Staying on Track

A framework for monitoring progress toward the Millennium Development Goals

James Boughton and Zia Qureshi

WHEN THE DEVELOPMENT Committee—the ministerial-level body that advises the World Bank and the IMF on development issues—discussed the UN Millennium Development Goals (MDGs) at the IMF-Bank Annual Meetings in September 2002, it called for determined implementation by developing countries, developed countries, and multilateral agencies of the agreed strategies and partnerships for reaching the MDGs and requested a framework by which to monitor progress on the underlying policies and actions. In response, the World Bank and the IMF, in cooperation with partner agencies, developed a monitoring framework that was endorsed by the Committee when it next met, in April 2003, and that will underpin reporting to the Committee starting in April 2004.

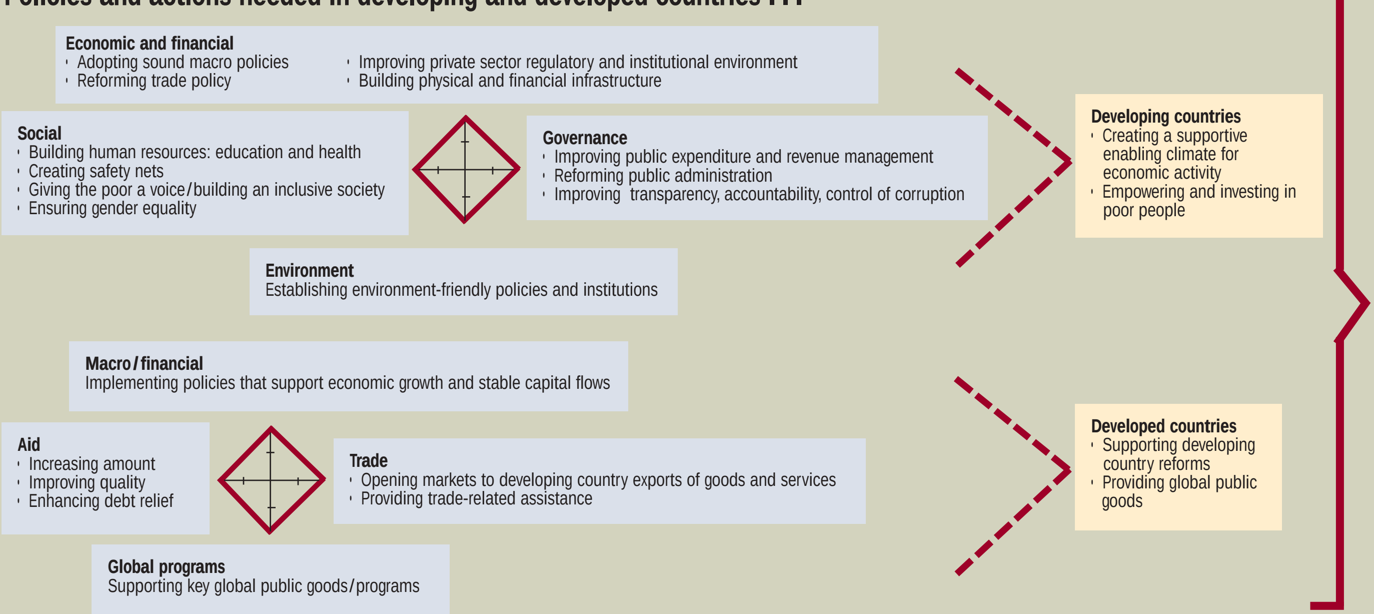
As the figure shows, the key drivers of the MDGs are multifaceted. Developing countries need to pursue policies and actions that promote economic growth and deliver services to poor people. Developed countries need to provide more and better aid and more open markets for developing country exports. The World Bank and the IMF need to support low-income countries' poverty reduction strategies, help prevent and resolve crises in middle-income countries, and continue to increase their own effectiveness and transparency.

