

# ***The Millennium Development Goals: A Global Agenda***

IRRI-KIIB Expert Seminar, Brussels

March 18, 2005

Brian Ngo (World Bank)

# ***Outline of Presentation***

- Assessing progress towards the MDGs
- Aid flows to Africa
- Scaling up: the case of Ethiopia
- Some challenges as we move forward

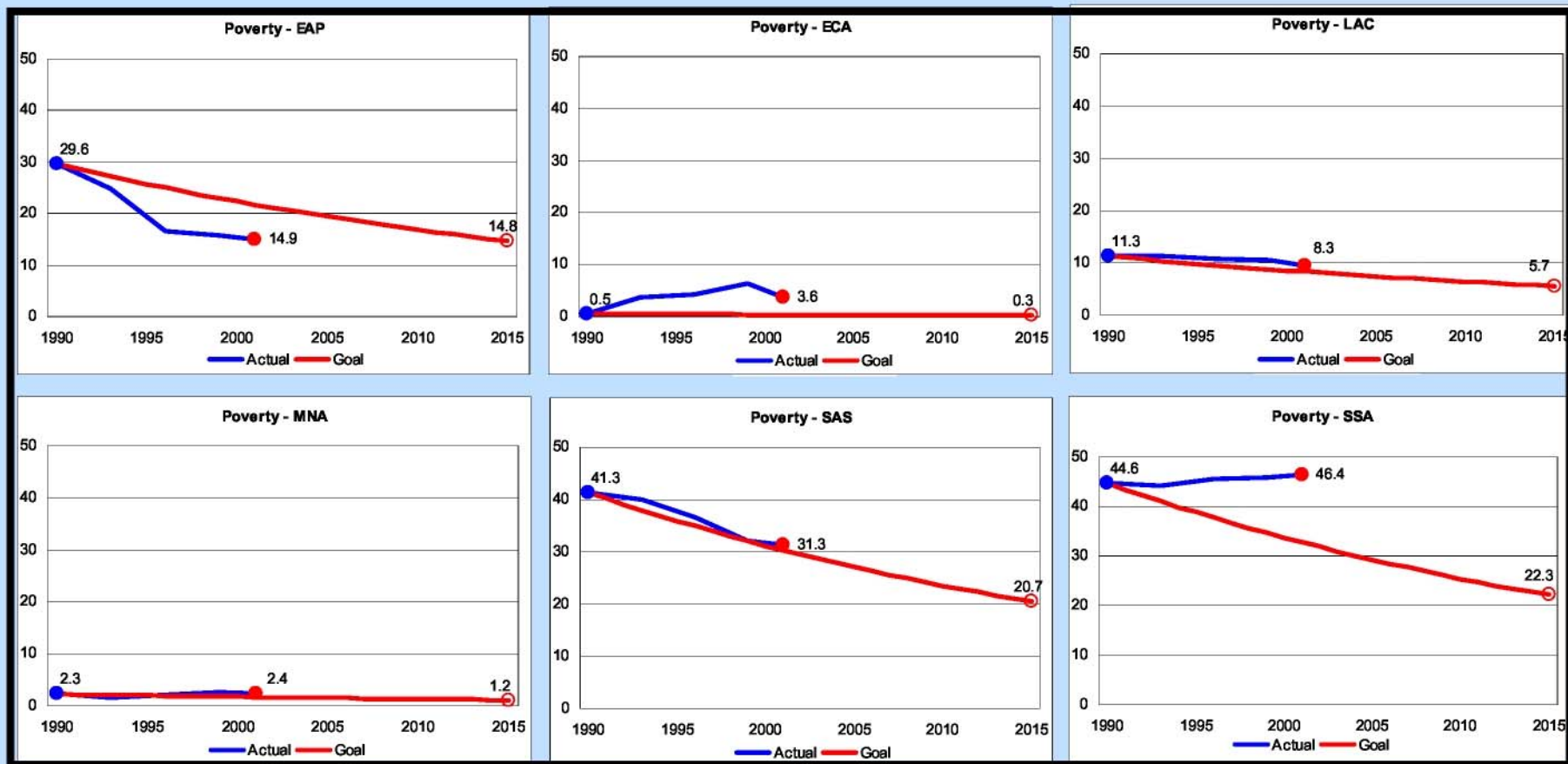
# ***Development Momentum on MDG Agenda***

- The MDGs and Monterrey Consensus created a powerful global compact for development.
- But the credibility of this compact hinges on developing momentum in its implementation.
- 2005 is a pivotal year to achieve momentum.
- Absent tangible action to accelerate progress, the development goals will be seriously jeopardized, especially in Africa.
- Progress on this development agenda also key to promoting long-term security and peace.

