



## **FINANCING MDGs: Do we compete with Post Tsunami Reconstruction?**

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## BEFORE THE TSUNAMI:

- ◆ *National Disparities*: on its own, Aceh as well as Papua, Maluku, North Maluku, and East Nusa Tenggara will fall behind the rest of Indonesia in achieving their MDGs, if not supported by massive outside efforts.
- ◆ *Provincial Disparities*: western part of Aceh is much less developed than the eastern part: with more poverty, less developed health & education systems, poorer infrastructure, depleted natural resources, etc. mainly due to constant conflict and weaker governance → *more vulnerable to disasters*

## AFTER THE TSUNAMI

- ◆ Death toll: reaching more than 115,000 people with threats of famine & epidemic among refugees if not handled well. This could increase the figure
- ◆ Women & children are the most vulnerable groups
- ◆ Est. additional number of poor people: 1-2 million.
- ◆ 65% of SMEs and 80% of basic social & physical infrastructure in affected regions have collapsed
- ◆ Destruction of the already depleted environment
- ◆ Local governance incl. public services interrupted as local authorities and other local stakeholders - including their families - are also victims

## **AFTER THE TSUNAMI** ... *cont.*

- ◆ Overwhelming **solidarity**: regional, national & global; intergovernmental (multilateral & bilateral co-operations), private and public philanthropy & volunteerism in all sectors, etc
- ◆ Unprecedented **media exposure**, with positive & negative consequences
- ◆ Increased challenges of **co-ordination** & management of complex, interdependent and holistic recovery & reconstruction efforts: balancing of product & process, incorporating sustainable development, more participation-transparency-accountability, etc.

## **Our Common Challenge now:**

Can we turn  
the tsunami **devastation**

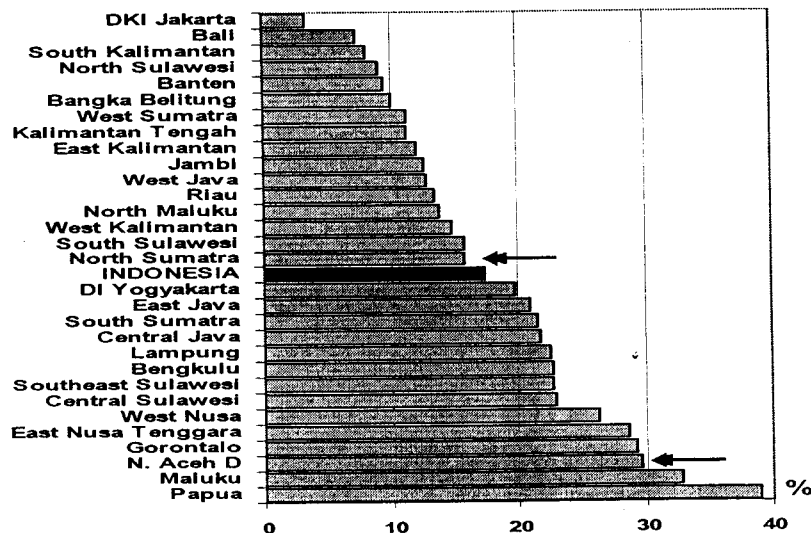
into  
a beacon of **hope**

for **MDGs' achievements** in the region  
and in all parts of Indonesia?

