order of 6 to 7%. This is based on prevailing income distribution patterns (an estimated Gini coefficient of around 0.5 to 0.6), and a poverty/income elasticity around unity. In view of recent trends in the Cameroonian economy (almost no gain in per-capita income in the early 1990s, and only 2 points gain during the 1997/2001 period), a sustained growth of 6-7% constitutes a significant challenge to the country as a whole. But recent trends indicate marked improvement, especially in macroeconomic performances, and a renewed commitment from the government, which may allow the country to attain the goal. The accelerated growth performance will require higher volume, as well as improved efficiency of investment. Cameroon's macroeconometric model indicates that, given the prevailing efficiency of capital, a 25% investment rate would be required to support the target growth rate. This, in turn, will require a significant efforts to raise the domestic savings rate and attract foreign investment. To this end, the government will need to rekindle effort to create a favourable investment climate and, more generally, an enabling environment for export and growth led by the private sector. Meanwhile, as the oil sector is fading as an engine of growth, Cameroon faces the challenge of identifying alternative sources of growth that would be more sustainable, distribute income more equitably and thus impact more significantly on poverty reduction.

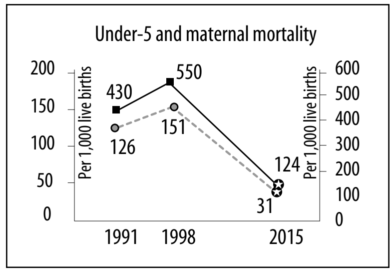
Basic Social Services

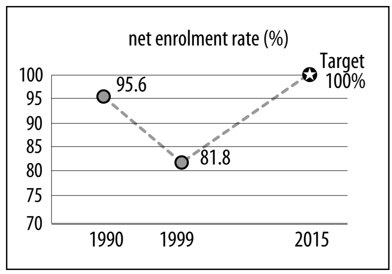
The country faces a major challenge in meeting the MDGs in education, health and water, as indicated in the MDG annual progress report. Additional costs are envisaged as follows:

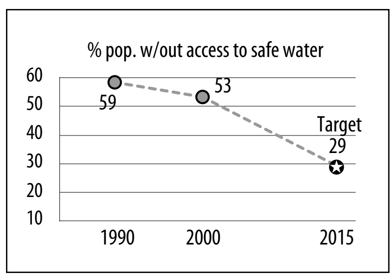
- **Primary education:** $550 million
- **Health:** $607 million
- **HIV/AIDS:** $77 million (2002-2007)

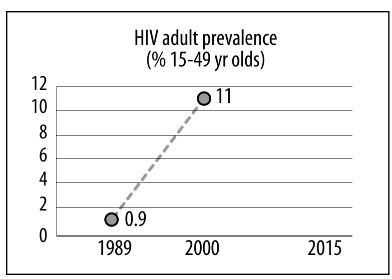
In the case of education, more than 30,000 new teachers will need to be trained by 2015, an increase of over 70%, and the number of classrooms will need to more than double. A satisfactory strategy on education has been prepared, but implementation has yet to begin. Meanwhile, school tuition for primary schools have been abolished. This will certainly contribute to meet the MDG related to the primary enrolment rate. In the struggle against











HIV/AIDS, the total cost of the national programme is estimated at $77 million over the next five years. The most recent supervision report indicates little forward movement in combating AIDS, notwithstanding some positive developments during the last year. In the case of health care in general, a massive effort will be needed to increase substantially the number of doctors — currently only 750 — nurses and other medical personnel. An increase of 60% is envisaged in the number of health centres.

Resources

A considerable fiscal effort will be required to diversify, steering the economy away from dependence on oil revenues while expanding the overall revenue base. By 2003, the government intends to raise the revenue (tax and non-tax) ratio from 16% to 20% of GNP; this should rise to around 20% over the period up to 2015. Within the overall budget, the total resources of the three corresponding Ministries (Health, Education, Water) will need to increase their respective shares. Taken as a whole, these fell as a proportion of the total budget from 17.7% in 1991/92 to 9.6% in 1997/98, recovering to 13.5% in 2001/02. The government is also seeking to improve the efficiency of public resource utilisation and to increase its delivery of aid projects. In this regard, measures have been taken to improve expenditure management and increase its efficiency and transparency. An anti-corruption "observatory" has recently been set up under the National Governance Programme. However, there are serious implementation delays. Cameroon has been a beneficiary of the expanded HIPC process, annual debt service costs falling from $470 million in 1999 to $177 million in 2001. A Consultative Committee to oversee the use of these funds includes donors and civil society representatives. Disbursements, however, have been slow, reflecting low absorptive capacity.

Debt relief will be the single most important potential source of new funding for meeting the MDGs at least in the immediate future. These debt relief funds are expected to increase steadily in coming years, reaching almost $350 million in 2009, mainly as a result of relief on debt owed to bilateral creditors and to the World Bank. Debt sustainability, measured by the ratio of debt servicing to exports of less than 10% will depend on projected real export growth of 6-8% per year. In recent years, Cameroon has been the recipient of important ODA flows, which account for between 4% and 5% of GDP. Foreign direct investment has been at very modest levels despite the country's rich resources. However, the trend of the ratio FDI/GDP (%) shows a positive evolution from 1995 to 1998

Uganda

This landlocked East African country on the shore of Lake Victoria has a population of 22 million, 35% of whom live below the national poverty line. Per capita income is $310 and overall human development indicators are low. Uganda has substantial natural resources, including fertile soils, regular rainfall, and sizable mineral deposits of copper and cobalt. Agriculture is the most important sector of the economy, accounting for 44% of GDP and employing over 80% of the work force. Coffee is the major export crop, accounting for over half of export earnings. Industry and services make up 18% and 38% of GDP respectively.

UGANDA		Year
Population (in millions)	22	2000
Growth (%)	3.0	2000
% urban	14	2000
% below poverty line	35.0	2000
HIV/AIDS prevalence in adult pop. (%)	8	2000
GDP growth (%)	5	2000
Income per capita (current US$)	310	2000
GNP per capita (PPP US$)	1167	1999
Agriculture as % of GDP	44	1999
Industry as % of GDP	18	1999
Services as % of GDP	38	1999
Life expectancy at bir th	43.2	1999
Adult literacy rate (%)	66.1	1999
Human Development Index and rank out of 162 countries in 2000	**0.435** (141)	

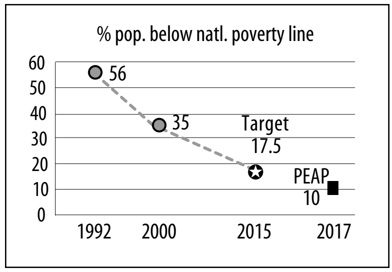
Sources: national studies, UNDP, WDI

RESOURCES AS % OF GDP	1990	1999
Government spending:		
Education	3.5	2.6
Health	NA	1.9
Tax revenue	NA	NA
Grant aid	15.5	9.2
Foreign direct investment (net)	0.0	3.5
Exports	7.0	11.0
Debt service	3.4	2.9

Real GDP growth averaged over 7% annual during the past decade, and underlying inflation has averaged some 6%. High rates of growth in a non-inflationary environment are expected to continue. Uganda was the first country to benefit from the HIPC initiative.

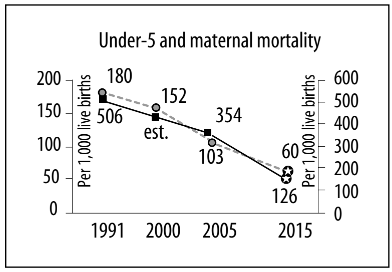
Income Poverty

The country study assumes growth/poverty elasticities in the range — 1.39 and — 1.67 (1% increase in average income levels results in a more than commensurate decline in income poverty). These will ensure that Uganda stays on target to reduce income poverty significantly if it can maintain the 5-8% average annual growth rates achieved since 1995, and prevent a further aggravation of the inequalities noted above (current Gini coefficient is 0.38). A high growth scenario of 7% and high constant elasticity of –1.67 would bring income poverty rates down to just over 5%, while lower growth (4.5%) and lower elasticity (-1.39) would reduce the rate to 13%. Two fundamental weaknesses that detract from an otherwise optimistic outlook are the high dependence on commodity exports, and in particular coffee — the price of which has fallen precipitously in recent years — and the relatively low levels of revenue generation: 11-12% of GDP in recent years, which obliges the country to remain dependent on substantial external aid. A further destabilising factor is the simmering conflict in the northern part of the country.



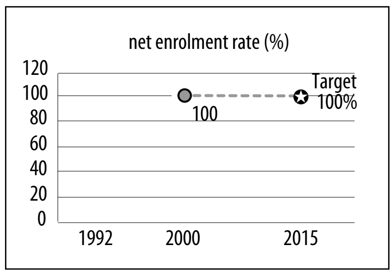
Basic Social Services

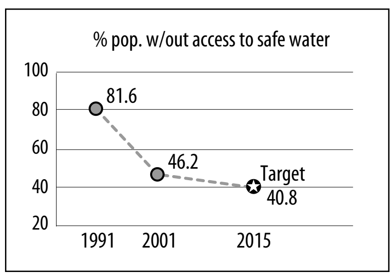
The country study examined the costings of the MDGs using a range of different scenarios. The additional resources required for individual years, shown below, assume a constant population increase (2.9% per year). They are calculated as the difference between the maintenance of current spending levels and the "optimal" spending needed to achieve the goals:



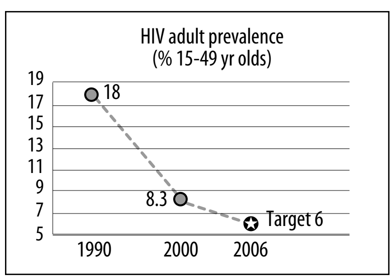
- **Primary education** $161 million in 2002, rising to $233 in 2015
- **Health** $117 million in 2002, rising to $170 million in 2015
- **HIV/AIDS** $127 million in 2002, rising to $184 million in 2015
- **Water** $80 million

- **TOTAL** $405 million in 2002, rising to $588 million in 2015
- **As % of GNP** 6.6% in 2002, falling to 4.8% in 2015





Primary education, a very high priority in Uganda, has benefited from substantial increases in funding, despite continued gender imbalance in favour of boys. Spending has increased three-fold over the past three years and now accounts for 70% of the education budget, which is in turn 30% of total government spending. The government's own resources — which have been put to more effective use through closer parent-teacher surveillance — have been generously supple-



mented by budget support from donors and by the Poverty Action Fund, which is supported by the proceeds of HIPC debt relief. Maintaining current spending levels, however, will still mean a pupil:teacher ratio of 55 and a sharing of textbooks among 6 pupils. Substantial new spending will be required if reasonable quality education is to be universally available and gender gaps addressed.

There has also been an increase in health spending, which now accounts for about 9% of government spending. The additional resource requirements are intended to bring spending per person up to $11. The additional resources for combating HIV/AIDS are derived from the country's National Strategic Framework.

Resources

Uganda has made progress in recent years in marshalling the resources needed to meet the goals. As already noted, a considerable effort is still required to raise levels of tax revenues, and increase the effectiveness of government spending. But a significant resource windfall resulted from debt relief under the HIPC and the cancellation of bilateral official debts. These resources are funding the Poverty Action Fund, which supports a major part of the needs of basic social services Uganda has also benefited from substantial inflows of ODA, which in recent years has topped $600 million, although the amounts have fallen as a proportion of national income. A growing proportion of this aid is channelled into budgetary support. Foreign direct investment has also grown, but remains at quite modest levels. The Uganda Investment Authority is helping to promote the country as an investment destination, but prospects are linked to trade and increased export competitiveness. Uganda would gain from expanded trade opportunities through more access to the richer markets and closer regional integration.

Philippines

The Philippines is a medium human development country with a population of 75.6 million and a per capita income of $1040; approximately one-third of its population lives below the national poverty line. Services make up 53% of its GDP, followed by industry and agriculture with 30% and 17% respectively. Export growth has been strong, particularly in electronics. The ratio of exports to GDP has more than doubled between 1990 and 2000. However, the country's economy has followed a boom-bust cycle with periods of economic growth followed by financial or balance of payments crisis. The last of these, the 1997 East Asian financial crisis, brought GDP growth rates down to 0.6%. Nonetheless, the economy of the Philippines has recovered; GDP growth in 2000 was 4% and is expected to remain in that range.

PHILLIPPINES		Year
Population (in millions)	76	2000
Growth (%)	2.4	2000
% urban	59	2000
% below poverty line	31.8	1997
HIV/AIDS prevalence in adult pop. (%)	0.07	1999
GDP growth (%)	4	2000
Income per capita (current US$)	1040	2000
GNP per capita (PPP US$)	3805	1999
Agriculture as % of GDP	17	2000
Industry as % of GDP	30	2000
Services as % of GDP	53	2000
Life expectancy at birth	69.0	1999
Adult literacy rate (%)	95.1	1999
Human Development Index and rank out of 162 countries in 2000	**0.749** (70)	

Sources: national studies, UNDP, WDI

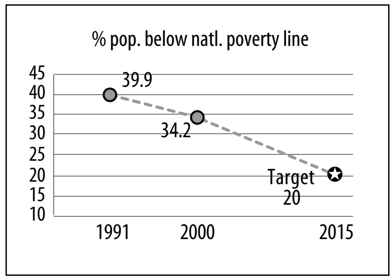
RESOURCES AS % OF GDP	1990	1999
Government spending:		
Education	2.1	3.4
Health	1.5	1.7
Tax revenue	14.1	14.4
Grant aid	2.9	0.9
Foreign direct investment (net)	1.2	0.7
Exports	28.0	51.0
Debt service	8.1	8.8

Income Poverty

The Philippine economy was buffeted by the Asian financial crisis after 1997, which reversed the declining incidence of income poverty. In recent years, the economy has enjoyed real annual growth of 3-4%, which will not be sufficient to achieve the MDG. If stability can be maintained, however, and confidence in the economy returns, the prospects are good for an acceleration in growth — buoyed by rapid expansion in investment and exports — leading to faster reductions in income poverty. The country study has determined that if historical average growth rates of the economy and of population are maintained, the poverty incidence will be reduced by a further 10 percentage points. Growth in the range 4.0 - 6.5%, and a decline in the rate of population increase, would ensure that the poverty rate was halved by 2015.

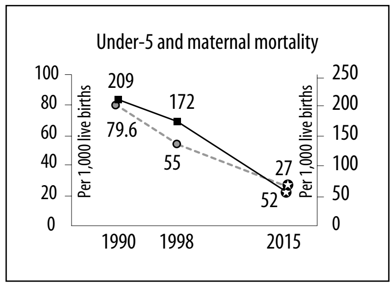
Basic Social Services

The country study has made detailed projections of the annual additional costs of meeting the goals, which are summarised below. Compared with the other countries considered in this report, basic social services have benefited from considerable past investments and the additional resource efforts will mainly be confined to the next few years.

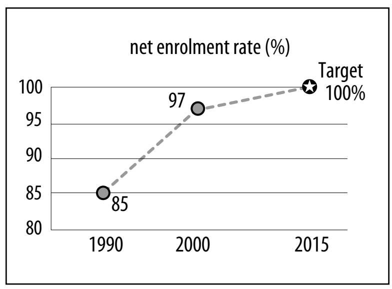


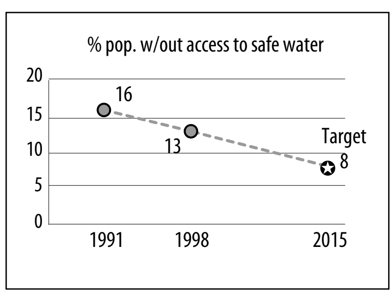
- **Primary education** $464 million in 2002, falling to zero in 2007
- **Health** $131 million in 2002, falling to zero in 2008
- **Water** $22 million in 2002, falling to zero in 2014

- **TOTAL** $617 million in 2002
- **As % of GNP** 0.75 % in 2002



High enrolment rates have already been achieved, and the main policy emphasis will be on raising completion rates above 70% and improving quality. Completion rates will improve as a matter of course as incomes grow, but to enhance educational quality, the number of additional teachers will have to grow by 70% between now and 2015, the number of classrooms by 60% and the stock of textbooks by 130%. The major part of the resources could be found domestically, in part through a reordering of education spending to favour the primary level. Additional cost estimates for meeting the health goals encompass improvements in health facilities, especially at the district level and in rural areas; increased immunisation coverage; control of malaria, tuberculosis and schistosomiasis; and micronutrient supplementation. The needs could be met through the public finances, but there is also scope for





a better use of resources, including through more health promotion measures — as opposed to mainly treatment of sickness — and private sector provision. The resource needs to meet the water goal are relatively modest, but success will depend in part on the necessary priority being given to this sector in the public budget.

Resources

A high priority in meeting the goals in education, health and water supply will be an improvement of the domestic tax effort. Experience in recent years indicates that an improvement is feasible and the priority will be on raising the tax ratio from 14% currently to over 16% in the next five years.

There is also scope for a reallocation of resources, within the budget, in favour of basic social services (e.g. from tertiary to primary education).

Cost savings could also be realised through a more efficient use of resources, including raising the efficiency of service delivery and procurement service reforms. Also envisaged is the increased involvement of the private sector in providing basic social services. For infrastructure needs, the government can have recourse to borrowing. Grant aid still runs at over $500 million per year, but has diminished as a proportion of national income. Overall, the development goals appear achievable by 2015. If the economy can regain its former dynamism, there will be cumulatively favourable consequences, as more people will be able to supplement access to basic services from their own incomes.

Conclusions: What is Needed?

Growth

There will be no substitute for sustained economic growth in order to halve income poverty. Given current income distributions, a significant acceleration will be required in two of the three cases:

- **Cameroon:** 7% compared with 1.7%
- **Uganda:** on track (present rate above 5% requirement)
- **Philippines:** 5-6% compared with 3.2%

Pro-Poor Policies

Such policies, necessary in all three countries, will invariably have to favour rural-based households, especially those headed by women. National strategies will also have to emphasise rural infrastructure, farming terms of trade (i.e. prices received against prices paid), and small, labour-intensive enterprises.

Domestic Resources

All three countries will need to pursue policies to increase domestic savings and tax revenues; in the long run, robust domestic resources will be the basis for sustainable progress in meeting the MDGs. Experience indicates that more efficientmanagement and use of existing resources could have significant benefits.

Exogenous Shocks

All three countries have suffered economic disadvantages as a result of external economic factors that they cannot control. The African economies have experienced large price falls in key export commodities, along with continuing barriers to trade expansion and diversification, while the Philippines was a victim of the Asian financial crisis after 1997. Trade liberalisation and lower import tariffs in the poorer countries detract from their capacity to raise fiscal revenues. Policy consistency by donors implies opening their markets more widely to poorer countries, if aid is not merely to become partial compensation for disadvantageous external conditions.

FDI

All three countries are committed to trying to attract more foreign direct investment, for which a record of sound and consistent economic governance will be essential.

Debt

For the African countries, HIPC relief has provided anti-poverty dividends of varying significance. The longer-term sustainability of the remaining debt will be a preoccupation, particularly with new borrowing and in the face of flaccid export performance.

ODA

If the MDGs are to be met, there will be no alternative to increasing aid — matched by sound economic governance and by concerted efforts by the governments of recipient counties to continue to raise levels of domestic financing.

The MDGs in National Policy Frameworks

by Diana Alarcón[1]

Achieving the MDGs will require an additional $50 billion per year, specifically targeted to the poorest countries – one sixth of one per cent of annual global income. However, additional external funding and accurate allocations also call for mobilising domestic resources, improving policies and strengthening institutions at the national level.

In September 2000, 149 Heads of State and a total of 189 countries, formally adopted the "Millennium Declaration" as the means to ***"create an environment*** *– at the national and global levels alike – which is conducive to development and the elimination of poverty"* (emphasis added). In short, though the MDGs reflect an international political consensus, they do not represent a development strategy.

Although extrapolations of current poverty trends during the last decade suggest that the world is on track to halving income poverty by 2015, this has resulted largely from rapid advances in China. As Jan Vandermoortele has shown elsewhere in this issue of *Development Policy Journal*, available information also indicates that the incidence of income poverty and under-five mortality rates have

CENTRAL AND EAST AFRICA

A detailed report from 14 countries of *Central and East Africa (CEA)*, where the number of people living on $1 a day is expected to rise by some 45 million people by 2015, stressed the need to build peace and security throughout the subregion, so as to create a foundation for reduced military expenditure, improved transparency, and accountable, democratic governance structures.

Throughout the area as a whole, national economies will have to grow by at least 7 – 8%. While Uganda has already reached this rate and oil-producing countries such as Equatorial Guinea have already exceeded it, most countries are unlikely to do so, in part because of HIV/AIDS and environmental damage. These countries also suffer from marginalisation in the globalisation process, an isolation reflected by the digital divide, which in itself perpetuates exclusion from the economic integration rapidly taking place between the North and other parts of the global South. The legacy of corruption in public administration and misdirected macroeconomic policies – often shaped externally – does not help. In addition, the lack of reliable data and national statistics has created a major obstacle to defining MDG priorities, as well as to providing the basis for feedback and effective management – a gap that various UN activities and initiatives such as PARUZI of OECD (see the article by Brian Hammond) must help bridge.

A significant UNDP task is assistance in integrating the MDGs into other planning frameworks, notably the national Poverty Reduction Strategy Papers (PRSPs) and regional New Partnership for Africa's Development (NEPAD). The MDGs provide a framework for monitoring progress and ensuring consistency between short-term planning and longer-term strategies. This kind of synchronising between countries throughout the region will reduce transactional, opportunity and other costs by contributing to the coordination of approaches among donors – a necessity reinforced by intra-regional problems such as continued cross-border conflicts, migratory trends and the spread of HIV/AIDS. While governments must take the lead in these processes, local authorities play significant reinforcement roles, the private sector must shoulder its responsibilities for creating robust markets, and civil society must ensure that growth does not detract from environmental conservation and the realisation of human rights.

(Source: Geoff Prewitt, UNDP CEA Subregional Resource Facility)

[1] Senior Policy Advisor, Bureau for Development Policy, UNDP.

actually increased in Sub-Saharan Africa, and that the number of poor people in Sub-Saharan Africa, South Asia and Latin America has increased by about 10 million each year since 1990 (Vandemoortele, this issue). Further, world leaders meeting in Rome at the 2002 World Food Summit concluded that the commitment to reduce world hunger was unrealistic. In fact, "at the current rate, the target will be met 45 years behind schedule" (Jacques Diouf, Director General, FAO, 2002)

Progress remains slow in other dimensions of human development as well. Providing basic education to all children by 2015 will involve accelerating current rates of progress fourfold. Advances in infant, child and maternal mortality, malnutrition, access to safe drinking water and adequate sanitation actually slowed during the 1990s as compared with earlier decades (Vandemoortele, this issue).

TANZANIA

In *Tanzania*, the first country to produce an MDG Report (in February, 2001) and where the MDGs have been firmly integrated into national policies and strategies and promoted national ownership of the monitoring process since that time, the government has doubled its allocation to rural development to spur pro-poor growth and food security. The abolition of primary school fees has significantly boosted enrolment — thereby countering a trend throughout the country in which the proportion of poor children attending school fell, even as overall primary enrolment rates rose. Although the government has ensured full funding of its basic health budget requirements, many of the MDGs will not be met unless the country succeeds in containing and reversing the spread of AIDS.

In addition, national averages mask significant disparities between men and women, older and younger people, people at differing income levels, and people from different parts of the country. This last area of inequality is particularly significant because planning and poverty monitoring on the part of all stakeholders, including the UN and other development partners, takes place largely in Dar-es-Salaam. Further efforts are required to involve stakeholders at the regional and local levels, particularly in the rural areas.

However, the management of the country's poverty monitoring system permits the engagement of an ever-widening range of participants, including civil society groups and gender focal points both within and outside the capital, to hold the government to its commitments and to advocate for policy change in line with emerging findings. The MDGs provide a long-term planning framework, an important element in view of the fact that the World Bank Poverty Reduction Strategy, which operates within a three-year framework, has now taken centre stage.

(Source: John Hendra and Arthur van Diesen, UNDP Tanzania)

Nonetheless, MDGs are financially affordable and technically feasible. In terms of international resources, it has been estimated that their achievement will require an additional US$50 billion per year, specifically targeted to the most disadvantaged countries, many of them in Sub-Saharan Africa. This represents only one sixth of one per cent of annual global income.

While a strong case exists to increase the flow of ODA to priority countries, sustainable development will be possible only if external debt is substantially reduced and the international trade regime is adjusted in a more equitable manner (see the articles by Charles Gore and Martin Khor in this issue). However, additional resources will contribute significantly to reaching the MDGs if there is better targeting of investments in priority areas, particularly education, health and environmental protection. Mobilising domestic resources, improving policies and strengthening institutions will also be required – all of these at the national level.

Over the next 13 years, then, progress towards the Goals will depend on the extent by which national plans and national budgets incorporate the MDGs into their national development priorities. Thus, building a national consensus is the first step towards the achievement of well-defined, time-bound, realistic goals and targets.

ZIMBABWE

In *Zimbabwe*, the Ministry of Public Service, Labour and Social Welfare has assumed responsibility for MDG reporting and set in motion a broad-based consultative process to that end, including civil society and private sector organisations, supported by the UN Country Team. The Team is now reviewing a draft Report, exploring the financing of its targets with IMF and World Bank experts. UNDP is assisting the government in budget classification to permit efficient expenditure tracking and, in conjunction with UNFPA, preparing a Poverty Assessment Survey to determine household priorities. The Team is also studying the optimal mix of domestic and external financing sources and intensifying its efforts to persuade the government to embark on a programme of recovery and growth.

The 18 targets selected to monitor progress (see the initial Box of this number of the *Journal*) represent a global average. In the area of poverty and hunger, for example, the international community will measure progress towards achieving Goal 1 through the use of two targets: Target 1 “to halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day”; and Target 2 “to halve, between 1990 and 2015, the proportion of people who suffer from hunger”. Each individual country, nonetheless, should initiate a national dialogue to chose and set its own targets that reflect national conditions of development. These targets should be realistic in the sense that they can be achieved with available resources, but ambitious enough to mobilise the citizenry and the political will of the governing class. Similarly, all the other Goals — on education, equality, health, and the environment — may be achievable if targets are nationally “owned” and become an intrinsic part of the development strategy of the country.

RWANDA

In *Rwanda*, the Goals provided common ground for meetings between the government and civil society groups to discuss controversial issues that had hitherto obstructed their joining their respective strengths in spurring post-conflict recovery. Together, civil servants and CDO representatives worked out a framework of mutual responsibilities and accountability in meeting the MDGs, including a blanket mandate for counter-monitoring and evaluation. The Goals also became the basis of country-specific indicators and targets for the interim PRSP and, as such, increased the likelihood of priority budgetary allocations and external funding.

Campaigning for the MDGs

The UN Secretary General has designated UNDP as “scorekeeper” and “campaign manager” of the MDGs. In close coordination with the UN Development Group, UNDP is facilitating the process to build national consensus around the MDGs and monitor progress through the publication of national MDG Reports (MDGRs) designed to convey clear information for use in advocacy and consensus-building.

To move from the international consensus generated by the Millennium Declaration to the design of consistent national economic and cross-sectoral policies and the adoption of specific programmes

Senegal

In *Senegal*, one of the first countries to produce an MDGR (in August, 2001), the Report stimulated significantly greater participation in the PRSP process, along with an effort to conceptualise joint programming on the part of the international community by testing the MDGs at the local level in a particular poor region with significant promise.

Egypt

Disaggregated MDGR analysis in *Egypt*, carried out in 2002, revealed a significant poverty reduction trend in the country's urban areas, along with a slight increase in Lower Egypt. Before the Report's publication in June, there had been little discussion of the Goals among politicians. The Report also spurred debate in the academic and NGO communities and will henceforth be issued annually to keep public discussion going. One feature of the debate was widespread lack of confidence in official statistics. CSO representatives in particular expressed a desire to see an impartial, independent institution take the lead in analysing MDG-related policy and data and in MDG projections and reporting.

Although Egypt appears to be on track nationally in halving poverty, disaggregation has not yet taken place to reveal gender differences or ethnic and regional disparities. Nor does the analysis yet identify external factors that could disrupt progress, notably a slowing of the global economy or the effects of political instability and regional conflict — or, by contrast, the MDG benefits of donor support. In this respect, OECD/DAC should standardise MDG-specific codes and add them to the sectoral and thematic ODA classifications. Different donors may also wish to assume "championship roles" for different Goals.

UNDP views translating the Goals into popular parlance as essential to national ownership, particularly the encouragement of civil society to exert pressure on government leaders for accountability in reaching the MDGs. To this end, future Reports may include a governance section without targets to take stock of governance factors that either facilitate or obstruct progress towards those Goals whose targets can be quantified more easily.

(Source: Antonio Vigilante, UNDP Egypt)

and projects that reflect those objectives, UNDP also assists countries in building national consensus among multiple stakeholders, developing national policies on the basis of trends validated by empirical research, and shifting budgetary allocations accordingly; a few such examples appear in the boxes throughout this article.

By keeping the debate focused, UNDP can play an important role creating the consensus necessary to give continuity to the policies and social change that will be necessary to achieve the MDGs. Effective campaigning will require a systematic effort to: i) promote the adoption of nationally defined MDG targets; ii) incorporate nationally defined MDG targets in the design of sectoral policies; and iii) incorporate that consensus into the objectives of specific programmes and projects.

National Policies and Resource Allocation

Setting development priorities represents the beginning of a long process that requires political will, consistent policies and technical capacity to produce social change. Consistent progress towards the MDGs will be made by removing constraints on achieving the social change needed for economic growth. Key areas that may require alternative approaches are as follows:

1. Reaching greater **consistency between the objectives of economic policy and social policy**. Social policy cannot become residual, formulated merely to fill the gaps of narrow and poorly defined macroeconomic policies. If economic policy does not provide the incentives for the creation of productive employment, the dynamic

growth of the rural economy, the growth of the micro and small enterprises in the informal sector, social policy can do very little to reduce poverty and strengthen human development. By the same token, investing in areas such as education or health without expanding employment *and* investment opportunities is unsustainable.

Yemen

In *Yemen*, the government's monitoring and reporting system uses the MDGs as the platform of its database. The 2003 budget responds to MDG priorities, increasing allocations for education by 25%, for health by 56%, and for water and sanitation by 66%.

The notion of trade-offs between investing to boost economic growth versus investing in human development belongs to an old development paradigm increasingly untenable theoretically and unsupported by worldwide experience during the last half-century and, looking backward, by much of earlier history. Consistency between the objectives of economic and social policies facilitates growth and human development and is key to reaching the MDGs.

Bahrain

Bahrain, a country of relatively high human development that committed to the MDGs in 2000, has focused on reducing its 12% unemployment rate with new programmes to train its jobless and unskilled labour force and find earnings opportunities for them. A microfinance programme developed in conjunction with UNDP/UNCDF has benefited 3500 people, 65% of them women, representing 4.4% of the country's growing population of needy families.

2. While the impact of social policy is usually long-term, policy design and the allocation of resources involves short-term decisions. Today's investment in sanitation, access to water, health clinics, training of teachers and medical personnel, and more classrooms will show impacts in longevity and a better-educated population only after years have passed.

   This lag, among other factors, calls for **strategic thinking and use of resources**. To implement stable policies, planners need to build consensus among stakeholders in the society around the objectives of development. MDGs can help identify their development priorities and direct resources towards specific targets.

3. There is no straightforward, linear relation between inputs/outputs or results/impacts. For example, achieving the Goal of providing 5 years of basic education to all children cannot result from a good educational policy alone. This requires not only enough classrooms, but the training of teachers for the pupils (and parents) they will encounter, ensuring school supplies – and making national provisions for child health and nutrition, which, in turn, must take account of family income, including the opportunity costs of sending children to school, as well as parental support at home for the children's educational attainment. In short, positive results in social policy and human development require the **design and implementation of multi-sectoral and participatory social policy**.

4. There is an element of low predictability in the results of social policy design and implementation, where multiple factors affect results over the medium and long term. Economic and environmental factors may have a critical effect on a child's staying in school. Building schools, training school teachers, and providing school materials may not be enough to enroll and retain children in school. In very poor communities, children often have to work to contribute to their families' income. Thus, **social policy design and implementation need to be flexible** to incorporate new elements so as to achieve the stated objectives.

PAKISTAN

In *Pakistan*, UNDP has embarked on a training programme to sensitise the country's 120, 000 district councilors (including 40, 000 women) to the MDGs, focusing on pro-poor development with particular emphasis on the environment and the mainstreaming of gender issues into the PRSP.