# ***Major Events in 2005***

- UK Presidency of G-8 (starting January, Commission for Africa).
- Launch of the UN Millennium Project report.
- High-Level Forum on Aid Effectiveness (March).
- OECD/DAC-UNECA Mutual Accountability Report (May).
- EU Presidency assumed by UK (July).
- Issuance of 100 country reports on MDGs (by UN).
- Millennium Summit (September).

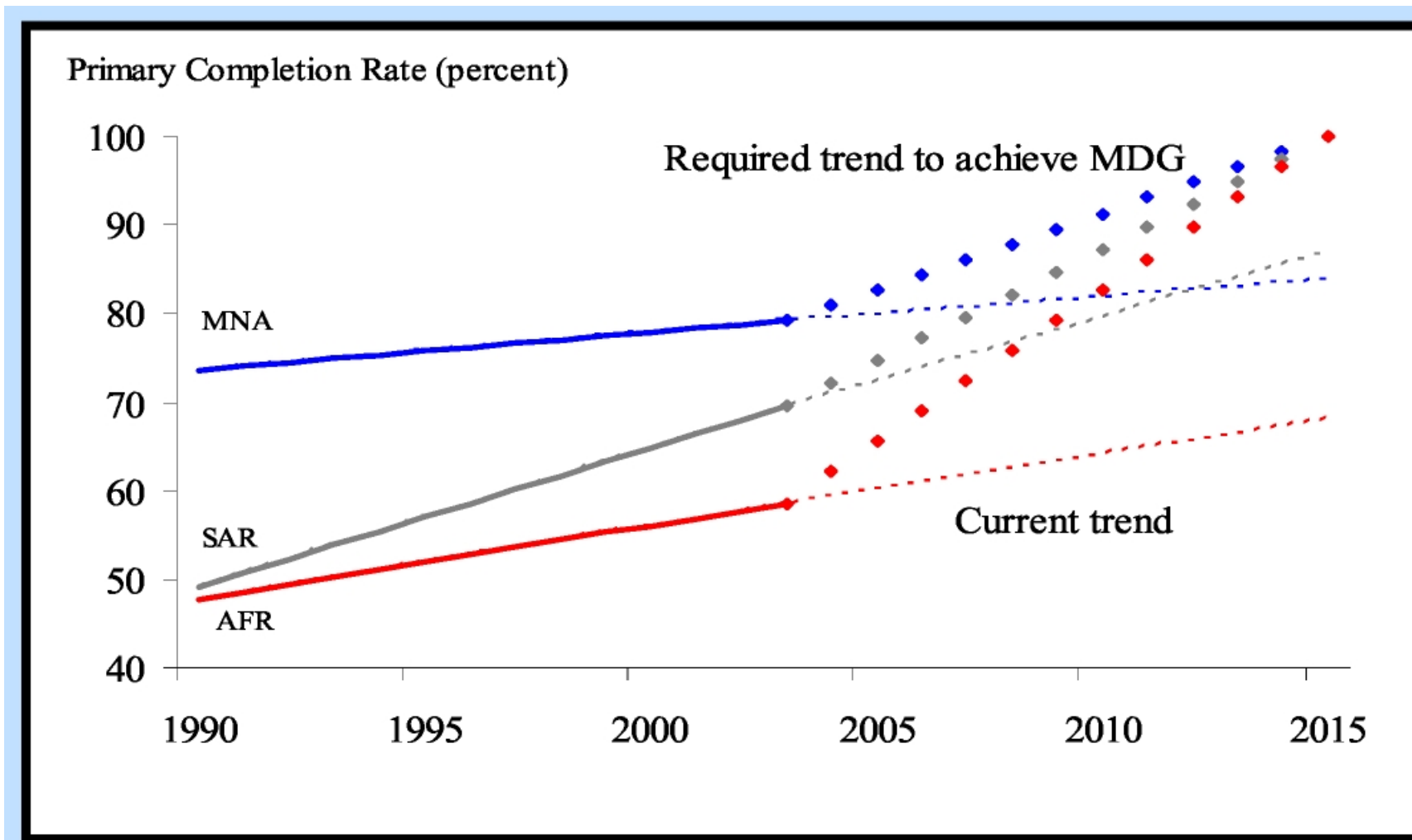
# Poverty Reduction Goal: Concerns for Africa



