Getting

How to accelerate progress toward the Millennium Development Goals

Mark Baird and Sudhir Shetty

WITH JUST 12 years left to achieve the Millennium Development Goals (MDGs, see Box 1), a greater sense of urgency is needed by all sides if the targets are to be met. Many developing countries are making substantial progress toward the MDGs as a result of improved policies, better governance, and the productive use of development assistance. But they could do more with the right mix of policy reforms and additional help. Scaling up efforts to meet the MDGs by 2015 presents both opportunities and challenges. By acting now, developed countries can hasten progress by providing more and better aid and by allowing greater access to their markets. Developing countries, for their part, will need to continue to improve their policies and the way they are implemented. Without greater impetus, there is a serious risk that many countries will fall far short on many of the goals.

These findings emerge from a recent World Bank study that looked at how progress toward the MDGs at the *country* level could be accelerated through a combination of better domestic policies and improved governance, higher aid levels (in terms of official development assistance), more effective aid delivery, and improved market access to developed country markets. The study focused on 18 countries that account for approximately half of the world's poor and a third of global aid flows and are broadly representative of low-income countries with good policies. The 18 are Albania, Bangladesh, Benin, Bolivia, Burkina Faso, Ethiopia, Honduras, India, Indonesia, the Kyrgyz Republic, Madagascar, Mali, Mauritania, Mozambique, Pakistan, Tanzania, Uganda, and Vietnam. The role for aid was also reviewed for two other groups of countries—low-income countries under stress and middle-income countries.

The country-based approach of this study complemented other work that used global and sectoral approaches to examine the cost of attaining all the MDGs in all developing countries and the implications for aid volumes (see, for instance, Devarajan, Swanson, and Miller, 2002). The study focused on countries with good policies because, as the literature on aid effectiveness has shown, the case for aid is strongest for these countries (Burnside and Dollar, 2000). The quality of policies refers to judgments about the adequacy of a country's policy, governance, and institutional framework in promoting poverty

Box 1

The Millennium Development Goals

1. **Eradicate extreme poverty and hunger**
   - Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.
   - Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
2. **Achieve universal primary education**
   - Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
3. **Promote gender equality and empower women**
   - Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.
4. **Reduce child mortality**
   - Reduce by two-thirds, between 1990 and 2015, the under-5 mortality rate.
5. **Improve maternal health**
   - Reduce by three-fourths, between 1990 and 2015, the maternal mortality ratio.
6. **Combat HIV/AIDS, malaria, and other diseases**
   - Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.
   - Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.
7. **Ensure environmental sustainability**
   - Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
   - Halve, by 2015, the proportion of people without sustainable access to safe drinking water.
   - Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.
8. **Develop a global partnership for development**
   - Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system.
   - Address the special needs of the least developed countries.
   - Address the special needs of landlocked countries and small island developing states.
   - Deal comprehensively with debt problems of developing countries through national and international measures to make debt sustainable in the long term.
   - In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.
   - In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.
   - In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

There

reduction through sustained growth and improved service delivery to the poor.

Each of the 18 countries has made significant progress over the past decade, especially on the goals of reducing income poverty, promoting primary education, and increasing access to safe drinking water. But progress has varied, both across goals and across countries. The least progress has been made on the child and maternal mortality goals and on sanitation. And while Bangladesh, Indonesia, and Vietnam have made rapid progress toward some or all goals, Ethiopia, Madagascar, and Pakistan have seen less improvement.

Two scenarios

The first scenario in the study looked at how much progress each of these countries could make toward the MDGs by 2015 without significant increases in aid flows or improvements in policies. (The projected outcomes under this scenario and the second scenario with improved policies and higher aid, described below, reflect the judgments of World Bank country teams, supported by existing analysis.) The left panel of Chart 1 provides a summary of the prospects for the 18 countries under the first scenario. More countries are likely to attain the education and poverty goals than those for health or the environment. In general, this is representative of what can be expected if the countries continue to pursue policies aimed at maintaining macroeconomic stability and promoting structural reform. The growth payoff from these policies will yield the biggest gains in reducing income poverty and increasing primary school enrollment. However, even among the education goals, while the primary school enrollment target is expected to be met in almost two-thirds of the sample countries, those for primary school completion and gender equality pose bigger challenges. Similarly, while almost half the sample countries would meet the income poverty goal, several of them will not be able to meet the goal of reducing hunger.