MONGOLIA

In *Mongolia*, which has used information and communications technology extensively to reach its far-flung population, the National Statistics Office is establishing an MDG database website for public access, while the government is using its draft MDGR as input to its PRSP.

TIMOR-LESTE

More than 38,000 adults and young people across newly-independent *Timor-Leste* voiced their views on the MDGs in preparations for the country's first National Development Plan, prioritising education and health in the budget allocation of 2002/2003 with 37% of core expenditures and an increase to 40% for the following year. Almost half the education expenditure will go to primary schooling and 60% of the health budget to basic health care delivery.

5. A good system for **monitoring and evaluating policy interventions** is key to producing results. Traditional exercises in evaluation at the end of a project must be replaced by mechanisms for monitoring and evaluation that produce information useful to the implementation of social programmes to produce results. Systems for policy monitoring must run parallel to the entire cycle of policy-making and project implementation, starting with the definition of indicators when designing the projects, using these indicators for feedback and management throughout implementation, and ensuring social accountability in the use of public resources.

6. Successful implementation of social policy requires a high level of **coordination among multiple stakeholders and beneficiaries**. Each MDG calls for the participation of government officials, civil society, the private sector, donor countries, and the presumed beneficiaries. Building consensus around the basic objectives of development is essential for long lasting and strong partnerships that deliver results.

Monitoring and Reporting

Systematic monitoring and reporting will play an important role to track progress towards the MDGs. It can also be an important vehicle to introduce the development actors into the practice of social monitoring of public policy. The preparation of MDG

Reports should be the occasion to assess progress made, to identify development gaps and to create conditions for the mobilisation of resources to meet the nationally agreed targets.

Monitoring and reporting of the MDGs can also play an important role in breaking down traditions of monitoring only at the end of a process and build a new culture of systematic monitoring that identifies gaps and generates debate and consensus to improve policy implementation.

VIET NAM

Viet Nam's first Report, *Bringing MDGs Closer to the People*, aimed at the National Assembly, highlighted the country's success in reducing its poverty rate from 60% in 1990 to approximately 32% in the last three years, in part because of the creation of more than 50,000 new private enterprises and nearly one million new jobs. In addition, the country's integration into the regional and international economies is rapidly accelerating, in part because of trade agreements with ASEAN countries and the USA, and the prospect of WTO membership by mid-decade.

However, this very integration creates equity concerns. The MDGR called attention to dramatic social disparities across a wide range of indicators and attributed deprivation largely to isolation, primarily rural, but also ethnic and linguistic. Thus, in the Central Highlands, the maternal mortality rate is four times the national average, and only 40 miles from Ho Chi Minh City, with its net primary enrolment rate of over 90% for the 5-year cycle, about half the children, most of them girls, do not attend school at all. In addition, HIV/AIDS is a potentially explosive challenge, complicated by the widespread view of the disease as a "social evil" rather than a development problem. Experts fear that the actual number of cases far exceed those reported, even outside the urban centres, tourist areas, border provinces and corridors traversed by major highways, where high rates have been growing exponentially.

Nonetheless, *Viet Nam* may well achieve all the MDGs by 2015. However, this will require considerable decentralisation of public resources, including ODA, for effective investment in health, education and rural infrastructure, along with needs-based transfer mechanisms among provinces. The recent "grassroots democracy" decree attempts to increase transparency in local budgetary processes and increase the participation of local people in decision-making processes. While this will significantly enhance the determination of genuine local needs, it calls for a vast effort in capacity-building at the local level. This will entail accenting efforts for women. Although female representation in the National Assembly is high (25%) in comparison with other countries, including many in the global North, it drops sharply at the provincial and local levels, varying significantly among provinces and the districts within them.

(Source: Jordan Ryan, UNDP Viet Nam)

The Policy Cycle

The diagram that concludes this article depicts the role that UNDP and UN can play to facilitate the process for reaching the MDGs. Realising national policies consistent with the Goals will require systematic campaigning, advocacy and building national consensus among multiple stakeholders.

Translating the MDGs into specific sectoral targets will require the transfer of expertise from the specialised agencies, including facilitation of the complex process of setting priorities, mobilising resources to meet ambitious targets with limited resources, and coordinating policy between sectors and among multiple institutions.

The objectives of sectoral policies must be translated into specific programmes and projects to achieve results. Policy implementation requires strong institutions and committed management, which are often lacking in developing countries. Strategic investments to build national capacity among government officials and leaders of civil society in the special skills required for the successful implementation of MDGs will be highly beneficial.

Some of these skills include strategic thinking; goal orientation; the ability to work in multi-sectoral, inter-disciplinary teams; flexibility to adapt to change; accountability for results; ability to work in partnership with multiple stakeholders; technical training in the use of modern methodologies for policy implementation; and above all, commitment to development.

UNDP can play an important role in mustering the resources for capacity development and facilitating the process of setting up effective monitoring and evaluation systems. Clear distinctions between input, output, outcome, and impact indicators are critical to assessing progress towards nationally agreed targets. Similarly, community participation in the monitoring of results and policy implementation is essential to improving governance and building national ownership. Their exclusion in this critical dimension can lead to making the costs of poverty overwhelming in the long term, betraying the intent of the MDGs, and ensuring failure to meet them.

LATIN AMERICA AND THE CARIBBEAN

Guatemala's 2002 MDG Report, was launched publicly late in the year and subsequently presented to the entire Cabinet by the Vice-President in a request for a follow-up report on each Goal by the appropriate Minister. In support of the country's PRSP, the government is preparing provincial and municipal strategies for tracking the Goals.

Bolivia's government has aligned its social policy to the MDGs, launching a programme of Education for All, along with Universal Maternal and Child Health Insurance. The country's forthcoming National Human Development Report, devoted to the Goals, will continue to inform the biennial National Dialogue on human development and will also serve as a key input for measuring progress at the local level, including 30 municipalities.

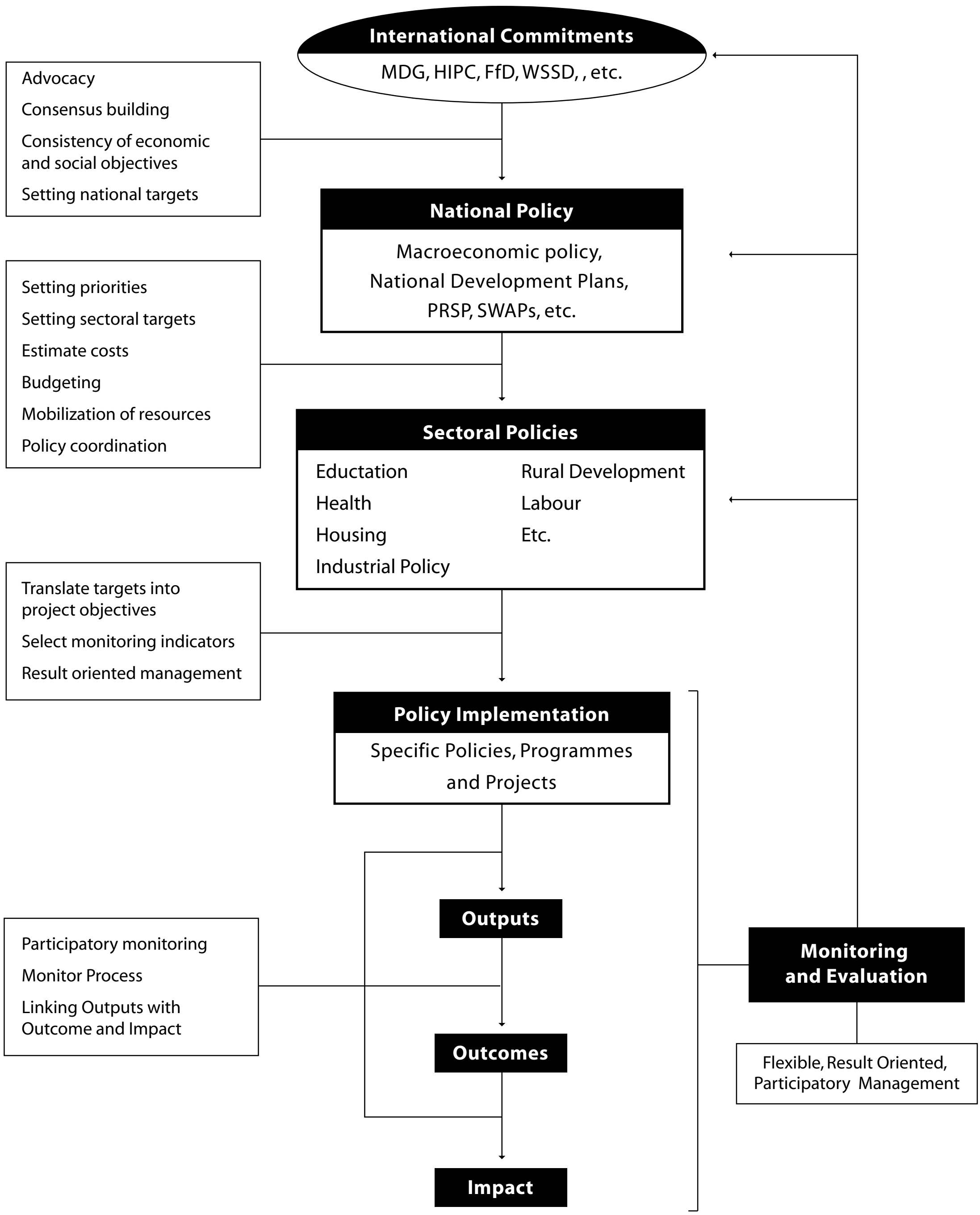
Haiti's Minister of Finance used the country's interim MDGR in preparing the 2003/2004 budget. The final Report, currently being prepared by a steering committee that includes government, civil society and donor partners, will benefit from a statistical survey of living conditions country-wide.

TRANSITION COUNTRIES

Armenia's 2002 MDG Report has spurred the joint preparation of a new national set of indicators by focal Ministries and CSOs and the use of MDG targets in its Social and Economic Development Programme. The country's public awareness campaign features a series of TV programmes and interviews, along with the production of a documentary on nation-wide MDG status.

Bosnia and Herzegovina is devoting its 2003 National Human Development Report to the MDGs and will use its conclusions as input to the country's PRSP. In addition, UNDP has recruited a civil society coordinator to broaden participation in both the MDG and PRSP processes.

In *Ukraine*, the country's 2002 Youth Summit, comprising 250 leaders between the ages of 15 and 19, was the occasion for one-page reports by each on a specific MDG specifying conclusions and recommendations. The young people, alumni of Model UN sessions and the European Youth Parliament, subsequently presented a consolidated paper to Parliament, with wide media coverage, and constituted themselves as the "Ukraine MDGnet". UNDP has recruited a follow-up coordinator and will feature the youth recommendations in the country's MDGR.


International Commitments
MDG, HIPC, FfD, WSSD, , etc.
Advocacy
Consensus building
Consistency of economic and social objectives
Setting national targets
National Policy
Macroeconomic policy, National Development Plans, PRSP, SWAPs, etc.
Setting priorities
Setting sectoral targets
Estimate costs
Budgeting
Mobilization of resources
Policy coordination
Sectoral Policies
Eductation
Health
Housing
Industrial Policy
Rural Development
Labour
Etc.
Translate targets into project objectives
Select monitoring indicators
Result oriented management
Policy Implementation
Specific Policies, Programmes and Projects
Outputs
Outcomes
Impact
Participatory monitoring
Monitor Process
Linking Outputs with Outcome and Impact
Monitoring and Evaluation
Flexible, Result Oriented, Participatory Management

Building the Statistical Capacity to Monitor the MDGs

by Brian Hammond[1]

Throughout the global South, few countries have accurate statistics for planning, including who is living in absolute poverty in what places. Ascertaining their numbers, locations and specific needs will itself require considerable assistance, for which a new international consortium has been launched.

From IDGs to MDGs

Since setting out the International Development Goals (IDGs) in its 1996 publication, *Shaping the 21st Century* in 1996,[2] the OECD Development Assistance Committee has been seeking broad ownership, particularly in the UN, of a comprehensive development plan that would recognise a balance of responsibilities between developing and developed countries. This culminated in the Millennium Declaration in September 2000, which not only provided UN endorsement of the goal of halving the proportion of people living under $1 a day by 2015, but added others that had emerged from the more recent world conferences of the 1990s.

The "Road Map" for reporting on the implementation of the Declaration[3] was prepared by the Secretariats of the UN, IMF, OECD and World Bank and posited targets and indicators further refined by 90 experts from some 25 agencies in April 2002. The same group prepared the report on the 8 Goals, 18 targets and 48 indicators on which the Secretary–General drew for his first progress report to the UN General Assembly in September 2002.[4]

Grouping the many targets of the Millennium Declaration under eight goals provides continuity with the seven IDGs. The relationship between the IDGs and MDGs is given in the table below.

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1 Brian Hammond is Head of the Statistics and Monitoring Division of the Development Cooperation Directorate of OECD

2 See www.oecd.org/pdf/M00003000/M00003334pdf.

3 Reference A/56/326 at www.un.org/documents/ga/docs/56/a56326.pdf

4 See http://ods-dds-ny.un.org/doc/UNDOC/GEN/N02/506/69/PDF/N0250669.pdf

MDGs and IDGs[5]	
Millennium Development Goals	**International Development Goals**
1. Eradicate extreme poverty and hunger	**Reducing extreme poverty** The proportion of people living in extreme poverty in developing countries should be reduced by at least one-half by 2015.
2. Achieve universal primary education	**Universal primary education** There should be universal primary education in all countries by 2015.
3. Promote gender equality and empower women	**Gender equality** Progress towards gender equality and the empowerment of women should be demonstrated by eliminating gender disparity in primary and secondary education by 2005.
4. Reduce child mortality	**Infant & child mortality** The death rates for infants and children under the age of five years should be reduced in each developing country by two-thirds the 1990 level by 2015.
5. Improve maternal health	**Maternal mortality** The rate of maternal mortality should be reduced by three-fourths between 1990 and 2015.
6. Combat HIV/AIDS, malaria and other diseases	**Reproductive health** Access should be available through the primary health-care system to reproductive health services for all individuals of appropriate ages, no later than the year 2015.
7. Ensure environmental sustainability	**Environment** There should be a current national strategy for sustainable development, in the process of implementation, in every country by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.
8. Develop a global partnership for development	

Goals 2 to 5 and 7 are almost identical to the IDGs. Goal 1 includes the addition of hunger, which had been covered by an IDG indicator. Goal 6 replaces the IDG of universal access to reproductive health services, acknowledging that this goal was deliberately omitted from the Millennium Declaration. Nevertheless, the indicators used to measure it — the contraceptive prevalence rate and HIV prevalence — remain in the MDG indicator list. The Declaration's preamble notes that "The list of MDGs does not undercut in any way agreements on other goals and targets reached at the global conferences of the 1990s." Thus, like the IDGs, the MDGs provide a flexibility within which both developing countries and donors can set their own strategies, which could include a focus on reproductive health.

[5] The seven IDGs are shown in full. The MDGs are presented as the 8 goals shown in the table, with 18 targets; see http://unstats.un.org/unsd/mi/mdglist.pdf for the full list.

However, Goal 8 is new. It uses the language of the Millennium Declaration — consistent with references to adequate resources and policy coherence in *Shaping the 21st Century* — to balance the responsibilities of developing and developed countries when reporting on development progress. It has supporting indicators that include aid volume, market access, and debt relief, youth, unemployment, access to pharmaceuticals and technology. It also addresses the special needs of Africa, landlocked countries and the small island developing states.

Reporting

Concise, systematic reporting must support the Millennium Project campaign.[6] The UN Secretary-General has the mandate to produce annual reports, starting in 2002.[7] This work depends on continuing close collaboration between the agencies for a common global assessment of progress from the baseline year of 1990.

A major new feature of reporting on the Millennium Declaration is the production of national reports, drawing on national strategies such as Poverty Reduction Strategy Papers (PRSPs), UN Common Country Assessments (CCAs) and National Human Development Reports (NHDRs).[8] These will help gain national support for the Goals and for reporting on progress towards their attainment. But such reporting will further highlight the crisis in the sustainable production of reliable, timely statistics in many developing countries. The OECD Partnership in Statistics for development in the 21st century, launched in 1999 in

INVESTING IN STATISTICAL SYSTEMS TO MONITOR THE MILLENNIUM DEVELOPMENT GOALS

Partnership in Statistics for development in the 21st Century

PARIS21 exists to boost statistical capabilities, especially in poor developing countries, through:

- promoting a culture for setting and monitoring policy based on evidence, and
- fostering well-managed national statistical systems that use resources effectively.

It is a unique forum providing for dialogue between users and producers of statistics. It works through:

PARTNERSHIP	bringing together donors and governments in support of country-owned development strategies
ADVOCACY	to demonstrate the power and use of statistics for policy decisions
RESOURCE	mobilisation to be able to collect the right information for policy-making
INFORMATION	exchange to share knowledge and foster co-ordination
STRATEGIES	to build sustainable statistical capacity, by better use of data as a tool for more effective development.

Its membership is worldwide. Participants come from governments, international organisations, professional bodies and academic institutions. They use their practical experience in collaborating to improve policy-making through reliable, pertinent statistics.

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6 See the Millennium Project at www.unmillenniumproject.org.

7 The first reports will be thematic (2002: conflict and HIV/AIDS—UN Ref: A/57/270; 2003: Financing for Development and sustainable development; 2004: digital divide and transnational crime). He will report on the implementation of the Millennium Declaration in a comprehensive way once every five years, with the first report due in 2005.

8 See www.undp.org/mdg/countryreports.html

response to an ECOSOC request and known by the acronym PARIS21, strives to foster dialogue among those who produce data on development and those who use them. This worldwide Consortium is guided by a steering committee comprising representatives of developing and transition companies, along with others from the United Nations, OECD, the World Bank, the International Monetary Fund and the European Union. It supports country-based activities, regional workshops and subject teams in such as areas as employment, food security, trade, health and education.

MDGs in the Context of National Statistical Systems

The MDGs provide an accountability framework for reporting development progress at both the country and global levels. The consensus on poverty reduction strategies as the main tool for development in low-income countries has increased the demand for evidence-based policy-making and poverty monitoring. But such monitoring and reporting requires reliable, timely, relevant data. This in turn requires that sufficient resources be invested in the statistical and other systems that generate the data needed to design policies and allocate resources, monitor progress, and evaluate the effectiveness of policies and programmes.

Poverty reduction strategies have to avoid aggravating the problem by adding too many indicators or undermining statistical capacity by ad hoc approaches. Rather, they offer a political entry point and a hook for national strategies for statistics, appropriately resourced from both national and donor budgets.

The indicators for the MDGs represent just a fraction of the data needed. A wide range of other information is needed to monitor inputs and intermediate outputs and to disaggregate outcomes for different population groups and geographic areas *over time*. Data play an important role in providing feedback on the performance of governments and information to all development actors and sections of society so that those in power can be held accountable. Statistics therefore play a significant role in good governance. As the development community moves further towards sector-wide approaches and budgetary aid, the need for good quality information will increase.

Developing statistical capacity to monitor the MDGs requires action on four fronts:

- to produce national data;
- to enhance methods and standards;
- to ensure coordination on a global scale; and
- to develop global statistical public goods.

National Data

Producing national data requires active support of politicians and senior officials who are committed to evidence-based policy-making. And it requires a statistical infrastructure covering not only the national statistical office, but also statistical activities in line ministries and sub-national administrative centres. This depends mainly on national funding, but should be supplemented by strategic donor support, for activities that include:

- Monitoring national poverty reduction strategies and strengthening other social statistics, with special emphasis on health (including HIV/AIDS), education, and gender;
- Strengthening economic data and implementing frameworks;
- Improving the coverage and quality of population censuses and household surveys;
- Upgrading agricultural and environmental statistics;
- Producing national statistical development strategies; and
- Implementing data dissemination and data quality frameworks.

Global Public Goods, Methods and Standards, and Coordination

In regional and global monitoring, there is a need for data that cannot be derived from national statistical systems. This includes global public goods such as purchasing power parity (PPP) data — to monitor the incidence of poverty below $1 per day — that requires globally-funded data collection and analysis through a new round of the International Comparison Programme in non-OECD countries. Third, the UN and IMF need continuing/enhanced support for their sizeable programmes to develop methods and standards and to train countries in their application. Finally, coordination requires further central funding, including support for the PARIS21 Consortium.

The Need for Increased Investment in Statistics

PARIS21 has been successful in raising awareness of the need for better use of better statistics — to date, primarily through linking data to poverty reduction strategies. PARIS21 will continue to be important: to continue its advocacy; to help focus statistical programmes on country-owned development strategies; to facilitate greater donor coordination; and to foster partnership principles. However, despite wide recognition of the need to develop statistical systems, a steep increase in the overall level of investment is required if monitoring is to be based on reliable data that is largely locally produced.

No new funding mechanisms are envisaged. What will be important is ensuring that any increased investment in monitoring and evaluation be provided consistently and coherently so as to strengthen activities on all four fronts specified above, i.e., as an integral component of overall development programmes. At the national level in particular, assistance should emphasise development programmes that are supported by all the key stakeholders, building demand for data, and focusing on areas that have been neglected such as education, agriculture and population. Country-owned poverty reduction strategies offer ready-made links for such investments.

The most pressing need is high-level commitment to reiterate the importance not only of attaining the goals themselves, but of the monitoring process. Ultimately, progress will derive from a widespread culture of evidence-based policy-making — in short, rooting policy in rigorous examination of realities on the ground.

The Environment-poverty Nexus

Selim Jahan and Alvaro Umana[1]

The environment-poverty nexus encompasses a variety of social and political as well as economic factors that obstruct the achievement of the MDGs. The nexus is also freighted by a number of myths that implicitly discriminate against the poor and threaten environmental sustainability, one of their major resources in today's world.

In 2002, the World Summit on Sustainable Development (WSSD) looked closely at the linkage between sustainable development and achieving the MDGs. If sustainable development can be defined as a development path and pattern in which the choices of the present generation are enlarged without restricting the choices of future generations, the concept implies three issues:

- Enlargement of human choices at any point would depend on economic, political, social, institutional and environmental contexts. Thus sustainability encompasses more than environment.
- The concept of sustainability is a dynamic intergenerational notion.
- The abstract concept of sustainable development needs to be operationalised, which requires, among other things, measurable indicators and quantifiable targets, a framework for inter-temporal cost-benefit analysis.

Development becomes sustainable if it is pursued on several fronts – the political, social, economic, and environmental. And it is the interaction of policies and outcomes in all these dimensions that makes sustainability real.

- *Political sustainability* encompasses reproducibility of power structures and governance mechanisms, along with the evolution of institutions and the institutional framework that would carry out the tasks ensuring that the present generation maximises its choices but not at the cost of opportunities for future generations.

[1] Senior Adviser, Employment for Poverty Reduction, Socio-economic Development Group and Principal Advisor and Environmentally Sustainable Development Group Leader, respectively, of the Bureau for Development Policy, UNDP New York. The present article served as an input to UNDP's contribution to the Round Table on Sustainable Development and the Millennium Development Goals held in Bali, Indonesia, in May, 2002.

- *Social sustainability* reflects social norms, values and culture, social structures and social cohesion, which are conducive to ensuring enlargement of choices of all segments of society in an equitable manner. If development is to be sustainable, it has to be owned by the entire society in terms of its philosophy, modus operandi and direction. Such ownership will facilitate the commitment to, and understanding of the need for, not compromising the opportunities of future generations while undertaking development for the present time.

- *Economic sustainability* addresses economic production and distribution as well as reproduction of the population. Economic sustainability requires building of human capabilities in an equitable manner through universal access to basic social services, equal economic opportunities, fairness in access to productive resources, sustained economic growth, etc. Thus equity, sustained growth and quality of life are three major dimensions of economic sustainability.

- *Environmental sustainability* deals with natural resources — exhaustible and renewable — and ecosystem services and the reproducibility of global ecosystems services and ecological resources. The overuse of natural resources and environmental degradation shrink the opportunities of future generations. Environmental sustainability emphasises the proper use of natural resources and regeneration of the ecosystem so that future generations have the same opportunities as the present ones.

Sustainability is thus linked to all forms of capital — natural, economic and social — and their reproduction. Natural resources and their reproduction are the key to environmental sustainability. Economic capital, e.g. labour and its reproduction, is needed for economic sustainability and social capital, i.e. cohesion, interaction and relationships among human beings within a society, is also a prerequisite for sustainability.

Throughout the 1990s, there were a series of global conferences on various aspects of sustainable development. The themes of these conferences covered a range of issues – education, children's concerns, population, social development, human rights, human settlement, and gender issues. Some of these conferences set qualitative targets, some quantitative ones in their relevant areas. In the mid-1990s, drawing from all these, a set of International Development Goals (IDGs) was proposed — which were first adopted by the OECD/DAC in 1996. All these initiatives were consolidated and given a new momentum at the UN Millennium Summit in September 2000. At that Summit, 149 Heads of State and representatives from some 180 countries adopted a set of goals — known as Millennium Development Goals (MDGs) — to overcome basic human deprivation around the world. The goals are time-bound, to be achieved by 2015, with the base year of 1990. A look at these goals immediately confirms that human poverty is at the centre of the MDGs.

Sustainable development reflects a broad-based concept, which sometimes lacks operational specificity. The MDGs, being time-bound quantitative targets in many areas of sustainable development, help concretise the notion. If the world can halve extreme poverty, adequately feed people, ensure universal access to safe water, reduce child mortality and maternal mortality by two-thirds and three-fourths respectively, can enrol all its children in school, can reverse environmental degradation and the spread of HIV/AIDS, it will ensure sustainable development.

On the other hand, to achieve the MDGs, a country will need political, socioeconomic and environmental sustainability. For example, legal discrimination towards certain groups in society that precludes them from having access to safe water will make the goal of halving the proportion of people without access to safe water by 2015 difficult, if not impossible. Persistent gender discrimination can also put several MDGs beyond reach of the society. Unequal access to productive resources will hold back a society from achieving the goal of halving extreme poverty. Systematic environmental degradation in any society would prevent it from reaching the goal of reversing loss of environmental resources.

Sustainable development and achievements of the MDGs are thus mutually reinforcing. They represent a two-way relationship – where achievement of the MDGs helps achieving sustainable development and where the presence of sustainability in its various dimensions is needed for achievement of the time-bound global goals.

The path towards sustainable development and achieving the MDGs is not a smooth one. Several current trends are acting as major constraints to sustainability and as such are having an adverse impact on the process of achieving the MDGs. These constraints are:

- *High inequality*: Inequality takes many forms – in terms of access to basic social services or productive resources, in terms of income, in terms of human development outcomes, in terms of regional, rural-urban differences, between borders and between socioeconomic groups. There are certainly overlaps and mutual reinforcements of various dimensions. For example, gender disparity may be aggravated by rural-urban disparity and also by ethnicity. Thus a rural woman belonging to a minority group may face the highest degree of disparity – first because of her sex, second because of her location and third because of her ethnic identity.

  Whatever lens is used to look at inequality, it can be concluded that even though progress has been made in a number of areas, disparities persist in many aspects of sustainability. In the mid-1990s, the poorest 10% of the world's people had only 1.6% of the income of the richest 10% (UNDP, 2001). Serious disparities exist in areas of access to social services, productive resources, and energy services. In the developing world, productive resources are predominantly controlled by the rich, economic opportunities mostly go to ethnic majorities and the access of rural people to basic social services is still a fraction of that in urban areas.

Access to cleaner and efficient energy services is a critical element for overcoming poverty and also for ensuring environmental sustainability. But poor people in the developing world are at the bottom of the energy ladder, burning dung, wood and crop residues for their cooking and heating. They are without access or have lesser access to cleaner and efficient energy services, such as kerosene, propane, biogas and electricity. About 2 billion people in the developing world are without electricity and nearly 70% of energy use in Sub-Saharan Africa comes from traditional sources (DfID *et. al.*, 2002).

Inequality in access to social services, productive resources and energy services result in unequal outcomes. A majority of the more than 2 million annual deaths from indoor pollution are poor people. In Canada, the life expectancy of an Inuit male is 58 years, 17 years less than that of all Canadian males. In Nepal, the adult literacy rate at 24% among the Untouchables is less than half of that of 58% among the Brahmins (UNDP, 2001). Many other examples can be added covering nearly all countries.

Such widespread disparity in different planes has implications both for achievement of the MDGs as well as for sustainable development. When there are pockets of intense deprivation, efforts and strategies need to focus more on those areas to achieve overall goals within stipulated time periods. It is therefore important to identify such pockets and to channel focused efforts towards them. Similarly, the existence and perpetuation of inequalities and disparities in various dimensions are the root cause in most circumstances for frustration, discontent, mistrust and conflict – all major constraints to sustainability. Policies are thus needed up front to deal with such disparities so that conflicts, wars, terrorism and failed states are avoided down the road.

- *Gender disparity*: Any development that bypasses half of humanity cannot be sustainable. Even though progress for women is manifest on several fronts, the discrimination against women remains universal. In the developing world, female enrolment lags behind male enrolment at all levels. In most countries, women's wages are significantly less than those of men. Women continue to be discriminated against in political life, which is still dominated by men. Worldwide, women constitute less than 10% of the legislators.

Gender disparities are also evident in outcomes. Half a million mothers die every year in childbirth, that is one every minute. Of the 854 million illiterate adults, two-thirds are women. Nearly 80% of more than two million annual deaths from indoor pollution are women and girls (UNDP, 2002a).

Women are the major victims of domestic violence, rape, genital mutilation and cross-border trafficking for prostitution. Around the world, the percentage of women experiencing violence in an intimate relationship varies from 10% to 70%. About 1.2 million women and girls under 18 are trafficked every year for prostitution (WHO, 2002). Such systematic violence against women is a major constraint to any kind of sustainability.

- *Social exclusion*: Even though in recent years, people's participation has increased on many fronts and the value of people's power has been demonstrated, a process of exclusion persists in many parts of the world. Social exclusion acts at several levels. At one level, ethnic minorities, races or religious faiths, tribal and indigenous peoples, people belonging to lower castes are excluded from the mainstream activities and benefits of many societies. At another level, women and children, people who are elderly or disabled or people with different sexual orientations are also discriminated against. Yet at the third level, people who are economically depressed also cannot take part in the processes that affect their lives. All these are often reflected in unequal human outcomes.

  But more importantly, they are reflected in some extreme outcomes. Today, worldwide, there are more than 17 million people who are either refugees or internally displaced (UNDP, 2002a). Displaced from their land, deprived of their livelihoods, these people face extreme social exclusion. In many parts of the world, xenophobia is on the rise.

  Ethnic minorities and races in many societies are not only excluded from the mainstream of society; they are the victims of genocide. Genocide occurred in Europe and Africa, with 200,000 people killed in Bosnia in 1992-1995 and 800,000 killed in Rwanda in 1994 (UNDP, 2002a). Social and political forces frequently work against women, ethnic minorities, and people with disability.

  Some of the exclusions occur due to economic forces. For example, the opening up of markets can erode the security and social safety nets, thereby excluding the elderly, children and others from the social protection system. During financial crises, poor people often become excluded from the system.

  Social exclusion adversely affects sustainable development in three distinct ways. First, it denies the potential of groups of people to significantly contribute to the development process. Second, it excludes people from participating in the decisions that affect their lives. Third, it raises the fear of human insecurity among affected groups. All these denials and exclusions make the achievement of MDGs difficult.

- *Critical issues of the 1990s*: Apart from the issues mentioned above, some critical issues primarily emerging in the 1990s, such as HIV/AIDS, debt, conflict and terrorism, are additional constraints to sustainable development, as well as achievement of MDGs, in different parts of the world, particularly in Sub-Saharan Africa.

  About 40 million people are living with HIV/AIDS, not counting the 28 million who have already died of the disease. More than 70% of those affected today are in Sub-Saharan Africa. HIV/AIDS is not a health problem; it is a development issue (UNDP, 2002b). Thus apart from its adverse impact on longevity and mortality, it also affects education, human resources, labour supply and employment, agricultural production, earning capacity and economic growth. MDGs cannot be achieved and development cannot be sustainable unless the issue of HIV/AIDS is tackled urgently.

  The total external debt of the developing world exceeds $2 trillion. By 1996, the total debt of the 41 heavily indebted poor countries (HIPCs) was more than $245 billion and they were spending more than $11 billion a year for debt servicing. In countries like Angola, Guyana and Nicaragua, debt servicing as a percentage of GNP exceeded 20%, while their expenditure on health and education, as a percentage of GNP was less than 5% (UNDP, 1999). With such huge resource outflows for debt, there may not be enough resources to even initiate growth and human development, not to speak of their sustainability. Relief provided under the HIPC process has been significant in some countries, but may only be temporary.