# ***Poverty Performance: Disparities***

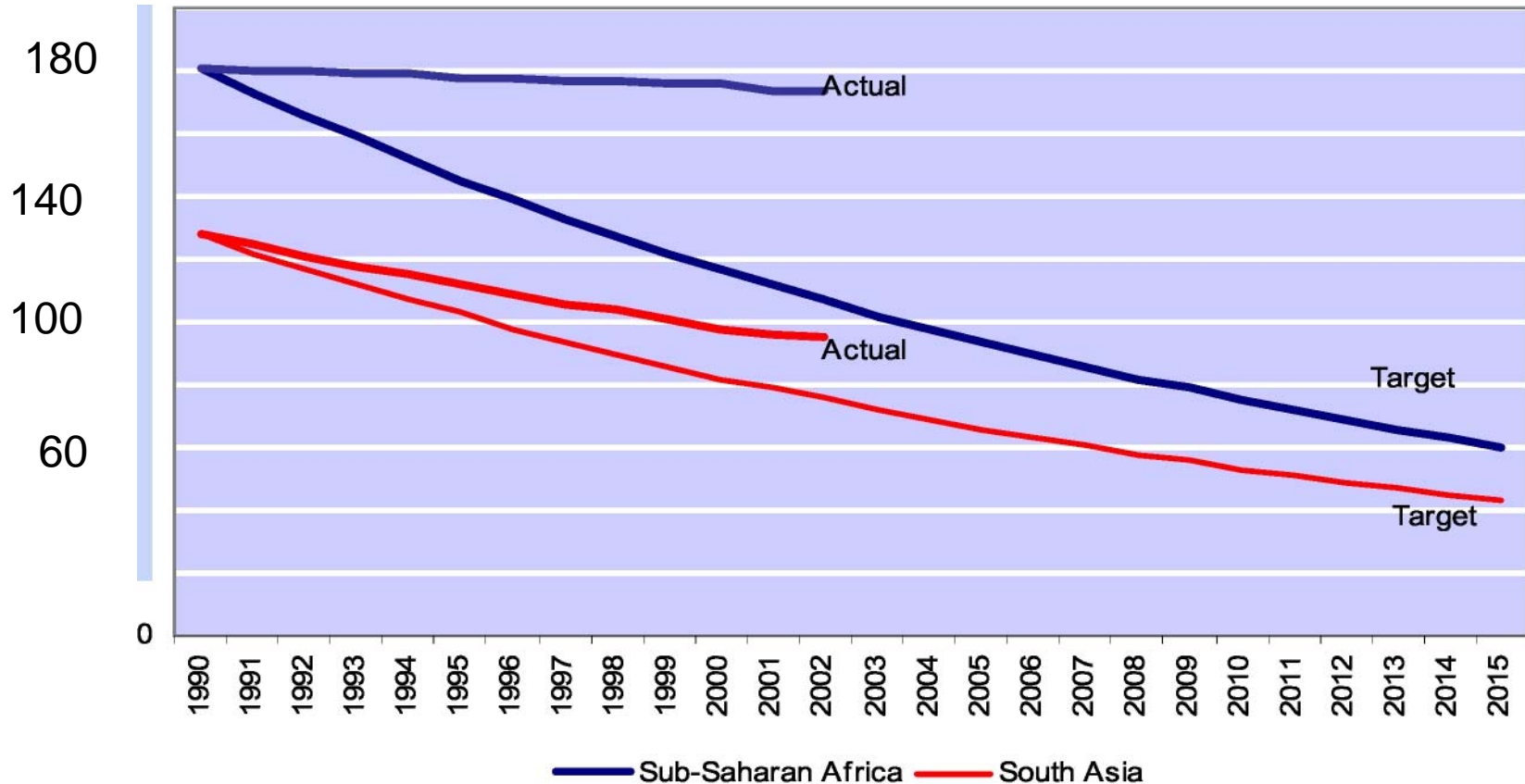
- Since 1981, China's per capita GDP has quintupled: 606 million poor in 1981 → 212 million in 2001.
- High growth in other developing countries (Vietnam, Indonesia, India).
- But with some exceptions (Mozambique, Uganda, Botswana), Africa has experienced a contraction in its per capita GDP during 1980s and 1990s.