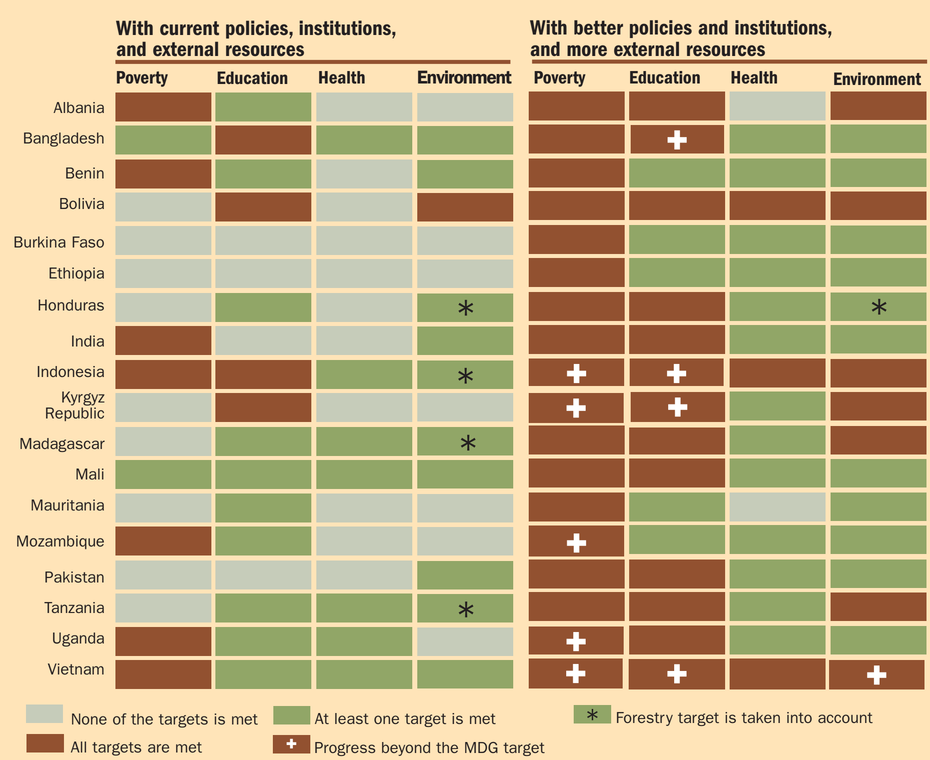
The child and maternal mortality goals are projected to remain unmet almost universally in the sample (see Box 2, page 16, for a discussion of why these health goals are particularly challenging). Only Bangladesh, Indonesia, and Vietnam are likely to meet the child mortality goal. And on maternal mortality, probably only Vietnam will meet the MDG. Reaching these goals is made more difficult in many of the sub-Saharan countries in the sample because of the spread of the HIV/AIDS epidemic in the 1990s.

How would significantly better policies and more aid interact in stepping up the pace of these countries' progress toward the MDGs? The outcomes for each country under this second scenario are summarized in the right panel of Chart 1, which shows how powerful this combination could be. For example, it would probably allow all 18 sample countries to achieve the

Chart 1

Prospects of meeting the MDGs

How more money, coupled with policy reforms, could make a crucial difference.



Source: World Bank.

Note: Each column shows progress in achieving MDG targets in four broad areas: poverty—income poverty and hunger; education—primary enrollment and completion, and gender equality in education; health—child (under 5) mortality, maternal mortality, and, where applicable, HIV/AIDS; and environment—improved access to water and sanitation, and, where applicable, better forestry management.