  Conflicts are frequent; most of these conflicts are intra-country, rather than inter-country. In the 1990s, nearly 4 million people, the majority of whom are minorities, were killed in wars within states. Half of all civil casualties are children and there are an estimated 300,000 child soldiers worldwide (UNDP, 2002a). Conflict breeds unsustainability.

  Inequality, social exclusion, and conflicts slowly create a situation that leads to terrorism. The world today faces such a situation. Terrorism by its very nature brings instability into the system. In the coming years, terrorism may be a major challenge to sustainable development.

These constraints reflect challenges to various dimensions of sustainability. For example, high inequality is a major challenge to economic and social sustainability; and social exclusion to political and social sustainability. These constraints do not operate in isolation; rather they reinforce each other. For example, gender disparity and social exclusion are highly correlated, and conflict and terrorism may reinforce each other. The interactions of these constraints add more to various dimensions of unsustainbility and the constraints themselves are reinforced by the underlying structures and dynamics of these dimensions.

The Environment-poverty Nexus: an overall perspective

Since environmental sustainability is a key dimension of sustainable development and poverty reduction is the core of the MDGs, in order to properly understand the sustainable development-MDG linkage, it is essential to grasp the environment-poverty nexus. A review of the environment-poverty nexus starts with a short review of analytical relationships of poverty and environmental conditions, including a brief quantitative account of the impact of environmental degradation on poor people. It then moves on to deconstruct some specific environment-poverty myths. It also re-examines some of the conventional wisdom on the environment, growth and poverty nexus.

Relationships between environment and poverty

The environment-poverty nexus is a two-way relationship. Environment affects poverty situations in three distinct dimensions: by providing sources of *livelihoods* to poor people, by affecting their health and by influencing their vulnerability. On the other hand, poverty also affects environment in various ways: by forcing poor people to degrade environment, by encouraging countries to promote economic growth at the expense of environment, and by inducing societies to downgrade environmental concerns, including failing to channel resources to address such concerns.

Environment matters a lot to poor people. Their well-being is strongly related to the environment in terms of, among other things, health, earning capacity, security, physical surroundings, energy services and decent housing. In rural areas, poor people may be particularly concerned with their access to and control over natural resources, especially in relation to food security. For poor people in urban areas, access to a clean environment may be a priority. Prioritisation of environmental issues may vary across different social groups. For example, poor women, reflecting their primary role in managing the household, may regard safe water, sanitation facilities, and abundant energy services as crucial aspects of well-being for poor people.

Some of the environmental degradation reflects truly global concerns, such as global warming and the depletion of the ozone layer. Some is international, like acid rain, the state of the oceans, or the condition of rivers that run through several countries. Some is more localised, though it may often occur worldwide, like urban air pollution, water pollution, or soil degradation. Even though poor people also feel the impact of global environmental degradation, it is local environmental damage that affects the lives of poor people more.

The impact of environmental degradation is unequal between the poor and the rich. Environmental damage almost always hits poor people the hardest. The overwhelming majority of those who die each year from air and water pollution are poor people. So are those most affected by desertification and by the floods, storms and harvest failures brought about by global warming. All over the world, it is poor people who generally live nearest to dirty factories, busy roads and dangerous waste dumps. The loss of biodiversity is most severe for poor rural communities. Environmental degradation, by depleting the health and natural support systems of poor people, may make them even more vulnerable.

Box 1 provides some quantitative estimates of the human impact of environmental degradation in the developing world. Because of the nature of the degradation, it is poor people in general who bear the brunt of this impact and with the poorest bearing the hardest burden. Impoverishment pushes them to the most ecologically fragile lands; they are at the bottom of the energy ladder and they are nearest to toxic dumps. Women also bear a disproportionate burden. Since mostly women and girls in developing countries stay indoors for cooking and other household work, they constitute 80% of the 1.8 million deaths from indoor pollution. The effect of biodiversity loss is the most severe for indigenous people, as they depend more on biodiversity for their livelihoods, energy, and medicine.

Box 1: Impacts of environmental degradation in the developing world

- Water-related diseases, such as diarrhoea and cholera, kill an estimated 3 million people in developing countries, the majority of whom are children under the age of five.
- Vector-borne diseases such as malaria account for 2.5 million deaths a year, and are linked to a wide range of environmental conditions or factors related to water contamination and inadequate sanitation.
- One billion people are adversely affected by indoor pollution.
- Nearly 3 million people die every year from air pollution, more than 2 million of them from indoor pollution. More than 80% of these deaths are those of women and girls.
- Nearly 15 million children in Latin America are affected by lead poisoning.
- As many as 25 million agricultural workers – 11 million of them in Africa – may be poisoned each year from fertilisers
- More than one billion people are affected by soil erosion and land degradation. Some 250 million people are at risk from slash crop yields.
- Desertification already costs the world $42 billion a year in lost income.
- Over the last decade, 154 million hectares of tropical forests, covering almost three times the land area of France, have been lost.
- About 650 million poor people in the developing world live on marginal and ecologically fragile lands.

Source: UNDP (2002, 2000 and 1998

Deconstructing some specific environment-poverty myths

- *"Poor people are the principal creators of environmental damage."* Not true. Even though poor people bear the brunt of environmental damage, the irony is that they are not its principal creators. It is the rich who pollute and contribute most to global warming. They are the ones who degrade the global commons, making resources scarce for poor people. In many areas, the non-poor, commercial companies, and state agencies actually cause the majority of environmental damage through land-cleaning, agro-chemical use, and water appropriation. The rich also generate more waste and create stress on nature's sink. Thus poor people become victims of the consumption levels and patterns of the rich.

  The per capita emission of CO2 in the developed world is 11 metric tonnes per year, compared to 2 metric tonnes in the developing world. The continent with the greatest share (74%) of dry land suffering from moderate to severe desertification is North America. In the Philippines, during the Marcos regime, 50% of the forest was lost to commercial logging – a few hundred families shared $42 billion in revenue, leaving 18 million forest dwellers impoverished (UNDP, 1998).

  One of the environmental challenges that stem from growing poverty and environmental damage is that it pushes more and more people to the periphery – to the most ecologically fragile land where they become even more vulnerable. Yet there are many examples in which poor people take care of the environment and invest in improving it.

- *"Population growth leads to environmental degradation."* There's no necessary correaltion. While initially degradation may occur as population increases, what happens next is context-specific. Rapid population growth is not incompatible with sustainable management of the environment and in some cases, as has been demonstrated in the Machakos experience in Kenya, increasing population density is required for environmental sustainability.

  Until the late 1930s, significant soil degradation and erosion – a large-scale population-induced degradation — have been observed in the district. Between 1932 and 1990, the population of Machakos increased from 240,000 to 1.4 million. The population growth affected the situation positively in two ways. First, the concern about soil degradation led to such measures as bench terracing to conserve soil. In the 1950s more than 40,000 hectares of land were terraced and in the 1980s more than 8,500 kilometers of terraces were constructed annually. Second, increasing population density leading to land scarcity promoted investment, both in conservation and in high-yielding improvements. Integrating crop and livelihood production improved the sustainability of the farming system. Many social and institutional factors – a good policy framework, better physical infrastructure, a secure land tenure system, indigenous technology, an improved health and education system – facilitated the agricultural change in the Machakos district. The results have been impressive. Between 1930 and 1987, the productivity of food and cash crops increased more than six-fold. Horticulture productivity grew four-fold (Montimore and Tiffen, 1994).

The Machakos experience clearly demonstrates that even in an area vulnerable to soil degradation, a large population can be sustained through a combination of endogenous and exogenous technological change supported by a conducive policy framework and much local initiative.

- *"The poverty-environment nexus basically stems from low incomes."* It's not that simple. Arguments that maintain that poor people degrade the environment basically explain the poverty-environment nexus in terms of income levels only. The poverty-environment nexus is more complex. Questions of ownership of natural resources, access to common resources, the strength or weakness of communities and local institutions, the way information about poor people's entitlements and rights to resources is shared with them, the way people cope with risk and uncertainty, the way people use scarce time – all these are important in explaining the environmental behaviour of poor people.

  Many of the natural resources that are degraded are communal property. Rights are ill-defined, often because they were originally defined within a local social and political framework that is no longer there. Institutions for managing common property that reflect the consensus of owners and can control use are lacking. In ecologically fragile ecosystems, people tend to minimise risks, not maximise output, whether they are poor or rich. Over-exploitation of sources of fuel-wood is linked more to the time available to women than to their poverty status. There is a gender dimension, but not necessarily an income dimension.

  Many factors shape human behaviour towards the environment, some related to poverty or affluence, others independent of either income or poverty.

Revisiting conventional wisdom in the environment-poverty nexus

- *Downward spiral hypothesis*: The hypothesis maintains that poor people and environmental damage are often caught in a downward spiral. Past resource degradation deepens today's poverty, while today's poverty makes it very difficult to care for or restore the agricultural base, to find alternatives to deforestation to prevent desertification, to control erosion and to replenish soil nutrients. People in poverty are forced to deplete resources to survive, and this degradation of environment further impoverishes people (Ostrom *et. al.* 1999).

While this can and does happen, as an overarching model, it is a rather simplistic view of a much more complex reality. Environmental degradation can sometimes be associated with poverty, but there is not necessarily a direct causal relationship. Other factors also shape human behaviour to the environment. The danger of the Downward Spiral Hypothesis is that it may often lead to policies that either reduce poverty (often in the short run) at the expense of the environment or protect the environment at the expense of poor people.

- *Environmental Kuznets Curve*: The Environmental Kuznets Curve shows a relationship between air pollution and economic growth. It maintains that pollution will increase initially with economic growth, but if growth continues and as society becomes more affluent, pollution will be reduced. Thus, by measuring economic growth in terms of per capita income in an economy, it establishes an inverted U-shaped curve implying increases in pollution initially, but a decline as per capita income continues to grow.

  The Environmental Kuznets Curve has been severely criticised on conceptual, statistical as well as policy grounds (Banuri, 1998). Conceptually, an inverted U-shaped relation may exist between a few selected pollutants and income, but not necessarily at an aggregative level. In the area of statistics, there are the problems with aggregation, with identification of appropriate variables, and from weakness of the data. Evidence indicates that there is nothing inevitable about the link between economic growth and environmental degradation. In fact, policies and institutions can significantly influence the Environmental Kuznets Curve. The removal of perverse subsidies, the internalisation of externalities and the identification of property rights can change the relationship between income levels and levels of environmental degradation.

- *Beckerman Hypothesis*: The hypothesis maintains that as growth provides accumulated assets that can be used to ameliorate environmental degradation, it makes sense to degrade now and pay later to put things right.

  There are three major problems with this hypothesis (Munasinghe and Cruz, 1995). The first one is that economic growth can generate accumulated assets, but there is no guarantee that a part of such resources would be used to ameliorate environmental degradation. Such resources, as experience has shown, might have been used for other purposes, sometimes for unproductive ones. Second, like the Environmental Kuznets Curve, the Beckerman Hypothesis also seems to undermine the need for conscious policy interventions. It indirectly implies that growth would provide accumulated assets that would take care of environmental degradation. Third, it takes a simplistic approach towards the intergenerational equity issue. It basically says that there will be physical degradation at present, but that monetary compensation will be made in future, without answering how this would provide the same sort of opportunities as those enjoyed by the present generation or how compensation would be translated into physical natural resources or how the amount and the nature of future compensation are agreed upon.

- *Porter Hypothesis*: Porter argues that high levels of environmental protection are compatible with high levels of economic growth and may encourage innovation that supports growth. The hypothesis makes two fundamental points. First, environmental protection is justified not only for pure environmental reasons, but because such protection makes economic sense as well. Environmental protection by ensuring minimising waste of resources, by enhancing efficiency in resource use and by minimising adverse environmental externalities of the production process, may contribute positively to economic growth. Second, if people see the economic value of environmental protection, initiatives may be undertaken for innovations in technology, input-mix, and management to increase resource-use efficiency and also to minimise resource waste and the adverse environmental impact of production. All these enhance economic growth further (OECD, 2001).

  But the hypothesis can lead to an extreme situation whereby environmental standards are imposed on trade. Using trade restrictions in the name of environmental standards is protectionism. For domestic environmental problems, such restrictions are inefficient; for transboundary problems, they are both inefficient and inequitable.

Both for poverty reduction and environmental sustainability, economic growth is critical. Such growth must be pro-poor and resource-saving, in order to contribute to those two objectives. Efficiency in resource use is crucial on two fronts: first, it releases resources that can be devoted to poverty reduction; and second, it reduces environmental degradation.

Delinking economic growth and natural resource use

If it becomes possible to use less and less natural resources in the production process, it would mean *dematerialisation* of the production process and would imply delinking natural resources from economic growth. Studies have shown that resources can be used at least four times as efficiently as they are currently. Looking at the total impact of human interference with the biosphere, experts have concluded that material turnover should be reduced by at least 50% on a global scale. Since per capita resource use is five times greater in industrial countries than in developing countries, it has been asserted that sustainable levels of material flows will not be reached unless the material intensity in industrial countries is reduced by a factor of ten.

The critical issue with regard to delinking is not to establish its advantages, but to face the practical question as to whether such a delinking is possible. There is historical evidence that it is possible in many areas. Between 1791 and 1830, the volume of coal used to produce one tonne of iron was reduced by over 50%. It has been shown that industrial countries could continue their present growth rates and yet reduce their energy use by a third.

Technology has played a major role in the delinking process. Increases in productivity and efficient use of resources because of technological development have made it possible to get the same amount of output with lesser amounts of inputs. In a survey of four major materials such as cement, steel, copper, timber covering 11 countries (eight being industrial), the elasticity of material use to economic growth has been found to be zero from 1970-85, implying a delinking phenomenon. Per capita use rates of steel, timber, and copper have generally stabilised or even declined in industrial countries.

Recycling also had an impact on the dematerialisation process. It reduces both the demand for primary resources and many of the adverse environmental impacts associated with waste disposal. Every tonne of iron recycled not only replaces a tonne that would have been mined, but also avoids several tonnes of hidden material flows associated with iron mining and processing. Recycling can also save energy: recycled aluminum requires only 5% of the energy needed to refine and smelt new aluminum from bauxite. Today in industrial countries, the recycling rate for paper is about 45% and for glass 50%, compared with 33% and 26% respectively in the mid-1980s. Recycling is yet to be of significance in developing countries. There are instances where private action in developing countries, particularly by women, has been quite successful. On the one hand, it has become a flourishing business and, on the other, it has contributed to the solution of waste disposal problems. However, recycling is not always environmentally benign, particularly where hazardous recyclable wastes are involved.

Some concerns have been raised on various aspects of delinking. First, it has been argued that evidence of declining material intensities is restricted to certain specific materials. The issue is whether it can be generalised as a reflection of an aggregative picture in the production function. Second, in recent years, industrial countries are taking a large part of their production activities to developing countries. Thus the material intensity in industrial countries might have declined, but the same may not be true in developing countries. The issue then is whether overall delinking is taking place. Third, some of the recent studies have found evidence of re-linking even in industrial countries. These studies argue that the energy shocks of the 1970s and the heightened environmental awareness led to policy interventions that increased resource efficiency across a wide range. However, with the utilisation of the unexploited opportunities, the economies returned to their long-term growth trajectory in which resource use rises with income.

In spite of all these limitations, the delinking of economic growth and natural resource use has three important benefits:

- Delinking of economic growth and natural resource would mean dematerialisation of both production and consumption. Economic activities would be undertaken at the same level, but with less resources. It would release resources that could be used in alternative areas of economic growth and human development. The new technology could also make industrialisation in developing countries more affordable.

- If production were delinked from natural resource use in terms of using lesser and lesser amounts of natural resources per unit of GDP, it would also imply less environmental degradation. One corollary of delinking is that if economic growth is delinked from natural resource use, every country may be able to maintain its *environmental space* (defined as the amount of renewable and non-renewable resources that a country can afford) without depriving future generations of their rights to the same use of natural resources.

- The delinking issue has also led to the idea of a knowledge-based society, in which technology will be more human resource-dependent. Such a society could arrange both its production processes and consumption patterns with less dependence on natural resources.

Implications for achieving the MDGs

The unequal access of poor people to natural resources and the larger adverse impacts of environmental damage on poor people's lives have some direct consequences for some of the MDGs. There are also indirect implications of the deconstruction of the myths with regard to the environment-poverty linkages. Benefits associated with efficiency in resource use and the advantages of delinking economic growth and resource use have significance for the achievement of the MDGs as well.

- *Direct implications: unequal access and asymmetrical impacts*
  The direct consequences of unequal access of poor people, as well as adverse impacts of environmental damages on poor people, will be felt across the MDGs.

- *Unequal access to natural resources and asymmetrical burden of environmental degradation*: Not only have poor people unequal access to natural resources, they suffer more because of environmental degradation. Soil degradation and erosion, desertification and deforestation are affecting poor people more in terms of resources and livelihoods, leading to their further impoverishment and vulnerability. This will have an adverse effect on the goal of halving extreme poverty by 2015 and on several other MDGs.

The loss of biodiversity, and biopiracy, are robbing indigenous people of their sources of resources, livelihoods and medicine. It then becomes more difficult for them to get out of the poverty trap. In societies with a significant population of indigenous people, this will slow down the process of reaching the MDGs.

– *Inaccessibility to safe water, water contamination and wastes*: Poor people bear the major brunt of inaccessibility to safe water, water contamination, water-borne and water-related diseases. This has an adverse impact on a number of MDGs. For example, the greater inaccessibility of poor people to safe water will make the goal of halving by 2015 the proportion of poor people without access to safe water difficult. The greater inaccessibility of poor people to safe water, their larger exposure to water contamination, higher malnutrition and morbidity will have an adverse impact on school enrolment. Inadequate sanitation at school is a powerful disincentive for attending school, especially for girls.

  And since child mortality is higher among poorer households, a greater incidence of water-borne and water-related diseases will make the situation worse. Increasing lead poisoning among poorer children, particularly in urban areas, may also have an adverse impact on child mortality in many parts of the world. All these will make it difficult to achieve the goal of *reducing child mortality by two-thirds* by 2015.

– *Indoor pollution*: Indoor pollution is a major problem for poorer households, which are at the bottom of the energy ladder. Every year, four fifths of the 1.8 million deaths from indoor pollution in rural areas are women, many of them pregnant or responsible for small children. As child mortality is significantly higher among poorer families, exposure to indoor pollution increases the likelihood of not achieving the goal of reducing by 2015 child mortality rate by two-thirds, as acute respiratory diseases will claim many lives.

• *Indirect implications*

The deconstruction of the myth that poor people are the principal creators of environmental damage calls for revisiting some of the policy issues, particularly policies biased against poor people. Such policies encompass pricing of natural resources, taxes and subsidies. Policy makers must reorient these policies to benefit poor people. This requires looking afresh at the ownership of common resources, the legal framework, local management of common properties and the issue of time use by women. They must change policies and institutions to ensure access of poor people to resources. This should have a positive impact on the likelihood of meeting the MDGs.

The limitations of the *Environmental Kuznets Curve* suggest that the issue of environmental degradation cannot be left to growth alone, justifying a passive attitude to policy needs. Rather, proactive policy actions will be required for environmental protection and regeneration. The same may happen through revisiting the Beckerman Hypotheses. These will induce pursuing policies for environmental protection and regeneration, a prerequisite to achieve the goal of environmental sustainability. A re-evaluation of the Porter Hypothesis may encourage policy-makers to take a balanced approach towards environmental policies.

The MDGs will be well served by improving the efficiency of natural resource use in the production of goods and services as well their consumption, by reducing pollution and waste and by conserving natural resources. Delinking ensures more natural resource conservation, lesser environmental degradation, resources for alternative uses and emergence of a knowledge-based society. All these are contributing factors to many of the MDGs.

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Reducing Poverty by Using Biodiversity Sustainably[1]

by Izabella Koziell[2] and Charles I. McNeill[3]

Far more attention must be directed to conserving the world's biodiversity and using it sustainably, particularly in the tropics, the greatest repository of genetic wealth and the locus of the most pervasive human poverty. Successful models of environmental management by local and indigenous communities throughout the Equatorial belt offer promising new approaches to conserving our common heritage and, simultaneously, making significant progress towards the MDGs.

In 1992, 20 years after the United Nations Conference on the Human Environment, growing concern about biodiversity loss and its effects on prospects for sustainable development led to the promulgation of the UN Convention on Biological Diversity (CBD). To date, over 180 countries have ratified this instrument, ostensibly a global commitment to the cause. The Convention sets out a comprehensive series of pragmatic and innovative principles for action (see Box 1), that have been elaborated further by six Conferences of the Parties. Yet operational advances have fallen far short of hopes, a lag with ominous dimensions: biodiversity loss, together with other forms of environmental degradation, poses serious obstacles to reaching the MDGs, notably the first of the Goals, halving hunger and extreme poverty.

Box 1: The UN Convention on Biological Diversity

The objectives of the Convention on Biological Diversity are:

- the conservation of biological diversity;
- the sustainable use of its components; and
- the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources.

The CBD objectives provide much opportunity for building on the links between livelihood development and the conservation and sustainable use of biodiversity – supported further by the Convention's explicit recognition that *"economic and social development and poverty eradication are the first and overriding priorities of developing countries."* Unfortunately, little guidance, insufficient models, and a lack of effective tools and mechanisms continue to hinder both conservation and poverty reduction

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processes. Fortunately, 2002 witnessed advances on the international agenda for both biodiversity conservation and poverty reduction. In April, the Parties to CBD established 2010 as the target year for significantly reducing the loss of biodiversity. In May, the UN Secretary-General set out five "WEHAB" priorities (water, energy, health, agriculture, and biodiversity and ecosystem management) for the World Summit on Sustainable Development (WSSD). In July, the United Nations launched a comprehensive strategy on the MDGs based on four pillars, including an important analytical effort, the "Millennium Project" (www.unmillenniumproject.org). And in September, the Johannesburg Summit endorsed the 2010 target for reducing biodiversity loss in its Plan of Implementation.

While both local peoples and the general public continuously interact with the environment, they neither grasp their dependence on natural processes nor recognise that their enjoyment of the natural world often derives from the unusual plants, animals or landscapes whose existence derives from biodiversity. However, both direct and general appreciation of the value of biodiversity tends to emerge only when its manifestations become scarce or disappear. This has happened many times in many places throughout human history. If global appreciation must await global scarcity, we are courting disaster.

Biodiversity and the MDGs

Despite increasing understanding that the "environment", including biodiversity, offers manifold poverty reduction opportunities, the twin objectives rarely converge in practice. Where they do, successful efforts tend to take place outside the prevailing policy framework. This phenomenon arises in part from habits of conceiving "development" primarily as increasing the consumption of good and services. Far more attention therefore needs to be devoted to the linkages between biodiversity and the MDGs.

For example, it is unlikely that the first MDG: *"eradication of extreme poverty and hunger"* through *"halving, between 1990-2015, the proportion of people whose income is under $1 day and in hunger"* – can be achieved solely through the adoption of conventional economic approaches to poverty reduction. Even if poverty is successfully halved by 2015, how long will that achievement last? If approaches and technologies have not been environmentally sound, the pressures on the world's biodiversity will probably threaten the sustainability of the poverty eradication process itself. They are likely to push the *remaining half* into even deeper poverty. Moreover, while a significant proportion of poor people would like to adopt lifestyles similar to those in industrialised countries, others may wish to continue living in close interaction with natural ecosystems, maintaining traditions that do not focus on material accumulation or consumption. Poverty reduction processes should offer people both choice and security. Closer attention to the links between biodiversity, poverty reduction and achieving sustainable livelihoods is essential to keeping these options open.

Similarly, the fourth and fifth MDGs — to *"reduce child mortality"* and to *"improve maternal health"* – have clear linkages to biodiversity, some of which are sketched in the next section of this article. The seventh Goal, *"ensuring environmental sustainability"*, attempts to recognise some of these human development challenges; two of its indicators assess some aspects of biodiversity: *"the proportion of land area covered by forest* (indicator #25)", and *"the ratio of area protected to maintain biological diversity to surface area"* (indicator #26). Making progress on this last indicator calls for innovative thinking, as pressures on existing protected areas, already enormous, will increase because of the need to eliminate hunger. Fortunately, the 5th World Parks Congress, scheduled to meet in September 2003 in Durban, South Africa, offers an important opportunity for considering options to meet people's needs in and around protected areas.

Also within the seventh Goal, a third indicator, *"the proportion of population with sustainable access to an improved water source, urban and rural"* relates to the target *"to halve by 2015 the proportion of people without sustainable access to safe drinking water"*. Reaching this target will entail conserving the quality of the ecosystems that biodiversity provides. Fortunately, the UN Millennium Project is prepared to advance these linkages in practical terms.

Several factors explain why biodiversity has not yet made its full contribution to global poverty reduction efforts. First, biodiversity is an abstract concept: defined as the *"variability of all organisms from all sources…and the ecological complexes of which they are part… this includes diversity within species, between species and of ecosystems"* (CBD, 1992). Because this concept does not easily translate into tangible entities, planners, policy and decision-makers have often overlooked it.

Biodiversity and Human Welfare

"Natural resources" falls far short of the concept of biodiversity presented by the Convention's definition. As we have just seen, it encompasses all living natural resources, and extends to the processes and interactions within and between them, along with the ecosystems within which they function. Thus "biodiversity" compels us to think far more holistically and comprehensively about natural and agricultural systems. Viewed from this perspective, biodiversity contributes to poverty reduction in at least five areas:

- *Food Security:* Human society depends heavily on genetic resources, including those from wild and semi-domesticated sources, for the productivity of its agriculture, livestock, and fisheries. These resources also provide communities with an adaptation capacity so varieties can be created that best cope with changing local conditions. Biodiversity is also a source of alternative food products during periods of scarcity.

- *Health Improvements:* Biodiversity is a source of the invaluable information and raw materials that underpin medicinal and health care systems, both for the "informal" sector that meets local health care needs of some 60% of the world's people, and the "formal" sector that derives a majority of the world's pharmaceuticals from the natural world. Poor people also suffer most from water and air pollution, to say nothing of water scarcity, and from diseases associated with disrupted ecosystems. Further, a variety of sources of foods support better nutrition and therefore improved health.

- *Income Generation:* Poor people tend to be those most directly dependent upon the utilisation of biodiversity for their livelihoods, and are therefore the first to suffer when these resources are degraded or lost. Biodiversity also offers potential for marketing unique products, many of which are extremely valuable — but whose sale seldom benefits the people who harvest them.

- *Reduced Vulnerability:* Poor people are most often exposed to, and least prepared to cope with, unpredictable events such as fluctuations in access to food and other resources, and to environmental shocks and risks. Ecosystem degradation exacerbates the frequency and impact of droughts, floods, landslides, forest fires and other natural hazards, and can intensify competition and the potential for conflict over access to shared resources such as food and water.

- *Ecosystem Services:* Forests, wetlands, and coastal ecosystems, among others, provide essential services that contribute in numerous ways to the productive activities of both the rural and urban poor. These services include the generation of water, the cycling of nutrients, the replenishment of soil fertility, and the prevention of erosion. All these functions are public goods, providing both direct and indirect values that are not traded in the marketplace, but are vital to the livelihoods of all people.

Biodiversity is also valuable for the range of resources it supports, which provide people with choice. Biodiversity provides "replacements" and alternatives, allowing resource users to substitute one resource for another in times of scarcity or changes in market demand. Access to diverse species enables the diversification of livelihood sources, among these the planting of multiple crops, the staggering of food production throughout the year and the possibility of engaging in alternative income-generating activities, such as collection of non-timber forest products. The availability of diverse resources also allows different gender, age, and cultural groups to engage in different livelihood activities and benefit from them. This helps reduce competition or conflict that might otherwise occur if each group had to compete for the same resources — as is indeed the case in many parts of the world where diversity and the choices it supports have sharply diminished.

Many other benefits that biodiversity offers are vastly under-appreciated by the public as well as policy-makers. These include not only the ecosystem services that sustain society itself, but the provision of a medium for studying the phenomena that underpin much technological innovation – in short, the research value of the biosphere. The Millennium Ecosystem Assessment (www.millennium-assessment.org) is one international effort aimed at helping policy-makers incorporate the value of these ecosystem services properly into their decisions.

Though we all depend on biodiversity, we differ enormously in the ways we value it and use it. Even where we replace nature's services with artificial inputs – as in the industrial production of wheat — we still depend heavily on maintaining genetic diversity to improve the production of other crops (among them, other basic foods), though we rarely recognise this need. By contrast, those with the least capacity for large-scale regulation of the environment tend to be those that depend on it most directly – and suffer the greatest losses from projects such as the building of dams, road systems and other physical infrastructure or the industrial exploitation of forests or mineral resources. These people, usually the poor, have no other direct source of such essentials as food, medicine or building materials – or vital services, such as soil replenishment and flood control.

The Challenge

The habitats that contain some of the world's most valuable biodiversity are disappearing with increasing rapidity over progressively wider areas (WWF, 2000). It so happens that many of these areas coincide with severe income poverty and social and political marginalisation – a coincidence has led many to assume that financially poor and marginalised peoples are primarily responsible for biodiversity loss. While this may sometimes be the case, deeper understanding has developed of its hows and whys. Where poor people overexploit local resources, they have usually been pushed to the margins of existence as more powerful groups have appropriated the lands or resources that initially sustained them.

This pattern occurs at ever-increasing scales. Fortunately, over-consumption by industrialised countries is increasingly identified as a key driver of biodiversity loss and rising poverty. Nonetheless, identifying suitable countermeasures presents a formidable challenge to those concerned with poverty reduction, economic development and conserving biodiversity.

Conventional development strategies, those initially set in motion by the global North, tend to favour the generation and accumulation of private goods — food, clothing, buildings and the like — that can be traded. Maintaining public goods — biodiversity, the atmosphere, the oceans — does not yet yield direct economic gains. As indicated above, the fact that these "commons" sustain the continued production of highly valued goods is often overlooked. Their provision of essential services remains largely unrecognised.

Moreover, conventional development approaches fail to take into account the distinct health and ecological challenges confronted by tropical countries. These are usually more severe than those encountered in the temperate zones and relate directly to the MDGs. A high burden of disease from pests and parasites, including malaria, is concentrated in the tropics; other endemic diseases sharply reduce life spans. Fragile soils and inappropriate technologies have brought agricultural production in the tropics 30-50% below that of the temperate zones, leading to poor nutrition, which further undermines health (see the article by Selim Jahan and Alvaro Umana on the environment-poverty nexus). Further, past North-South technological transfers from temperate to tropical environments have often resulted in ineffective and unsustainable practices.

Tropical nations and communities urgently need assistance in identifying, promoting and applying technologies appropriate to their ecosystems — alternative approaches that complement conventional methods to reduce poverty. Providing the poorest and most marginalised rural peoples with greater choice, involving them in decision-making, engaging with them in partnerships, assisting them in learning from each other, has significant potential.

The Opportunity

There is increasing evidence of the diverse ways in which financially poor, politically and socially marginalised groups have managed to strengthen the security and sustainability of their livelihoods by realising the value of their biodiversity assets. More than 400 such community initiatives throughout the world were identified through nominations for the 2002 award by the *Equator Initiative*.[4] Representatives of

[4] The **Equator Initiative** is a partnership initiative of UNDP with BrasilConnects, the Government of Canada, the International Development Research Centre (IDRC), IUCN — The World Conservation Union, The Nature Conservancy (TNC), Television Trust for the Environment (TVE), and the United Nations Foundation to reduce poverty through the conservation and sustainable use of biodiversity in the Equatorial belt by identifying and strengthening innovative community partnerships. (see www.undp.org/equatorinitiative).

27 communities received the *2002 Equator Prize* during the Johannesburg World Summit, where they had opportunities through workshops and other kinds of activities to share their experiences with one another and with the kinds of national and international organizations well placed for disseminating these successes. The UNDP/Global Environment Facility (GEF) Small Grants Programme (SGP) has also identified hundreds of such local initiatives. These examples include:

- The Makuleke Land Claim in South Africa illustrates how the Makuleke community regained ownership of its land two decades after they had been displaced to make way for the Kruger National Park. After several years of negotiation, the various parties managed to resolve their differences and achieve a classic "win-win" for biodiversity conservation and for livelihood improvement of the Makuleke community. The community was allowed back onto their lands on condition that they manage the land sustainably — engaging in livelihood activities that conserved or sustainably used the local biodiversity, such as eco-tourism. The community found this acceptable and signed the joint management agreement – to the benefit of both parties. (Steenkamp and Uhr, 2000)

- The partnership initiative *AmazonLife* generates sustainable economic development options for traditional populations in the Amazon that are compatible with their culture and that protect the biodiversity of their territories. Through the initiative, local indigenous and rubber tapper families in the Brazilian Amazon produce sheets of rubber vulcanized through an exclusive process for use as a leather substitute in manufacturing shoes, bags, knapsacks, briefcases, clothing and other consumer items. "Niche" markets have been created outside Brazil and these products are now in high demand. Each family involved in the process of collecting the natural rubber and making the sheets of leather-like material is part of an informal network that is safeguarding more than 100,000 hectares in the Amazon.