# Universal Primary Education: Africa, MENA and S. Asia Off-track?

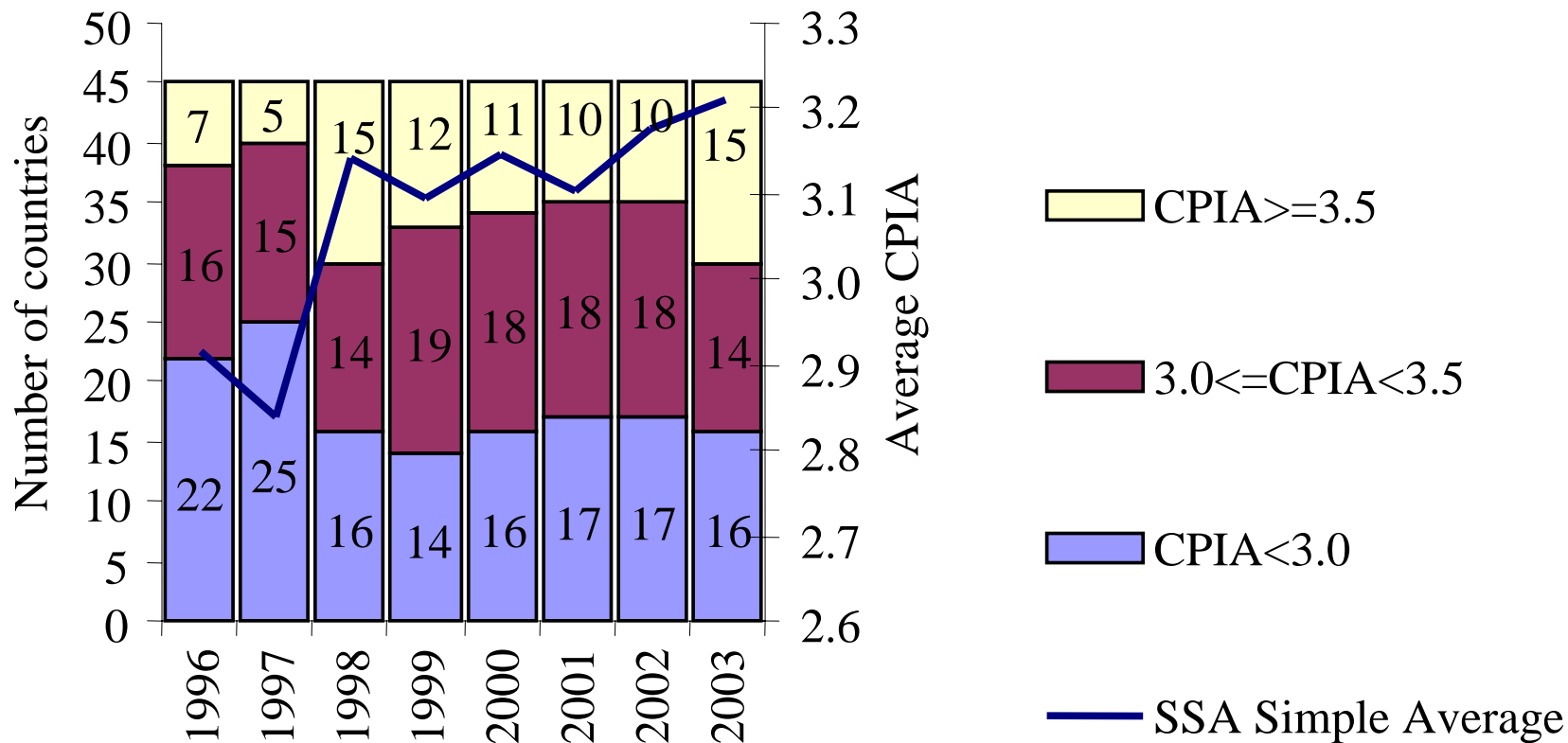


# Health: Africa Poses Biggest Challenge

*(Under-5 mortality per 1000 live births)*



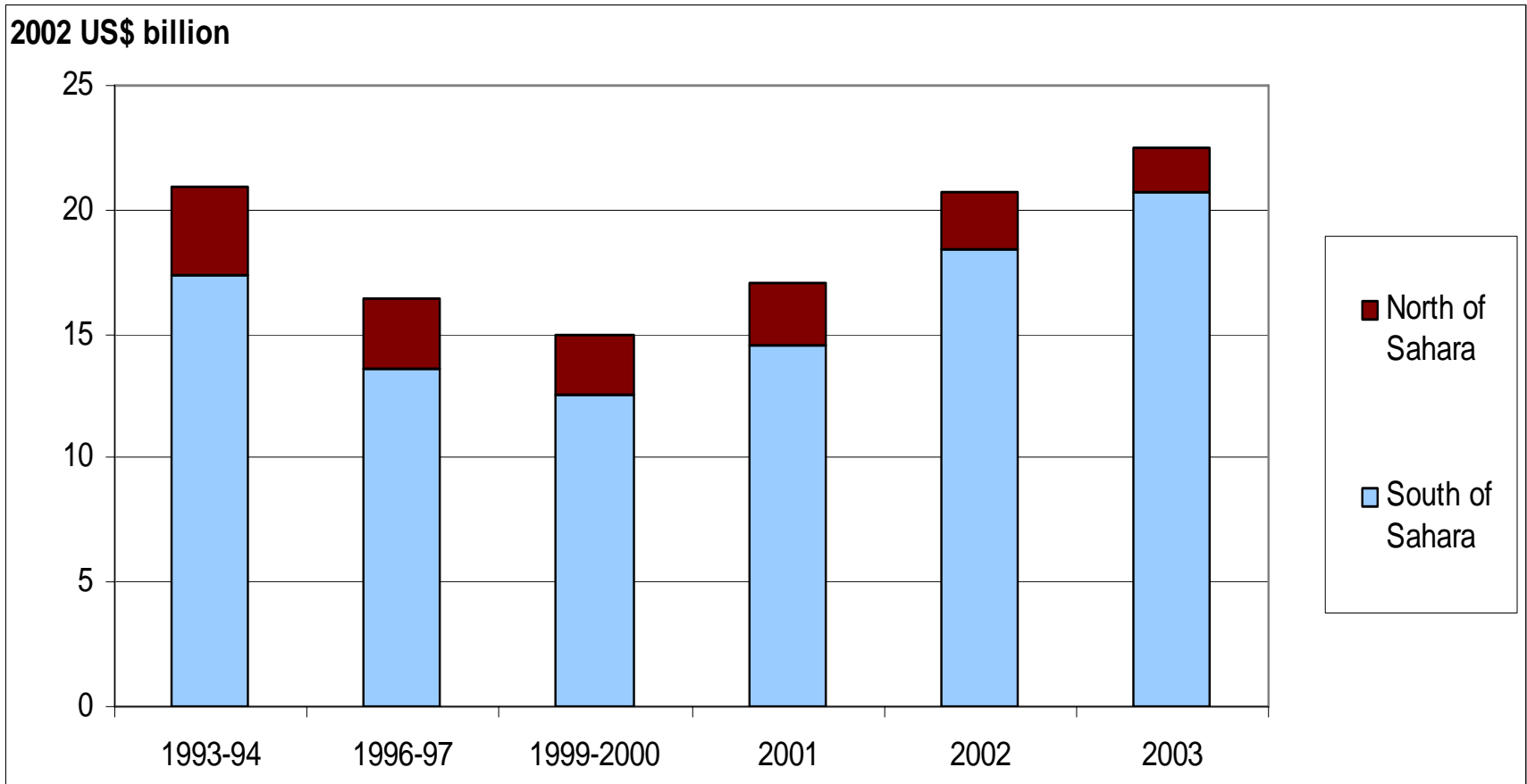
# Africa Country Performance Improving: Country Policy and Institution Assessment (CPIA)



