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Supporting developing countries in coping with the crisis

Millennium Development Goals — Impact of the Financial Crisis on Developing countries

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1. INTRODUCTION

This **Staff Working Paper on the MDGs** analyses the situation and prospects for progress on development and the MDGs in particular in the light of the current financial crisis. The objectives of the MDGs staff working paper are (1) to take stock of current initiatives undertaken by the international community to accelerate progress on the MDGs and (2) to reflect upon the challenges ahead up to 2015 given the rapidly changing global context, and in particular the financial crisis.

The MDGs garnered much support in 2008 with the Accra High Level Forum on aid effectiveness, the New York UN High Level Event on 25 September, recommendations of the MDG Africa Steering Group and the adoption of the EU Agenda for Action on MDGs by the European Council in June 2008. A UN MDGs review Summit is planned for September 2010.

The background to this paper is the EU Member States' commitment to increase official development assistance (ODA) over the coming years, which they confirmed at the Doha Conference (on Financing for Development to Review the Implementation of the Monterrey Consensus, 29 November - 2 December 2008). The broader context is implementation of the European Consensus on Development (2005).

The analysis draws from the recent EU Research paper "MDGs at Midpoint"[1] and focuses on the challenges posed by the **effects of the recent food, energy and financial crises on developing countries, global governance and development policy**. It identifies the most pressing needs to be met in order to accelerate progress on the MDGs in the lead up to the 2010 Review summit and by 2015. It also looks at more structural issues where sustainable development, climate change and the 'missing dimensions' of the MDGs are discussed.

[1] "Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?" EU Research Paper by François Bourguignon (Paris School of Economics), et al, 2008, http://ec.europa.eu/development/icenter/repository/mdg_paper_final_20080916_en.pdf .

The **Millennium Development Goals (MDGs)** are a global monitoring framework to assess progress in reducing poverty and deprivation. A rare international development consensus has been achieved around the MDGs. When they were set in 2000/2001, the MDGs were based on 1990 trends and were seen as realisable goals, given sufficient resources and commitment. Achieving them would secure a very basic level of wellbeing for almost a fifth of humanity.

2008 was marked by an unprecedented degree of **global action** on development. It also marked a turning point in the **EU's joint efforts** to eradicate poverty through sustainable development. Support for accelerating progress on the MDGs was bolstered at the Accra High-Level Meeting on Aid Effectiveness and the New York UN High-Level Event on 25 September and related new commitments, the recommendations of the MDG Africa Steering Group and the adoption of the EU Agenda for Action on MDGs (European Council, June 2008). The EU's commitments on the provision of Official Development Assistance (0.56% GNI by 2010, 0.7% by 2015) were duly reaffirmed at the Doha Conference on Financing for Development in November 2008.

Significant progress has been made on the MDGs, particularly in countries where governmental commitment is backed by strong policies and public expenditure, such as Ghana and Vietnam. The world is on track to halve poverty by 2015. 120 million people were lifted out of poverty between 2000 and 2005, meaning the share of people living in poverty fell by 2.4% per year. However, 1.4 billion people still live on less than $1.25 a day.[2]

Globally, between 2000 and 2005:

- 2 million lives were saved by reducing child mortality
- 30 million additional children (aged 6-12 years) now go to school
- 30 million additional families now have access to drinking water
- Boys and girls attend primary school in equal numbers

However, **progress is uneven**. The reduction in global poverty is largely due to rapid recent growth in the large Asian countries: China, India, Indonesia, and Vietnam. The world is still off track on a number of targets, especially relating to child mortality, maternal mortality and water. There are strong disparities across regions and countries. Indeed, *most developing countries are projected not to meet most MDGs* and Sub-Saharan Africa lags very much behind.[3]

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[2] The World Bank-defined poverty line of US $1 a day has recently been revised to US $1.25. Consequently, the number of people living in extreme poverty is now 1.4 billion people at 2005 Purchasing Power Parity.

[3] "Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?", see footnote 1.

Progress on achieving the MDGs is shaped by the global economic environment, domestic policies, and for the poorest countries, how much and how well aid is delivered and used. The **challenges remain formidable**. They include high and volatile commodity prices and accelerating climate change, as well as the continuing threats of chronic poverty, growing inequality, poor governance and the particular problems faced by fragile and post-conflict states.