Developing countries

The low-income developing countries have made progress on macroeconomic and trade policy over the past decade: average inflation and tariff rates have halved. However, there has been less progress on growth and poverty reduction. In 2001, more than half the low-income countries (population of about 800 million) had per capita income growth of less than 2 percent; nearly one-third (about 225 million people) experienced negative growth. To be sure, unfavorable political developments and external factors outside their control—including insufficient aid and market opportunities—played a role in the adverse outcomes, but limited progress on structural policy and institutional reforms also hurt. The Development Committee report pointed to three areas that need significant improvement:

Enabling environment for private sector activity. This includes upgrading the regulatory and institutional environ-

Policies and actions needed in developing and developed countries . . .



ment and strengthening physical and financial infrastructure. In 2002, almost two-thirds of the low-income countries had business environments that inhibited domestic and foreign investment. The most serious shortcomings were in property rights and rules-based governance, although there has been some improvement in many countries, including in Africa.

Public sector management. Reforms and capacity building in public expenditure and financial management need to accelerate. Improvement of transparency, accountability, and control of corruption is particularly urgent. Indeed, performance on public sector governance was rated the weakest of all the areas considered in the report. The good news is that governance reforms are now a key element of the policy agenda in many developing countries. In Africa, improved governance is at the core of the New Partnership for Africa's Development (NEPAD).

Human development. Public spending on education and health care needs to be increased, and delivery of services to poor people needs to be more effective (see page 48). More attention must be paid to water, sanitation, education, and gender issues, which all have an impact on health.

With respect to the middle-income countries, policy performance indicators are higher, on average, than for their low-income counterparts, but, as for the low-income countries, public sector governance is the weakest area. Many middle-income countries still need to undertake major reforms to ensure sustained growth, boost poverty reduction, and reduce the incidence and severity of financial crises. Output losses from these crises have been large, often sharply eroding hard-won gains on the poverty front.

Developed countries

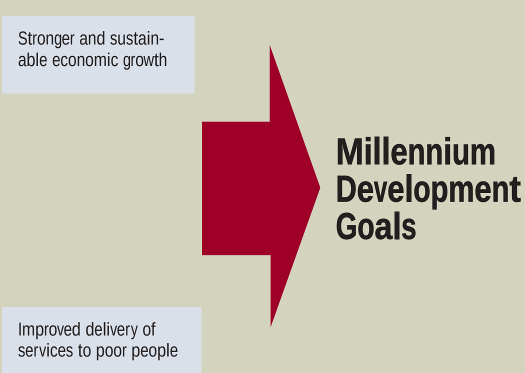
Opening up trade and increasing aid and its effectiveness should be top priorities for rich countries, which also need to ensure that their macroeconomic policies are conducive to the stability and growth of the world economy that are so important for developing country prospects.

Trade. Priorities are agricultural liberalization (total public support to agriculture in OECD countries is more than $300 billion, six times their overseas development assistance), increased market access for textile and apparel exports from developing countries (barriers to textile exports cost developing countries an estimated 27 million jobs), and elimination of tariff escalation (the average tariff on imports from developing countries is four times as high as on imports from developed countries, with escalating rates on processed exports). The full liberalization of trade could result in faster growth in developing countries and lift 300 million people out of poverty by 2015.

Aid. At current levels of about $50 billion annually, there is a large gap between the development ambitions of the international community and the resources it provides. New commitments made since the Monterrey conference in 2002, if fulfilled, would raise overseas development assistance by about $16 billion by 2006, which still falls far short of estimates of the sum needed for achieving the MDGs. Also important are adequate support for debt relief for the heavily indebted poor countries, better allocation of aid across countries, closer alignment with countries' poverty reduction strategies, harmonization of donor practices, and timely support for critical programs (HIV/AIDS, Education for All, clean water, for example). ■

James Boughton is an Assistant Director in the IMF's Policy Development and Review Department, and Zia Qureshi is a Senior Advisor in the World Bank's Global Monitoring Secretariat.

. . . to create the kinds of conditions in developing countries that will enable them to achieve the MDGs



The UN Millennium Development Goals

1. Between 1990 and 2015, halve the proportion of people whose income is less than $1 a day and the proportion of people who suffer from hunger.
2. Achieve universal primary education by 2015.
3. Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.
4. Between 1990 and 2015, reduce the under-5 mortality rate by two-thirds.
5. Between 1990 and 2015, reduce the maternal mortality rate by three-fourths.
6. By 2015, have halted and begun to reverse the spread of HIV/AIDS and have halted and begun to reverse the incidence of malaria and other major diseases.
7. Ensure environmental sustainability by integrating the principles of sustainable development into country policies and programs and reversing the losses of environmental resources.
8. Develop a global partnership for development.