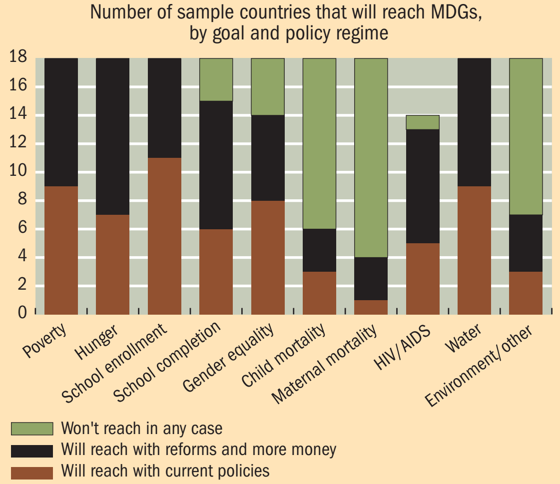
Box 2
Why health lags

Meeting the health MDGs is more challenging than the other goals for several reasons. First, the declines in infant and maternal mortality required to meet the targets are especially steep (a two-thirds reduction in child mortality rates and a three-fourths reduction in maternal mortality by 2015). Second, improving health outcomes is linked not only to the provision of health services, but also to interventions outside the health sector. Access to clean water and education for mothers are both key determinants of infant and child mortality rates. And achieving sharp declines in maternal mortality requires behavioral changes in prenatal care and delivery and an improved road network, in addition to improved hospital care. Third, delivering health services effectively requires the coordination of policies across a number of fields. These include public sector management policies that provide adequate incentives to health care providers; procurement and distribution policies for pharmaceuticals so that these are available in sufficient quantities in the right places; public health measures to protect the population; and suitable regulation and quality control of private providers, who often deliver more health services than public providers.

Nevertheless, experience shows that progress toward the health goals is possible. Concerted efforts will be required to ensure sustained improvements in indicators of infant and child mortality and maternal mortality. These areas include improvements in access to and the quality of health services; better infrastructure, especially for water and sanitation; and a focus on the control of diseases that are highly concentrated among the poor (for example, tuberculosis and malaria), where the benefits go beyond those immediately affected, or have the characteristics of public goods.

Chart 2
Uneven progress

Many countries are likely to fall short on health targets, but more money and better policies could make a big difference.



Source: World Bank.

poverty goals, and several of them, including Mozambique, Uganda, and Vietnam, could be able to make even sharper reductions in poverty than called for by the MDGs. Significant progress could also be expected on the education goals, with almost two-thirds of the sample countries attaining the targets even for primary school completion and gender equality. However, progress on the health and environmental goals would remain a challenge (see chart 2). Only a third or fewer of the countries would achieve all the targets in either area, and some would not meet any of the goals.

For improvements to occur at this faster pace, substantial policy and institutional reforms will be necessary to accelerate growth and improve service delivery. The needed reforms fall into three broad areas: improving the environment for private sector activity, particularly in terms of the rule of law and infrastructure; enhancing the quality of governance and capacity in the public sector; and delivering more effective human development and other basic services to poor people. Reform priorities will vary by country. In some, such as Pakistan and Indonesia, strengthening governance in the public sector and improving the investment climate are the priorities. In Madagascar and Burkina Faso, it will be necessary to implement sectoral policies and reorient public expenditure programs to make the pattern of growth more pro-poor. And, in Honduras, more rapid growth will hinge on reforms to deepen the financial sector and improve governance.

How much more aid is needed?

The amount of additional aid that can be used productively varies substantially across countries, because of differences in policies and institutions and the pace at which these might be improved, the incidence of income and nonincome poverty, and current aid levels. These variations emerge clearly if the 18 countries are looked at in terms of three groups.

The five large Asian countries—Bangladesh, India, Indonesia, Pakistan, and Vietnam—have large numbers of poor (collectively, they account for almost 45 percent of those who live on less than \$1 a day), good policies, and prospects for further improvement supported by reasonable institutional capacity. They currently receive low levels of aid (in per capita terms or as shares of GDP). It should therefore be possible to increase aid substantially (a doubling or more of current flows) to these countries. As a result, and provided they further improve their policies, they will be able to make faster progress toward the MDGs (and, in Indonesia and Vietnam, would go beyond several of the MDGs).