- Also in the Amazon, the Brazil Nut Programme of the Amazon Conservation Association has been working in partnership with *castaneros* (Brazil nut harvesters) to strengthen the role that this crop plays in sustaining their livelihoods. As the ecosystem that supports Brazil nut production holds immense biodiversity, maintaining the livelihoods that derive from these nuts creates the incentive to conserve this ecosystem, rather than to convert it to other uses.

- Seed fairs are increasingly popular methods of promoting agro-biodiversity while strengthening food security. Farmers are keen to participate, as they provide an opportunity to obtain crop varieties with interesting and valuable qualities and exchange ideas on seed sources. In Maragwa, Kenya seed fairs have been held annually since their inception by an NGO in 1996.

- The decline in fish stocks within the Khong District of southern Lao People's Democratic Republic raised many local concerns. In response, the government collaborated closely with the local communities to establish the Lao Community Fisheries and Dolphin Project, which has developed co-management planning mechanisms and regulations to tap the inland aquatic resource sustainably. Villagers have reported that the monitoring activities practised over a number of years there have significantly increased the stocks of 50 species. (Baird, 2000)

Increasing awareness of the existence of these various initiatives, analysing the factors underlying the success of each, and disseminating positive impacts and lessons learned to sectoral policy and decision-makers must become a priority – especially those that have arisen in the absence of any donor or external support and are entirely self-driven and self-motivated. As indicated earlier in this article, wider uptake of successful initiatives has been hampered by unsupportive or non-existent policy, institutional and legislative frameworks. These are often reinforced by strict loan conditionalities that dictate which policies highly indebted countries can pursue. This has made them difficult to replicate. Hence the need to learn from successful initiatives and transpose this learning into policy development.

There is a critical need now to build on these success stories by understanding which factors have contributed to their achievements in balancing biodiversity conservation with sustainable livelihoods; what factors constrain their wider adoption; and, most important, what factors can create a more enabling environment – within policy, institutions and legislation – at local, national and international levels.

This opportunity must not be overlooked. The unique nature of tropical biodiversity and its value to all societies must offer comparative advantage through basing livelihood and economic development activities on the maintenance of a set of natural assets — whether in terms of corporate-community partnerships in eco-tourism, the production of "bird-friendly" coffee by smallholders or direct payments to landholders from the marketing of environmental services. (Landell-Mills and Porras, 2002)

This is not a call for sweeping changes towards "biodiversity-friendly" forms of development. It is simply about highlighting alternative and complementary ways of achieving sustainable poverty reduction that build on conserving existing biodiversity assets. Such initiatives have the potential to manage the trade-offs and maximise the "win-win" opportunities between biodiversity conservation and poverty reduction more effectively than the conventional development approaches that have failed so many people throughout the tropics.

We also need to explore the sort of incremental changes within policy, institutions and legislation that could help provide the enabling environment for trying, refining and expanding such activities where appropriate.

Priority areas of work required to move this new agenda forward include the following:

- Stimulate the flow of information on innovative and successful community practices integrating biodiversity and poverty by establishing a "clearinghouse of good practices" along with a deeper analysis of the policy, legal and sociopolitical environment that would allow for their adoption wherever appropriate. Test these various approaches.

- Generate a wider appreciation for the contribution of environmental goods and services to production systems and markets, find ways to incorporate these in accounting procedures, and develop innovative payment systems to communities for providing ecosystem services and other public goods.

- Promote the expansion of worldwide demand and markets for goods produced in "biodiversity friendly" ways and establish certification systems for sustainably produced community goods and services that do not discriminate against small or marginal producers.

- Provide appropriate support to indigenous and other local peoples to address resource access and land ownership issues and facilitate processes that work towards bringing marginalised peoples into decision-making processes concerning land use (through capacity-building, provision of information, and the application of "socially" oriented research activities, etc.).

- In support of the UN Millennium Project, undertake a systematic analysis of the MDGs to identify opportunities in which activities related to biodiversity can and should make a contribution to the achievement of the MDGs (through a careful review of each goal, target and indicator), and address the need to define and formulate new indicators for the MDGs that reflect the comprehensive nature of biodiversity.

Without undertaking these kinds of action, we cannot consider ourselves serious about achieving the first Millennium Development Goal for all.

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Gender Dimensions of Poverty and HIV/AIDS: A Statistical Review of Six Countries

Rasheda Selim[1]

Although no country treats its women as well as its men, women are by no means a homogeneous group. Without examining the differences among them, especially those that arise from income groupings, ethnicity and geographic location – notably the rural/urban divide – policy-makers risk increasing not only gender discrimination, but other obstacles to reaching the MDGs. An examination of six developing countries points to areas in which data deficiencies stemming from gender blindness distort poverty reduction policies.

Millennium Development Goal 3 – Promote gender equality and empower women – in fact cuts across all seven others and calls for "engendering" the development paradigm itself, along with any policy framework formulated for that model. Gender-specific information, statistics and data, disaggregated in various planes – income class, location, and social groups – are therefore crucial to achieving both. Given this broad perspective, this article focuses on mobilising gender-specific information in two areas – human poverty and HIV/AIDS – for six countries: Botswana, Cambodia, Namibia, Nepal, India, and Turkey.

These countries offered two advantages:

- A diverse sample — large populations (India) and small (Cambodia); contrasts in terrains, such as mountains (Nepal) and plains (Botswana); low-income situations (Namibia) and high-income ones (Turkey); culturally diverse societies (India) and homogeneous ones (Botswana); conservative attitudes towards women (Nepal) and progressive gender traditions (Turkey).

- Specific concerns — a focus on HIV/AIDS and its impact on women (Botswana and Namibia) and gender gaps along ethnic and caste lines (India).

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They also offered ready availability of data on seven indicators vital to reaching the MDGs:

- Incidence of income poverty (Goal 1: Eradicate Extreme Poverty and Hunger)
- Access to productive resources, e.g. land ownership and institutional credit (also a factor of Goal 1)
- Literacy rates and enrolment ratios (Goal 2: Achieve Universal Primary Education, Goal 3)
- Mortality rates (infant, under-5 and maternal) (Goals 4 and 5, respectively, Reduce Child Mortality and Improve Maternal Health)
- Life expectancy and survival rates (Goal 1, as well Goals 4 and 5)
- Incidence of HIV/AIDS infection and its impact (Goal 6: Combat HIV/AIDS, Malaria and Other Diseases).
- Access to basic social services – health, safe water and basic sanitation (Goal 7: Ensure Environmental Sustainability, as well as Goals 4, 5 and 6)

Disaggregated from various distributional perspectives, the data presented in this paper not only highlight the global gender gap, but show how various dimensions of impoverishment overlap and reinforce each other and how outcome variables, such as mortality rates, are linked to input variables, such as access to social services. This, in turn, helps us to evaluate development policies; to link them to gender deprivations and to assess the gender specificity of these disadvantages; and to identify their gender biases. Last, but hardly least, it highlights some of the constraints, both methodological and practical, in gathering gender-sensitive data and points to ways of overcoming these obstacles in our efforts to reduce both poverty and HIV/AIDS.

Whatever the intentions of decision-makers, no development policy is gender-neutral. The very dearth of gender-disaggregated data worldwide indicates a bias against women and girls. But, by the same token, no policy can effectively address gender bias, let alone poverty or AIDS, unless it takes into account the gender disparities manifest in differing sectors within various socioeconomic, cultural and location-specific groups.

A Sectorial Overview

Gender disparity cannot be used as a blanket term. The nature and extent of disparity among different population groups revealed by the countries in this article's sample clearly indicate that other socioeconomic realities and institutional complexities interact with each other to determine the end results.

Table 1. Overall gender disparity: Botswana and Nepal, 1995

	Botswana		Nepal	
	Female	**Male**	**Female**	**Male**
Life expectancy at birth (in years)	68	65	52	55
Adult literacy rate (%)	70	67	21	54
Combined primary, secondary and tertiary enrolment rate (%)	70	70	52	67
Shares in earned income (%)	39	61	17	83
Shares in administrators/managers (%)	36	64	9	91
Seats in Parliaments (%)	18	82	3	97
Seats in District Councils (%)	23	77	7	93

Source: UNDP (1997) and Nepal South Asia Centre (1998)

Despite the differences in experiences, however, certain universal trends are manifest in terms of direction, if not necessarily degree. We can distinguish some of these generalised phenomena in the following areas:

Health

Women everywhere seem to enjoy a natural biological edge over men, which is reflected in their higher life expectancy. One exception is Nepal, where male life expectancy is higher than female. This anomaly, though, results from the disproportionate deprivations and neglect that Nepalese women experience during their lifetime. As in most other countries, the infant and child mortality rates of girls in Nepal are lower than those of boys. But the advantage the girls have in terms of mortality during their first few years of life is more than nullified later. In Namibia, the present marginal edge women have over men in life expectancy is expected to disappear by 2010, primarily due to the impact of HIV/AIDS, which will have a significantly higher adverse impact on women.

Table 2: Girls do better than boys in health outcomes, but not in health access, 1996

	India		Namibia		Turkey	
	Girls	Boys	Girls	Boys	Girls	Boys
Infant mortality rate (per 1,000 live births)	84	88	54	58	66	70
Children under-5 severely stunted (%)	48	49	27	32	18	20
Prevalence of diarrhoea (%)	10	11	22	23	22	25
Prevalence of acute respiratory infection (%)	7	8	17	21	12	13
Diarrhoea patients seen medically (%)	57	64	67	70	27	29
Respiratory patients seen medically (%)	65	70	65	67	38	39

Source: Gwatkin, Davidson R. et. al (2000a, 2000b and 2000d)

Girls in general are better off in various health outcomes. Thus, in terms of infant mortality, child mortality, and child stunting, girls do better than boys (see Table 2). This is partly because the incidence of various diseases is lower among girls, primarily due to their biological resilience rather than better access to health services or medical treatment. In terms of access and treatment, in almost every situation, the bias is in favour of boys.

Maternal health figures underline this bias. A major issue in most countries where data are available (Cambodia, India and Nepal), the maternal mortality ratio in each exceeds 400 per 100,000 live births – a ratio comparable only to Sub-Saharan Africa. It arises in part from poor access to and utilisation of maternal health services, low quality health facilities, insufficient access to birth spacing information, supplies and services.

Domestic violence, suffered disproportionately by women globally, also manifests itself in all six countries. In Cambodia, a household survey in Phnom Penh and six provinces shows that 16% of all women surveyed reported being physically assaulted by their husbands and that about half sustained injuries because of abuse. Domestic violence has become a multidimensional problem in Botswana (see Box 1). In India, conservative estimates put the number of bride-burnings for non-payment of dowry at 5,000 per year.

Box 1. Domestic violence in Botswana: a multidimensional problem

As the table below on reported cases of violence against women indicates, domestic violence in Botswana has taken different forms — from rapes to unlawful wounding. And in a majority of cases, the offenders are not punished or convicted. For example, between 1984 — 91, the number of rape cases reported, on average, were more than 400 per year, but only 25% of the offenders were convicted. In the 1990s, the situation even became more serious. In 1991, out of 700 reported rape cases, only 150 offenders were convicted.

	1997	1998	Increase (%)
Rape	1183	1310	11
Threats to kill	102	152	49
Unlawful wounding	1367	1479	8
Assault leading to actual bodily harm	4734	5502	16

Source: Government of Botswana (1999c)

Education

Except for Botswana, the results show stark contrasts. In Botswana, women now lead in terms of literacy and enrolment rates, but all three other country studies manifest a bias against women, though in varying degrees. In Namibia, for example, the female adult literacy rate is 80% compared to 82% for males, but in India the comparable figures are 45% and 68% (see a breakdown by socio-religious groupings in Table 3). The gaps in enrolment rates are also wide in some cases. In Nepal, female net primary enrolment rate is 56% compared to 80% for boys. The disparity increases with the level of education, as one moves from primary to secondary to tertiary level. In Turkey, new enrolments among women at the tertiary level are still less than 60% of that of men, even though at the primary level it is 90% and at the secondary level it is 75%.

Table 3. India – diversified educational outcomes among different social groups

	Scheduled caste		Muslims		Hindus	
	Female	Male	Female	Male	Female	Male
Literacy rate (%)	28	53	38	60	39	66
Primary net enrolment rate (%)	55	70	57	66	65	78
Discontinuation rate (%)	9	6	7	3	8	5
Completing secondary level (%)	2	7	3	8	5	12

Source: Shariff, Abusaleh (1999)

Table 4. Benefits of women's education: the Cambodian case, 1997

	Percentage increase in monthly earnings compared to employees with no schooling	
	Female	Male
Primary	32	10
Lower secondary	65	35
Upper and post-secondary	80	4239

Source: Kingdom of Cambodia (1997)

		Gross enrolment ratio	
Mothers' schooling level	Child's school level	Female	Male
None Primary Post-primary	Primary	87 99 104	104 111 112
None Primary Post-primary	Lower secondary	12 29 60	28 42 73
None Primary Post-primary	Upper secondary	2 8 28	7 17 39

Source: Kingdom of Cambodia (1997)

Moreover, inequaliries in education becomes a critical factor for outcomes in other human development areas, including income poverty, as Table 4 shows for Cambodia.

Economic Indicators

Overall, gender disparities increase as one moves to the economic arena, as reflected in workforce participation rates, economic activity rates, wage rates and earnings. The gender gap in distribution, share of employment and earnings is large even in Turkey, long known for its progressive gender attitudes (see Table 5).

Table 5. Gender-gaps in employment and earnings in Turkey, 1995

	Distribution in employment (%)		Share in employment (%)		Female earnings as percentage
	Female	Male	Female	Male	of males'
Scientific and technical professionals	6	5	31	69	54
Managers and Executive	1	2	6	94	80
Services	4	22	12	88	56
Agriculture	72	33	50	50	37
Manufacturing	12	34	14	86	50

Source: UNDP (1996) and Dayioglu, M. (1996)a

Box 2. Economic opportunities and political positions are still monopolised by men

In a country like India, women managers and executives account for only 3% of total managers and executives. Women also carry the larger burden of housework and they constitute the largest share of unpaid workers. In Nepal, women do 63% of unpaid work, compared to 24% by men.

The situation becomes worse as one moves into the political arena. In none of the six countries does female representation in parliament reach even 20% – the highest being 18% in Botswana. But it drops as low as 3% in Nepal. In local governments, too, women are represented poorly – 1% of local level councillors in Turkey are women. None of the 13 regional governors in Namibia is a woman and all 100 Mayors and Deputy Mayors in Nepal are men. The height of the disparity, however, is exemplified by Botswana's Gender Councils, whose mandate is to ensure gender equality in all walks of life. Nearly 90% members of these Councils are men.

Source: Nepal South Asia Centre (1998), Shariff, Abusaleh (1999), UNDP with UN Country Team (1998) and UNDP (1996)

In addition, the representation of women in professional and technical jobs and in executive and managerial positions is low in all countries and extremely marked in the political arena (see Box 2).

Gender-disaggregated data on income poverty is sketchy in most situations, with data available only for three countries: Botswana, Cambodia, and India. In Botswana and India, more women or female-headed households have been found to experience greater income poverty than their male-headed counterparts – in India in 1996, 43% of women compared to 39% of men. However, in 1997, Cambodia showed a reverse trend — 33%, compared to 37% among male-headed households, an exception to the general picture that may stem from the Khmer Rouge kinship structure, which gives women equality with men in many areas.

In the absence of gender-disaggregated data on income poverty, analysis in terms of an association of relevant outcomes has been pursued, establishing the possibility of higher incidence of income poverty among women in relevant instances. For example, income poverty in general is observed to be higher among people who are illiterate and engaged in agriculture. At the same time, it is women who are more illiterate and who are mostly engaged in agriculture. By association, then, women are more likely to be income-poor than men. Data from Nepal highlight such an association (see Table 6). Moreover, when impoverishment among women, as well as between men and women, is analysed in terms of data further disaggregated within a distributional perspective, other trends become manifest.

Table 6. Possibility of higher incidence of income poverty among women through association in Nepal, 1996

	People below the national poverty line (%), 1996
Illiterate	51
Self-employment in agriculture	55
Wage employment outside agriculture	35

	Female
Illiteracy for persons over 6 years (%)	79
Self-employment in agriculture (%)	83
Wage employment outside agriculture (%)	4

Source: Government of Nepal (1997a)

Women cannot be treated as a homogeneous group. Visible differences in health and education and income poverty outcomes emerge according to class or location specificity in all six countries. Women belonging to the richest class, urban women, and women living in developed regions are better off than the poorest, and those who live in the rural and less developed regions respectively. The latter are also doubly deprived, first because of the general impoverishment of their situations and secondly, because they are women. Cambodia presents an illustrative case in terms of health and education outcomes, as Table 5 indicates. In terms of income poverty, examples from Botswana highlight the issue: 57% of female-headed households in rural Botswana were in income poverty in the mid-1990s in contrast to 35% in urban areas. Human development outcomes may also be differentiated among women in terms of caste (see Table 7).

Table 7. India – Differentiated human development outcomes among women along caste lines, 1996

	Scheduled caste	Muslims	Hindus
Female literacy rate (%)	28	38	39
Females completing secondary level (%)	2	3	5
Female primary net enrolment rate (%)	55	57	65
Female discontinuation rate (%)	9	7	8

Source: Shariff, Abusaleh (1999)

Association analysis also indicates the vulnerability of women in rural or least developed areas to fall into income poverty. As Table 8 shows, in Nepal, across the country's topographical regions, women have a smaller share of income-earning jobs and lower literacy rates. These shrink their opportunities compared to men and thus make them, in general, more susceptible to impoverishment. But women in the Mountain region may be the hardest hit; overall income poverty is worst in the Mountain regions, which is also the region where only 13% of women have income-earning jobs (the lowest in Nepal). In addition, the 87% female illiteracy rate of the Mountains is the highest in the country. Thus women from the Mountain regions may have the fewest opportunities to avoid income poverty.

Table 8. Possibility of higher incidence of income poverty among women in the Mountains of Nepal, 1996

	Mountains	Tarai	Hill
People below national poverty line (%)	63	50	37
Female literacy rate over 6 years (%)	13	20	31
Income earning jobs held by women (%)	17	39	51

Source: Government of Nepal (1997a)

There is also a strong linkage between access to inputs for each group and the outcomes of their lives. The lower life expectancy and higher mortality rate among poorer women can be associated with lesser access of this group to health services or safe water (see Table 9).

Table 9: Linkage between access to input and outcomes by richer and poorer women in Cambodia, 1997

	Bottom quintile	Middle quintile	Top quintile
Female life expectancy at birth (years)	57	60	63
Women not expected to survive age 40 (%)	30	27	24
Women with access to health services (%)	56	69	75
Women with access to safe water	29	38	56

Source: Kingdom of Cambodia, 19967

In India, the higher incidence of income poverty among rural female-maintained households (46%) compared to urban ones (37%) may be linked to the lower access to credit by female-maintained households in rural areas (26%) compared to their urban counterparts (53%). There are sharp differences in amounts of average loans received – 3000 Rupees for rural compared to 8,882 Rupees for urban households. Moreover, outcomes in different areas mutually reinforce each other. For example, the female literacy rate in rural areas is worse than that in urban areas because the enrolment and school attendance rates are worse among women in rural areas compared to those in urban areas. This is also true along caste lines, as Table 5 indicates for India.

However, women are not always worse off than men. Income class, location specificity and caste and ethnicity all play crucial roles. In general, women belonging to the richest class are better off than than men in the poorest class. The same is true of urban women compared to rural men or women in developed regions compared to men in less developed regions. This has been manifested in health and educational outcomes. In Namibia, girls belonging to the top income class or living in Khomas, the most developed region of the country, have better health and educational outcomes than boys in similar situations. This is true of other comparable income classes or regions (see Table 10).

Table 10. Health and educational outcomes in Namibia in 1996: women are not necessarily worse off

	Female Bottom quintile	**Male Middle quintile**
Infant mortality rate (per 1,000 live births)	57	42
Children (under 5 years) stunted (%)	36	29
Children underweight (moderate %)	35	29
	Female Khomas	**Male Oshana**
Life expectancy at birth (years)	69	64
Infant mortality rate (per 1,000 live births)	38	56
Adult literacy (%)	82	68
School enrolment (%)	91	84

Source: Gwatkin, Davidson R. (2000); UNDP with UN Country Team (1998) and Government of Namibia (1998c and 1998d)

The same conclusion is borne out in the area of income poverty in Botswana. In 1994, while 35% of female-headed households in urban Botswana lived in income poverty, the corresponding figure for male-headed households in rural areas was 55%. The relative condition of men and boys is not always explained by their sex; their income, class, and location specificity also play important roles.

HIV/AIDS

Gender-disaggregated data on overall incidence of HIV/AIDS were available for all countries except Turkey. Of the three other countries, in Botswana and Namibia, where the pandemic is a serious developmental and health problem, women bear a larger burden of HIV/AIDS, as Table 11 shows in Botswana in two respects. First, the direct incidence of HIV/AIDS is higher among women and secondly, they must also care for other infected family-members. In Botswana, too, girls are more susceptible to HIV infection than boys – for every HIV-positive boy under age 14, there are two HIV- positive girls in the same age group.

Table 11: The incidence of HIV/AIDS and the unequal burden for women – the case of Botswana

	Female	Male
Number of people (15-49) years living with HIV/AIDS, end of 1999	145, 000	125,000
People in age group 15-24 living with HIV/AIDS, end of 1999	34	16
Deaths of secondary school teachers (25-34) in percentage, end of 1999	22	8
Projected adult (age 15-49) mortality rates per 1,000 in 2010 because of HIV/AIDS	33	24

Source: Government of Botswana and UNDP (2000)

It is estimated that the future adverse impact of HIV/AIDS will also be greater for women. For example, by 2010, women in Namibia will lose 11 years in terms of life expectancy, while the comparable loss for men will be 8 years.

"Gender –Neutral" Policy Frameworks

Given the view of women in most societies as inferior to men and inherently subordinate to them, gender equality is more rhetoric than reality in most social contexts. The persistence of stereotypes conditions women's work, their employment, the valuation of their contributions, their legal status and their representation in public life. It also leads to failures at the country level to "engender" development strategies – on the assumption that policy is gender-neutral. In Turkey, for example, policies to enhance female participation rates have concentrated only on higher wage rates. But the female labour market participation rate is also a function of the division of women's time between productive and reproductive roles, an issue not considered in the policy framework. Similarly, policies on HIV/AIDS need to be linked to violence against women, including rape, prostitution and trafficking. Yet neither Botswana nor Cambodia, where such problems predominate, has taken them into account in efforts to curb the pandemic.

A review of the policy framework in the six country case studies highlights the following trends:

- Though their constitutions and the legal frameworks proclaim equal rights for women, most of the laws that explicitly support this principle are not implemented and the general legal structure remains biased. Women experience discrimination in inheritance laws, in access to jobs, and pay rates, even in countries, such as Cambodia and India, where all the requisite laws exist. Similarly, though all the countries have ratified the Convention on the Elimination of All Forms of Discrimination against Women, each falls short of implementing its various clauses.

- Most of the six countries lack gender-sensitive health policies, whether in access to general care or services in reproductive health, even in pre- and ante-natal care for children, particularly in least-developed regions, where they are most needed. Overall, health policies ignore women's specific needs.

- Despite higher academic achievement by girls at all educational levels (see Box 3), national policies not only fail to explain this performance, but overlook specific problems faced by girls – among these, the availability of schools within manageable distance from home, particularly at secondary level.

- Gender differences in educational attainment affect inequalities that women face in other areas, as Table 5 shows for Turkey. Yet the policies of most countries pay no attention to this crucial correlation, whether in the education, health or labour/employment sectors. Nor do most countries have effective affirmative programmes to promote the participation and advancement of women even in public sector jobs.

BOX 3. WOMEN ARE DOING BETTER IN EDUCATION

In Botswana, the female adult literacy rate at 70% is higher than that of male literacy rate at 67%. The net primary and secondary enrolment rate among girls is 72% compared to 69% for boys. While 31% of female students finish Grade 5, only 29% boys do that. In Cambodia, the drop-out rates for girls at Grade 12 is 26%, less than the 29% for boys. In Turkey, at the tertiary level, among new entrants, there are 114 women in medical science compared to 100 men and among the graduates there are 234 women vis-à-vis 100 men. In Engineering, 50% of the graduates are women.

Source: Government of Botswana and UNDP (1997), Kingdom of Cambodia and UNDP (1998) and UNDP (1996)
Source: Government of Turkey (1996b) and Dayioglu, M. (1996).

In the majority of cases, NGOs and the institutions of civil society have moved the policy agenda for women and for gender equality forward. Public policies have either reacted or followed — or in many instances have remained static. Botswana is a classic example. And in most cases, gender-disaggregated data either do not exist or fall far short of the requirement for formulating policy.

Non-Disaggregation of Data by Gender

Because of a number of recent initiatives at the global level, gender data collection has improved. Reports like the United Nations' *The World's Women*, UNIFEM studies and the World Bank's Report on Engendering Development have mobilised greater disaggregation efforts. Publications by the regional economic commissions have also contributed to this process. But the most significant contribution at every level has come from UNDP's Human Development Reports (HDRs). By introducing the Gender-related Development Index (GDI) and Gender Empowerment Measure (GEM) in 1995, the global HDR has induced a process of gender-disaggregated data in life expectancy, educational attainment, income shares, and representation in technical and professional jobs, as well as in executive and managerial positions, and political participation. That tradition has been taken up by regional HDRs and the National Human Development Reports (NHDRs). As a result, gender-disaggregated data are available for many more countries than was the case early in the 1990s.

Nonetheless, for the six countries presented here, the following general shortcomings emerge:

- Although overall gender-specific data are available in the health and education sectors, they are scarce with regard to economic participation, economic benefits (wages and earnings) and political participation. On the issue of access to productive resources (land, livestock and credit), except in India, there are no data at all, let alone gender-specific figures.

- Even though HIV/AIDS is the greatest development challenge in Botswana, Cambodia and Namibia with major implications for women, most data on key aspects of the pandemic are not gender-disaggregated.

- Further disaggregation of gender data in terms of income class, location specificity and ethnic background may be available for some health and education indicators, but not in other areas of human development.

- In some cases, development data disaggregated by caste (Nepal) and by language groups (Namibia), are available. They could have been more useful had they been disaggregated by gender as well.

Achieving the MDGs

These shortcomings, in turn, reveal a number of actions required by each to meet the MDGs. With regard to achieving the MDGs in general and the goal of gender equality in particular, the country case reviews show that different countries are on different tracks. An assessment of their respective situations and synthesising the results indicate the following:

- In terms of gender equality in education, Botswana and Turkey have already achieved it in primary and secondary enrolment. In Botswana's case, what is needed is a to further increase the enrolment ratios for both girls and boys. Namibia is very close to achieving it, Cambodia may be on track, and India and Nepal still face significant gaps.

- In areas like halving extreme poverty and hunger, reducing infant and child mortality by two-thirds or reducing the maternal mortality rate by three-quarters, most of the countries — Botswana, Cambodia and Namibia — will have to cover a lot of ground during the next 15 years. Since income poverty in Botswana and Namibia is higher among women, they need to focus more on women's income deprivation. Similarly, given the greater impact of HIV/AIDS on women, both Botswana and Namibia should devote greater efforts to the problem in all its dimensions.

- Turkey seems to be on its way to achieving most of the goals. Its record in reducing income poverty as well as infant and child mortality is strong and it is almost within reach of the MDGs in the areas of both hunger and safe water.

- The situation in Nepal indicates that the country is not on track in achieving the MDGs. Since women are most affected in terms of mortality and income poverty, moving towards all the goals requires greater attention to gender disparities.

- India, with its highly diversified population of more than one billion people, faces huge development challenges. Although the country is on the right track, accelerating progress calls for concentrated efforts on women.

Expanding the Database

The review of these six countries indicates some of the ways for increasing the collection of gender-disaggregated data in areas of human development:

- By consciously engendering the questionnaires of censuses and surveys by adding a few queries in the present set of questions;

- By changing the sample to cover more women in each population;

- By interviewing women of households during household expenditure surveys or labour force surveys;

- By having more female investigators and enumerators;
- By taking gender as the theme of more NHDRs.

Enriching the Development Paradigm

What does all the foregoing analysis tell us about policy formulation, certainly at the national level?

- First, we need to know far more about differences in poverty among women themselves.
- Second, to this end, we must look beyond obvious forms of gender discrimination and analyse the complex socioeconomic realities — such as class, ethnicity and geographic location — to the disparities that exist between men and women.
- Third, we must identify the interplay between determinants and outcomes, notably the ways in which they reinforce each other.
- Fourth, we need to use these kinds of data to assess the gender impacts of human development policies, inter alia for benchmarks to monitor progress.
- Fifth, we need to incorporate such gender-specific data into planning frameworks at the national level, notably the Common Country Assessments (CCAs) and the Poverty Reduction Strategy Papers (PRSPs), which currently lack the gender dimension.
- Finally, we need to undertake a comprehensive engendering of the development paradigm. This will require revisiting a great number of the analytical and empirical issues discussed in this essay itself, along with many of our tacit assumptions about human well-being.

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Donors and Recipients

by Eveline Herfkens [1]

Goal 8 is about global partnership. The donor countries must open their markets, require more debt and raise the quality and quantity of external transfers to complement sound and responsible governance by the developing countries. Both sides of the VARIANCE must be met if the MDGs are to be realized.

I had the honour of addressing this same forum in May 1999 in Addis Ababa, on the very same subjects we are discussing today. On that occasion, I roundly criticised donor behaviour: imposing our hobbies and forcing counterpart and recurrent costs onto your budgets while not respecting your priorities, caring more about our visibility than about your development outcomes. I also criticised our micro management and our multiple different procedures for accounting, evaluation and monitoring. At the time, I promised better behaviour, ultimately leading to direct budget transfers for agreed poverty reduction strategies.

The good news is that now, three and a half years later, most donors rather than two or three acknowledge that they are part of the problem. By now, there is genuine consensus in the OECD/DAC, in the Development Committee and in other relevant donor fora on what we donors have to do to become part of the solution. We see a new emerging consensus on a framework of mutual obligations and responsibilities, in which both parties pay their dues. We see it reflected in NEPAD,[2] in the Millennium Declaration, in Monterrey. Of course, Africa has the primary responsibility for its development, but in turn deserves trade opportunities and more timely, better coordinated and more comprehensive support.

The bad news is that most donors do not actually walk their talk. What does "mutual obligations" mean? It implies both parties doing their share, each party paying its share of the bill. In short: "Go Dutch", as we say — with apologies to the interpreters and to the non-English speakers in the audience. And I will spell it out for you: *G-O-D-U-T-C-H.*

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[1] Eveline Herfkens, now Special Advisor to the Secretary-General for the MDG Campaign, delivered the address below to African Ministers of Finance at the 2002 meeting of the UN Economic Commission for Africa when she herself headed the Dutch Ministry of Development Cooperation, on behalf of other OECD donors.

[2] NEPAD is the acronym for the New Economic Partnership for African Development.

G is for Global Governance, global partnership. It is the rich countries that set and enforce the global rules of the game regarding trade, finance, migration, etc., which hinder Africa's participation in the global economy. Without that, the first Millennium Goal, halving poverty, will never be achieved. Thus, MDG 8, which deals with global partnership is, in my view, the most important thing that development partners should focus on.

O is for Ownership; the heart of NEPAD, the new paradigm that we agree on, but which has not really gone beyond lip service.

D is for Debt; let us deal with debt decisively for once and for all.

U is for Untying aid, an issue that has been discussed for decades, but now more than ever is acutely needed.

T is for Transfer of resources — more, real, better targeted, predictable, multi-year, flexible resources.

C is for Compensatory financing in the event of external shocks, for which the country is not to blame.

H is for harmonisation. We must harmonise not only our delivery mechanisms for aid, but also our market access opportunities.

GO DUTCH. Now let me elaborate on each of these seven themes.

We OECD countries have to ensure that all our policies that affect African development are consistent with our pledge to achieve the Millennium Development Goals (MDGs). Many reform programmes in Africa based on export-led growth have failed. They will continue to fail unless participation in the global economy becomes a reality for Africa. For that to happen, we have to open our markets. At present, the playing field is not level. Protectionism in the North is focused precisely on those products that matter to African producers — labour-intensive products and agricultural commodities. And we are carrying on with agricultural subsidies that crowd out African producers.