# ***Status of the PRS Initiative***

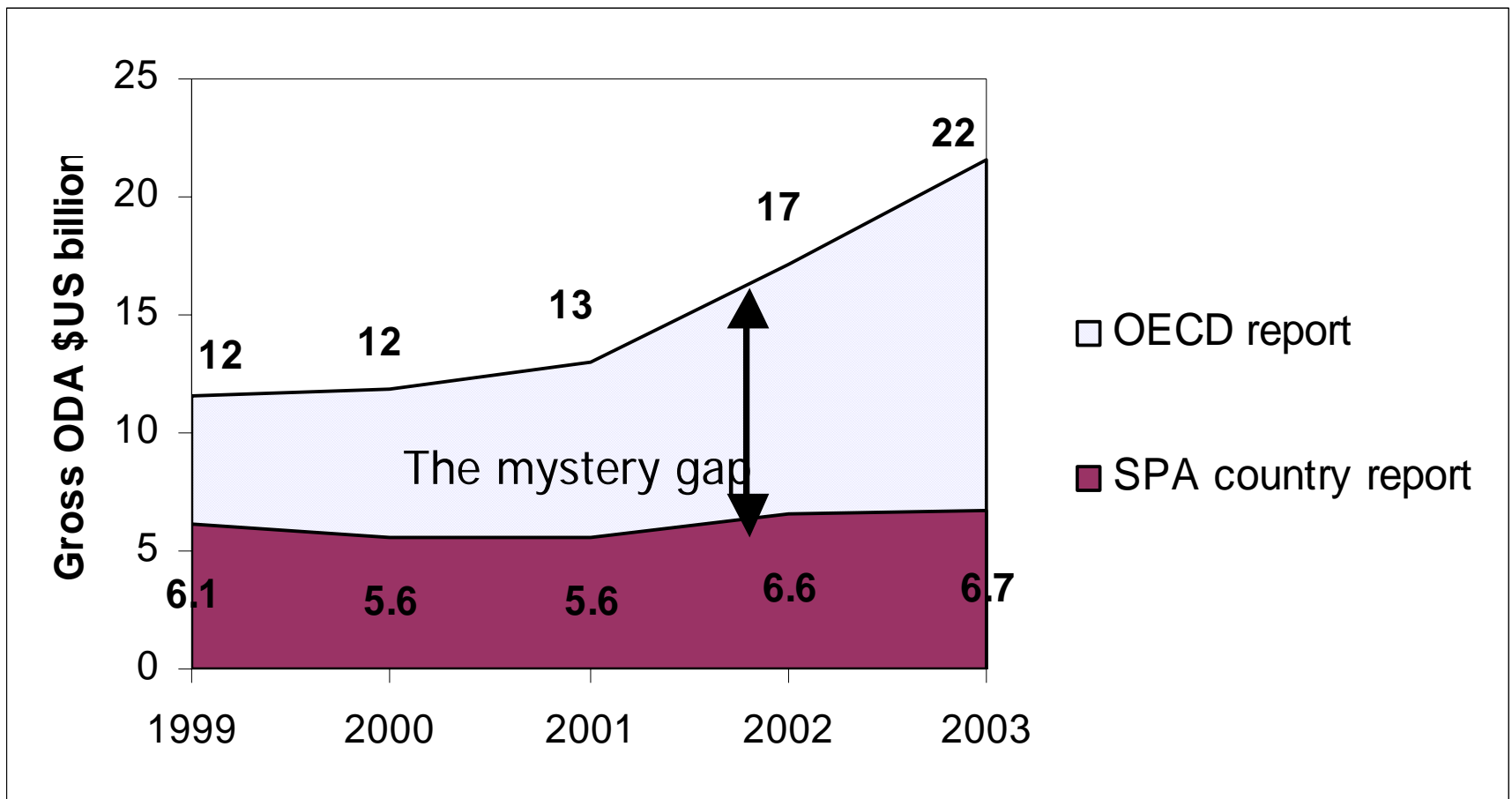
- 47 countries have full PRSPs.
- 13 countries have interim PRSPs.
- 24 countries have completed one or more annual progress reports (APRs).
- 3 countries are preparing their second PRSPs (Burkina Faso, Tanzania, Uganda).

