



Millennium Development Goals at Midpoint: Where do we stand?

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1. Introduction

Launched at the beginning of the new millennium and set to be achieved by 2015, we are today at the midpoint of the Millennium Development Goals (MDG). Where do we stand? What is the likelihood of achieving them? What should be done to accelerate progress and to ensure that no country is left behind? Such are the questions addressed in the present paper, based on a review of existing evidence, global economy scenarios and a synthesis of existing analyses of MDG strategies. The paper will be written by a group of highly visible predominantly European development economists who will synthesize and harmonize their experience and expertise to provide a solid analytical background for a reflection on the policy directions at this juncture on the path towards the MDGs.

The introductory section of this paper will summarise the key aspects of the MDGs, including their genesis, objectives, the institutional background surrounding them and the main international agreements aimed at facilitating their achievement. It will highlight the importance of writing this paper in a collaborative, multi-faceted way and will also outline the main key policy messages to be considered.

2. MDG Conceptual Framework

By looking back at the successes and challenges of the last five years this section analyses some important conceptual issues linked to the MDGs. Such analysis will later contribute to the re-formulation of strategies for the achievement of MDGs by 2015 and beyond.

Amongst the conceptual issues covered, the following will be given particular attention:

- a) Some goals are about inputs (i.e. water access), some about processes (goal 8 on international cooperation), some about outputs (school completion), and some others about outcomes (i.e. health indicators or poverty). How can the diversity of the goals'

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- nature* be justified? What does this diversity mean for individual goals' relative importance?
- b) The complementarity between goals is an important feature of the MDGs. But what about possible trade-offs, especially in view of the diversity in the nature of the goals?
 - c) Why are some important dimensions of equity absent from the goals? In view of recent experience in some fast growing countries, shouldn't equality and strategies to avoid income divergence feature in the MDGs? What about employment, voice and other aspects of human development?
 - d) As observed during the last five years, some goals are extremely difficult to monitor for reasons ranging from the nature of the goal (for example the MDG 8 or the 'hunger' indicators in MDG 1 are both conceptually problematic) to the absence of satisfactory baseline and the lack of disaggregated data. How should monitoring be handled?

3. Where Do We Stand On the MDGs?

This section will be devoted to a synthetic analysis of the main achievements so far in terms of MDGs' indicators. It will offer a general overview of MDG progresses by summarizing other reports on MDGs, in particular the Millennium Development Goals Report by the UN and the Global Monitoring Reports by the World Bank and the IMF. The emphasis of this section will however be on the highly *heterogeneous* experiences that individual countries and groups of countries, have had in the process of achieving the MDGs. For further reference, a categorization of countries in terms of MDG achievements will also be proposed.

4. A Framework for Understanding Observed Patterns

In considering future MDG strategies, it is important to look at recent history and analyse the reasons why particular countries are far from or close to the achievement of MDGs and *what can the international community do to accelerate progress*.

A framework to understand the patterns observed in successful and less successful countries must necessarily rely on three analytical pillars: *a) the global economy - including developed countries' policies - and the environment it offers to developing countries; b) the provision of aid (volume and quality) by developed countries; and c) policies in developing countries*. These issues will be examined respectively in section 5, 6 and 7 of the report.

The analysis will be both retrospective – trying to understand what happened – and prospective – what is likely to change the MDG course in the coming years. It is also crucial to note that the three aforementioned issues are tightly interlinked. 'Aid' and 'policies' were the cornerstones of the 'Monterey compact'. Likewise, aid cannot be considered independently from other dimensions of developed countries' policies with respect to developing countries, such as trade and migration in particular.

5. MDGs and the Global Economy

This section will be devoted to determining the extent to which *the evolution of the global economy may explain where countries stand today vis à vis the MDGs and whether things are likely or unlikely to change in the future*. The global economy has been essentially favourable for development and the pursuit of the MDGs over the last 5 years or so. Some countries have been able to seize that opportunity to make substantial progress, while others have lagged behind. Of special interest is possibly the structural change that is taking place in the world economy because of the fast development of emerging countries – especially Asian countries – and the spillover effects it may have on other developing countries. Looking forward, however, very serious downsides could affect the achievement of the MDGs if no corrective action is taken: the possible slowdown of the global economy, due to the effects that the current financial crisis is having on developed economies; high oil and food prices, which have already affected negatively the terms of trade and the current account of a number of developing countries; and climate change and adaptation to it.