In Doha, a development agenda was agreed. Nice words, but since then we have seen no real action. Of course global partnership also includes trade in services, migration, TRIPs, etc. For these reasons, I am proud to have been part of the last Dutch government. In his address to the South African Parliament, Prime Minister Wim Kok made us the first rich country to break ranks by stating that affordable medicine for the poor was more important to us than the patent rights of pharmaceutical companies.

G: Global partnership is needed to make aid relations ultimately redundant. And of course, you would rather earn your foreign exchange on the international market than have endure endless lectures by World Bank and International Monetary Fund officials and all these development ministers.

O: A lot of lip service has been paid to ownership, but I am afraid that business still goes on as usual. Many donor countries still do not understand the profound paradigm shift: to acknowledge that we don't develop you, but that you develop yourselves, that you take charge. And that the only effective aid is aid that respects your priorities, is aligned behind home-grown poverty reduction strategies and limits conditions to issues that are derived from these home-grown strategies.

D: Deal with the debt decisively. As I said three and a half years ago, the HIPC[3] initiative is too little and too late. Too many African countries spend more on debt service than they spend on social services. Because the HIPC initiative is consistently underfunded, the numbers have been shrunk down to fit the envelope. Even for countries meeting all the criteria, there is too little light at the end of the tunnel. The initiative did not result in a sustainable debt burden. Let me specify here that it is most of the G-7 and not the G-0.7 that fail to meet their commitments

U: Untie aid. Tied aid is costly, it distorts agreed priorities, it burdens you with ever-increasing local and recurrent costs and it invites corruption. An old debate. Still, too little has happened, except for a first step dealing only with aid to the least developed countries. Actually, I am concerned about an opposing trend. Here, in Johannesburg, a multitude of so-called type II initiatives have been launched. I ask the Ministers of Finance to please make very sure this is not the old supply-driven, tied-aid project approach in a new disguise.

An important area of tied aid has always been technical assistance. Right up to the present, a billion dollars of grant money a year has been spent here in Africa on technical assistance. These massive injections of old-style technical assistance have failed. Resident expat staff is trying in vain to superimpose institutions and concepts on the existing social and political fabric and norms and values. In the meantime, this practice is undermining institutional capacity, perpetuating aid dependency and destroying local people's motivation to take charge of their own futures. For NEPAD, too, it is of crucial importance to focus upon home-grown African capacity-building — and for African countries to develop their own strategies, allowing only truly demand-driven forms of expatriate support.

[3] HIPC stands for Highly Indebted Poor Countries.

T: Transfer of resources. More resources. The good news from Monterrey is that at least the EU reconfirmed the 0.7% ODA target and agreed to a concrete time frame with intermediate steps towards that objective. Real resources. Donors should refrain from creating new debt problems. For poor countries, only grant money will do. Better-targeted resources. Half of it leaks away to middle-income countries. Aid must be targeted to those that need it — low-income countries — and those that have policies and institutions in place to use these resources effectively. More predictable, multi-year, resources. While we as donors require accountability and transparency, recipients should know in advance how much money is coming, when, and under what conditions. When I took office four years ago I found out that we spent more than 60 million euros in Mozambique on hundreds of projects, none of which the Minister of Finance was aware of. By the end of my term, we supported Mozambique's own development objectives through its own central budget. And so indeed, also more flexible resources — not tied to projects, but through your budgets, including for recurrent costs.

C: Compensatory financing. Of course, only under strict conditions. We have dismantled unconditional compensatory financing mechanisms — of the kind Lomé provided, for instance. And rightly so, as these in fact discouraged much-needed diversification. But we must acknowledge situations in which countries did everything they should, met all HIPC conditionality and have good poverty reduction strategies. After years of reform, they are hoping to see light at the end of the tunnel. But the light turns out to be the incoming train of terms and trade moving against them. Donors cannot close their eyes to the issue of Africa's external vulnerability and its limited capacity to absorb shocks. The rules of global finance are tilted against developing countries. You are supposed to react in a Pavlovian way to external shocks by tightening fiscal and monetary policies even further. Even if you have already cut down your budgets to the bare bones: pro-poor spending only. And even though austerity policies sacrifice much-needed economic growth, jobs and income. Such policies are counterproductive as you strive to achieve the MDGs. However, donors in cooperation with the international financing institutions, must acknowledge the problem and come up with a more effective answer, beyond the existing Compensating Financing Facility in the IMF.

H: Harmonisation, and let me add, simplification and division of labour. A lot of talking and activity took place in the last three years on the issue of reducing the transaction costs of aid through harmonisation. Workshops, guidelines, good practice papers, country pilots, the OECD/DAC taskforce, the Multilateral Development Bank's technical group, culminating next February in Rome at a high-level forum on the subject. But I ask: where is the beef? The

> Development Committee communiqué language on the issue of harmonisation this fall is exactly the same as a year ago. Where are we headed? Many failures of aid that you are blamed for actually represent the failure of the donor community to harmonise and adjust our delivery systems. Donors should finally get rid of their multiple, high-cost aid boutiques, planting flags and offering only their hobbies. As far as these are relevant at all, they are very limited in geographical and sectoral scope and undermine ownership and local institutional capacity. Donors have to stop pushing blueprints for development written at their headquarters. They have to shift from procedures to real impact. They have to move away from supply-driven projects. Sometimes these projects have had temporary successes at the micro level. But they have been irrelevant and thus a waste of scarce resources at the macro and sectoral levels.
>
> Harmonisation not only regarding aid practices. Why does every OECD country have its own trade preferences? It is impossible for a poor country in Africa to work through the spaghetti bowl of rules: the EU's Everything But Arms initiative, the US African Growth and Opportunity Act, the various schemes of Japan, Canada, Norway, etc. Why not expand EBA to all well-performing countries in Africa? Why not have all the Least Developed Countries included in the American initiative? Let us harmonise all these different schemes and bind them in the WTO.

In short, I call on all development partners and I look forward continuing to do so in my new job: "Go walk your talk, Go Dutch". But I am also making an appeal to you African Ministers of Finance as well. We need the African voice in our debate and I am pleased to see that this weekend the articulation of an African position on these issues is on the agenda. The obstacles are huge for Development Ministers who try to Go Dutch.

We cannot do so, unless you help us. Help us overcome the vested interests in our own societies. Help us fight aid fatigue by showing concrete results. Help us deal with parliaments that rightly want to see outcomes, preferably attributable to our own funding. Help us with better data. You have to address poverty data gaps, you have to improve your statistical capacities and your dissemination systems. This is also good for you: decision-making in a statistical vacuum is very costly and undermines accountability to your own people.

If you want budget support, then that presupposes decent public expenditure management on your part. Otherwise you can't expect budget support. It presupposes accountability to your own people and your policies being validated by your own people. In particular, you should allow and foster parliamentary scrutiny, and not only civic engagement. Budgeting systems are important as well, to absorb increasing aid levels. I am concerned about how many donors have started complaining about the absorptive capacity problem. Please help me remove that fig leaf, which is used as an excuse not to raise ODA. Prove that you can cope with more funds, especially in sectors relevant to the MDGs, such as health and education.

Ownership can only work if you, Ministers of Finance, take charge and take responsibility. That implies your active involvement in the public debate leading to poverty reduction strategies, underlining the limitations of the envelope and educating people about the concept of opportunity costs. Taking charge also means: say no, make the donors accountable, say no when doing business with a donor is just too costly, say no to supply-driven and tied aid.

I acknowledge that this is a tall order. It presupposes a high level of performance and governance. I am aware that some in this audience object to increased linking of aid to performance. However – as a friend – I will tell you the truth: performance-driven allocation of aid is here to stay. The reality is that the same amount of money lifts three to five times as many people out of poverty in well-performing countries. Taxpayers and legislatures insist on more bang for their buck in terms of reducing poverty and child mortality and getting kids to school. There is no such thing as aid fatigue – as long as aid contributes to achieving the MDGs.

There is, however, fatigue among northern taxpayers and parliaments when it comes to bailing out local elites who fail to deal with poverty in their own country. Local elites who prefer to continue rent-seeking instead of pushing for reform in order to achieve real and sustainable poverty reduction by achieving the MDGs. These goals are part and parcel of the Global Deal, of the mutual obligations which are at the heart of NEPAD and which we codified in Monterrey.

Let us go to work and let's "Go Dutch", by each doing our share.

Development Partnership for Escaping the Global Poverty Trap

Charles Gore[1]

In the Least Developed Countries (LDCs), realising MDG Goal 8 should focus on making the new partnership framework based on making the PRSPs work better. Many of the LDCs are stuck in an international poverty trap, and the new framework, as it is currently being implemented, will not be sufficient to enable them to escape. Key priorities now are: creating pragmatic developmental States, not welfare States; genuine national ownership and policy autonomy; more – and more effective – aid and debt relief; a new form of international commodity policy; and removing the glass ceiling that blocks the development of the more advanced developing countries.

The Importance of Goal 8

" ..in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold principles of human dignity, equality and equity at the global level…" So states the Millennium Declaration on its first page. The eight Millennium Development Goals (MDGs) are essentially a way of measuring and monitoring progress towards this commitment. The first seven focus on outcomes, identifying standards of well-being to be achieved within the next 15 years and concern both the nature of the lives individuals lead and the environment in which they live. The last – Goal 8 – focuses on relationships, identifying various aspects of the global partnership for development that should be forged to support the realisation of these standards.

The introduction of the MDGs presages some major shifts in international development practice. Firstly, they are based on a purposive conception of international society: as an association of States joined in a cooperative venture to promote some common ends. This idea differs fundamentally from that of States joined in association through their common respect for a set of rules that governs relationships among them. In the latter concept, the rules – which set certain restrictions on how States may pursue their own diverse purposes – are intrinsically important, regardless of outcomes.

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1 Charles Gore is Senior Economist at the United Nations Conference on Trade and Development (UNCTAD). This article draws on evidence presented in *UNCTAD ,The Least Developed Countries Report 2000: The Challenge of Financing Development in the LDCs*, and *UNCTAD, The Least Developed Countries Report 2002: Escaping the Poverty Trap.* Facts and figures are from these reports unless otherwise stated.

Secondly, the outcomes that matter are not the growth of national economies (which was the largely-ignored development goal of the First and Second United Nations Development Decades), but rather the nature of peoples' lives. This shift consolidates further the human development agenda promoted by UNDP and the Human Development Report.

Thirdly, the common ends entail a further shift – from a maximal future horizon in which development means catching up with the living standards of the richest countries to one in which certain minimum standards of decent living are achieved. This minimalist approach is apparent, for example, in the target of reducing the proportion of people living on less than a dollar a day by half by 2015 – and thereby identifies the typical standard of minimally adequate consumption in the poorest countries as the global standard of poverty eradication.

The MDGs are not totally unproblematic. Employment issues are marginal to the list of goals, targets, and indicators. Global environmental goals are also inadequately represented. Further complicating matters, globalisation has raised expectations; what people consider minimally acceptable norms of human dignity is shifting upwards to the standards of living in the richest countries. Although achieving the $1-a-day target is now urgent in the poorest countries, it is becoming increasingly irrelevant as a standard for most others.

One of the most urgent tasks is further work on the nature of Goal 8, "Developing a Global Partnership for Development"; achieving the other goals stems largely from how that partnership evolves.

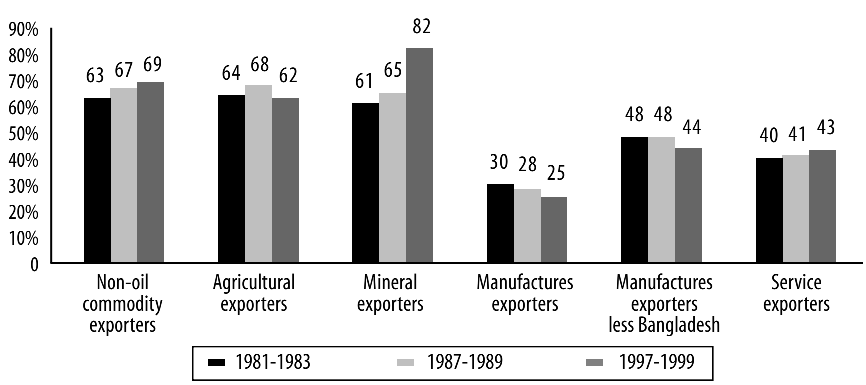
Goal 8 explicitly recognises that Global Development Goals cannot simply be achieved through National Development Means – an element missing in the initial list of International Development Targets put forward by the OECD/DAC in its 1996 report *Shaping the 21st Century: The Contribution of Development Cooperation*, on which the MDGs build. The addition of Goal 8 – the biggest change from the original OECD/DAC list – rectifies this deficiency. But the Goal 8 indicators are weak and need further refinement. It is also troubling that the commitment to "an open, *equitable*, rule-based, predictable and non-discriminatory multilateral trading and financial system" in the Millennium Declaration (para.13, emphasis added) is transformed in the MDGs into target 12: "develop further an open, rule-based, predictable, non-discriminatory trade and financial system". This transformation indicates a certain degree of hesitancy about making the rules of the global trade and financial system serve even the very limited global equity objectives of the MDGs.

Focusing on the 49 countries identified as "least developed" – the LDCs – by the United Nations, owing to their low GDP per capita, their weak human resources and their vulnerability, this article argues that realisaing Goal 8 essentially means making the new partnership framework based on the PRSP approach work. Although the key principles underlying this framework are the right ones (increased national ownership and policy autonomy, reduced donor coordination failures, increased policy coherence between aid, trade preferences and debt relief), initial policy changes are insufficient to suggest that it will work. Current implementation weaknesses thus need to be urgently addressed. The article sets out ways to move forward to elaborate and implement the new partnership framework in a way that will support the eradication of extreme poverty in LDCs. These proposals are based on the view that eradicating extreme poverty in these countries depends on helping them to escape the international poverty trap.

The Challenge of Poverty Reduction in the LDCs

According to *The Least Developed Countries Report 2002*, four out of five people in these countries lived on less than $2 a day during the second half of the 1990s and half of the population on less than $1. The number of people living on less than a dollar a day has more than doubled over the least 30 years – from 138 million in the second half of the 1960s to 307 million in the second half of the 1990. Trends have been particularly bad in African LDCs; estimates indicate that the share of the population living on less than $1-per-day has risen from 56% in the second half of the 1970s to 65% in the second half of the 1990s. Moreover, the highest rates prevail in those that depend on primary commodity exports. And, in these countries, poverty is climbing: the percentage of people living on less than $1 a day in non-oil commodity-exporting LDCs rose from 63% in 1981-83 to 69% in 1997-1999. Poverty rates are rising particularly in mineral-dependent economies (see Chart 1).

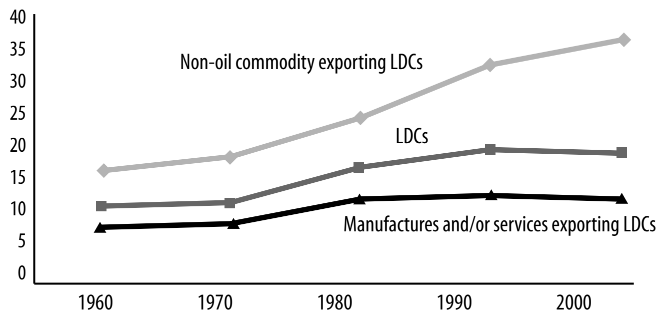
Chart 1. The incidence of poverty in LDCs grouped according to export specialisation, 1981–1983, 1987–1989 and 1997–1999
(Share of total population living on less than $1 a day)



Source: UNCTAD, *The Least Developed Countries Report 2002*, chart 36 A.
Note: LDCs are classified according to their export composition in the late 1990s.

This is happening because many LDCs are unable to sustain economic growth. There are exceptions, such as Bangladesh. But most LDCs have experienced either economic stagnation, or economic regression – or short spurts of economic growth followed by some sort of economic collapse. Consequently, the LDCs have not been sharing in global economic growth – particularly those LDCs that have not diversified into exports of manufactures and/or services. Average real income per capita of non-oil commodity-exporting LDCs in 1999 fell below that of 1970. During the same 29 years, average real per capita income doubled in the world's 20 richest countries. In short, weighted by population and PPP adjusted, these 20 countries had an income per capita 35 times that of the commodity-exporting LDCs in 1999 – double the gap of 1960 (see Chart 2).

Chart 2. Trends in the income gap between the world's 20 richest countries and LDCs, 1960–1999*



Source: UNCTAD, *The Least Developed Countries Report 2002*, chart 35.

* The income gap is the ratio of the average GDP per capita (in 1985 dollars adjusted for purchasing power) in the world's 20 richest countries to that in the LDCs and LDC subgroups. The sample of the world's 20 richest countries varies over time. The averages are weighted by population.

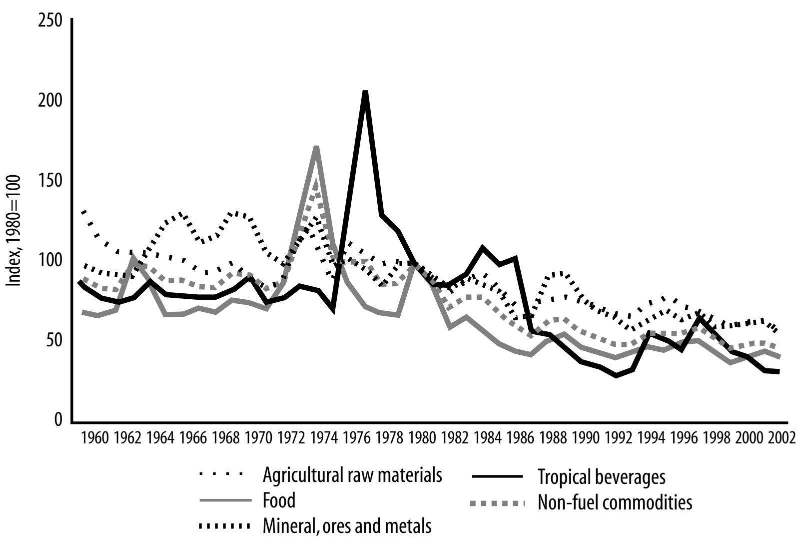
Some argue that the failure to share in global growth is the fault of these countries themselves, highlighting particularly the effects of poor governance and corruption. These factors cannot be ignored. But the basic problem is that most of these countries are stuck in an international poverty trap.

The trap has been created largely by the effects of generalised poverty on the domestic resources available to finance investment in public goods, including governance. Where the majority of the population earn less than $1 or $2 a day, a major part of GDP must be devoted to procuring the necessities of life. Few domestic resources are left for vital public services – education, health, administration and law and order. Low income leads to low savings; low savings leads to low investment; low investment leads to low productivity and low incomes. From 1995–1999, average per capita income in the LDCs – measured in terms of current prices and official exchange rates rather than 1985 PPP dollars – was $0.72 a day; average per capita consumption was $0.57 a day. On average, then, only $0.15 a day per person remained to spend on private capital formation, public investment in infrastructure and running vital public services.

State capacities are necessarily weak. Pervasive poverty also leads to environmental degradation, as people have to eat into the environmental capital stock simply to survive. This, in turn, undermines the productivity of the key livelihood assets on which many depend.

The poverty trap can be described as international because international trade and finance relations reinforce the cycle of economic stagnation and pervasive poverty within the LDCs. This is particularly apparent in those that depend heavily on primary commodities (see Chart 3). In these countries, the ability of international trade to act as an engine of growth and poverty reduction is being short-circuited by falling world commodity prices. At the end of 2001, real non-fuel commodity prices had plunged to one half of their annual average for the period 1979-1981. Large increases in export volume thus do not translate into large increases in export revenue and the capacity to buy imports. Associated with slow export growth, and also with the large external shocks due to commodity price instability, there has been a build-up of unsustainable external debt in the non-oil commodity exporters. Finally, as debts – mainly owed to official creditors – build up, aid disbursements have increasingly been allocated, either implicitly or explicitly, so as to ensure that official debts are serviced. In this aid/debt service system, the developmental impact of aid has been undermined; the "debt-tail" has been wagging the "aid-dog".

Chart 3. World free market prices for non-fuel primary commodities and primary commodity sub-groups, 1960-2002



Source: *The Least Developed Countries Report 2002*, chart 38.

The New Partnership Framework for Development in Low-income Countries

To achieve the Millennium poverty reduction goal in the LDCs, it is necessary to enable the LDCs to escape the international poverty trap. This can occur if they are part of a strong global development partnership. A general framework for partnership is set out in the Brussels Programme of Action, agreed at the end of the third U.N. Conference on the Least Developed Countries in May 2001. However, what is happening on the ground in the LDCs is driven by the new partnership framework for low-income countries introduced in the late 1990s by IMF and the World Bank.

The centrepiece of this framework is the preparation and implementation of Poverty Reduction Strategy Papers (PRSPs). This idea was originally introduced as a mechanism for ensuring that debt relief for Highly Indebted Poor Countries (HIPCs) was channelled into increased social expenditures on health and education and on poverty reduction. But as the OECD has succinctly observed in its *Development Cooperation 1999 Report*, "The decision to place the implementation of the enhanced HIPC Initiative into the larger context of the new development partnership paradigm has in effect leveraged political support for debt relief into a reform of the whole of the concessional financing system" (p.21).

In addition, concern for systemic policy coherence widened the concept of development cooperation for low-income countries beyond concessional financing to include ways in which international trade could work to support poverty reduction, issues of technology transfer and also, though much less well-developed thus far, the question of how to encourage private capital flows to low-income countries. Taken together, these factors amount to a silent revolution that, although still in the making, is the biggest change in international development cooperation since the introduction of structural adjustment policies at the beginning of the 1980s.

The new partnership framework for development in low-income countries has eight key elements:

- Poverty reduction has been adopted as the central explicit goal of international cooperation.

- National governments are being asked to take responsibility for poverty reduction in their countries and to develop nationally-owned poverty reduction strategies.

- Donor countries and the World Bank and IMF are expected to shift away from the traditional donor-driven approach and to stand back to enable these nationally-owned strategies to emerge.

- National governments are equally expected to shift from top-down approaches to development policy formulation and to develop a participatory approach to the formulation and implementation of poverty reduction strategies within their countries.

- IFIs and bilateral donors intend to focus aid selectively on those countries whose strategies they consider satisfactory.

- Bilateral donors are expected to reduce the coordination failures that undermined aid effectiveness in the past by aligning their aid behind these IFI-approved national strategies.

- Enhanced debt relief will be provided to countries with satisfactory poverty reduction strategies to reduce external debts to levels at which they are sustainable.

- Improved market access to developed country markets will be provided for the least developed countries; trade-related technical cooperation will also be furnished to enable them to build up supply capacities and increase their exports.

- Special consideration will be given to ensure access to technologies that are important to ensure basic general health.

Introduced in part as a means of overcoming aid fatigue and mobilising political commitment to increased aid flows to poor countries, the PRSP is important because it embodies the key principles of this partnership framework for development. It is simultaneously a mechanism to increase national ownership of policies; to introduce a participatory approach into development policy; to increase donor coordination; to enable aid selectivity; to ensure that debt relief is properly used by governments; to help create new opportunities for market access; and, perhaps most basically, to ensure a focus on poverty reduction as the central goal of national policies.

In practice, realising Goal 8 means elaborating and implementing the new partnership framework so that it actually works in low-income countries for sustained development, poverty reduction and the realisation of the other MDGs. The critical policy issue now for reaching the Millennium poverty reduction goal is whether the new partnership framework is implemented so as to enable them to escape the international poverty trap – and if not, what can be done to improve the situation.

Weaknesses in Initial Implementation of the New Partnership Framework

Some analysts argue that it is too early to make any judgment; the new framework has not been implemented long enough to yield any results. However, even if it is not yet possible to see outcomes, one can already discern what is happening to the national and international policies that underlie these outcomes. For the LDCs, these indicate the emergence of a significant gap between the ideal promised by the new partnership framework and the reality unfolding in practice. This gap implies that the new framework, as currently implemented, is *not* going to work. Consequently, the goal of eradicating extreme poverty will *not* be met in the LDCs.

Implementation problems are evident in both national and international policies.

National policies

In many ways, the new PRSPs replicate the old structural adjustment programmes. The PRSPs still give priority to short-term stabilisation over long-term development, with tight credit ceilings and restrictive fiscal policies. They also continue to broaden and deepen past structural reforms extending the privatisation and liberalisation agenda. The two major new elements are the following:

- public expenditure is to be more closely tracked; and
- it is to be more pro-poor, in the sense of being channeled into basic health, education and local infrastructure projects.

However, because of the continuing tension between policy conditionality and ownership, those who formulate and implement the PRSPs face a dilemma. They know from past experience that if aid flows are cut off and debt relief delayed, the incidence of poverty is bound to rise. In these circumstances, they are finding it difficult to risk moving beyond the past adjustment policies. Whatever their own views on the past efficacy of these policies, they believe that a PRSP which continues these policies is least likely to be considered unsatisfactory by the IMF and World Bank Boards. Thus, if they continue with these policies – even if these are not the best ones to reduce poverty – they are unlikely to suffer from interrupted debt relief and aid flows.

The congruence between old SAPs and new PRSPs would not matter if the weak economic performance of the past stemmed from inadequate ownership and, therefore, poor implementation. But this diagnosis does not bear up. There has actually been a major change of policy in the direction of economic liberalisation in the low-income countries. For example, the World Bank, in its pre-Monterrey estimates of the aid inflows required to meet international poverty reduction goals, designated 65 low-income countries as "uphill". These are the countries that will find it hard to achieve the goals on the basis of past trends. Of these 65, 43 (i.e. two-thirds) had what the World Bank regards as "good policies" in place.

The problem therefore is not lack of ownership, but the policy model. Under structural adjustment programmes, there have certainly been improvements in macroeconomic environment, notably in reducing excessively high rates of inflation and correcting overvalued exchanges rates. Exports have also increased. But domestic investment and savings rates have not generally increased much; private capital inflows have not been attracted; and although the decline in market share in traditional exports has been halted, there has been no progressive structural change towards more dynamic exports. In fact, rather than an upgrading of primary commodity exports, there has been a collapse of local processing and, in some cases, a decline in quality.

The new poverty reduction strategies seek to make structural adjustment more pro-poor despite the fact that past adjustment policies generally have not delivered – and cannot deliver – accelerated and sustainable economic growth at rates sufficient to dent poverty significantly. While the policy model may achieve macroeconomic stabilisation, it is wrong for promoting sustained growth and poverty reduction in countries where productive capacities, markets and the entrepreneurial class are all underdeveloped and where the majority of the population live on less than $1-per-day.

There is a danger now that, with the new adjustment-oriented poverty reduction strategies, countries will end up with the worst of all worlds. The new policies will increase exposure to intensely competitive global markets – without facilitating the development of the productive and supply capacities necessary to compete. At the same time, there will be increased arm's length regulation and administrative guidance of social welfare through international development cooperation. Finally, bilateral donors will be dissuaded by the IFIs from increasing aid flows because such increases, which are particularly focused on non-tradeables, are deemed incompatible with the macroeconomic framework.

International Policies

There is no reason why one should expect better results in the future if the national policies remain the same as those in the past. Better results than those of the past are also unlikely because international policies have not been modified sufficiently to support accelerated national economic growth and poverty reduction.

Although the enhanced HIPC Initiative has brought some benefits, debt relief has not been sufficient to provide the basis for a durable exit from the debt problem. The forecasts on which the expectation of medium-term debt sustainability have been based are far too optimistic. Debt relief has also opened little fiscal space for poverty reduction. Of the 20 HIPC-LDCs that had reached decision-point by mid-2002, four countries are predicted to have annual debt service payments due in 2003-2005 that will actually exceed the debt service paid in 1998-2000. In another six countries, these payments will be reduced by less than $15 million. In only three countries will annual debt service payments due in 2003-2005 be more than $50 million lower than those paid in 1998-2000. Further, it has been impossible to bring all creditors into the process. With falling commodity prices, the enhanced HIPC Initiative is on a knife-edge, and the fledgling PRSPs will be derailed if debts and arrears accumulate again.

On a positive note, the sharp decline in aid flows to the LDCs that began in the early 1990s was halted during 1998-2000. OECD/DAC estimates of net ODA disbursements to LDCs indicate that these countries received $12.5 billion in the year 2000 – slightly more than in 1999. However, in 1998-2000, 25% of total bilateral aid commitments to LDCs went to emergency assistance and debt relief. The new commitments made at the Monterrey Conference on Financing for Development are also encouraging. But in nominal terms, aid inflows to LDCs were 26% lower than their peak in 1994. Moreover, in real per capita terms, net ODA disbursements to the LDCs were 46% lower in 2000 than they were in 1990.

Further, donors are only slowly adapting their aid delivery procedures to the new PRSP approach. Aid flows are very unstable and unpredictable. Donor alignment with national poverty reduction strategies – through increased budget support, improved reporting, and a shift to recipient country budgeting timetables and categories – is also taking place very slowly. The PRSPs will certainly not work if "business as usual" continues in the way donors deliver aid.

A particularly disturbing feature of PRSP implementation is that it focuses on improving the poverty-reducing efficiency of public expenditure and aid inflows rather than on exploring the gains that can be achieved by expanding the resource envelope of poverty reduction through increased external assistance. Thus, countries are currently expected to submit PRSPs that are "realistic" in terms of external financing projections that they prepare behind a "veil of ignorance" as to donor intentions. When poverty reduction financing gaps emerge, the projected pace of poverty reduction is scaled back to ensure that the PRSP is "realistic" and thus deemed worthy of donor support.

Turning to trade, it is difficult for many poor countries to take advantage of the special preferences afforded to them, often because of supply capabilities, or rules of origin, or lack of security of preferences. For example, before the EU's Everything but Arms Initiative, 99% of products from non-ACP LDCs were covered by the Generalised System of Preferences (GSP), but only 34% of those imports eligible for preferential treatment were imported on preferential terms. The rest paid Most Favoured Nation duties.

Further, the international trade policy agenda has ignored the effects of falling and unstable commodity prices on growth and poverty in the poorest countries. The old international commodity policies have withered away. What exists now is, in developmental terms, a perverse international commodity policy in which rich countries are subsidising their own agricultural production.

What Can Be Done?

The foregoing suggests that the new partnership framework is not being implemented so as to enable LDCs to escape the poverty trap and to achieve the target of reducing the $1-a-day poverty by half by 2015. A number of actions are necessary now to rectify this situation. Key priorities are:

1. Creating pragmatic developmental States
2. External support to enable genuine national ownership and policy autonomy
3. Re-enhanced debt relief
4. Increased development aid in line with international norms and commitments
5. A comprehensive approach to increasing aid effectiveness
6. Renewal and recasting of international commodity policy
7. Removal of the glass ceiling that blocks further development of the more advanced developing countries.

Creating Pragmatic Developmental States

Effective national policies and institutions are the bedrock of poverty reduction. Governments themselves must forge these. But in low-income countries where extreme poverty is all-pervasive, poverty reduction takes place through sustained economic growth and development that raises average household incomes. There is thus a need to shift away from poverty reduction strategies that extend old structural adjustment programmes to strategies that are development-oriented.

Private enterprise should play the key role in achieving the objectives of development-oriented strategies. But the development process should be catalysed and guided by a pragmatic developmental State, which through good governance of markets, harnesses the profit motive for the purposes of national development and poverty reduction. Indeed, the meaning of a national commitment to good governance, identified in Goal 8 as a central element of a global partnership for development, is best seen in terms of creating a pragmatic developmental State and promoting a relationship between markets and States that is appropriate for very low levels of development.

Policies through which a government guides the process of capital accumulation and learning are best developed and implemented through institutions that enable private sector perspectives to be incorporated, and through policies that channel activities and energies rather than limit them. Sectoral policies, for example, should arise from joint efforts between the public and private sectors that together formulate a vision and reach consensus on the ingredients necessary to realise that vision. These would cover, for example, issues of technology choice; what institutions are required to support technological development; what are the aggregate requirements in terms of labour skills; and how financial resources can be ensured for the expansion of the sector. Policies should also focus on overcoming specific problems that impede the achievement of national development objectives – notably, missing markets and the lack of an entrepreneurial base; imperfections in technology and capital markets; risks of exporting; and dynamic complementarities between firms and sectors that render competitiveness and productivity systemic rather than simply dependent on firm-level capabilities.

Creating capable and effective States goes hand in hand with creating a dynamic entrepreneurial class willing to commit its resources to domestic investment in production rather to luxury consumption or to holding private wealth abroad. These two institutional issues must be addressed in a developmental approach to poverty reduction. States need to develop skills and learning capabilities not only for policy formulation and implementation, but also for ensuring respect of property rights and contract enforcement, mobilising revenue and managing public expenditure. An equal challenge is strengthening the domestic entrepreneurial class; there are simply not enough businesses with the capacity to compete internationally. Existing entrepreneurial skills often focus on short-term trading and housing rather than long-term production. Particular efforts should be made not simply to create an investment climate in which the costs and risks of doing business are reduced, but also to ensure that the structure of profitability and the availability of investment funds are biased towards productive investments that can create employment.