# *Two Distinct Phases*



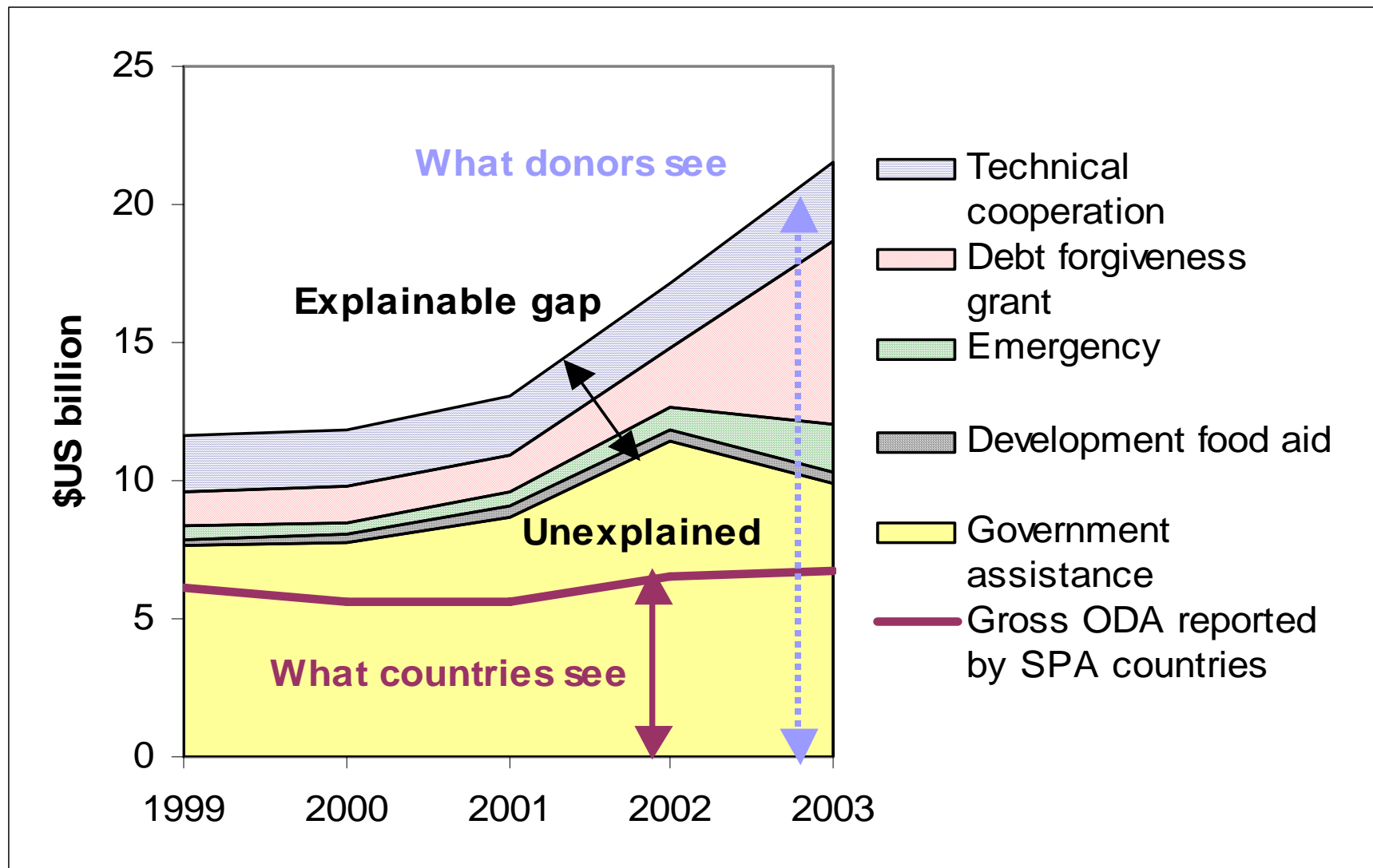
# *Mystery: The Gap Between What Donors Give And What Countries Get*