The **financial crisis and economic slowdown** make this a precarious time for development. The prospects for achieving the MDGs face serious threat, as the global economic slowdown undermines progress in developing countries, reducing per capita growth rates and causing severe budget problems. Initial predictions that the developing countries would be insulated from the worst of the financial turbulence have proved over optimistic. The impact on low-income countries is now expected to be high, especially in Sub-Saharan Africa. The crisis is projected to increase the financing needs of low-income countries by US$ 25 billion in 2009.[4] The **effects of the financial crisis are being felt** in emerging and developing countries alike, though the impacts vary significantly across regions, countries and population groups. The effects are felt through several transmission channels, and include contagion from the financial crisis and from the impacts of global economic slowdown. Decreasing remittances, reduced foreign investment, and falling demand for goods and services are all expected to adversely affect developing economies and emerging markets. As well as compounding the development challenges faced by many countries, the effects of the financial crisis and economic slowdown may even put at risk the gains to date in relation to the Millennium Development Goals.

2. THE CURRENT DEVELOPMENT AGENDA

2.1. International commitments and initiatives in support of the MDGs

In 2008 existing commitments were confirmed and major new steps were taken to assess progress on the MDGs (with high-level meetings in Accra, New York, and Doha).

On 1 July 2008, the recommendations of the **MDG Africa Steering Group** were launched at the **African Union Summit** in Egypt, setting out the practical steps, strategies and programmes needed to achieve the Millennium Development Goals. To accelerate progress, it is now critical to set national policies and prioritise national resources for the MDGs.

The G8 Summit of 7-9 July 2008 in Hokkaido**,** Japan, focused on a series of priorities including the world economy, high oil and food prices and the resulting food crisis, climate change, development and Africa. G8 Leaders pressed for the full implementation of the Financial Stability Forum (FSF) recommendations to strengthen the international financial system and to work towards the implementation of the OECD standards of transparency and information exchange for tax purposes. G8 leaders also renewed their 2005 Gleneagles ODA commitments to increase development assistance to Africa by US $25 billion a year by 2010.[5]

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4 IMF 'The Implications of the Global Financial Crisis for Low-Income Countries', Feb 2009.

5 The Gleneagles Communiqué, G8, Geneagles, 2005.

Three forums on **aid effectiveness** were held in **Accra**, Ghana, from August 30 to September 4, 2008: the official Third High-Level Forum (HLF3) on Aid Effectiveness and two parallel forums organised by civil society.

The HLF3 reviewed progress on implementing the Paris Declaration on Aid Effectiveness based on evidence collected by the Monitoring Survey undertaken in 54 countries. The Accra Agenda for Action (AAA) was adopted on 4 September 2008, following an extensive process of consultation.

At the request of the UN Secretary General, a report on "**Delivering on the Global Partnerships for Achieving the MDGs"** was launched on 4 September 2008. It describes progress on achieving MDG 8 (to develop a global partnership for development) and related targets, in particular:

(1) increasing ODA by US $18 billion a year to meet the 2010 target set at the G-8 Summit in Gleneagles in 2005;

(2) re-commencing trade negotiations immediately based on the promise to give a development focus to trade negotiations;

(3) improving access to essential quality medicines, especially in the public sector, to make them available to the poor;

(4) and accelerating the diffusion of new technologies for development and increasing investment in infrastructure, especially electricity.

On 22 September 2008, **a high-level meeting on Africa's Development Needs** was held. It focused on "transforming the climate for business to accelerate private sector-led growth and progress towards the MDGs".

On 25 September 2008, in New York at **the UN High-Level Event on the MDGs,** the focus was on implementing existing development commitments. The Event encouraged forward-looking initiatives and urged countries to join with the private sector and civil society to establish proposals that are deliverable and provide concrete results. An estimated US $16 billion in commitments was announced, including $1.6 billion to bolster food security, $4.5 billion for education and $3 billion to combat malaria. The Secretary-General and the President of the General Assembly also called for a **MDGs Review Summit in 2010**.

The final Communiqué of **G-20 Summit in Washington** (15 November 2009) makes an explicit reference (paragraph 14) to the need to achieve the MDGs in the developing countries, reaffirming the development assistance commitments made and urging both developed and emerging economies to undertake commitments consistent with their capacities and roles in the global economy.

The Doha International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held from November 29 to December 2 2008, was another key opportunity to strengthen the commitments of countries, intergovernmental agencies and the private sector to eradicate poverty and accelerate progress on the MDGs. The Doha Declaration on Financing for Development reaffirmed the Monterrey Consensus and called for a United Nations Conference at the highest level to examine the impact of the world financial and economic crisis on development.