Support to Enable Genuine National Ownership and Policy Autonomy

The ability of LDC governments to formulate and implement development-oriented poverty reduction strategies depends critically on external support that enables genuine national ownership and policy autonomy. Steps are being made in this direction, but there is need for:

i) a re-thinking the nature of policy conditionality;

ii) better technical cooperation to rebuild State capabilities;

iii) greater donor alignment behind PRSPs; and

iv) attention to WTO rights and obligations.

The issue of policy conditionality is pivotal; aid donors have a fiduciary duty to ensure that aid is not misused. But a tension exists between policy conditionality and ownership because policy conditionality is linked to the implementation of a particular policy model. This is undermining domestic democratisation because of the need to satisfy both internal constituencies and external donors. In addition, making access to aid conditional on national policies that are considered effective in promoting sustained growth and poverty reduction, but that are ineffective in practice in the LDC context, has proved a recipe for frustration and failure.

The tension can be reduced if there is much greater flexibility on the part of the World Bank and IMF regarding what constitutes "good policies". A more radical approach would be to delink conditionality from the implementation of specific policies. In this regard, it may be possible to make domestic resource mobilisation the heart of conditionality, and to link aid inflows to reasonable targets for domestic savings effort. This could satisfy the donors' legitimate concern that aid is linked to country-level effort, and also provide the basis for a genuine financial partnership.

One difficult issue that must be addressed is the relationship between policy conditionality and the MDGs. The relationship between the MDGs and the PRSP approach is as yet not totally clear. On the one hand, inscribing MDG targets and indicators into national PRSPs will ensure a strong focus at the national level on achieving the agreed global goals. Indeed, the IMF and World Bank, which must endorse the PRSP as satisfactory, have insisted that the MDGs become integral elements of the PRSPs. This presumably reflects a desire to protect national policy autonomy. However, at the very least, the tailoring of global targets to local circumstances is necessary for national ownership of the MDGs. Making the adoption of MDG indicators an object of policy conditionality will be an unwelcome imposition.

It also could prove counter-productive, as it may distract attention away from key issues of promoting investment, exports and productivity that in the end will be necessary for sustainable poverty reduction.

Greater donor alignment behind national poverty reduction strategies is also necessary for national ownership and policy autonomy. This implies greater budget support; project aid should fit in with national strategies. Renewed attention must also be given to the way in which technical cooperation works. This is a vital aspect of building capable States. New approaches are also required to shift focus from the transfer of Northern knowledge to the acquisition of information that will generate national knowledge appropriate to the circumstances of the developing country itself.

A final aspect of genuine national ownership and policy autonomy concerns the nature of WTO rights and obligations. Many of the financial, fiscal and macroeconomic policies that can help create the conditions for faster capital accumulation and productivity growth through learning in the LDCs are not constrained by WTO obligations. It is important that the LDCs familiarise themselves with their rights and that technical assistance help them to do so. It is also important that WTO rules as they evolve in what is now described as the “Doha Development Agenda” enable the adoption of national policies that, in turn, enable countries to break out of the poverty trap.

Re-enhanced Debt Relief

However competent governments become in fostering development, and whatever policy space they are given to develop their own poverty reduction strategies, escaping the poverty trap will also require reducing the very tight financial resource constraints that continuously undermine economic growth and poverty reduction. The first priority here should be debt relief that goes beyond the current HIPC framework.

Even the enhanced HIPC Initiative has left the HIPC countries deeply in debt, and the outstanding debt problem continues to undermine development efforts. This takes place through various channels. Debt service payments absorb foreign exchange, thus reducing import capacity; they adversely affect government budgets, reducing domestically-driven public investment in physical and human infrastructure. The debt overhang creates uncertainty for domestic and foreign investors and also adversely affects country credit ratings and perceptions of country risk, limiting the access of potentially profitable firms within indebted countries to international capital markets.

Two fundamental problems characterise the history of debt relief for low-income countries. Firstly, creditors have continuously sought to grant the minimum amount of relief that they considered necessary to ensure that the remaining debt-service burden could be paid without recourse to further relief. Secondly, there has been a persistent tendency to underestimate the amount of debt relief required to provide an exit from the problem. There was thus a progressive increase in the scale of debt relief to low-income countries provided through the Paris Club from the late 1980s on. The HIPC Initiative has extended this process. For the debtor countries themselves, this has had particularly bad effects, as they are never given the basis for a fresh start. Instead, they become continuously dependent on exceptional financing – which comes in the form of either arrears accumulation or formal debt relief. Dependence on such "virtual" financial flows creates much uncertainty. Such flows are not additions to financial inflows, but reductions in the difference between debt service payments that are contractually due and debt service payments that are actually paid. Nor is the scale of these "virtual" flows generally recognised. For example, if such "virtual" financial flows were not supplementing the real flows, the aggregate net transfers to LDCs as a whole would have been only 25% of their actual level in 1994-98.

It would be possible to seek to achieve poverty reduction goals through increased aid and without further debt relief. Increased aid inflows would allow countries to cover their debt service needs. But such an approach would perpetuate the aid/debt service system of the 1990s in which a proportion of aid acts as "defensive lending" to ensure continued repayment of past loans. This system undermines aid effectiveness because aid cannot be fully used for developmental purposes. It leaves governments "cash-poor" and "project-rich". The system is an integral part of the international poverty trap. Breaking it so that countries are both less aid-dependent and less indebted will support the goals of both increased aid effectiveness and improved State capacities.

Debt relief needs to be re-enhanced enough to give countries the opportunity to begin afresh with a real chance to achieve the MDGs. Debt relief also needs to be put into a predictable framework, rather than subject to an arbitrary process of topping-up. It is most likely that linking debt relief to the achievement of the MDGs will entail debt cancellation for most low-income countries. Renewed attention must therefore be given to financing re-enhanced debt relief.

Increased Development Aid in Line with International Norms and Commitments

Re-enhanced debt relief will not work to support the Millennium poverty reduction goal unless substantially increased external finance is provided on terms that do not lead to the build-up of new debt problems, but rather, furnish the basis for increased investment, exports and productivity.

The need for substantial increases in external finance arises because domestic savings are very low. They cannot rise because of weak corporate sectors and widespread poverty in which many people live hand-to-mouth, often only partly inside the money economy. In the medium term, if growth can be sustained, one may expect significant increases in domestic resource mobilisation that will, in due time, reduce dependence on external finance and usher in the possibility of a more self-sustained growth process. But external finance is essential in the early stages of development to break out of the poverty trap.

Some analysts argue that the key to financing poverty reduction lies in promoting private capital inflows and particularly inward FDI, which is perceived as a non-debt-creating flow. But foreign investors and lenders are deterred from many LDCs because of these countries' vulnerability to shocks and also their high levels of external debt. In addition, the costs of asset development in LDCs rise steeply, particularly in the absence of strong business support services and physical, social and administrative infrastructure. Added to the paucity of commercially viable business opportunities, there are the imperfections of international capital markets.

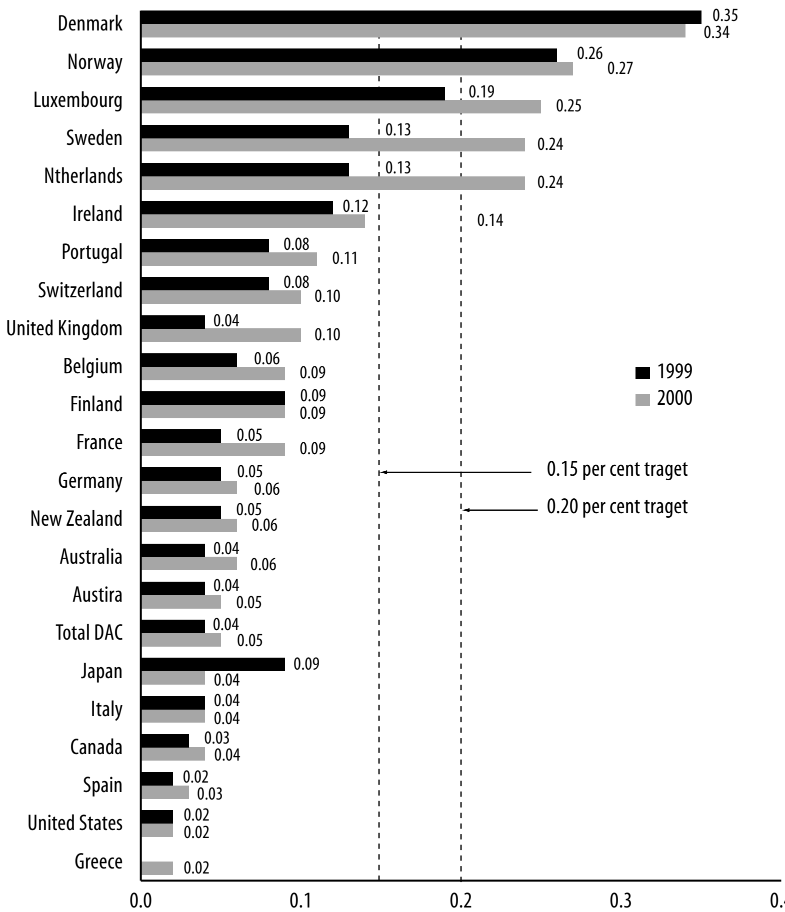
In 2000, the LDCs received just 2.1% of net FDI inflows to all developing countries. Moreover, 86% of FDI inflows to the LDCs were concentrated in ten countries – of which the four oil-exporting LDCs absorbed about 50%. The LDCs also remain excluded from international bank finance and bond issues. Private debt flows to LDCs have been negative for every year since 1995 except 1999, indicating that repayments of existing debt to private creditors have exceeded new loan disbursements.

As an overall goal, it is advisable for developmentalist LDCs to encourage a progressive transition during which sustained growth and poverty reduction become increasingly founded on domestic resource mobilisation, the attraction of developmental FDI and the tapping of international financial markets. With this in view, efforts should certainly be made to attract FDI and to enhance its developmental impact. However, policy-makers in LDCs should not have false expectations that FDI can lead the development process. Nor should donors see the signs of rising private capital flows into a number of LDCs as an opportunity for reducing ODA. Instead, it is now necessary to increase aid inflows so that these countries can break out of the poverty trap.

Although aid requirements for achieving the Millennium poverty reduction goal should be estimated at the national level, various international costings already carried out use the resource envelope implied by current international commitments and norms – the 0.15% or 0.2% of donor GNP (or GNI) agreed by most donor countries as ODA to the LDCs at the 1990 UN Conference on Least Developed Countries in Paris and reaffirmed at the 2001 Brussels Conference. However, these commitments are not being met. In 2000, only five donor countries surpassed the 0.20% target of GNI (Denmark, Norway, Luxembourg, Sweden and the Netherlands). For all the other countries, aid flows were below the 0.15% target. (See Chart 4)

Chart 4. Net ODA disbursements to LDCs from DAC member countries,* 1999 and 2000

(As percentage of donor's GNI)



Source: UNCTAD secretariat estimates based on OECD *Development Co-operation 2001 Report*.

* Including imputed multilateral flows, i.e. making allowance for contributions through multilateral organizations, calculated using the geographical distribution of multilateral disbursements for the year of reference.

Adoption of a Comprehensive Approach to Increased Aid Effectiveness

Increased aid will not work to reduce poverty unless measures are also taken to increase aid effectiveness. In this regard, a "one-eyed approach" to improving aid effectiveness prevails. This approach is based on the premise that aid will be effective only if it is provided to recipient countries that have good policies. This is obviously correct – as long as the "good policies" are not actually bad policies. But aid effectiveness depends on donor policies as well as those of aid recipients. The former are currently ignored. Thus it is believed that selectivity – focusing aid on countries with good policy environments (the "deserving poor") – is a sufficient condition for enhanced aid effectiveness.

An important issue, which is certainly recognised in the indicators for Goal 8, is progress towards untying aid. This reflects the decision to untie aid made at the 2001 Brussels Conference on LDCs.[2] How the untying of aid works in practice will require close monitoring. LDC governments should also receive support that enables them to procure more effectively. Apart from the untying, there is a need for greater predictability in aid, as well as longer-term aid commitments. Currently, aid instability is the largest source of economic shocks to LDCs. But no international initiatives exist to increase aid stability and predictability.

Increasing the developmental effectiveness of aid will also require further attention to the sectoral allocation of aid. The decline in aid has been accompanied by the continuation of a long-term shift in bilateral aid commitments away from production and economic infrastructure towards social sectors. The latter constituted just 13% of commitments from 1980-1984, but 34% from 1998-2000. Thus, the decline in aid has been particularly marked for production sectors. A major concern is aid to agriculture, the main source of livelihoods for most people in the LDCs. In real terms, external assistance for agriculture in the LDCs was one-half its level in the 1980s. Increasing aid for economic infrastructure and financial and technical support for productive activities should be seen as priority now, along with increasing the proportion of aid going into the basic education, primary health care, nutrition, safe water and sanitation targeted in Goal 8.

A simple institutional proposal for increasing aid effectiveness is the establishment of aid performance monitoring at the recipient country level. Currently, the major official source of aid performance data and performance evaluation is the Development Assistance Committee of the OECD. Instituting aid performance monitoring systems at the recipient country level would complement this activity by gathering and evaluating information in a way more closely related to aid effectiveness within the countries themselves. Such a system has already been set up in Tanzania, where an Independent Monitoring Group tracks aspects of both government and donor performance in relation to aid in specific agreed areas. This could provide a model for generalisation as part of developing a global partnership.

2 However, food aid was excluded from untying. So was technical cooperation – because some donor countries argued that their consultancy service industries were not strong to withstand the effects of full international competition.

Renewal and Recasting of International Commodity Policy

The key missing link in the current international approach to poverty reduction is the absence of any kind of international commodity policy. There is an urgent need now to reconsider how such a policy could be reformulated with a view to supporting poverty reduction. This does not mean a return to the old-style international commodity agreements. They did not succeed and there is little political will to return to them. What is required is a pragmatic approach involving national and international efforts. This could include:

- A compensatory financing facility to offset the effects of commodity price shocks;
- Exploring institutional innovations that can enable the adoption of commodity risk management instruments in poor countries;
- International efforts such as the transparency initiative ("publish what you pay") to ensure that oil and natural resource companies declare what they are giving to governments;
- Linking debt repayment schedules to world commodity prices;
- Speedy reduction of agricultural subsidies in the rich countries, which are particularly contributing to extreme poverty in the poor countries.

Dealing with low prices will also necessarily entail efforts to rationalise supply in saturated international commodity markets. Measures that may be explored include agreements on minimum quality standards and increased technical and financial support for horizontal and vertical diversification. The Integrated Framework of Trade-Related Technical Assistance could play an important role in the last task. Market access issues, including tariff peaks, that block diversification must also be addressed.

Removing the Glass Ceiling Blocking Development in the More Advanced Developing Countries

A final aspect of increased policy coherence entails thinking about the problems and prospects of the poorest countries not simply as a North-South relationship, but in terms of the relationship between the poorest and the more advanced developing countries and emerging markets. One key to economic growth and poverty reduction in the poorest countries is economic growth and sustained industrialisation in the more advanced developing countries. It will be difficult for the poorest countries to get onto the development ladder and move up its rungs if the more advanced developing countries face a "glass ceiling" that blocks their own development.

Under current international policy arrangements, the benefits of affirmative action measures designed for the LDCs are being undermined by a supposedly level playing field for all the other countries that is actually tilted against developing countries. Various asymmetries in the international system (see the article by Martin Khor in this volume) are making it difficult for the more advanced developing countries to deepen industrialisation, move up the technological ladder, and graduate out of producing the simpler goods exported by poorer countries. This tends to make the relationship between the LDCs and more advanced developing countries competitive rather than complementary.

The policy challenge is to structure the relationships of both more and less advanced developing countries *with* developed countries in a way that enables the emergence of complementary synergies *between* the more advanced developing countries and the less advanced developing countries. All groups of countries can gain. In the end, addressing the socioeconomic marginalisation and extreme poverty of the low-income countries will require not only differentiated treatment for them, but international measures to reduce the current polarisation of the global economy and to facilitate the emergence of a "middle class" of world States that can serve as regional growth nodes.

No single group of the measures proposed throughout this article can work alone to dismantle the global poverty trap. Taken together, though, they can steer the world away from a perpetuation of extreme poverty in the countries where the achievement of the MDGs will be hardest.

Mainstreaming Development in Trade and Finance: A Key to Global Partnership

Martin Khor[1]

If the current slogan of "mainstreaming trade in development" is to stress development, it demands a focus on mainstreaming development concerns in trade and trade policy. This kind of emphasis points to reforming current policies, rules and conditionalities in international trade, finance, investment, intellectual property rights and aid. WTO processes should become more transparent and participatory and the Organisation's mandate on non-trade issues needs to be reconsidered. The global financial architecture also requires reform, especially with regard to capital flows and investment.

Goal 8 of the MDGs, *Develop a global partnership for development,* is critical to the overall scheme of the Millennium Declaration, as it is the only goal devoted entirely to international relations. Successful development efforts require appropriate policies at both domestic and international levels. International factors have become proportionately more important in recent years as a result of the globalisation process. Developing countries have generally become more integrated in the world economy and thus their development prospects and performance are more dependent on global economic structures and trends.

More importantly, many policies that used to be made solely or primarily at the national level are now very significantly influenced or shaped at international fora and by international institutions. This applies especially to those developing countries that depend on the international financial institutions for loans and debt restructuring and have to abide by loan conditionalities. However, it also applies to most developing countries that are members of the World Trade Organisation (WTO), as they are obliged to align or realign national laws and policies to be in line with the WTO's legally binding agreements. Thus, the "external economic environment" (comprising global economic structures and trends and the policies determined or influenced by international agencies such as the IMF, the World Bank, WTO, the UN and developed-country groupings such as the Group of Eight, OECD and bilateral aid agencies) has tremendous impact on a typical developing country.

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In the context of the MDGs, the extent to which a developing country is able to make progress on many of the goals (especially Goal 1 on eradicating poverty and hunger, but also Goals 4, 5 and 6 relating to health and Goal 7 on environmental sustainability) depends not only on domestic policy choices, but also on how "friendly" or "hostile" the external economic environment is to that country. Four examples illustrate this point:

- The continuous fall in prices of export commodities has caused tremendous income and foreign exchange losses to many developing countries and is a major cause of persistent or increased poverty at the local and community levels.

- The financial instability and sharp currency fluctuations caused by large inflows and outflows of external funds have led many developing countries (including those considered the most successful among them) into financial and economic crises, with dramatic and sudden increases in poverty rates.

- Many developing countries have suffered declines in or threats to their industrial jobs and farmers' livelihoods as a result of inappropriate import liberalisation policies, partly or mainly due to external policy influences resulting from loan conditionalities or multilateral trade rules.

- Cutbacks in social sector expenditures arising from structural adjustment programmes, as well as the introduction of the "user-should-pay" principle, have been identified as a significant factor in the deterioration of the wellbeing of vulnerable and poor groups in several developing countries.

These examples, as well as the continuation of the debt crisis in many countries, show that attempts to improve domestic policies, however exemplary, are insufficient if developing countries are to attain the MDGs. Thus the importance of developing a "global partnership for development" to underpin or at least to accompany the other efforts for attaining all the other goals.

In the effort to meet the MDG targets, "getting policies right" is also of crucial importance. If economic and social structures are inequitable and if policies (either for preserving the status quo or for reform) are inappropriate, then the mere expansion of funds and programmes in a country would not be enough — and may indeed increase the problems. This applies to structures and policies at both national and international levels. Efforts to attain Goal 8 for developing global partnership should therefore focus, as a priority, on getting international economic structures, policies and rules right.

Integrating Developing Countries into the World Economy

Perhaps the most important — and most difficult — set of development policies that a developing country has to decide on lies in the interface between domestic policies and the world economy. Whether, how, when, to what extent, in which sectors and in which sequence to integrate the domestic economy and society with the international economy and society, are simple but large questions that face developing countries. In the international discussion on these issues, there is no consensus. Instead, there is much debate and many controversies on the definition, nature and consequences of globalisation.

The dominant approach of the past two decades, favoured by the "Washington Consensus", is that full, rapid and comprehensive integration of developing countries into the global economy is both beneficial and essential for their development. The dominance of this paradigm is now rapidly eroding, due to the empirical record of developing countries that have followed (or attempted to follow) the policies of rapid liberalisation. The East Asian financial crisis of 1997-99 and other subsequent crises (including those in Argentina and Uruguay) have undermined the policy prescription that developing countries should rapidly liberalise their financial system. It is now more widely recognised that financial liberalisation is qualitatively different from trade liberalisation and that developing countries should be cautious in how to (or even whether to) open their capital accounts.

In the area of trade liberalisation, there is also empirical evidence that excessive import liberalisation has caused dislocation to local industries and farms in several developing countries; at the same time, there has not been an increase in export opportunities or performance to offset these adverse developments. There is now an emerging trade-policy paradigm that stresses the importance of addressing other factors, such as the need to tailor the rate of import liberalisation to the increase in competitiveness of local firms and the need to increase the supply-side capacity of local firms in order to realise the country's export potential. Failure to address these factors can lead to serious problems of domestic economic dislocation and worsening trade imbalances, should a country liberalise its imports.

In the area of foreign direct investment, host developing countries are now being cautioned to take an even-handed approach and to have policies that seek to maximise the benefits (for example, through equity-sharing and profit-sharing and technology transfer arrangements) and to take account of risks and minimise them, especially potentially large drains on foreign exchange through high import content and large profit repatriation.

The emerging paradigm calls for developing countries to take a pragmatic approach to globalisation and liberalisation and to be selective and deliberate in choosing how and when and in which sectors and to what extent, to integrate their domestic economy with the global economy, in the areas of finance, trade and investment. This approach recognises that interaction with the global economy can benefit (and potentially be of significant benefit) to a developing country. However, the terms of interaction are crucial if the potential benefits are to be realised and if costs and damage are to be avoided. Too rapid a rate of integration, or integration in the wrong areas and in the wrong way, can be harmful rather than helpful. For example, too great a dependence on commodity exports and an increase in export volume when there is a global oversupply of a particular commodity, can be detrimental. Excessive financial liberalisation (for example, in allowing local institutions to freely borrow from abroad in foreign currency) can lead to a debt repayment crisis if the right regulations and conditions are not in place. The approach of selective integration, done carefully and appropriately, suited to the needs and particular conditions of a country, is therefore of the utmost importance. It should replace the still-dominant approach of "big-bang" liberalisation carried out inappropriately in a one-size-fits-all manner.

This change in paradigm and approach should firstly be considered at the national level, when governments choose their development strategy. However, it must be recognised that most developing countries do not have the "luxury" or space to choose their approach on economic integration, because of the determining influence of loan and aid conditionalities, or because of the rules they had agreed to in WTO. Thus, Millennium Development Goal 8 assumes central importance. In developing a global partnership for development, there is an underlying need for an understanding that developing countries should have the right to take an appropriate and pragmatic approach towards selectively integrating their domestic economy with the world economy. This understanding should be the basis for the systems of international trade, finance, investment, aid and intellectual property rights. The policies, rules and conditionalities arising from these systems should reflect these realities facing developing countries and their needs. Without this change in attitude and approach at the international level, it would be difficult or even impossible to attain Goal 8. It would also be difficult for developing countries to attain the other MDGs.

Trade, Development and Reform of the Multilateral Trading System

Ideally, trade and trade policy should serve the needs of development within a county's overall policy framework. There is thus the need to "*mainstream development concerns in trade and trade policy*." In practice, development needs are often compromised when a developing country participates in an inappropriate way in international trade (for example, by being too dependent on export commodities whose prices are on a trend decline) or when domestic policies and laws are amended in line with the country's obligations to meet the rules of the WTO or to meet loan conditionalities (and where aspects of the rules or policy conditionalities are unfavourable to the country's development interests). *"Mainstreaming trade in development"*, which is a recent slogan in international agencies, can inadvertently have adverse effects, if the policies underlying trade (or if the international trade rules) are inappropriate and damaging to development needs. In considering the policy approach for Goal 8, a distinction between *"mainstreaming development in trade"* and "mainstreaming trade in development" should be carefully kept in mind.

The international trading system has brought benefits in various ways to several countries, especially the developed countries and some developing countries that have managed to take advantage of it. However, the system is also imbalanced in ways that disadvantage many developing countries. We therefore need to examine two aspects of that imbalance: the decline in commodity prices and the rules of the WTO.

The Commodities Problem

The continuous decline in prices for export commodities is possibly the most important trade issue for most developing countries. It has led to falling incomes for millions of small commodity producers and deprived developing countries of export earnings, as well as worsening their debt repayment capacity.

Between the 1960s and the 1980s, attempts to stabilise commodity prices at reasonable levels were perhaps the most concrete manifestation of a "global partnership for development". This partnership took the form of several producer-consumer commodity agreements under the UNCTAD umbrella and the establishment of a Common Fund for Commodities. Many agreements succeeded in price stabilisation. However, most of the agreements closed or became ineffective after the withdrawal of interest and commitment by the consumer countries. As a result, commodity prices are now mainly determined by the vagaries of demand and supply of market forces.

The serious downgrading of the commodity problem in the international agenda is unfortunate, since the problem has not gone away, but has remained just as serious, if not more so. According to UN data, the terms of trade of non-fuel commodities vis-à-vis manufactures fell by 52% between 1980-1991, with catastrophic effects. A paper by the secretariat of the UN Conference on Environment and Development (UNCED) in 1991 showed that for Sub-Saharan Africa, a 28% fall in terms of trade between 1980-1989 led to an income loss of $16 billion in 1989 alone. In the four years 1986-1989, Sub-Saharan Africa suffered a $56 billion income loss, or 15-16% of GDP in 1987-1989. The UNCED study also showed that for 15 middle-income highly indebted countries, there was a combined terms of trade decline of 28% between

1980-1989, causing an average of $45 billion loss per year in the 1986-1989 period, or 5-6% of GDP (Khor, 1993).

In the 1990s, the general level of commodity prices fell even more in relation to manufactures and many commodity-dependent developing countries have continued to suffer deteriorating terms of trade. According to UNCTAD's *Trade and Development Report, 1999* (UNCTAD, 1999 p. 85), oil and non-oil primary commodity prices fell by 16.4% and 33.8% respectively from the end of 1996 to February 1999, resulting in a cumulative terms-of-trade loss of more than 4.5% of income during 1997-1998 for developing countries. *"Income losses were greater in the 1990s than in the 1980s not only because of larger terms-of-trade losses, but also because of the increased share of trade in GDP."* Moreover, the prices of some key manufactured products exported by developing countries have also declined. For example, the Republic of Korea experienced a 25% fall in the terms of trade of its manufactured exports between 1995-1997 due to a glut in the world market (UNCTAD, 1999 p. 87).

The great loss of opportunity for growth represented by the fall in terms of trade can be seen in the following. In 1989, gross domestic saving was 15.8% of the GDP of African countries as a whole and the gross domestic investment rate was 20.4% of GDP. As mentioned above, Sub-Saharan Africa suffered a loss of income due to terms-of-trade decline equivalent to 15-16% of GDP in 1987-89. Taking the 1989 Africa savings rate as the reference, it can be concluded that the Sub-Saharan African countries in the late 1980s were losing income equivalent to the amount of their entire savings level, as a result of terms-of-trade decline. If the terms of trade had not declined and if the income lost had been added to savings, then the value of savings could have doubled. If the savings had been all invested, the investment level in the region could have increased by 76%. These tremendous increases in savings and investments could have contributed to significant increases in the overall rates of economic growth.

The world trading system has been favouring the developed-country exporters of manufactured goods, while proving to be disadvantageous to the many developing countries whose main participation in global trade has consisted in the export of raw materials and commodities and the import of finished products. Many Southern countries have also lost their self-reliance in terms of producing their own food, as lands were converted to farm export crops that in many cases yielded unsatisfactory results in terms of instability of price and demand. Moreover, in recent years, even the prices of manufactured products exported by developing countries are showing disturbing signs of price decline.

Proposals

The decline in commodity prices suppresses the incomes of millions of commodity producers, thus making it difficult for Millennium Development Goal 1 (eradicating poverty and hunger) to be realised. It is imperative that such huge income losses incurred by poor countries be stemmed and if possible reversed. There should thus be a Target under Goal 8 to *"Address the problem of commodity-exporting developing countries through international measures to ensure commodity prices are stabilised at levels enabling adequate incomes for the countries and producers."* The need for action on commodities was also recognised in the Implementation Plan of the World Summit on Sustainable Development. One possibility is for countries to initiate a new round of producer-consumer commodity agreements aimed at rationalising the supply of raw materials (to take into account the need to reduce depletion of non-renewable natural resources) while ensuring fair and sufficiently high prices (to reflect ecological and social values of the resources).

If it is not possible to initiate joint producer-consumer attempts to improve the commodity situation, producers of export commodities could take their own initiative to rationalise their global supply so as to better match the profile of global demand. The increase in the price of oil as a result of better coordination among producing countries is a good reminder of the benefits that producers can derive from greater cooperation. If the developed consumer countries do not wish to participate in joint producer-consumer initiatives, it is important that they do not discourage producers from having their own arrangements to improve their commodity prices.

Reforms to the WTO System

Problems Facing the Developing Countries

There is at present considerable rethinking of the nature of the multilateral trading system embodied in the WTO by the Organisation's developing country members, many of which have become disillusioned by various aspects of the system. Meanwhile, there is also a high and growing level of criticisms from public interest groups worldwide.

There is now widespread acceptance that the rules and processes at the WTO are imbalanced and that much needs to be done to improve the situation. Perhaps the most important decision to be taken is whether the next few years will see the WTO members doing their best to rectify the problems and imbalances in the existing rules and system, or whether the developed countries succeed in their proposals to add more new issues (such as investment, competition and government procurement) to the WTO ambit. The addition of these non-trade issues is likely to distort the trading system and add to the existing imbalances.

Among the concerns of the developing countries are the following:

- *Non-realisation of the expected benefits of the Uruguay Round.*

  The developing countries' main expectation of benefit from the Uruguay Round was that the developed countries would open their agriculture and textiles markets to their products. However, there has been little progress. In agriculture, tariffs of many agriculture items of interest to developing countries are prohibitively high (some are over 200% and 300%). Domestic subsidies in the industrialised countries of OECD rose from US$275 billion (annual average for base period 1986-88) to US$326 billion in 1999 (according to OECD data) instead of declining as expected; the increase in permitted subsidies more than offset the decrease in subsidy categories that are under discipline in the WTO Agriculture Agreement. The recent decisions of the US Administration to increase subsidies under the US Farm Bill and of the European Union leaders to continue its level of subsidies under the Common Agriculture Policy have dashed expectations of a serious reduction in domestic support by the US and EU.

  In textiles, only very few items that the developing countries export have been taken off the quota list, even though more than half the implementation period (for the phaseout of the restrictions) has passed. According to the International Textiles and Clothing Bureau in June 2000, only a few quota restrictions (13 out of 750 by the US; 14 out of 219 by the EU; 29 out of 295 by Canada) had been eliminated (WTO 2000). This raises doubts as to whether all or most of the quotas will really be removed by 2005, as mandated under the WTO Agreement on Textiles and Clothing.

  There is thus an important asymmetry here: the developed countries have not lived up to their liberalisation commitments, yet the assumption they press on the developing countries the liberalisation of their imports and investments – as fast as possible – will unquestionably benefit their development. Developing countries are asked to bear for a little while the pain of rapid adjustment that will surely be good for them after a few years, whereas the developed countries ask for more time to adjust in agriculture and textiles, which have been protected for so many decades.

  Developed countries also have tariff peaks and tariff escalation in other products that are of export interest to developing countries, along with non-tariff barriers that have hampered the exports of the developing countries. These include the use of anti-dumping measures and countervailing duties on the products of developing countries.

The tariff and non-tariff barriers in the North are costly to the developing countries in terms of the potential exports forgone. According to an UNCTAD report: "*Developing countries have been striving hard, often at considerable cost, to integrate more closely into the world economy. But protectionism in the developed countries has prevented them from fully exploiting their existing or potential competitive advantage. In low-technology industries alone, developing countries are missing out on an additional $700 billion in annual export earnings as a result of trade barriers. This represents at least four times the average annual private foreign capital inflows in the 1990s (including FDI)*" (UNCTAD, 1999).

- *Problems faced by developing countries in implementing their WTO obligations*

Implementing their obligations under the WTO agreements has created many problems for developing countries. The prohibition of investment measures (such as local-content policy) and many types of subsidies (under the trade-related investment measures agreement and the subsidies agreement) has made it harder for developing countries to adopt measures to encourage domestic industry.