6. MDGs and Policies in Developing Countries

This section will be devoted to the retrospective and prospective analysis of policies implemented at national level in the less developed countries (LDC). It will highlight favourable and less favourable situations. In particular, it will summarize the lessons from recent research on African growth focusing on serious policy errors to avoid and appropriate policies to adopt depending on country characteristics and according to a simple taxonomy such as policies for landlocked countries must be different from policies adopted for resource rich countries.

It will also draw attention on the difficulties encountered in 'planning MDGs' through standard economic modelling and the potential danger in relying on models that are too simple. This section will also show that much of the global difficulties experienced in reaching the MDGs originate – although not exclusively - in "*fragile states*", a category of countries that will be defined in a particular and precise way. Although there are exceptions, developing countries with relatively solid institutions have made progress over the last decade or so, a trend that should continue, provided the international environment does not deteriorate. For fragile states, however, the situation is much less favourable. This section will seek to determine the channels through which it is possible to improve policies and progress towards the MDGs in those countries.

7. MDGs and Aid

The evidence is that, contrary to what was promised, real aid increased only slightly over the 2000-2006 period and it did so because of massive debt write-offs, which were necessary and useful but did not increase resource transfer. If debt write-offs to Iraq and Nigeria are excluded from DAC Official Development Assistance figure, the resulting figure reveals that aid has actually declined in 2006. Even more alarming is that fact that aid to Africa has fallen. Understanding the reasons for this trend, the way it can be corrected or the way to make existing aid more effective is crucial. This requires reviewing the crucial question of aid effectiveness and absorptive capacity of recipient countries. Reflecting on the tightness of budget constraints, the issue of 'aid fatigue' and more generally the political economy of aid in donor countries is also necessary. The implications of that situation for both the volume and the structure of ODA are crucial – in particular the lack of coordination or the multiplication of vertical funds and their negative effects on aid effectiveness.

8. “MDG plus”: The Road Ahead

If considering the aforementioned issues, the present MDG framework may seem restrictive in several respects. This section will explore whether it is possible to generalise that framework at little cost. Some of the issues raised in section 2 should be analysed here from a more operational point of view and in the light of the analysis carried out in sections 5-7.

Among the issues to be addressed are the following:

- The need to include the concept of 'equity' in the MDGs. Practically, is it desirable that MDGs include some ceiling on inequality – a more general concept than poverty – and some considerations on equality of opportunities?
- Linked to this question is the issue of the other dimensions of human development both in economic (employment) and non-economic (voice) terms. This would clearly incorporate some typically European normative views into the MDG framework. The question is, however, whether such dimensions are 'monitorable' in any way.
- Whether MDGs are achieved, or not, the issue of MDGs post-2015 will arise, either because several countries will still be far from MDG targets or because there might be problems in sustaining the progress achieved. Shouldn't we tackle this immediately rather than wait? Or will too much emphasis on the post-2015 reduce the crucial sense of urgency that the MDGs have generated in the development community?
- What balance should be struck between inputs and outcomes in the MDGs?

9. Conclusions

The recent global boom has been good for poverty reduction and the achievement of the Millennium Development Goals - but storms are breaking and progress is threatened. Furthermore, fragile states have been left behind in the past decade. With the credit crunch still working its way through the global economy and with oil and food price rises adding to global risks, progress in international development will be under risk unless the governments of countries both rich and poor redouble their efforts.

Based on the analysis presented in the previous sections, several policy questions will be addressed in a workshop with policy makers and politicians scheduled to take place in Brussels on Friday 5th September. The ensuing discussion will be synthesized and will form the basis of an additional and final section of the paper exclusively devoted to 'policy recommendations' for the acceleration of progress towards the MDGs.