For countries with higher per capita incomes and already sizable aid flows—Albania, Bolivia, and Honduras—additional assistance could be used productively, but the incremental amounts would be much smaller. On average, their additional aid requirements will be about 20 percent over current flows. One reason is that they already receive considerable aid, with higher per capita aid than most sub-Saharan African countries. Also, while they still face serious challenges with regard to some of the goals—particularly in terms of improving conditions of marginalized regions and groups—and will continue to need aid, many of them will require deeper reforms rather than significantly more concessional assistance to sustain higher growth.

The third group comprises the 10 countries of sub-Saharan Africa and Central Asia. These have smaller populations, weaker institutional capacity, and typically already receive substantial aid. For these countries, the additional aid needed will average about 60 percent over current aid levels, depending on country circumstances. A key consideration in these countries, where there is considerable uncertainty, is the pace at which they can reasonably expect to upgrade their institutional and human capacities so as to translate good policies and more public spending financed by aid into faster growth and better human development outcomes.

On the one hand, countries such as Burkina Faso and Mozambique are likely to be able to use only relatively modest increases in aid despite their enormous needs relative to the development goals. They already receive substantial amounts of external assistance—over half of Burkina Faso's budget is externally financed while aid flows to Mozambique are about one-fourth of its GDP. And, while each could further improve its policies, including increasing domestic revenue mobilization, the lags between those reforms and the necessary upgrading of capacity will imply that increases in aid will need to be phased in gradually. On the other hand, Ethiopia and Madagascar should be able to use substantially more aid, possibly even a doubling of current flows over the coming decade, if these increases are accompanied by policy improvements. In per capita terms, Ethiopia currently receives about half the level of aid of Burkina Faso and a third of what Mozambique receives. So, if it is able to improve its policies, particularly by making the investment climate more favorable, large increases in aid could significantly accelerate its progress toward several of the MDGs.


A tailor works outside in the Ethiopian capital, Addis Ababa

Other low-income countries

What about the role of aid in low-income countries with weaker policies and governance than those of the 18 countries in the sample? Such countries pose special challenges for the effective use of aid. While the countries in this group are diverse, including postconflict countries as well as countries with poor development records, they also share several characteristics. All of them have poor and deteriorating economic and social indicators; limited data on social conditions and the impact of development programs; and very weak policies, institutions, and governance (World Bank, 2002). The challenge for donors in these countries is to find ways of balancing the countries' limited absorptive capacity and high risk with the need to remain engaged so that the prospects for progress are not compromised. Strong aid coordination is especially important, given the fragility of the countries' reform programs and limited political and technical capacities. While there is no template for how these countries can best be assisted in initiating reforms, a better understanding of local social and political dynamics must be the starting point in all cases. And their ability to use aid effectively to move toward the MDGs can be enhanced by improvements in policies and governance. One way to use increased aid more productively, even in the short run, could be by strengthening autonomous or nongovernmental institutions for service delivery.

Among these countries, the case for larger financial transfers is stronger in postconflict countries. Most of them have significant humanitarian needs coupled with the need to rebuild infrastructure and provide basic social services. At the same time, the domestic resource base is small and unlikely to grow rapidly—for instance, in Afghanistan, domestic revenues are projected to reach only about 5 percent of GDP and 9 percent of the government's budget in 2004. In this situation, donors need to finance the large up-front cost in a timely manner and in ways that support rather than undermine local efforts to mobilize resources and build capacity. Also, ways need to be found to ensure that aid flows to these countries continue to rise over time as they strengthen their institutional and policy environments rather than tapering off too soon after the conflict ends, as has typically occurred.