The Agriculture Agreement enables the developed countries to maintain high protection while also continuing with large subsidies. This enables them to export agriculture products at artificially cheap prices. However, many developing countries have low tariffs (in many cases, reduced under structural adjustment programmes) and low or no domestic subsidies and are not allowed to increase the tariffs (beyond a certain rate) or increase their subsidies. There is thus a basic imbalance in the Agriculture Agreement. Many developing countries are facing problems from having liberalised their agricultural imports, as cheaper imports are threatening the viability and livelihoods of small farmers. A Food and Agriculture Organisation (FAO) study of the experience of 16 developing countries in implementing the Agriculture Agreement concluded that: "*A common reported concern was with a general trend towards the concentration of farms. In the virtual absence of safety nets, the process also marginalised small producers and added to unemployment and poverty. Similarly, most studies pointed to continued problems of adjustment. As an example, the rice and sugar sectors in Senegal were facing difficulties in coping with import competition despite the substantive devaluation in 1994*" (FAO, 2000; FAO, 2001).

An ideal regime of intellectual property rights (IPRs) would strike an appropriate balance between the interests of owners and users of technology and between the IPR holder and the consumer. However, the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) has heavily tilted the balance in favour of the IPR holder, causing difficulties for technology users and consumers. The effects of a high-standard IPR regime in developing countries have included: high and often exorbitant prices of medicines, reducing access of the consumer to affordable medicines; high pricing (due to monopolies created by IPRs) of other consumer items, including computer software; the patenting by Northern corporations of biological materials originating in the South (often referred to as "biopiracy"); and higher cost for and lower access by developing countries to industrial technology (Khor, 2001).

The services agreement has many imbalances. Service enterprises in developed countries have far greater capacity to export and to invest abroad, while developing countries' services firms lack the capacity to operate in developed countries; thus, there will be an unequal outcome in benefits. The right of capital to move across frontiers (which is favourable to developed countries, the main providers of capital) is given far more weight than the movement of natural persons (where developing countries have an advantage). The agreement also puts pressure on developing countries to liberalise various services sectors, which could lead to the smaller local services enterprises in developing countries losing their market share or even becoming non-viable. At the same time, developing countries' service providers are generally unable to penetrate the markets of developed countries.

These problems raise the serious issue of whether developing countries can currently or in future pursue development strategies or meet development needs (including industrialisation, technology upgrading, development of local industries, food security and maintenance of local farms and agriculture, survival of local service providers and fulfilment of health and medicinal needs). These problems arise from the structural imbalances and weaknesses of the WTO agreements. There is now an urgent need to redress the imbalances and problems.

The developing countries have put forward their problems of implementation and their proposals for redressing these problems in the WTO. These requests have been taken up under the rubric of "implementation issues" during the past several years. They have been discussed on numerous occasions in the WTO General Council special sessions on implementation and in various Committees and Councils. Unfortunately, the developed countries have so far not responded positively. Their attitude seems to be that the developing countries entered into legally binding commitments and must abide by them, however painful; any changes require new concessions on their part. Such an attitude poses a challenge to the WTO, for it implies that the state of imbalance will have to remain and if developing countries "pay twice" or "'pay three or four times", the imbalances will become worse and the burden heavier.

- *Proposals by developed countries to expand the WTO's mandate to "new issues"*

  The biggest immediate problem facing the developing countries in the WTO is the immense pressure on them to accept the proposals by developed countries to expand the WTO's mandate to non-trade issues, including establishing new agreements on investment, competition and transparency in government procurement. Developing countries are being asked to accept these new obligations as an exchange for developed countries opening their agriculture markets or for favourably considering the "implementation issues". However, the new agreements and obligations in these new areas would be detrimental to the developing countries' development prospects and, at the same time (given the past poor record of the developed countries), it is uncertain that the developed countries will really provide more meaningful market access to the developing countries or resolve their implementation problems.

  The three proposed new agreements have a common theme: increasing the rights of foreign firms to have much greater access to the markets of developing countries. The investment agreement aims to expand the right of foreign firms to enter, invest and operate in developing countries with minimum regulation (as performance requirements would be prohibited) and to be given "national treatment" (treated at least as well as locals). The competition agreement is meant to oblige developing countries to adopt competition laws and policies, which would result in "effective equality of opportunity" for foreign firms vis-à-vis local firms. In effect, this would mean that governments would not be able to assist local firms.

  The proposed agreement on transparency in government procurement is planned as the first stage of an eventual agreement that would grant foreign firms the same right as local firms to bid for the business of government supplies, contracts and projects. These agreements would seriously tie the hands of government, preventing it from regulating foreign firms while preventing it also from providing assistance or preferences to local firms and other productive units. It would severely restrict the ability of developing countries to build the capacity of their domestic sectors, enterprises and farms.

The WTO System and the MDGs

In the context of the MDGs, there is a clear rationale for improving and reforming the WTO system of multilateral rules and decision-making process. The developed countries need to provide greater opportunities for developing countries so that the latter's export opportunities can expand. If this is done properly, it can lead to increased export earnings, foreign exchange and income, thus helping provide the extra resources for financing measures to meet the MDGs. However, it must be recognised that many developing countries will be unable to take up the opportunity because of supply side constraints. On the other hand, the problems caused to developing countries by the existing agreements are necessary to rectify. Failure to do so can adversely affect the realisation of several of the Goals. It would hinder Goal 8's striving for a global partnership for development, as the WTO rules are today recognised as representing an unequal partnership between North and South.

The Agreement on Agriculture, by allowing artificially cheap subsidised imports to threaten small farmers' livelihoods in developing countries, would threaten the realisation of Goal 1 (eradicate poverty and hunger). Unless there is a satisfactory clarification or amendment of the TRIPS agreement, access to health care and other services will be adversely affected, thus threatening Goal 6 on combating HIV/AIDS and other diseases. The pressures for liberalising services under the General Agreement on Trade in Services (GATS) could adversely affect the access of the public, especially the poor, to essential services such as education (thus affecting Goal 2), health care (thus affecting Goal 4, 5 and 6) and water supply (thus affecting Goal 7 on environment). The following measures are therefore proposed to further the goal of developing global partnership for development:

- Developed countries should commit to meaningfully opening their markets to developing countries in sectors, products and services in which the latter are able to benefit. These include textiles, agriculture and products processed from raw materials, as well as labour services. A meaningful expansion of market access for developing countries will be able to provide large opportunities for earning more revenues that could be the basis for significant extra financing for meeting the MDGs.

- The process in the WTO of reviewing the implementation problems arising from the existing agreements should result in appropriate changes to the rules or authoritative interpretations of the rules that help resolve the imbalances and the problems facing developing countries. For example, the following are among the changes that should be considered:

  - Developing countries should be given adequate flexibility in implementing their obligations in the Agriculture Agreement on the grounds of the need for food security, defence of rural livelihoods and poverty alleviation. In developing countries, food produced for domestic consumption and the products of small farmers should be exempted from the Agriculture Agreement's disciplines on import liberalisation and domestic subsidies.

  - In the Agreement on Trade-Related Investment Measures (TRIMs), "investment measures" such as the local-content requirement (obliging firms to use at least a specified minimal amount of local inputs) and foreign exchange balancing (limiting the import of inputs by firms to a certain percentage of their exports), have been prohibited. Such measures had been introduced to protect the country's balance of payments, promote local firms and enable more linkages to the local economy. Prohibiting them causes developing countries to lose some important policy options to pursue their industrialisation. The TRIMs Agreement should be amended to provide developing countries the flexibility to continue using such investment measures to meet their development goals.

– The TRIPS Agreement should be amended to take into account development, social and environmental concerns. For example, full clarification or amendments are still required to ensure that Members can effectively take measures to provide medicines at affordable prices. Members should also be allowed to prohibit the patenting of life forms and to protect the traditional knowledge and practices of farmers, indigenous people and local communities. Other amendments are also needed to rebalance the Agreement towards the interests of consumers and technology users in developing countries. The issue of whether IPRs should be covered at all under the WTO should also be reviewed.

– It should be clarified that essential services required by the public and especially by the poor, such as water supply, healthcare and education, should or can be exempted from the general rules and the specific sectoral schedules of the GATS.

There should be a re-orientation in the operational principles and rules of the WTO so that the development principle is accorded the highest priority. The preamble to the Marrakesh Agreement recognises the objective of sustainable development and also the need for positive efforts to ensure that the developing countries secure a share in international trade growth commensurate with the needs of their economic development. The objective of development should become the overriding principle guiding the work of the WTO, and its rules and operations should be designed to produce development as the outcome. Since the developing countries form the majority of the WTO membership, the development of these countries should be the first and foremost concern of the WTO.

The test of a rule, proposal or policy being considered in the WTO should not be whether that is "'trade distorting" but whether it is "development distorting". Since development is the ultimate objective, while the reduction of trade barriers is only a means, the need to avoid development distortions should have primacy over the avoidance of trade distortion. So-called "trade distortions" could in some circumstances constitute a necessary condition for meeting development objectives. From this perspective, the prevention of development distorting rules, measures, policies and approaches should be the overriding concern of the WTO.

The reorientation of the WTO towards this perspective and approach is essential if there is to be progress towards a fair and balanced multilateral trading system with more benefits rather than costs for developing countries. Such a reorientation would make the rules and judgement of future proposals more in line with empirical reality and practical necessities. Taking this approach, the goal for developing countries would be to attain "appropriate liberalisation" rather than to come under the pressure of attaining "maximum liberalisation". The rules of WTO should be reviewed to screen out those that are "development distorting" and a decision could be made that, at the least, developing countries be exempted from being obliged to follow rules or measures that prevent them from meeting their development objectives. These exemptions can be on the basis of special and differential treatment.

The next phase of the WTO's activities should focus on the above three areas, in order that the review of existing rules, the realising of opportunities in the developed countries' markets and the reorientation of the WTO to developing countries' needs and interests, can be carried out. These processes would in themselves be a massive task, requiring the commitment, energy and resources of WTO Members. However, this is needed to build a mutually beneficial multilateral trading system.

The proposal to begin negotiations on "new issues" (especially investment, competition, transparency in government procurement) after the next WTO Ministerial Conference in Cancun in September 2003 should be withdrawn, as this would not only distract and detract from the tasks of reform detailed above, but also add new heavy obligations onto developing countries and render the WTO system much more imbalanced.

The process of decision-making in WTO must be democratised, made more transparent and enable the full participation of developing countries. The so-called "consensus system" enables the developed countries to pressure developing countries to accept what has been agreed among the developed countries. Moreover, non-inclusive and non-transparent processes are used, especially surrounding the Ministerial Conferences during which the key decisions are taken. For example, at the Singapore Ministerial Conference in 1996, only 30 countries were invited to the "informal" meeting where the major decisions were taken and the remaining countries were asked to accept the decisions on the last night. At the Doha Conference in 2001, the proposals of a majority of developing countries on key subjects were not included in the drafts of the Declaration, despite their objections. This put them at a great disadvantage.

The decision-making processes should therefore be reformed; the absence of such reform would make it difficult or impossible for the other improvements being suggested to be realised. At the least: (a) all members must be allowed to be present and participate in meetings; (b) the views of all members must be adequately reflected in negotiating texts; (c) pressure should not be applied on members to accept views of other members; (d) adequate time must be given to all members to consider proposals being put forward; and (e) the practice of late-night exclusive meetings at Ministerial Conferences should be discontinued.

There should also be a rethinking on the scope of WTO's mandate over issues and the role of other agencies. It is misleading to equate WTO with the "multilateral trading system", as is often the case in many discussions. WTO is less than — and more than — the global trade system. There are key issues regarding world trade that the WTO is not seriously concerned with, including low commodity prices. On the other hand, the WTO has become deeply involved in domestic policy issues, such as intellectual property laws, domestic investment and subsidy policies. There are also proposals to bring in other non-trade issues, including labour and environment standards, as well as investment and competition.

WTO and its predecessor, GATT, have evolved trade principles (such as non-discrimination, MFN and national treatment) that were derived in the context of trade in goods. It is by no means assured or agreed that the application of the same principles to areas outside trade would lead to positive outcomes. Indeed, the incorporation of non-trade issues into the WTO system could distort the work of WTO itself and the multilateral trading system. Therefore, a fundamental rethinking of the mandate and scope of WTO is required. Firstly, issues that are not trade issues should not be introduced in the WTO as subjects for rules. Secondly, a review should be made of the issues that are currently in the WTO to determine whether the WTO is the appropriate venue for them (the obvious issue to consider here is IPRs).

The processes of reviews, reforms and changes suggested to the WTO above are important elements of contributing towards Goal 8 of "*developing a global partnership for development.*" In fact, the above measures could be included as new Targets, with accompanying indicators. Within its traditional ambit of trade in goods, the WTO should reorientate its primary operational objectives and principles towards development, as elaborated in the sections above. The imbalances in the agreements relating to goods should be ironed out, with the "rebalancing" designed to meet the development needs of developing countries and to be more in line with the realities of the liberalisation and development processes.

With these changes, the WTO could better play its role in the designing and maintenance of fair rules for trade and thus contribute towards a balanced, predictable international trading system that is designed to produce and promote development. WTO, reformed along the lines above, should then be seen as a key component of the international trading system, coexisting, complementing and cooperating with other organisations and, together, WTO and these other organisations would operate within the framework of the trading system, in a "global partnership for development".

Reforms to the Global Financial System

The Need for Global Financial Reform

In working towards Goal 8, a major element is the reform of the global financial architecture. This reform is embedded within the first Target accompanying Goal 8: "*Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.*" A note under the Target says that this "includes a commitment to good governance, development and poverty reduction, both nationally and internationally."

It can be argued that the present global financial system is not open (many financial transactions, including those involving speculative activities, highly-leveraged institutions such as hedge funds and derivatives, are non-transparent and non-accountable); it is not adequately rule-based (there is absence of or inadequate regulation over many kinds of activities of the financial institutions and over the massive international flows of funds); and it is also not predictable (as witness the volatility, fluctuations and unpredictability of exchange rates and inflows and outflows of funds that countries are subjected to).

The lack of regulation and predictability of the global financial system has been a source of financial and economic destabilisation for many developing countries. In recent years, there has been a continuous series of devastating financial and economic crises, including those that hit Mexico, Thailand, Indonesia, South Korea and Malaysia, Russia, Turkey, Argentina, Uruguay and Brazil. There have been conflicting reasons given for these crises. One of the dominant explanations is that the affected countries suffered from bad political and economic governance. This is quite remarkable, as most of the affected countries had been praised just prior to their crises as examples of good economic management.

A more accurate and credible explanation is that these crises were caused by the financial liberalisation and deregulation that has swept the world since the early 1970s, when the Bretton Woods system of fixed exchange rates collapsed. As a result, there has been an explosive increase in financial speculation as investment funds and speculators move rapidly across borders in search of profits. In recent years, many developing countries were also advised to deregulate and liberalise their financial systems. The controls over the inflow and outflow of funds, which these countries previously had, were relaxed very significantly. This led to excessive short-term borrowing by local firms and banks, as well as the entrance of international funds and players that invested, speculated and manipulated currencies and stock markets in these countries.

The prevailing mainstream view that liberalisation was beneficial and posed little danger to developing countries had been promoted by the international financial institutions and the major developed countries. The latter were eager to obtain more market access for their financial institutions to the emerging markets. It is now widely recognised that when crisis struck the East Asian countries in 1997, the IMF made it worse by mis-diagnosing its causes and promoting even further financial liberalisation as part of its loan conditionality, as well as a policy package (that including high interest rates, tight monetary and fiscal policies and closure of local financial institutions) that converted a financial debt problem into a structural economic recession. A report of the IMF also denied that hedge funds and other highly leveraged institutions had played a destabilising role in the Asian crisis; it took the near-collapse of Long-Term Capital Management to expose the extremely high leverage and market power of these speculative funds.

International Actions

In order that a global financial system can be developed as part of a "global partnership for development", two categories of measures are required at the international level in the interests of developing countries.

The first set of proposals involves the need to avoid new policies or agreements that would "lock in", oblige or pressurise the developing countries to adopt policies that further financial liberalisation. Each developing country should be enabled to decide on its own, without pressure, the degree, rate and type of financial liberalisation it should undertake. Moreover, the country should have the degree of flexibility to "backtrack" and reintroduce regulations, should it decide that this is in its interests, due to a change in circumstances or judgement. The following are proposed:

- The IMF should no longer pursue the goal of amending its Articles of Agreement to give it jurisdiction over capital account convertibility, with the aim of disciplining developing countries to open up their capital accounts and markets. The IMF had been pursuing the amendment until the series of financial crises beginning in 1997 slowed down the process.

- OECD countries should stop altogether any attempt to revive their proposed Multilateral Agreement on Investment, which would have given unfettered freedom of mobility to all types of capital flows. The negotiations stalled in 1998 following discontent by civil society organisations and the withdrawal from negotiations of France.

- The proposal for a multilateral investment agreement under the aegis of the WTO should also not proceed, as such an agreement would put intense pressures on developing countries to deregulate the flows of investments and financial flows into and out of their countries. This will make them more susceptible to the instability of financial flows.

- There should be a review of the financial services agreement in WTO to take into account the understanding gained and lessons learned from the negative effects of financial liberalisation resulting from the latest round of financial crises. Developing countries should not be pressured in the present or future rounds of services negotiations in WTO to further liberalise their financial sectors. The decision to liberalise should be left to the developing countries to make. Developing countries should be cautious about liberalisation commitments.

The second set of proposals relates to international policies and measures that are required in order to develop a stable and development-oriented global financial system:

- The development of measures and guidelines to assist developing countries to prevent or avoid future debt and financial crises. These should include measures that regulate and control the type and extent of foreign loans that the public and private sectors are allowed to obtain, along with regulations to prevent speculation and manipulation in the stock market and the currency markets.

- If, nevertheless, a financial crisis breaks out, in which a country is unable to service its external debt, international measures and mechanisms are required to enable the affected country to manage the crisis effectively and in which the debtors and creditors share the burden equitably. At present, there is no systemic treatment for debt workout, rescheduling and relief. Usually the debtor developing countries are left carrying an unfairly large share of the burden and the outstanding debt in many cases remains or even grows. The measures required include an arrangement in which a country in financial trouble can opt for a debt standstill and have recourse to an independent international debt arbitration court or panel; this body would then arrange for a debt workout that fairly shares the cost and burden between creditors and debtors and also facilitates the provision of fresh credit to aid the affected country's recovery. This proposal for an "international bankruptcy mechanism" had been notably put forward in detail by UNCTAD in its Trade and Development Reports 1998 and 2001 and the IMF Secretariat has in the past year also been actively promoting the concept. It would be a major breakthrough towards a new financial architecture.

- A framework that allows and freely permits developing countries, without fear of attracting penalties, to establish systems of regulation and control over the inflow and outflow of funds, especially of the speculative variety.

- Governments of countries that are the sources of internationally mobile funds should be obliged to discipline and regulate their financial institutions and players to prevent them from unhealthy speculative activities abroad and from causing volatile capital flows.

- Systems of international regulation need to be developed to control the activities of hedge funds, investment banks and other highly leveraged institutions, offshore centres, the currency markets and the derivatives trade.

- An international monetary system that enables the stability of currency exchange rates is also urgently required.

- A reform of the decision-making system in international financial institutions, especially the IMF and the World Bank, is required, so that developing countries can have a fairer and more effective role in the policies and processes of these institutions that have so much influence and power over their economic and social policies. The distribution of quotas in the equity of the IFIs should be reviewed and reformed, so that developing countries are enabled to have a greater proportion of the total shares (for example, half or more than half).

- A review of and appropriate changes to the set of conditionalities that accompany IMF-World Bank loans is urgently required, as it has become increasingly obvious that in many cases the sets of policy prescriptions have had adverse rather than positive effects, specifically as well as overall. Recent UN reports have pointed out criticisms, including by Finance Ministers of heavily-indebted poor countries (HIPC), that some elements of macroeconomic conditionality have focused on reducing inflation at the expense of growth and employment. Although the previously termed "structural adjustment policies" have now been re-named, the newly established Poverty Reduction Strategy Papers (PRSPs) that are meant to be oriented towards poverty reduction, also contain policy elements that are very similar to the macroeconomic and structural adjustment programmes implemented in many poor countries over the past two decades (United Nations 2002a, UNCTAD 2002). The scope of conditionality should be streamlined and reduced to appropriate topics and the appropriateness of the policy assumptions and the policies themselves should be openly debated and the needed corrections made, so that the economic frameworks are growth- and development-oriented rather than have contractionary effects. Recipient countries should be enabled to "own" the process of establishing the priorities, assumptions of the policy frameworks and the policies themselves. Civil society should also be adequately consulted. The recipient countries should have options to choose among appropriate financial, monetary, fiscal, macroeconomic, trade, ownership and other economic and social policies, instead of being obliged to merely follow the IMF and World Bank prescriptions..

- As recognised by Target 15 under Goal 8 of the MDG, there is a need to "*deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long run.*" The comprehensive treatment needs to cover all types of debt (private, public bilateral and multilateral); it should apply to low as well as middle-income developing countries facing debt servicing problems and other developing countries that are on the verge of debt-repayment crisis. The HIPC initiative has had only limited effects and its coverage, framework, procedures and content of conditionality should be reformed to give much deeper relief to many more HIPC countries. A more serious and systemic approach to debt relief and fair creditor-debtor burden sharing should be made for middle-income developing countries. The mechanism for debt arbitration or an international insolvency court could be an important part of the resolution of the debt crisis.

- To prevent future debt problems and financial crises, the possible sources of these problems and crises should be identified, including outside of the financial arena. For example, there should also be a review of the appropriateness of trade policies. The decline in commodity prices, the lack of export opportunities and inappropriate import liberalisation (and especially the combination of all these three factors) can cause, contribute to or worsen a financial crisis. For example, when a country liberalises its imports when its local sectors are not yet prepared to compete, while at the same time it is unable to earn more export revenue, the country's trade and balance-of-payments deficits may worsen significantly, adding to debt pressures and possibly triggering a full-scale external financial crisis.

National Actions

In the absence of such international measures as outlined above, developing countries may have no choice but to institute domestic measures to protect themselves from conditions that can lead to financial crisis and debt-repayment problems. In particular, they should consider instituting regulations that control the extent of public and private sector foreign loans (for example, restricting them to projects that yield the capacity to repay in foreign currency); that prohibit manipulation of their currencies and stock markets; and that treat foreign direct investment in a selective way that avoids build-up of foreign debt (that could result from heavy imports or large profit repatriation by the foreign firms).

The array of national policy instruments from which a country can choose should include capital controls (on both inflows and outflows) which would assist the country to avoid an excessive build-up of external debt, to curb volatility of the flow of funds and to enable the country to have more scope to adopt macroeconomic policies that can counter recession (such as lower interest rates or budget expansion) while reducing the risks of volatility in the exchange rate and flow of funds.

In this respect, it is essential to recognise and reiterate that developing countries have the right to adopt capital controls of their choice (which is sanctioned by Article VI of the IMF Articles of Agreement). It is an integral part of a nation's right to economic self-determination and no pressure should be brought to bear on any state to refrain from making use of such controls, or on a state that resorts to such controls, to abandon them. In particular, international financial institutions must desist from attempts to dissuade developing countries from having recourse to such controls by threats (overt or veiled) of the withdrawal of credits or other financial support.

In short, the crucial question of when or how a state wishes to liberalise its capital account, or whether it wishes to embark on such liberalisation at all, should be left to its sole determination, without outside pressure.

While this discussion of the global financial system has only outlined some of the critical areas where reform is required without the level of detail devoted to the trading system and the WTO, it is clear that reforms are urgently required in both areas at both international and national levels. A great number of developing countries are still heavily indebted even after a decade or two decades or more in that situation, whilst increasing numbers of other developing countries (including the more developed among them) have also become heavily indebted. The financial system as a whole, which is increasingly characterised by liberalised cross-border flows of funds, by the absence of regulations, transparency or a fair rules-based way of resolving the burden between debtor and creditor countries, requires an overhaul. In the reforms, the interests of developing countries should be given the highest priority.

In the context of the MDGs, Goal 8 does not have a detailed enough Target to capture the manifold objectives and actions that are needed in the area of global finance, including the problem of debt, capital flows and a healthy system of financing for development. Therefore, more detailed Targets in this field should be developed, as well as more and better indicators. Most important, however, is the need to flesh out in more detail and greater accuracy the various measures, policies and frameworks required to make the financial system a key component to a "global partnership for development" rather than the problem it now is.

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Civil Society and the MDGs

by Roberto Bissio[1]

CSOs pose five basic questions about the MDGs: Why should the public mobilise behind them when so many earlier UN goals remain unfulfilled? Do the MDGs apply to everyone in the global street? Do the Goals concern only aid? What trade-offs took place in reaching the "Monterrey Consensus" and how fair are they? Do the MDGs represent a new global bargain or the old-style impositions?

After the end of the Cold War, a series of major conferences and summits updated the UN social agenda. Civil society organisations were encouraged to participate, and did so by the thousands, bringing unusual enthusiasm into the diplomatic negotiating processes, attracting media coverage and advocating for a variety of proposals about issues such as development and human rights, many of which found their way into the final texts. A frequent demand during those conferences was that the lofty principles of the resolutions and plans of actions — which are not legally binding documents — be reinforced with concrete, measurable, time-bound commitments, and that follow-up processes be established to monitor them. As a result, the establishment of concrete measurable goals and targets was mainstreamed through the conference process.

The Millennium Declaration was adopted by the UN General Assembly in September 2000 and was strengthened politically by the presence of an unprecedented number of Heads of State. It updates many of the development goals originally set (and not met) for the year 2000 and reformulates them for the year 2015. It also gives UN endorsement to the goal of "halving extreme poverty," originally formulated by the OECD, by that date.

In fact, development goals had been set by the UN since the first "Development Decade" in the 1960s. The public at large might have assumed that somebody was monitoring progress in achieving these goals. But the mechanisms of accountability are weak and scattered into different commissions and bodies that do not communicate with each other.

In May 1998 the United Nations Economic and Social Council (ECOSOC) held a session on the Integrated Follow-up of Major UN Conferences and Summits. The President of the Council, Ambassador Juan Somavía, reported that " … in order to

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effectively monitor progress in the implementation of conferences at the country level, there is an urgent need for the multilateral system to develop a coherent set of basic indicators, as well as the need to strengthen the capacity of the UN system and of countries to collect and analyse statistics."

He also emphasised that "involvement of civil society in an effective way in the inter-governmental conference follow-up process is essential in view of the significant role members of civil society have played in the conferences themselves as well as in their follow-up and implementation, particularly at the country level."

Four years later, a final resolution on how to follow up the conferences is still pending. In December 2002, the Second Committee of the UN General Assembly decided "to create a working group that will submit proposals, by mid-2003, on how best to address the review of the implementation of the outcomes of the major United Nations conferences and summits in the economic, social and related fields, … bearing in mind the need to recognise the active role of all relevant stakeholders."[2]

Civil society organisations have not waited for a follow-up mechanism to be put in place. In the area of human rights, the records of governments in fulfilling their obligations and commitments have been systematically evaluated and reported over the years by well-respected independent international organisations, like Amnesty International and many others. A similar surveillance effort started to be mobilised on behalf of economic and social rights or the social development agenda in the mid-1990s.

The Social Watch network was created in 1995 during the World Summit on Social Development to do precisely that, and has since grown into an active presence in some 60 countries in all regions of the world. It has been described as "an effort to do what obviously needed to be done, rather than an original idea".

Every year since 1996, Social Watch has published global reports on what has and has not been achieved, particularly with regard to the Social Summit and the Beijing Conference on Women. As the prologue of one of these reports put it: "to report internationally on what happens nationally improves transparency and accountability. Providing numerical indicators is a rough attempt to capture complex realities in a simplified way. Yet, as the Olympic Games and beauty contests show, international comparisons are a powerful motivator."[3] Social Watch follows indicators for each of the key international commitments in detail and summarises them in tables showing

[2] UN General Assembly, A/C.2/57/L.70, December 9, 2002, Fifty-seventh session, Second Committee, Agenda item 92, Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields.

[3] *Social Watch Report 1999.*

the current situation, progress and “political will”. According to its assessments, lack of progress towards the internationally agreed goals “...is not due to the lack of resources, but rather due to a deficit in political will.”[4]

Many other groups, whether local or part of international networks and associations, feel empowered by the UN agenda and participate in different ways in the monitoring the implementation of conference resolutions or international human rights obligations. The Social Watch network is far from being the only one, and it does not attempt to represent the enormous diversity and richness of CSOs. But the experiences of the groups that its network comprises clearly demonstrate the kind of energies that civil society monitoring of UN commitments can unleash.[5]

Can Civil Society Campaign for the MDGs?

It seems logical that a civil society monitoring process similar to the one initiated by Social Watch for the Social Summit could be established for the Millennium Declaration and the Development Goals that it promotes. Yet complex experiences do not transfer automatically. The peculiarities of the MDGs have to be taken into account.

The UN conferences of the 1990s emerged from lengthy preparatory processes (usually taking two years and several meetings of intergovernmental preparatory committees) and the implementation of their resolutions has been reviewed every year by commissions of ECOSOC and every five years by large international conferences (the so-called “plus five” or “plus ten” meetings). NGOs have access to all those meetings at the international and regional level and, in many cases, have also interacted with their governments at national levels, commenting on and even helping to draft the national reports about implementation of the conference resolutions.[6]

The Millennium Declaration was a result of a different process, where NGOs were not so deeply involved. Technically, the Declaration is a UN General Assembly resolution, and NGOs then had no participation at all in that body.[7] There were no open

4 *Easier Said than Done: Indicators 2000*, preface by Roberto Bissio.

5 The global analyses of Social Watch reports derive from national reports written by independent civil society groups at the country level. Each national team selects one or more commitments of the 1995 World Summit on Social Development; gathers relevant information on its implementation from governmental and non-governmental sources; and promotes national public debate about its findings, starting with a formal launch of its report. The international secretariat of Social Watch provides guidelines and model questionnaires, as well as training, upon request; includes these national reports in its yearly publication; circulates information among network members; and promotes the expansion of their initiatives in conjunction with regional coordinators.

6 The “plus 5” process has been criticised by some governments — particularly the United States — as time-consuming and ineffective. In the case of the Social Summit, the “plus five” review meeting (Geneva, 2000) ended without deciding to convene a “plus ten” follow-up in 2005.

7 A resolution calling for NGO involvement at all levels of UN work was approved, but the modalities for its implementation are still under discussion.

preparatory committee meetings to negotiate the Declaration and the UN secretariat itself took a leading role in its drafting. Civil society participation in the Millennium Summit was indirect, parallel to the official process and concentrated on a single large meeting that took place months before the actual session at the level of Heads of State. As a result, the MDGs are still largely unknown by civil society organisations at the national level, and there isn't the same feeling of "ownership" as citizen groups have over "Agenda 21" that resulted from the Earth Summit or the Ten Commitments adopted by the governments during the Social Summit.

In terms of assessing implementation and following up on its recommendation, the Millennium Declaration "requests the General Assembly to review on a regular basis the progress made in implementing the provisions of this Declaration, and ask the Secretary-General to issue periodic reports for consideration by the General Assembly and as a basis for further action."

With regard to NGOs or civil society in general, the Declaration commits governments "to develop strong partnerships with the private sector and with civil society organisations in pursuit of development and poverty eradication" and "to give greater opportunities to the private sector, non-governmental organisations and civil society, in general, to contribute to the realisation of the Organisation's goals and programmes." That formulation could give ample room for civil society involvement at national and international level, but it is far from being specific. In a worst-case scenario, there would be no country reports, since they are not mandated. The UN Secretary-General could produce the reports without any civil society input, and those reports could be considered by the General Assembly without the NGOs even being allowed to observe the proceedings. Chances for NGO involvement would be reduced to helping to implement poverty eradication programmes at the national level, something they are already doing anyhow.

Obstacles to Civil Society Involvement

Obstacle 1: Skepticism

The public is skeptical. So many goals have not been met in the past; why should it be different this time? This is not a question that can be answered at this stage and pessimists and optimists can debate endlessly whether the glass is partly empty or partly full. It is a fact, however, that unless current trends substantially change, the Goals will not be met. That fact could be either an excuse for cynicism or a motivation to do better. The year 2002 stands exactly halfway between the base year of 1990, taken as reference for the indicators that measure achievement of the MDGs and the target year of 2015. In a report called *Halfway there?*, ActionAid states that "At current rates of progress the poorest regions are set to fail to meet the targets. Latin America is making steady progress, but not fast enough, and improvements in South Asia are uneven. However, it is Sub-Saharan Africa that poses the biggest challenge, where some of the key target indicators are actually getting worse."

Obstacle 2: Does it apply to me?

During the second World Social Forum, in January 2002, UNDP officials met in Porto Alegre with civil society anti-poverty campaigners from all over the world to discuss ways in which the message of the Millennium Declaration could reach the very people that the MDGs are intended to benefit.