## SPA countries (excl. Nigeria) Gross ODA Flows



# *Unexplained Discrepancy Is Significant*

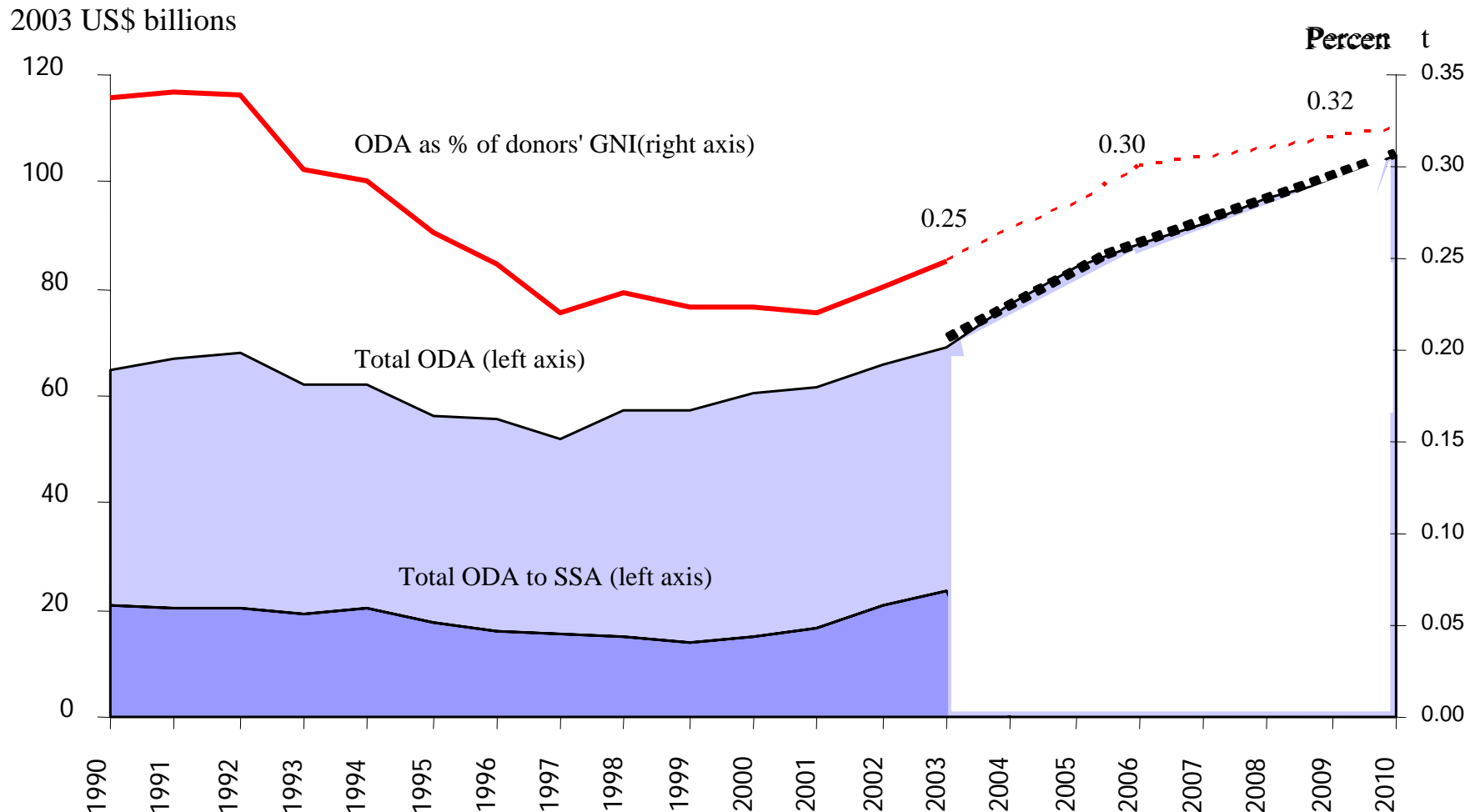
## *SPA Countries (excl. Nigeria) Gross Flows*



# ***Aid Delivery - Some Good News***

- In Monterrey, donors committed to a substantial increase in ODA.
- 5 European countries have exceeded 0.7% of GNI  
*Denmark, Luxembourg, Netherlands, Norway and Sweden.*
- 6 other committed to reach 0.7% with concrete deadlines 2010-13  
*Belgium, France, Germany, Ireland, Spain and UK.*
- Others committed to achieve at least 0.33% by 2006.