## MDGs Progress Report (May 2004)

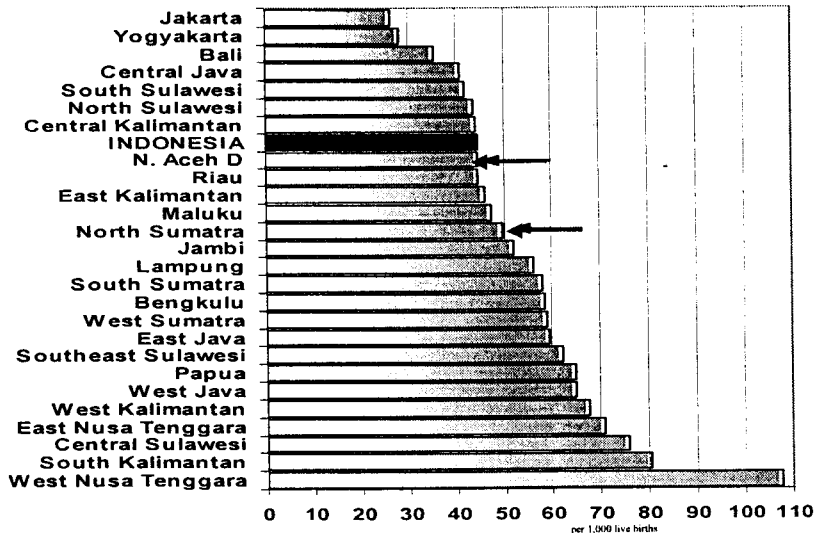
- At the national level, progress in poverty reduction since early 1990s, but has slowed due to the crisis
  - Progress in particularly in education and literacy
  - Progress has slowed, particularly in:
    - \* Child and maternal mortalities.
    - \* HIV/AIDS, TBC and Malaria incidence.
    - \* Access to safe drinking water, sanitation, and slum improvement
    - Reverse of loss of environmental resources.
- ◆ Large gaps between provinces, districts and cities
- ◆ Areas and “pockets of poverty” which can hardly achieve the MDGs without any outside support and empowerment.