Middle-income countries

As for middle-income countries, most have already met or are on track to achieve the MDGs well before 2015. And although they received over one-fourth of total aid flows in 2001, most rely on domestic resources and private capital flows to finance the bulk of their investment needs. Yet in 2000, these countries were still home to 280 million people living on less than $1 a day and 870 million people living on less than $2 a day. And, while other social indicators are, on average, better than those in low-income countries, there remain significant pockets of poverty and deprivation in most of them.

Herding goats in Mali

The case for aid to help these countries hasten their progress toward the MDGs varies with country conditions. Their per capita incomes range from $750 to over $9,000, and they differ also in terms of creditworthiness and the adequacy of their policies. Lower-middle-income countries, such as Guatemala, Morocco, Peru, and the Philippines, are similar to the wealthier low-income countries. They have widespread deprivation (although not necessarily on all dimensions—Peru, for instance, has almost universal primary schooling) and weak creditworthiness. For these countries, even when they have some access to private capital, modest levels of official development assistance could play a crucial catalytic role in implementing reforms aimed at addressing poverty and inequality and making faster progress toward the MDGs.

Although China is a lower-middle-income country, its size, track record in sustaining growth and reducing poverty, and access to private capital flows make it distinctive. It has already achieved several of the MDGs and is on track to reach all of them by 2015. However, in 2000, about 200 million Chinese still lived on less than $1 a day, and 600 million lived on less than $2 a day. Inequalities across regions and between rural and urban areas are also severe. To address these problems will require comprehensive reform of the intergovernmental fiscal system, in addition to sectoral reforms to improve service delivery. In tandem, substantial incremental spending will also be needed, the bulk of which will have to come from domestic sources. Aid can play a role at the margin by helping to advance the necessary policy and institutional reforms needed for China to achieve the MDGs more uniformly.

In upper-middle-income countries, official external assistance could usefully reinforce domestic efforts (and domestic resources) in tackling pockets of poverty, which remain significant in many of them, as well as in buffering the poor from the impact of external shocks. Since most of these countries can access international capital markets, such official flows are likely to be primarily nonconcessional and will decline as incomes rise. For these countries, greater access to developed country markets will also do more than additional aid in supporting domestic efforts to address pockets of poverty.

Implications of scaling up

To accelerate progress toward the MDGs, the international community will need to act on four fronts:

Link country strategies to medium-term national goals. Poverty Reduction Strategy Papers (PRSPs) in low-income countries, and national development strategies more generally, need to be linked more explicitly with longer-term development goals and specify what countries and their development partners will do to meet them. This will require that countries use their PRSPs or development strategies in formulating medium-term goals and translating these into annual budgets and programs that also incorporate expectations about aid flows. To do this effectively, they will need to address country-level information and analytical gaps about MDG-related outcomes and their determinants. In particular, there are still large gaps regarding the interventions needed to improve service delivery, particularly in bringing out the indirect role of infrastructure.

Provide substantially more aid. The country studies confirm that, with continued policy and institutional reforms, substantial increases in aid can accelerate progress toward the MDGs. The international community has committed to increase aid volumes by $16–18 billion annually by 2006 (from its 2002 level of $56 billion). Extrapolating from the broad typologies of the sample countries, the absorptive capacities of low-income countries with weaker policies, and the catalytic role of aid in middle-income countries, the study suggests that a larger sum—possibly at least $30 billion annually in addition to current aid flows—is needed. Committing this additional amount early can create a virtuous circle that improves the prospects for reaching the MDGs in many developing countries by helping sustain their reform efforts. Thus, this estimate of the additional aid needed could well be exceeded over the medium term. It is conservative also because, while it reflects the best available country-level analysis, there are gaps particularly with regard to infrastructure needs (see Box 3) and the likely pace of capacity enhancement.

Improve the delivery of aid. While there is no one answer as to what makes for good aid, the country studies on which this paper is based suggest that there are three main implications for aid delivery:

- *Support good policies with timely and predictable aid.* The recent shift in aid allocations toward low-income countries with relatively good policies is a positive trend that should be continued. And, as countries build a track record of policy performance, they should be supported with access to timely and predictable aid, which will allow them greater confidence in undertaking the long-term reforms needed to sustain progress toward the MDGs. Although more needs to be done, one country that has made some progress in this direction is Uganda.

