11

Millennium Development Goals: Are They Adequate?

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There is much to be welcomed in Ernest's chapter. It provides us with a formidable *tour d'horizon* of the issues that confront financing development in Africa. I would like to underline his emphasis of the need to mobilise both domestic as well as external resources. In my view far too little attention has been put on the mobilisation of domestic resources and I will come back to this point in regard to the way that it is treated in Ernest's chapter. He situates the issues of financing in the context of the policy environment. This is important but it is also controversial as to what that policy environment should be. In short, the chapter offers a lot of food for thought and there are many points with which I agree.

Discussion About the Washington Consensus Is Missing

I would like to make first of all, the following point. The chapter's frame of reference for the policy environment is very much that of the Washington Consensus: the need for internal and external reforms, greater openness and liberalisation to the rest of the world, and so forth. It struck me when reading the chapter that there is little reflection of the debate that Latin Americans have undergone in the last decade on the Washington Consensus. John Williamson's book last year, co-edited with Pedro Pablo Kuczynski was very crucially entitled "After the Washington Consensus" and not "the Post-Washington Consensus". This drew attention to the fact that there is a debate in Latin America as to what the optimum set of reforms in Latin America should be. Ricardo

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Ffrench-Davis at ECLAC puts it very well when he refers in several of his recent papers about the need to "reform the reforms."

That debate has not yet taken root in Africa and it is overdue. Instead, we have seen the launch of the NEPAD initiative on which Ernest is strangely silent. But William Lyakurwa reminded us of the long litany of initiatives that have come out of sub-Saharan Africa, starting with the Lagos Plan of Action and AAF-SAP and so forth, all of which met with stony silence or resistance from the donor community. It is only when NEPAD came along a couple of years ago that the donor community embraced an initiative from African leaders because, unlike its predecessors, NEPAD articulates a policy framework that is much more consistent with the Washington Consensus in spite of the fact that outside sub-Saharan Africa many parts of the developing world have gone beyond that. So it is a bit ironic that finally when there seems to be more convergence between African leaders and Western and Northern donors, it is around a policy framework which itself might be questionable.

The Shortcomings of the Millennium Development Goals

I have some specific comments as to what is said in the chapter, as well as what is not said. I have been quite intrigued by the focus in the chapter on the target of achieving the Millennium Development Goals (MDGs) and I would just like to pose the question whether the MDGs should be the target. The MDGs are in a sense not adequate as a development target. There are broader and deeper goals such as achieving long-term sustainable growth at rates of 6 to 8 percent and related to that, a process of economic and social transformation which adds up to a much more profound agenda of change. I would even go further to say that the MDGs are at once both too ambitious and not ambitious enough. They are too ambitious in that they may not be achieved by many countries in Africa by 2015. The problem is that the costs of not achieving them may come in the form of disillusionment, accusations of failure and the withdrawal of donors from the development struggle.

Furthermore, the problems of development will not go away by the year 2015 and in that sense, the MDGs are not ambitious enough. The MDGs address the symptoms of development failure whereas the real challenge is to tackle the underlying root causes. The real challenge is not only to achieve the MDGs up to 2015, but go beyond them to the issues of transformation in the productive structure. In Africa, the discussion must come around to the centrality of agricultural transformation, because how can one presume any progress on the MDGs, most of all in poverty reduction, without a focus on agriculture? So the question of productive structure deserves a lot more attention than it has received.

A sort of threshold of growth is necessary but not sufficient. There has to be pro-poor growth, there has to be quality of growth, otherwise again we will be falling short of what needs to be done. I should add that the MDGs are actually quite controversial in many developing countries and among civil society organisations in particular. It is with some reluctance or disappointment that many countries or civil society organisations have taken up the challenge of the Millennium Development Goals, because they are competing against something else, and that is the war against terror. The war against terror has intruded into the space of the global development agenda and as a result, there is a compelling need to find a cause to enlist people in the struggle for human development, and the MDGs fit the bill.