As a Brazilian NGO activist commented, "If we go to a poor community with the message that poverty will be reduced by half, the immediate reaction will be 'Which half am I in?' " A few months later, former metalworker Luis Ignacio da Silva, universally known as "Lula", won the Brazilian Presidency after a campaign that emphasised "Zero Hunger" as the goal of his government.

It is easy to understand that extreme poverty (frequently defined as the inability to meet basic food requirements) cannot be eradicated instantly, and that any process to eradicate it will be cumulative and gradual, where the number of people under the poverty line will be reduced by half, two thirds, three quarters, etc. But in terms of mobilising support, the commitment "to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty"[8] can be inspirational, while the technical formulation of "halving the proportion of people living on less than $1 a day, by 2015" is not.

In order to capture the hearts and minds of public opinion, and even those of committed campaigners, the MDGs still need to be translated from technical jargon into formulas that, true to their actual meaning, can be readily understood by the men and women in the streets.

Obstacle 3: Is it just about aid?

The Monterrey Summit on Financing for Development (FfD) was the first major UN conference after the approval of the Millennium Declaration. The central issue of how to finance the MDGs became the focus of the debate. Estimates were published as to how much additional development aid was needed to achieve the targets, ranging from $50 — $100 billion dollars a year. While the first figure, quoted by Kofi Annan in his address to the last meeting of the FfD Preparatory Committee, would imply a

8 Paragraph 11 of the Millennium Declaration.

doubling of the current aid level, it still falls short of meeting the commitment made in the 1970s by developed countries to contribute 0.7% of their GDP to development.

Both the United States and the European Union announced during the Conference unilateral decisions to gradually increase their development aid, promising an additional $12 billion within a few years. While clearly falling short of the established benchmark, this promise would reverse for the first time in many years the decreasing trend of aid. As such, it was highlighted as a major achievement, even when no substantial progress was made on the other issues of the agenda.

The enthusiasm of the officials from development cooperation ministries in the rich countries and international development agencies about the "success" of FfD contrasted sharply with the mood of the NGOs. Civil society groups dissociated themselves from the so-called "Monterrey Consensus", which they characterised as a "Washington consensus in a sombrero". While no spokesperson in the NGO community criticised the MDGs or the increase in official development assistance *per se,* the antagonistic perceptions about the results in Monterrey created a feeling that MDGs were only about aid and ultimately did not address the concerns of middle-income developing countries or transition countries, or poor and vulnerable groups in the developed world.

Obstacle 4: Is the trade-off fair?

The FfD process had actually started several years earlier and the major issues it was originally supposed to address included debt, the volatility of capital flows and the financial crisis this causes, and the overall reform of the international "financial architecture", including the governance structure of the Bretton Woods institutions. The latter were established more than half a century ago and are deemed obsolete by many, due to the disproportionate voting power of a few developed countries. There was a trade-off in diluting the content of the FfD Summit against the political benefit of having President Bush's personal attendance and endorsement of its final consensus. Similarly, there is a trade-off between lowering the benchmarks and targets of previous UN conferences and achieving unanimous acceptance of the MDGs by the world leaders. Diplomacy is always about trade-offs, the issue always being that at the end everybody wins something, even if not every aspiration of all participants has been met.

In the case of the MDGs, it is important to confront the trade-off between the need to focus on the poorest of the poor and the need to widen the constituencies to support a campaign or action plan, without which the political will to actually implement the resolutions will be lacking. The World Summit for Social Development in 1995 attempted to address that dilemma by structuring its agenda around three issues (poverty, unemployment and social integration) that would address concerns of, respectively, developing countries, developed countries and the public at large everywhere.

Obstacle 5: is it a new bargain or the old-style impositions?

According to Mark Malloch Brown, the Administrator of UNDP, "both the uncontrolled and ultimately mismanaged entitlement culture of aid that characterised the '60s and '70s and the top-down, destructive conditionality approach of the so-called Washington consensus that dominated development thinking in the '80s and '90s have been discredited. In their place, what is emerging is a new consensus that demands that we match mutual commitments and mutual accountability: a political bargain being built around a partnership of self-interest between the countries of North and South under which sustained political and economic reform by developing countries will be matched by direct support from the rich world in the form of the trade, aid and investment needed if they are to succeed."[9]

In a similar vein, World Bank President James Wolfensohn stated during a roundtable at the opening of the annual Bank-IMF meeting in Washington last September, that "we are talking very much about the issue of trade, about the issue of a two-sided bargain, and maybe we've been slow in learning, but it is the hymnbook that we're singing from now."[10]

If the MDGs are to become the reference for a new "Global Compact for Growth and Development" whose terms are still to be defined, a balance needs to be found between the obligations of developed and developing countries. The targets mentioned with measurable precision and a date in the Millennium Declaration all refer to what needs to be achieved in the poorest countries, not what needs to be done in order to achieve desired goals. Sigificantly, the "to do" list of the richest countries (debt relief, market access, more aid) is not linked in the document to any specific date or performance indicator.

Southern diplomats expressed similar concerns, and the perceived need for balance ultimately led to a reformulation of the MDGs, from an initial list of the development targets formulated in paragraph 19 of the Millennium Declaration, to an eight-goal summary, adding to the initial six bullet-points a Goal 7 (related to the environment, which is a separate section of the Millennium Declaration) and a Goal 8 on "developing a global partnership", which refers vaguely to all the systemic issues of the world economy.

[9] Mark Malloch Brown,"Meeting the Millennium Challenge", Address delivered in Berlin, Germany, 27 June 2002

[10] "Capstone Roundtable", Friday, September 27, 2002. Transcript available at http://www.imf.org/external/mmedia/view.asp?eventID=126

Globalisation has already limited enormously, through binding international trade agreements or the conditionalities imposed by the international financial institutions, the menu of economic policies from which governments (and consequently citizens) can actually choose. And there is a risk that they might be reduced even more, further undermining sovereignty and rendering democracy useless.

Goals 2 to 6 of the MDGs refer quite directly to basic service delivery in the areas of health, education and water provision. Goal 1 on poverty is also to a major extent related to access to services (even when poverty is now recognised as a multidimensional problem, with a variety of internal and external causes).

While everyone agrees that basic services need to be improved and made accessible to the poor, the discussion about how to accomplish this is increasingly controversial: On the one hand, the Bretton Woods institutions and their major shareholder governments tout the benefits of privatising the public sector. On the other hand, civil society organisations across the global North and South are increasingly resisting the adoption of policies that put basic services into private hands. Some privatisation measures have led to spontaneous citizen mobilisation that threatened the survival of national governments.

Where do we go and how do we get there?

While an integrated follow-up mechanism to review all of the major conferences resolutions (including the Millennium Declaration) is being worked out, can the MDGs be an effective rallying point to stimulate civil society participation? The answer is, as with most things in life, "it depends." For international groups, the MDGs can provide an excellent base, both in terms of providing a standard to evaluate implementation, as well as to stimulate analysis (and campaigning!) on the different obstacles that hinder the achievement of the Goals.

At the national level, a local "translation" of the MDGs into national realities is needed. Since the MDGs have been formulated in a way that emphasises the situation of the least developed countries as a priority, the first impression in middle-income and transition countries tends to be "This does not apply to us." In developed countries, only groups directly concerned with aid or solidarity with the poorest countries immediately identified with the MDGs and, in the poorest countries themselves, the civil society organisations wonder what is the difference or the added value of an MDG approach when compared to the PRSP process.[11] In all of these cases, civil society could become involved in the national process of "internalisation" of the MDGs,

[11] In that process for obtaining debt relief, the Poverty Reduction Strategy Papers themselves are written by the governments of highly indebted poor countries in consultation with civil society.

setting national goals, defining national poverty lines and strategies towards poverty eradication. It could also become highly engaged in the necessary process of creating the national (or even local) indicators and accountability mechanisms.

To link the MDGs with a particular set of policy prescriptions would be the wrong approach, no matter which policies are prescribed, precisely because there is no single "correct" policy for all societies and circumstances. At the same time, the Goals can be a source of legitimacy for the countries to pursue the policies of their choice.

Speaking during a panel discussion organised by the UN General Assembly on "managing globalisation", Ann Pettifor, Director of the Centre for International Finance and Governance of the New Economic Foundation, said that the proposed international insolvency framework should be overseen by the United Nations instead of the International Monetary Fund (IMF).[12] Such a framework would allow countries to deal with unpayable sovereign debts in a manner similar to that of firms facing bankruptcy. The IMF, where the creditors have a majority, would cease being the only arbiter, perhaps becoming one in a tribunal, in which the debtor country would choose the second member and those two would agree on a neutral third, under UN supervision.

What should the criteria be for such a tribunal to decide how much of the debt is sustainable and has to be paid, and which portion of the country's income should go to other priorities? The answer promising the best chance for consensus and equity is clear: the MDGs. Only after making sure that the essential services required to meet the MDGs are delivered would debt be serviced. This is similar to provision already in place in the USA for indebted municipalities.

In the same vein, a developing country should be able to demand "special and differential treatment" in meeting the obligations contracted under trade and investment agreements. The MDGs could be the objective standard in the discussion over the establishment of state monopolies, tariff protection for local production, subsidies aimed at specific social sectors, or control over the international flows of capital. As a result, for example, exemptions to the protection of the intellectual property rights of pharmaceutical corporations (resulting in more expensive medicines) would be admitted where those rights are proven to be an obstacle to achieving the goal of curbing the spread of HIV-AIDS. In the case of the General Agreement on Trade in Services (GATS), if liberalisation of a basic service sector is shown to undermine the MDGs after binding offers are made and accepted, an escape clause should enable developing countries to impose regulatons that are not consistent with WTO rules without having to pay prohibitively costly compensation.

[12] UN Press Release DEV/2398, of November 1, 2002.

The process of international macroeconomic policy-making known as "globalisation" is currently enforced by the rules set at the WTO (and regional or bilateral trade agreements) and by the conditionalities imposed to indebted countries by the Bretton Woods institutions. The obscure decision-making and disproportionate weight of a handful of developed countries in those institutions, combined with the enormous (and frequently negative) social impact of the policies they have endorsed, has resulted in an unprecedented legitimacy crisis. That crisis is expressed noisily in the streets by a variety of constituencies and more silently, but not less effectively, in negotiations by officials of developing countries. On the other hand, the Human Rights instruments, the ILO conventions and the declarations of the UN conferences of the 1990s are perceived as legitimate, but also ineffective. Mechanisms like those suggested above would help reestablish balance and start building the "Development Compact", a set of negotiated mutual commitments between developed and developing countries, without which the MDGs cannot be achieved.

In such a perspective, the vibrant mobilisation of civil society around a strategy that is inspirational and viable is an asset that may be too difficult to measure, but essential for real changes.

The Millennium Declaration: Mobilising Civil Society Organisations

John W Foster[1]

A worldwide report on CSO response to the Millennium Declaration and the Goals it proclaims brings to light significant differences regional concerning the realisation of the different MDGs. It also indicates the importance CSOs attach to policy and institutional reform, along with the ongoing commitment of many to monitoring government performance, as well as to their own practical implementation of strategies for meeting the MDGs within the stipulated timeframe.

On October 1, 2002 the Secretary-General of the UN warned that "*the world was falling short in meeting the objectives agreed by global leaders two years ago in the Millennium Declaration*". Trends were "decidedly mixed" and while some advances had taken place on the specific MDGs, the broader objectives of the Declaration – including human rights, democracy, good governance, conflict resolution and Africa's special needs – showed insufficient progress.

The importance of engaging partners in the campaign for implementation, and the role of civil society organisations (CSOs) among them has been noted by the Secretary-General and others concerned with mobilising support for the Declaration and the Goals.

The Secretary-General's overview is sustained by a survey of CSO responses to the Declaration and the Goals undertaken in mid-2002, almost two years after the General Assembly endorsed them. Undertaken by the World Federation of United Nations Associations (WFUNA) in cooperation with The North-South Institute (Ottawa, Canada), the survey indicates a positive engagement with the Declaration and Goals by many groups in diverse places and with a great variety of initiatives. It also indicates that simple knowledge of the Declaration and Goals may not have permeated deeply enough in civil society. Further, it suggests that there is significant scepticism about the commitment of governments to implementation and about whether the changes in policy necessary to accomplish the vision of the Declaration will in fact be taken by the International Financial Institutions (the World Bank and

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International Monetary Fund) the Organisation for Economic Coopertation and Development and the UN itself.

Civil Society and the Millennium Declaration

The Millennium General Assembly (GA), which gave birth to the Declaration, engaged scores of heads of states, but not CSOs — which continue to lack a clear ongoing status with the GA. Two other events were notable for many CSOs in preparations for this GA session.

In May, 2000, with considerable enthusiasm and participation but extremely limited resources, the Millennium Forum was held at UN headquarters, with more than 1,350 NGO representatives. The Forum produced the *Millennium Forum Declaration,*[2] which contains a broad and far-reaching vision, along with detailed proposals for reform. The Forum pressed governments and the United Nations for such priorities as:

- full implementation of the 1995 World Summit for Social Development commitments;
- leadership in supervising debt cancellation; and
- introduction of binding codes of conduct for transnational corporations.

CSOs were encouraged to monitor and pressure governments to fulfil their commitments, to engage the poor in real partnership in eradicating poverty and exert their best efforts to implement the Universal Declaration of Human Rights.

A comprehensive catalogue of initiatives was elaborated for international action in peace, security and disarmament; facing the challenge of globalisation with equity, justice and diversity; human rights; sustainable development and the environment; strengthening and democratising the United Nations and international organisations.

The Forum strongly emphasised the urgency of implementing the key commitments of all the major Summits and World Conferences of the 1990s, in human rights, social development, environment, women, population issues and urbanisation. The opportunity to review this implementation in the field of social development was unfolding simultaneously with the Forum, as preparations were completed for "Copenhagen or WSSD plus five", the special session of the General Assembly known as "Geneva 2000".

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[2] Millennium Forum, *We the Peoples Millennium Forum Declaration and Agenda for Action: Strengthening the United Nations for the 21st Century*, New York, May, 2000.

Geneva 2000 is an important marker in understanding the context for the Millennium Declaration and the MDGs. CSO participants in the preparatory process were well aware of the very mixed results detailed in by national reports, international surveys like that of Social Watch and in the report of the Secretary-General to the preparatory process itself. For a number of those who took part in the process, the time was long overdue for a clear examination of the roots and causes of not only of continued poverty, but of escalating inequality and polarisation. Further, a number of "northern" and "southern" organisations were dedicated to the eradication of poverty and reduction of inequality in developed, middle-income, transitional, developing and least developed countries — and not simply to targeted efforts for the poorest. If the Millennium was to mark a renewal of global social commitment, then surely the Geneva 2000 Special Session would signal it loud and clear.[3]

Before the debate on the final Declaration and Plan of Action of the Geneva event was accomplished, however, the Secretary-General, together with the heads of the OECD, the World Bank and the International Monetary Fund launched a joint manifesto entitled *A Better World For All*, which was viewed by a number of leading CSO participants as a pre-emptive strike against their hopes and a co-option of the UN by the International Financial Institutions. The manifesto was viewed as a donor document rather than as a product of worldwide dialogue.

There emerged from the 1990s, among many of the NGOs and social movements that had participated in the Summits and Conferences, a sense of a new vision for global society that linked the accomplishments of the official deliberations and the parallel summits of civil society. With this accumulation of proposals, commitments and demands came an expectation that the next steps would involve reform of global institutions and provision of adequate resources. The first would remove some of the key impediments to greater equity and sustainability, the second would assure enhancement of the quality of life and the rights enjoyed by the living.

The Declaration and the Goals that emerged in September, 2000 fell significantly short of the hopes expressed by the Millennium Forum and also short of the sort of summation that might have been expected by NGO participants in the World Conferences of the 1990s.[4] Those that had seen the UN as a defender of the interests of developing countries and as critical of the policies of the "Washington consensus", which dominated the multilateral economic bodies, saw these GA results as too uncritically allied with the latter frame of policies. Others simply felt that the goals

[3] For a summary assessment of challenges and hopes on the eve of Geneva 2000, see, for example UNRISD, *Visible Hands: Taking Responsibility for Social Development: An UNRISD Report for Geneva 2000,* Geneva, UNRISD, 2000.

[4] For an examination of the results and reform expectations emerging from the conferences see John W Foster with Anita Anand, eds. *Whose World Is It Anyway? Civil Society, the United Nations and the Multilateral Future",* Ottawa, United Nations Association of Canada, 1999.

themselves, however laudable, were just too modest and the horizons too distant. Still others were happy that there were at least some specific targets and dates.

Given this background, just how are the Declaration and Goals being dealt with by CSOs today? To what extent have they provoked engagement and action?

The Survey

Motivated by a fundamental commitment to the spirit of the Declaration and curiosity about the actual ways in which the Declaration and the Goals were being received among CSOs world-wide, WFUNA and the North-South Institute undertook an initial sounding in mid-2002.[5] A survey of CSO attitudes and actions was mobilised electronically in three languages. A brief popularly-written report was prepared on the basis of the survey, utilising as well information submitted to the WFUNA ongoing newsletter, *UN Connections*.[6]

Taking the opportunity of the annual NGO Conference sponsored by the UN Department of Public Information (DPI) in early September, 2002, the World Federation of United Nations Associations launched the report designed to advance knowledge and discussion of CSO responses to the Declaration and the Goals. *We the peoples…A Call to Action for the UN Millennium Declaration* was published in three languages and made available electronically. It noted that many more people needed to be informed about the Declaration and that "many attitudes towards collaboration and policy reform must change." [7]

The North-South Institute developed an extensive questionnaire in English, French and Spanish. The responding groups were asked about their size in terms of annual budget, number of staff, number of people communicated with, type of work undertaken, etc. They were asked a number of general questions about their knowledge of and response to the Millennium Declaration and Goals. The questionnaire had four sections, which focused on goals in five focus areas: poverty alleviation, HIV/AIDS, conflict prevention, environment and renewal of the United Nations.

The questionnaire was e-mailed to roughly 5,000 addresses. The lists were compiled utilising existing UN NGO contact lists, key international NGO networks, and

5 The project was initiated by the World Federation of United Nations Associations (WFUNA) with the financial support of the Rockefeller Brothers Fund. It was undertaken in partnership with the North-South Institute of Ottawa, Canada and with consultation with the Centre for the Study of Global Governance at the London School of Economics and Political Studies. Work teams based in New York and Ottawa undertook the research with design support from Green Communications of Montreal, Canada. An editorial advisory group of key international CSO figures was invited to assist with the preparation of the published report *We the peoples…*

6 WFUNA, *UN Connections,* New York, WFUNA. www.wfuna.org

7 "*We the peoples…A Call to Action for the UN Millennium Declaration*", New York, World Federation of United Nations Associations (WFUNA), 2002. Available electronically at: www.wfuna.org

WFUNA contacts. A number of NGO and CSO international bodies were approached for collaboration, and in several cases rather than sharing their lists, sent the questionnaire to their own members or subscribers. The questionnaire was circulated in all three languages on WFUNA letterhead over the invitation and signature of their Secretary-General, Ambassador Donald Blinken. The questionnaire was made available in June and July, not necessarily the most opportune time for groups, particularly in the "north".

Response was diverse but limited in number; thus, the results can only really be regarded as *indicative* rather than conclusive. They will, however, be useful in establishing hypotheses for further testing in 2003 and beyond.

The open-ended questions in our survey elicited a myriad of responses regarding the Declaration and Goals, extensive and diverse instances of practical initiatives and a significant if not overwhelming sense of engagement. The fundamental view of the Millennium Declaration and the Goals was overwhelmingly positive, if qualified in a number of ways.

About half the groups responding came from 20 OECD countries. The other half were from 44 developing and least developed countries, from Afghanistan to Zimbabwe. Two thirds of the respondents were in English, almost 20% in Spanish and 15% in French. Three quarters of the groups reported an annual budget of less than US$500,000, with almost 40% having less than US$ 50,000 per year. Almost three quarters reported less than 20 employees. Groups with less than 20 volunteers were 44.5% of respondents, but almost 50% had between 20 and 500 volunteers. Slightly more than 4% of the groups had mail-out circulation of more than 100,000 people, 10% more than 10,000 and 40% between 1,000 and 10,000.

The responding groups tended to be national, sub-national and local, rather than head-offices of large international agencies or movements. The most predominant strategies of work included capacity-building and training, advocacy, research and development project management. Many noted work with women and the economically disadvantaged.

Participation in international forums dealing with key development issues was confirmed by a significant minority, with more than 40% indicating participation in the 2002 Johannesburg WSSD, 20% attending the 2002 Monterrey Financing for Development Conference, almost as many reporting participation in the 1995 Copenhagen WSSD and more than 27% having participated in the Beijing Women's Conference. Approximately 24% had taken part in the Millennium NGO Forum in 2000. Of course, a number of these participating groups overlapped, but the figures sustain the impression that the respondents were in general quite “linked in” to key international development conversations and UN events.

Almost 40% of respondents reported affiliation with the Economic and Social Council, 28% with the Department of Public Information, 23% with the Conference of Non-Governmental Organisations in Consultative Relations with the UN (CONGO) and 16% with the United Nations Non-Governmental Liaison Office (NGLS).

Of respondents, 54% reported regular communication with the United Nations Development Programme (UNDP), 35% with UNICEF, 25% with ILO, 24.1% with UNIFEM, 19% with UNEP and 28% with the World Bank Group.

Information and Engagement

Given the relatively high level of international engagement of the responding groups, it was a bit of a shock to discover that almost one-third of the responding groups stated that they were not familiar with the UN Millennium Declaration and Goals.

Of those familiar with the Declaration and Goals, roughly one-third indicated that “*our organisation has a good knowledge of the MD and MDGs and has already incorporated them into our work.*”

More encouraging was the response by almost 50% that they had initiated some activity in direct response to the Declaration. More than 56% reported initiatives aimed at implementation of specific MDGs.

The survey enquired as to whether groups had found the Declaration had had an effect on their access to funding. In the case of HIV/AIDS and conflict prevention, the response was less than 10% positive. With poverty alleviation, it was almost 20% positive, with sustainable development 23% positive.

The majority (63%) rated the UN’s public promotion of the Declaration and Goals as good to excellent. A number of groups suggested means for improving the reach and impact of the Declaration and Goals, many of which were reported in *We the peoples…*

We asked in what ways the Declaration and Goals might be useful to CSOs in advancing their work. Advocacy and multi-stakeholder dialogues were cited as the activities in which they might be most useful. Project development, research initiatives and media relations were also cited.

The survey compiled an extensive list of activities, projects and initiatives on the part of groups of varying purpose, location, composition, size and resource. It is far too diverse to summarise or even to provide a typology in this brief essay. It does testify however, to the depth and quality of engagement required if societies are to gain the benefits that the Millennium Declaration seeks. It serves as a useful reminder amid broad-ranging discussions of government and multilateral policies of the on-the-ground work without which the policies will lack effectiveness.

Adequacy and Likely Success

To what extent did participating groups regard the Goals as adequately addressing the constituencies mentioned? For example, children, women, those affected by HIV/AIDS and the economically disenfranchised were regarded as being adequately addressed by 61 % to 74% of respondents. Indigenous peoples (38%) and the disabled (38%) were the least adequately addressed. There were regional variations in the responses. For example, while more than 73% of African respondents regarded the HIV/AIDS constituency adequately dealt with, only 54% of Latin Americans agreed.

Interesting regional variation was marked in response to the general inquiry as to whether the Millennium Declaration and the Goals go far enough. Overall, the balance was slightly negative with 53% considering that they did not go far enough. The most negative respondents were in the OECD countries (66% negative) while respondents from developing countries (62.3%) and least developed countries (70%) were much more positive. Regionally speaking, African respondents were the most positive, Asians less so, and Latin Americans the least positive (54%).

This regional variation was as prominent in response to the question as to whether it was likely or not that the Millennium Goals will be fully realised by 2015.

%	Very likely	Likely	Neutral	Unlikely	Very unlikely
Total	5.6	34.3	21.3	27.8	11.1
OECD	1.5	24.2	22.7	37.9	13.6
D.C.	13.3	40.3	19.4	19.4	7.5
L.D.C.		55.5	11.1	33.3	
Africa 62.5/25 positive.	16.7	45.8	12.5	16.7	8.3
Asia 76.5/11.8 positive	17.6	58.8	11.8	5.9	5.9
Latin America 47.8/34.3 negative	8.2	26.1	17.4	30.4	17.4

There was additional variation according to the subject focus areas specified in the survey. African respondents considered it likely (58%) that the poverty goals would be realised, Latin Americans much less optimistic (40%). Asians were convinced that the sustainable development goals would be accomplished (73%), Latin Americans not convinced (35%). There was less regional variation in the case of HIV/AIDS, with all of Asia much more positive than Latin America. Almost double the number of African and Asian groups considered success in the conflict prevention goals likely, as distinct from Latin Americans.

Contributing Elements for Success

What steps would best ensure the successful implementation of the Declaration and Goals? Aid (91.4%) and debt relief (84%) topped the list. Democratic controls and market controls were also being viewed as important.

Respondents were very critical of the level of implementation by governments – their own and foreign. Only 5% considered the response positive in either case. Generally they viewed foreign governments slightly more positively (43.4% fair, 52% poor), than their own (34% fair, 61% poor).

A number of respondents suggested that there should be monitoring of governments' follow-through on their Millennium commitments and that there should be sanctions of governments that undertook policies which undermined their fulfilment.

A repeated demand was for "specific timetables and benchmarks and government commitments to full funding of implementation." More specificity, evaluation and accountability were requested time and again.

Quite a number of groups reported that they thought the implementation of the Goals was only possible if enough attention was paid to policy dimensions and reform of the international economic system. As one respondent put it, the Declaration and Goals were practical and worthwhile, but "the problem with them is that they focus attention only on the consequences of poverty and social exclusion and not on their causes. It therefore perpetuates a system that tries to put a sticking plaster on the problem rather than trying to address the dynamics creating the problems – which will continue to re-create the problems however much the sticking plasters provide temporary relief. Sticking plasters have their use, but the MDG's allow the international community to ignore the causes of the wounds and who is responsible for the wounding."

Some respondents argued that there must be a redefinition of international policies that are viewed as contrary to the Millennium Declaration and Goals or likely to undermine their realisation. The International Financial Institutions, which were viewed in some responses as dictating policies to weaker states, must be changed. Further, the UN was challenged to engage conscientiously with groups that struggle for “another globalisation”.

For some, the problem lies in the definition of the Goals themselves. As one group responded, “the results of the MDG’s, even if implemented perfectly will be too little and too late, because they are not ambitious enough. This is the reason we do not take it as a lead in our work, but keep relying on other benchmarks, such as the commitments of Rio, Cairo, Beijing and Copenhagen.”

As “*We the peoples…*” reported, “a repeatedly used word is ‘accountability’. Accountability needs to be two-way, donors and recipients, rich and poor. In this regard women’s, environmental, labour and human rights organisations are undertaking a multitude of projects to make government policies transparent, to increase public alertness of the commitments governments have made at the United Nations and to seek redress where effects are negative or regressive.”

Conclusions

As indicated above, the results of the 2002 survey are indicative, not conclusive. They are an initial test, and the findings are a mine of samples of the sorts of CSO activities and initiatives currently under way. They provide hypotheses for testing and tracing through upcoming annual soundings.

The Declaration and Goals do provide an organising framework for a significant number of initiatives, and there is some evidence of organisations, even quite major NGO aid agencies, reviewing and prioritising their plans in the light of the Goals.

In institutional terms, the terms of funders and planners, while two years have elapsed since the endorsement by the General Assembly, it is still “early days” in many organisations in terms of the internalising the Goals, and the movement from vision through planning to inception of new initiatives.

There remain many organisations and networks that have either little or no knowledge of the Declaration and Goals or a glancing experience with them. A great deal depends not only on UN information and network activity, but on governments’ taking on and publicising the Declaration and Goals and on civil society networks themselves. The survey does indicate, however, than many smaller or local CSOs have already taken on the Declaration and are contributing to the Goals.

An ongoing engagement of the UN, the IFIs and civil society organisations regarding the shortcomings and ambiguities of the Declaration and Goals and regarding policy change is required. A number of CSOs are monitoring governments in the light of their commitments and their promises. Mutual accountability was a concept much touted at the Monterrey Financing for Development Conference and elsewhere during 2002, but it will quickly ring hollow if the calls for improvement in governance in developing countries are not matched with commitments to change regressive policies and inadequate funds on the part of donor governments.

The survey and report were initiated out of the conviction that the Millennium Declaration and Goals will not be accomplished truly without the effective and global involvement of civil society organisations at all levels. They were developed as a contribution, through information, to the success of the effort, but also as a recognition of CSO investment and engagement.

WFUNA and the North-South Institute intend the 2002 survey and the initial *"We the peoples…"* report as prototypes for a continuing effort through at least 2005. Current plans are – funding permitting – to launch an enhanced enquiry to an even more widespread network of CSOs in the first half of 2003 and to develop both a research report and a new 2003 edition of the brief and popular We the peoples…. A number of other agencies and research groups have assisted and those offering collaboration continue to grow in number.

From Vision to Success

The United Nations, cooperating with the IFIs and OED, is in process of launching a full global campaign for the accomplishment of the Declaration and Goals.

The Secretary-General has announced the appointment of Ms. Eveline Herfkens, former Netherlands Minister for Development Cooperation, to act as Executive Coordinator for the Millennium Development Goals Campaign. She would help "to spread awareness of them and to build new coalitions for action to achieve them in both developed and developing countries." [8] The new Executive Coordinator is to work closely with UNDP Administrator Mark Malloch Brown. A campaign director is also being recruited.

In a dialogue undertaken by officials of UNDP with civil society organisations that have extensive campaign experience, held at the World Social Forum in Porto Alegre, Brazil early in 2002, participants from a variety of CSOs in countries like Malaysia,

[8] UNDP Press Release, 1/10/02 *Secretary-General Warns World Falling Short of Millennium Summit Commitments.* New York, UNDP,. www.un.org/millenniumgoals.

Chile, Brazil and Morocco indicated that a campaign was possible, but faced a series of hurdles. The modesty of the Goals was one difficulty, as a number of survey respondents indicated. The horizon for accomplishment — 15 years — was viewed as very distant and difficult to organise around. But the greatest difficulty for advocacy organizations rooted in ongoing campaigns was that simple quantitative targets were inadequate unless combined with far-reaching policy reform.

Dealing with a related challenge — the implementation of the Monterrey Consensus (on financing for development) — the noted scholar Amartya Sen, in an address to Commonwealth Finance Ministers, called on them to pay attention to their civil society critics. There were those, he indicated, who stood outside the "consensus", whose positions were viewed as dissent, and whom Ministers might tend to ignore. If you desire effectiveness in implementation, Sen advised, then pay attention to the critics. You may discard some of their suggestions, but by taking on board much of what these people say, you will strengthen the result and effect of your efforts.[9]

Learning from relative success could also assist. At a discussion with diplomats, civil society leaders and UN staff convened in New York by WFUNA in November, 2002, attention to successful strategies was advised: "… much could be learned from the success of the Jubilee Campaign on debt relief and the campaign for the International Criminal Court." [10] Participants in the discussion favoured the idea of creating "issue-specific coalitions" around each Goal as one strategy. International monitoring of progress by CSO networks like Social Watch, the Women's Environment and Development Organisation (WEDO) and Reality of Aid is already going on and may provide very timely and useful information.

We the peoples… invites civil society support for a campaign that includes:

- "Developing opportunities, networks and coalitions for strengthening the global effort for full implementation of the Declaration, particularly in developing countries

- Collaboration with CSOs monitoring progress

- Promoting awareness of progress reports in the United Nations and, more broadly,

- Creating specific proposals for more effective forms of partnerships between the United Nations and civil society in support of the Millennium Declaration

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9 Amartya Sen, *Delivering the Monterrey Consensus. Which Consensus?* Commonwealth Finance Ministers Meeting, Provisional Agenda Item 9 FMM(02) 13 London, Commonwealth Secretariat, August, 2002.

10 WFUNA, "The Role of Civil Society in Implementing the Millennium Declaration", *Summary record.* New York, WFUNA, 20 November, 2002.

- New initiatives in access and cooperation between civil society, the UN and its agencies and governments at all levels

- Institutional reform and development to democratise global governance and serve the values and objectives of the Declaration."

We the peoples... also suggests some means, including expanding the current UN experiments in stakeholder participation at all levels, which may help ensure a successful campaign, but more importantly, that the Declaration and Goals are implemented and surpassed.

The UN Millennium Declaration and Goals are young. The global campaign is still at a conceptual stage. The opportunity for engaging civil society organisations, integrally and in an ongoing manner, remains.