The Doha Declaration maintained all the commitments made in Monterrey regarding the mechanisms needed to reach the MDGs, and the pledge of 0.7% of developed countries' GNI for official development aid. The Doha Declaration also explicitly recognises that promoting gender equality and women's economic empowerment is essential in achieving equitable development.

Climate change and other environment-related issues will clearly remain on top of the international development agenda for many years beyond 2015. Eradication of poverty in developing countries and tackling **climate change** are inextricably linked. The MDGs will not be achieved if climate change and environmental degradation are not tackled. A strong partnership between developing and developed countries is needed to address climate change. This includes support to countries to integrate climate resilience and low carbon strategies into their development plans through assistance for adaptation, clean energy and technology.

The United Nations Climate Change Conference held in **Poznań** on December 13 2008 stepped up international cooperation on a future climate change arrangement, risk management and research and development of new technologies. Africa and the European Union adopted an important joint declaration on climate change, which underlines the concerns of both continents as they tackle global warming and reiterates their common aim to reach an ambitious post-Kyoto international agreement in **Copenhagen** in December 2009.

2.2. EU/European Commission support to achieve the MDGs

As stated in the European Consensus on Development[6] (2005), the primary and overarching objective of EU development cooperation is to eradicate poverty in the context of sustainable development, including pursuit of the UN Millennium Development Goals. The EU pursues this objective through a multidimensional agenda, combining aid, aid effectiveness and policy coherence for development. The EU's share in global aid is increasing (60%, or € 46 billion, in 2007). Despite the new financial context, EU Member States confirmed in Doha (in December 2008), their pledge to increase aid flows in line with the target, which is for the EU as a whole to reach 0.56% GNP by 2010 and 0.7% GNP by 2015.

In recognition of the need for concrete new and better coordinated initiatives in support of the MDGs and global poverty reduction, the European Council adopted an **EU Agenda for Action on MDGs** (June 2008)[7] which represents a collective European offer to developing partners and to the international community. It sets a number of intermediate milestones to be reached by 2010 to meet the MDG targets by 2015. It also sets examples of EU action to form part of the commitments already made by the EU and the expected outcome of increased EU aid in those sectors. The Agenda estimates the global external financing gaps per sector by 2010 to achieve the MDGs in 2015, based on international organisations' data and on the work of the UNSG Africa MDGs Steering Group.

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6 The European Consensus on Development, (December 2005), http://ec.europa.eu/development/icenter/repository/eu_consensus_en

7 EU Agenda for Action on the MDGs (June 2008), http://register.consilium.europa.eu/pdf/en/08/st11/st11096.en08.pdf

Most Member States plan to use the EU Agenda for Action as a positive tool to raise public awareness and enhance policy dialogue in support of the MDGs.[8] By setting concrete targets and timelines for reaching the MDGs, the EU Agenda also gives strong political impetus to increase coordination amongst EU donors. Most Member States have planned specific initiatives to achieve the MDGs under the Agenda, particularly in the sectors of health, education, and water and sanitation. Gender equality and the empowerment of women is a crosscutting priority for most Member States.

EU-Africa MDG Partnership

The EU also has a specific partnership on MDGs with Africa under the Action Plan adopted as part of the 2007 Joint Africa-EU Strategy which provides for various levels of cooperation.[9] One of the eight Africa-EU Partnerships focuses on policy dialogue, cooperation and joint action to achieve the MDGs across Africa by 2015, with concrete actions and goals for 2008 – 2010 being outlined in the First Action Plan.

The EU and Aid Effectiveness

Improved aid effectiveness contributes to achieving the MDGs. In particular, a clear division of labour among donors and alignment with country systems helps improve absorption capacity in partner countries, especially when scaling-up. The EU champions aid effectiveness through the Paris Declaration on Aid Effectiveness (2005), the four additional EU commitments made in Paris, and the Accra Agenda for Action (2008). The EU Common position for Accra singles out four areas to drive progress forward: division of labour, ownership and use of country systems, predictability of aid, and mutual accountability for results, including revised conditionality. The EU Code of Conduct on complementarity and division of labour (2007) aims to reduce aid fragmentation.