Soft and Hard Options

The other point about what is said in the chapter relates to Ernest's "soft options" and "hard options." It strikes me that *all* the options are hard, with some of them harder than the others. However, I was quite surprised by which options are identified as soft and which options are hard.

It seems to me that the option of increasing aid is not "soft." Ernest says in his chapter that some 95 percent of the additional resources requirement should be secured through the aid channel, but this would be supremely difficult to achieve. When one considers innovative ideas such as the Tobin tax, the carbon tax, the arms trade tax, and the International Finance Facility (IFF), reviewed in the recent report that came out of the Lula-Lagos-Chirac initiative at the UN with support of the Secretary General, there are severe constraints, even with the IFF, the most likely of these options. For example, in Canada, it is a non-starter because of the way our accounting system is set up; the commitments to the IFF will have to be booked up-front rather than expended over the course of the disbursements by the IFF. So there is absolutely no advantage to Canada in adopting the IFF. Simply increasing aid is the most practical way to go.

But having raised the option of domestic resource mobilisation, the chapter should have taken the potential of domestic resource mobilisation a lot further than it does, and in a long-term framework. I stress a long-term framework because it is not possible to go from 10 or 15 percent savings and investment rates to a 25 or 30 percent rate in a short time. But it is quite plausible in my view to make such a transition in a 25-year time frame. But those efforts involve institutional transformation, and to some extent behavioural transformation. The East Asian example has been invoked several times in reference to countries many of which were as poor in the 1950s as African countries are today. They have been able to sustain a fairly impressive savings rate over several decades. What can we learn from that specific phase of the East Asian experience and how replicable is it in the African context?

On domestic resource mobilisation, more attention is needed to the taxation and revenue generation capacity of governments. This is very rudimentary in many African countries, leaving them chronically dependent on foreign aid, or worse, foreign borrowing. The tax and revenue generation capacity effort of countries will have to be deepened. But one cannot do that overnight. Why are donors, the Bank, and the Fund not addressing this issue by helping to create the needed tax-generating capacity? Despite all the talk about creating capacity, in this specific area of fiscal capacity building, much more attention is required.

In the chapter there is allusion to the hard option of FDI. In recent work undertaken by Matthew Martin for the North-South Institute, there was an interesting finding. In countries that had liberalised capital markets, capital outflows run at a fairly significant proportion of inflows, around 50 percent. So the net inflows from capital liberalisation are not nearly as impressive as the gross inflows. On top of that, there is also a problem of knowing what the actual numbers are, because of the difficulty of monitoring the level and the destination of capital flows to African countries – again, because of capacity constraints in African bureaucracies. This and other findings are being published in North-South Institute's *Canadian Development Report 2004*, which is on the subject of investing in poor countries.[1]

Missing Points

With regard to what is *not* said in the chapter, there is little about PRSPs. The point I would like to make is that the PRSP and the MDG campaign seem to be on two parallel tracks. One can say that "PRSPs

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[1] North-South Institute, *Canadian Development Report 2004: Investing in Poor Countries: Who Benefits?*, North-South Institute, Ottawa, 2004.

are from Mars and MDGs are from Venus." What we badly need is a much more coherent policy framework to bring them together. There is no reason, especially since the international organisations talk to each other and work with each other on those things all the time, that it should be so. Why are MDGs not much more central in the articulation of PRSPs?

The other point not made in the chapter is the need to address distributional issues more forthrightly. Some other work that the North-South Institute has done lately is on the potential and importance of land reform, particularly in sub-Saharan Africa. Land redistribution is something that the World Bank is now talking about, having eschewed it for the past 50 years because it was much too controversial, so now it is back on the agenda. It is not only important to look at financial fragility, but also important to look at real vulnerability. Hernando de Soto puts a lot of emphasis on the titling of real property so that the poor can use their property as a vehicle for credit mobilisations through the banking system. While I do not subscribe to everything that de Soto says, if one were to link land redistribution to resource mobilisation through the financial sector, the possibility of increasing domestic savings and investment rates certainly becomes much more feasible. Once again, there are lessons that could be learnt from East Asian experience, where land redistribution, growth and poverty reduction went hand in hand.

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