# Aid Has Risen Again But Will It be Delivered?



# ***Illustration of Scaling Up: Ethiopia***

<b>Country Development Framework</b>	<b>Technical Capacity</b>	<b>Environment for Partnership</b>
<ul style="list-style-type: none"><li>- MDG-based PRSP,</li><li>- Vision for long-term growth strategy</li><li>- Strong commitment for poverty reduction from all stakeholders</li><li>- Some progress but far from achieving the MDG targets by 2015</li><li>- Aid levels rising, but only \$13 per capita</li></ul>	<ul style="list-style-type: none"><li>- Good census and survey data</li><li>- Recent micro and sector analytical works by development partners</li><li>- Less known on growth</li></ul>	<ul style="list-style-type: none"><li>- Strong Government-donor partnership</li><li>- Institutionalized dialogue</li><li>- Direct Budget Support progressively increasing</li></ul>

# ***Outputs and Analytical Components***

- Sectoral needs assessment and synthesis
  - Identify interventions needed.
  - Estimate synergies across interventions.
  - Estimate all required inputs (financial, human, physical and capacity needs).
  - Develop a macro/fiscal framework.
  - Assess the realism: macro and economy wide implication of scaling up.
- Development plan
  - Develop a financing strategy.
  - Assess sources and patterns of growth needed to achieve MDG1, and its linkage to other MDGs.
- Operationally through the PRSPs.
  - Review the policy and institutional and structural constraints → implications for absorption & efficiency.
  - Formulate an MDG-based PRS.

# ***Sectoral Coverage***

<b>Human Development</b>	<b>Infrastructure</b>	<b>‘Spatial Development and cross sectoral’</b>
<ol style="list-style-type: none"><li>1. Education</li><li>2. Health</li><li>3. Water and sanitation</li></ol>	<ol style="list-style-type: none"><li>1. Roads</li><li>2. Energy</li><li>3. Communication</li><li>4. Rural infrastructure including irrigation</li><li>5. Market infrastructure</li></ol>	<ol style="list-style-type: none"><li>1. Rural development</li><li>2. Urban development</li><li>3. Population</li><li>4. Gender</li><li>5. HIV/AIDs</li><li>6. Private sector development</li></ol>

# ***Model Description***

- MDG targets embedded in an economy-wide model
  - Multiple government activities (education, health, etc.)
  - Built-in constraints (absorptive capacity)
- Production functions link expenditures to MDGs.
  - Factor of production: labor (with different abilities), physical capital, and non-wage recurring expenditures.
  - Coverage will depend on level of intervention.
  - MDG targets depend on population coverage.
- Incorporation of cross-complementarities.

# ***Technical Considerations***

- Estimate expenditure needs to reach MDGs.
- Allocate resources across sectors and in time
  - Interventions (e.g. health vs. water and sanitation).
  - Inputs (capital/recurrent)
- Key parameters
  - Coverage rates
  - Cross-complementarities across interventions
- Financing mechanisms
  - Domestic taxation
  - Domestic debt
  - Foreign resources (grants and/or loans)
- Absorptive capacity constraints:
  - Labor market constraints (at least in the short-term)
  - Other macro constraints (macro - 'Dutch disease')
- Long-run feedbacks on growth

# ***Simulation Results: Ethiopia***

	<b>2002 values</b>	<b>Base case</b>	<b>Focus infrastr</b>	<b>Focus social</b>	<b>Front Loading</b>	<b>Co-financing</b>
Education (annual growth 2002-15)		3.7	3.6	10.8	9.9	10.8
Health (annual growth)		4.4	2.9	11.8	11.8	12.2
Water/sanitation (annual growth)		3.7	3.1	16.7	16.7	16.8
Infrastructure (annual growth)		3.7	7.2	7.2	7.2	7.2
Real exchange rate (yearly change)	100	0.4	0.5	-1.9	-1.1	-1.1
Wage of labor (less than secondary)		1.4	2.7	3.8	3.6	3.5
Wage of labor (secondary)		1.7	2.7	1.5	1.2	1.2
Wage of labor (tertiary)		3.7	4.7	7.0	6.7	6.7
MDG1: poverty head count	36.2	28.8	21.8	19.2	20.9	24.3
MDG2: primary school completion %	36.0	69.0	69.0	99.0	99.0	99.0
MDG4: under-5 mortality (/1000)	163	119	119	68	68	68
MDG5: maternal mortality (/100,000)	609	423	423	217	217	217
MDG7: safe drinking water, %	24.4	27.7	27.7	62.5	62.5	62.5
Foreign aid per capita (\$, in 2015)	12.7	16.1	17.1	60.1	45.0	43.7

# ***Challenges As We Move Forward***

- How to make PRSs more consistent with MDGs taking into account country processes?
- How do we help countries prioritize and exploit complementarities?
- What is the interplay between governance, absorptive capacity and increased external resources?
- Do we have a sufficient understanding of incentives?
- How to make aid more predictable?
- And more effective?
- How do we deal with aid orphans?