However, low-income countries with weaker policies should not be cut off from aid. In some countries, especially postconflict, up-front and transitional costs for humanitarian assistance, infrastructure rehabilitation, and basic social service provision can be significant. Other countries initiating reform programs can face unfavorable initial conditions, such as arrears on external debt and negative net transfers of external resources. The challenge in these cases is to provide aid quickly and without undermining local efforts to mobilize resources and build capacity.

• *Align aid with country priorities and constraints.* Aid should be provided in ways that are better aligned with the priorities as articulated in countries' poverty reduction or development strategies, as in Vietnam and Ethiopia. This means accepting national goals, improving donor coordination, and harmonizing donor policies as far as possible with the countries' own systems. Assistance should also be phased in and sequenced with improvements in country capacities (as is being done in Tanzania) so as to avoid potential problems associated with aid dependence.

Box 3

Why better infrastructure is crucial

There is growing recognition that improving infrastructure is crucial to achieving the MDGs. Yet most country strategies do not factor in infrastructure in an integrated manner because of lack of clarity at the country level as to how reliable and affordable provision of infrastructure services can help in reducing poverty through faster growth and better service delivery. Below are two examples of how infrastructure affects progress on MDG-related outcomes:

• ***Through growth.*** In Uganda, a survey of 243 firms conducted in 1998 showed that inadequate electricity sources were the most important constraint to investment. Firms did not receive electricity from the public grid for 89 operating days a year, on average, with the result that 77 percent of large firms (in addition to 44 percent of medium and 16 percent of small firms) purchased generators, representing 25 percent of their total investment in equipment and machinery. Provision of reliable electricity services would likely attract more firms to invest in Uganda—improving the outlook for growth and poverty reduction.

• ***Through service delivery***. In rural India, a study found the prevalence and duration of diarrhea among children under five are significantly lower, on average, for families with piped water than for those without piped water. However, the results also show that the health gains largely bypass children in poor families, particularly when the mother is poorly educated. This points to the importance of combining infrastructure investments with effective public action to promote health knowledge and income poverty reduction.

• *Provide appropriate forms of aid on sustainable terms.* A much higher proportion of additional aid than at present should be provided in the form of cash so that it can finance the costs of meeting the MDGs. Aid can meet the need for increased recurrent costs if it is provided through budget or sectorwide support in countries such as Burkina Faso that are improving their public expenditure management, or by financing well-designed sectoral programs, as in Madagascar. And, to ensure debt sustainability in heavily indebted countries that have good policies, but are susceptible to shocks, a greater share of aid may need to take the form of grants.

Enhance access to markets in industrial countries. For many low- and middle-income countries, trade and aid complement each other. Developing countries' prospects for achieving the MDGs would be significantly enhanced with greater access to markets in industrial countries. The highest tariffs faced by developing country exporters are on agricultural products, processed foods, and textiles and apparel—products that dominate the exports of the poorest countries. Despite the recent setback at Cancún, successful completion of the Doha Round focused on reducing these barriers could generate substantial income gains for low- and middle-income countries and, therefore, remains a priority.

The ability to benefit from improved market access, particularly for low-income countries, depends also on their undertaking further trade reforms and investments, particularly upgrading trade-related infrastructure and improving customs administration. While improved market access will benefit most developing countries in the longer term, many will be able to use additional aid in the short and medium terms to take advantage of the resulting opportunities to expand their exports. ■

Mark Baird is a consultant to the World Bank, from which he retired in 2002 as Country Director for Indonesia. Sudhir Shetty is Sector Manager of the Poverty Reduction Group of the World Bank.

This article draws on a World Bank paper, "Supporting Sound Policies with Adequate and Appropriate Financing," prepared for the September 2003 meeting of the Development Committee of the World Bank and the IMF in Dubai.

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