Percentage of population living below the national poverty line, 2003



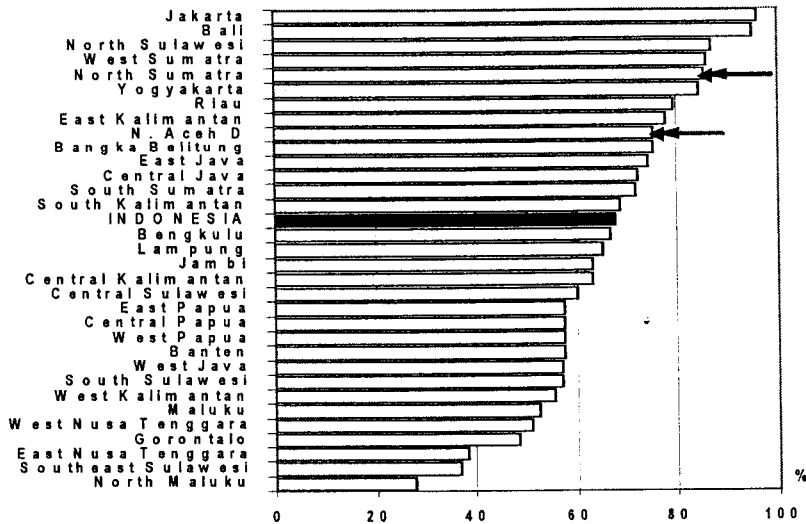
Source: Susenas 2003

### Under-five mortality rate, Indonesia, 2000

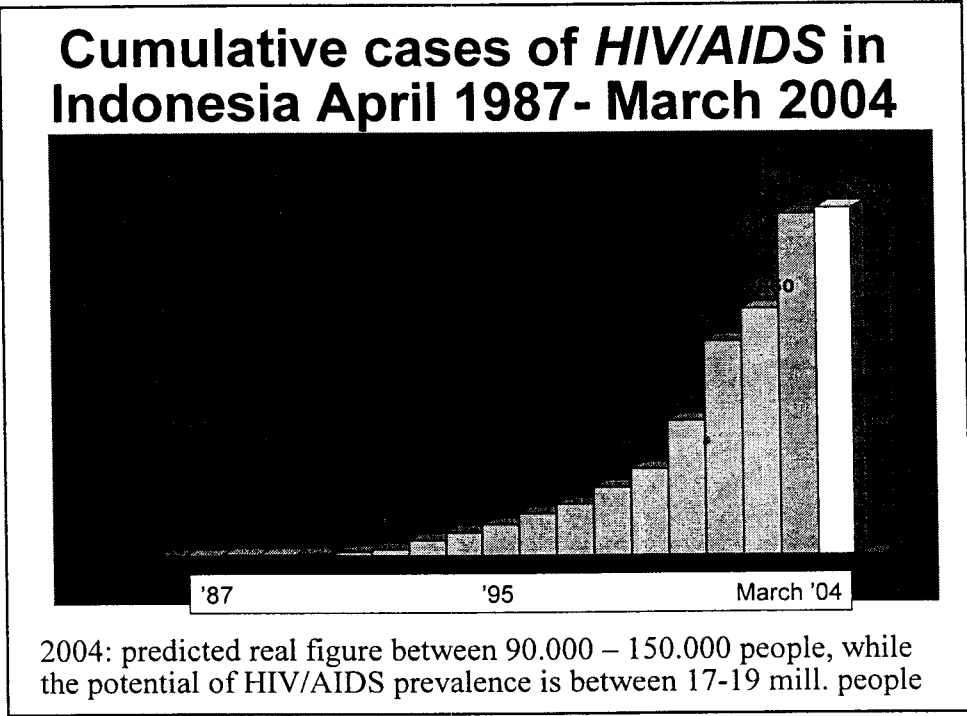
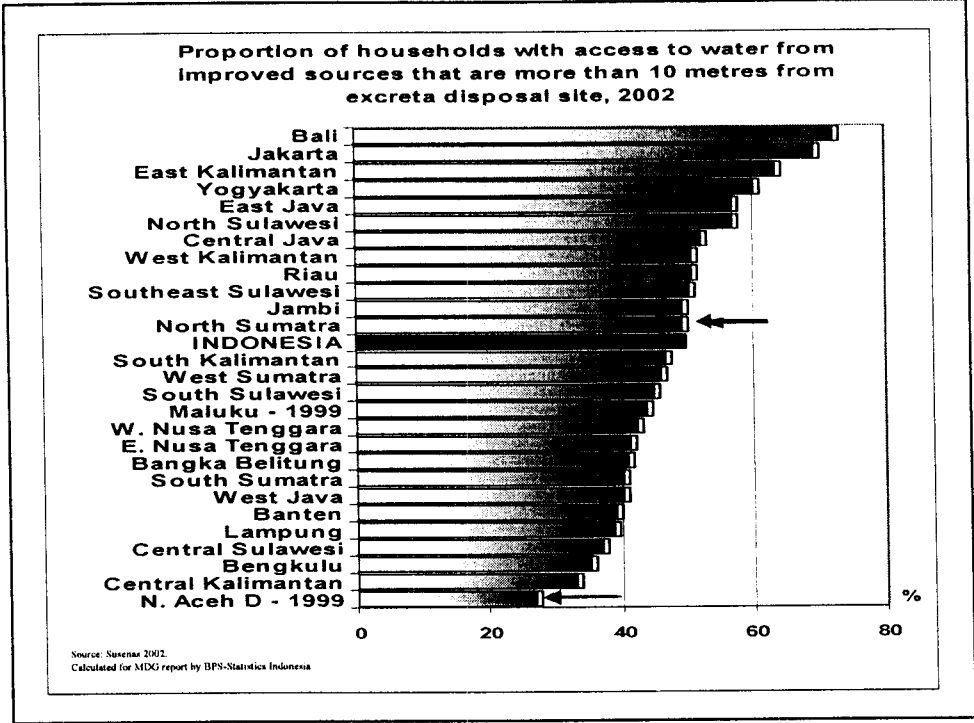


Source: Estimation based on 1990 population census

### Proportion of births attended by skilled health personnel, 2003



Source: Susenas 2003



## The Government and Civil Society are fully committed towards the MDGs

- Government of Indonesia is fully committed towards the achievements of MDGs by 2015:
  - Poverty reduction is high priority of the new government.
  - Mainstreamed MDGs in the Medium Term Plan 2004 - 2009
  - Adoption of the Targets and Indicators in Strategic Planning of Ministries and some Local Governments.
  - Produced the Indonesian MDGs Progress Report (2004)
  - Produced 2<sup>nd</sup> Indon. Human Development Report (2004)
  - Harmonization Program of Poverty Reduction Strategies & MDGs in 5 provinces in conflicts (20 Kab/Kota)
  - Public dialogues at the local level.
- CSOs Network on MDGs (more than 30 CSOs Alliances) has been active in raising public's awareness & remind the government of it's pledges.