Policy Coherence for Development

Closer and more widespread interdependence and interaction with developing countries offer new opportunities to promote sustainable development, fight poverty and address common challenges — not just through development cooperation but also through other policies, by increasing their coherence with development objectives. European trade and agriculture policy, for example, can considerably influence the capacity of African countries to combat poverty and hunger. Cooperation on research and regulating intellectual property rights can help developing countries combat HIV/AIDS. Through its Policy Coherence for Development approach (confirmed by the European Council in June 2008), the EU actively looks for synergy between its policies and development objectives. Twelve areas were identified in 2005, including migration, security, environment, research, trade, information society, transport, the social dimension of globalisation/ employment and decent work, agriculture, fisheries, climate, and energy policies, which are all particularly relevant in the new global context.

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[8] From Member States replies to the 2009 Monterrey Questionnaire, which reports on progress in the context of the annual 'Monterrey report'.

[9] Joint Progress Report on the implementation of the Africa-EU Joint Strategy and its first Action Plan (2008-2010), http://www.africa-union.org/root/au/Conferences/2008/november/au_eu/final%20documents/2008%2011%2021%20Joint%20Progress%20Report%20Final%20clean.doc

The Commission issued the first comprehensive EU Policy Coherence for Development **Report**[10] in September 2007 and put forward recommendations on selected policies, such as security, migration, research and trade. The 2009 PCD Report is currently being prepared.

3. THE GLOBAL ECONOMIC CONTEXT: OVERVIEW OF THE RECENT MULTIDIMENSIONAL (FOOD, FUEL AND NOW FINANCIAL) CRISES AND THE GLOBAL ECONOMIC DOWNTURN

The past two years have seen a succession of global crises (food, fuel, financial) which have affected advanced, emerging and developing countries alike. The specific multifaceted impact varies greatly between regions, countries and groups of population, depending on their degree of **vulnerability** to **external economic shocks**.

These crises have the potential to seriously affect **development and the achievement of the MDGs.** A number of developing countries and population groups have been particularly severely hit by the combination of these crises. There are now real concerns that the progress on development made in past years will be reversed.

While the current focus is on the global financial crisis and economic downturn, the effects of the global food crisis must not be overshadowed. The two crises are intrinsically linked, and wreak devastating effects in developing countries.

3.1. Impacts of the food and fuel crises and price volatility

2006-2008 saw unprecedented worldwide surges in fuel and food prices. The long boom in commodity prices was the greatest for a century: exceptional both in its duration and in the range of commodities affected. It is estimated that the escalation of food prices pushed between 130-155 million people into extreme poverty.[11]

Oil prices have risen steadily[12] as demand grew in developed and emerging countries, including China and India. This was exacerbated by a slow supply response and by the fact that conventional resources can no longer satisfy the demand, while alternatives are more expensive (oil sands) and/or more polluting (coal, oil sands). Food prices also soared[13], reversing three decades of declining agricultural prices.

High fuel costs resulting in higher agriculture costs are one of the many causes of the food crisis, along with falling food stocks and rising demand for maize in biofuel production.[14][15]

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10 EU Report on Policy Coherence for Development (September 2007), http://ec.europa.eu/development/icenter/repository/eu_report_policy_coherence_COM(2007)_545_final_en.pdf

11 World Bank, "Global Economic Prospects 2009: Commodities at the crossroads", Washington D.C., December 2008.

12 Crude oil prices peaked at $147/barrel in July 2008.

13 The price of a number of commodities started to rise steadily in 2006, they increased dramatically in the second half of 2007 and peaked in the first months of 2008.

14 World Bank, "Global Economic Prospects 2009: Commodities at the crossroads", Washington D.C., December 2008.

In its May 2008 Communication[16], the European Commission underlined that "*the food price inflation affected several commodities at the same time: cereals, meat, and dairy products all recorded two digit or even three digit increases in less than a year. The size and abruptness of the price surge have generated macro-economic imbalances across the world".*

Developing countries and the most vulnerable populations within them have been hit disproportionately by the food crisis. While growth in many exporting developing countries was boosted by the increase of commodity prices (including oil), it dampened growth in countries importing these products..

In many of these net-importing countries the surge in food prices has had severe adverse effects on poor households, and particularly on the ones which are net buyers of food[17], both in urban and rural areas. As stressed in the 2008 UN MDG Report, *"poor people who do not produce their own food are the most severely hurt because a larger proportion of their expenditure is allocated to food. Higher food prices limit their ability to obtain not only food but also other essential goods and services, including education and health care"*[18]. To that extent, the food crisis has contributed to sharp reversals in MDG progress on many fronts, in particular MDG 1 as the *proportion* of undernourished in all major developing regions in the world has now risen.[19]

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15 The extent to which increasing demands for crops to produce biofuels could have contributed to the recent surge in food prices must be considered with nuances. According to Commission's analyses, current EU biofuel production has little impact on current global food prices, as biofuels use less than 1 per cent of EU cereal production. On the other hand, the proactive policy pursued by the US has had a noticeable impact on the maize market, but so far has remained a relatively moderate contributor to high food prices in general (Source: European Commission, Communication on "Tackling the challenge of rising food prices Directions for EU action", COM(2008) 321 final, Brussels, 20 May 2008, p.4.)