## MDGs are reflected in the Indonesian Medium Term Planning 2004 – 2009

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development



Proposed 2004-2009 Development Priorities in the People's Welfare Agenda (from Bappenas)

- ✓ Reducing poverty
- ✓ Increasing access to better education
- ✓ Increasing access to better health services
- ✓ Increasing quality of life and roles of women
- ✓ Managing population growth, demography and family planning
- ✓ Improving the quality of environmental sustainability and natural resources management

## **The Millennium Development Compact**

→ an action framework that builds on the *deal* between developed and developing countries to achieve the Goals:

- Developing countries → *policy reforms and better governance in efforts to achieve goals 1-7*
- Developed countries → *deliver commitments to achieve goal 8 as Policy, not as Charity*

→ *developing countries can achieve the MDGs if developed countries do deliver, well in advance of 2015*

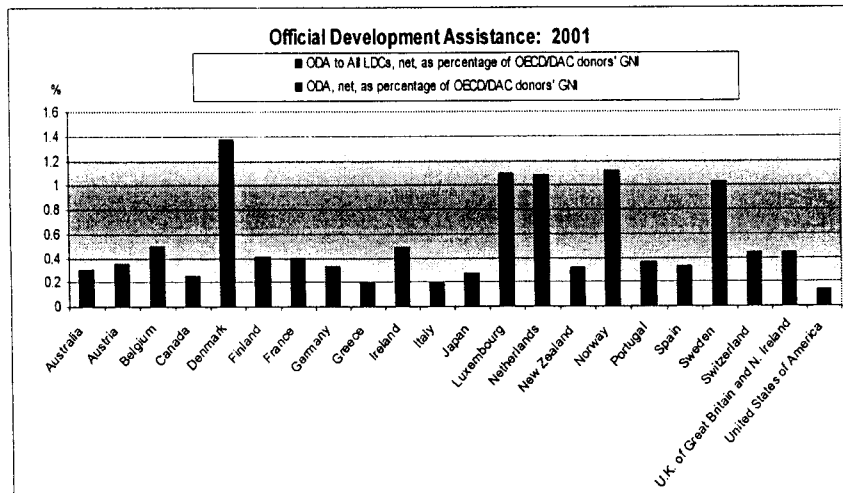
## **Goal 8: Developed Countries' Commitments**

- deliver more and more effective aid,
- faster and deeper debt relief,
- more trade opportunities & fairer trade rules,
- address special needs of landlocked & small island developing states,
- increase technology transfer,
- Increase access to affordable essential drugs

→ *many efforts being done to develop numerical targets and indicators, as well as benchmarks to measure targets / monitor Goal 8 efforts*

→ *some donors has worked on their MDG Reports*

## It IS possible to increase ODA levels



**countries have committed to achieve 0,7% by a target date:  
Ireland 2007, Belgium & Finland 2010, UK & France 2012**

## More Effective Aid Delivery *make MDGs the focus of all aid.*

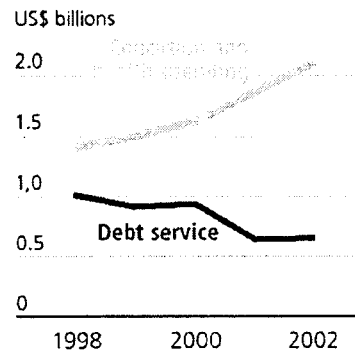
- ◆ Respect national ownership, be demand-driven, support homegrown strategies and policies.
- ◆ Harmonize & simplify complex donor procedures that overburden a country's institutional capacity; improve ODA effectiveness and lower transaction costs (**Rome Declaration, February 2003**)
- ◆ Aid tied to procurement in donor countries are 25% less effective than untied aid (*WB estimates*), financially costly for recipients, and limits options in maximizing use of resources, such as financing local and recurrent costs for basic social services.

## Debt relief...more is needed

- Redesign HIPC Initiative: enough relief to meet the Goals for more countries & for longer terms.
- 8 of 42 Heavily Indebted Poor Countries have reached completion point
- When debt falls investment in health/education can increase
- Encourage debt swaps

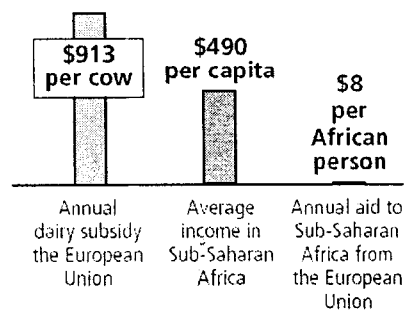
FIGURE 8.5

Spending shifts from debt service to human development in 10 countries benefiting from HIPC debt relief



## Trade ..... an uneven playing field *make it rule based & non-discriminatory*

- Increase market access for developing country product
- Eliminate subsidies that cause developing countries unable to compete in production



→ Trade barriers cost developing countries \$100 billion a year – twice as much as they receive in aid.  
 → If Africa increase it's share of world export by 1%, it would generate US\$ 70 B, 5x as they receive in aid

## Goal 8: many concrete actions that can make big differences

- ✓ Increase aid to fill the financing gaps
- ✓ Implement Rome Declaration on harmonizing aid to make it more effective
- ✓ Remove tariffs on developing country exports
- ✓ Remove agricultural export subsidies
- ✓ Finance further debt reduction
- ✓ Set up and finance a compensatory financing facility against big disasters and market shocks
- ✓ TRIPS agreement to protect indigenous knowledge and promote access to medicines

## Goal 8 Application in Indonesia: Why Not?

- Free & fair 2004 election → stronger and more legitimate political leadership than ever
  - Macroeconomic stability has been maintained and has stayed market-friendly
  - Stronger than ever commitments and actions on policy reforms – including financial sector reform -, better governance (*empowered Anti-Corruption Comm*)
  - Stronger than ever commitments in eradicating poverty, and on track in mainstreaming MDGs in national policy
- even before the tsunami, Indonesia is keeping it's side of the bargain, what about it's CGI partners?

## **Start with the momentum of Tsunami Rehabilitation & Reconstruction**

- Indonesia → *better governance in post-tsunami efforts, not just to return the region to its pre-tsunami condition, but enable it to achieve goals 1-7*
- CGI Partner countries → *deliver their goal 8 commitments as Policy, not as Charity, starting NOW*

→ Indonesia's side of the bargain is so much more challenging & complicated than its CGI partners', it needs & deserves more than all the goodwill & good gestures already shown in the Tsunami generosity

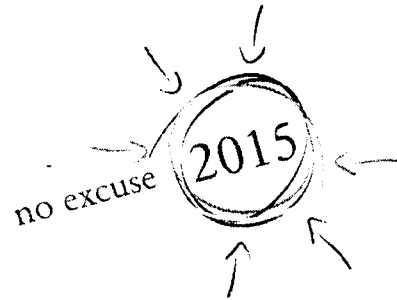
## **Conclusion**

**Today's world has the resources, technology and knowledge to recover from post-disaster devastation to a much better situation than its pre-disaster condition and simultaneously achieve the MDGs by 2015.**

**Financing efforts of MDGs are not competing with Post Tsunami Reconstruction**

**In fact, we can turn the tsunami devastation into a beacon of hope for MDGs' achievements in the region and throughout Indonesia.**

*Together We Can Do It*



**THANK YOU**

*\*) Presented at the Pre-Consultative Group on Indonesia  
(Pre-CGI) welcome dinner; Jakarta, 19 January 2005.*