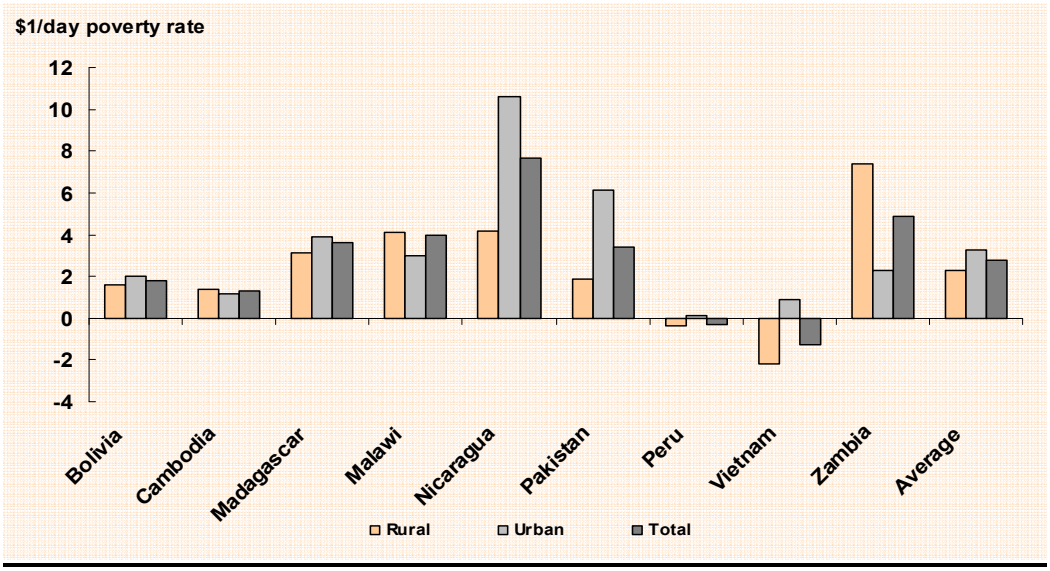
16 European Commission, Communication on "Tackling the challenge of rising food prices Directions for EU action", COM(2008) 321 final, Brussels, 20 May 2008, http://ec.europa.eu/commission_barroso/president/pdf/20080521_document_en.pdf

17 A household is defined as a net food buyer when the value of food staples it produces is less than the value of food staples it consumes. Poor households tend to be net buyers of food, even in rural areas where agriculture and staple food production determine the principal livelihoods for many (Source: FAO, "The state of Food Insecurity in the World 2008 - High food prices and food security", 2008).

18 United Nations, "The Millennium Development Goals Report 2008", New York, 2008.

19 FAO, "The State of Food Insecurity in the World 2008: High food prices and food security threats and opportunities", Rome, 2008.

Diversity of food price impacts on poverty — Impact of food price increases in 2005-07 on $1/day poverty



Source: World Bank Global Monitoring Report, 2008.

The FAO estimates that soaring food prices resulted in the highest single increase in hunger since 1990–92. Between 2003–2005 and 2007, high food prices contributed to swelling the number of undernourished people by 75 million, bringing the total number to 923 million.[20]

Overall, the World Bank estimates that rising food prices may have plunged an additional 100 million people into deeper poverty and hunger, breaking close to seven years of progress in poverty reduction.[21] The increase in the number of poor is only part of the emerging costs of the crisis. According to the World Bank, *"the more profound consequence is the impact of rising prices on households who were already poor struggling to meet their daily food and nutrient needs"*[22]. For the poorer, the double shock of food and fuel price rises represents a threat to their basic survival.

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20 FAO, see footnote 19.

21 Ivanic M. & Martin W., "Implications of Higher Global Food Prices for Poverty in Low-Income Countries", Policy Research Working Paper 4594, WORLD BANK, Washington D.C., April 2008.

22 World Bank, "Rising Food and fuel prices: Addressing the risks to future generations", Washington D.C., October 2008.

This long commodity boom has finally come to an end, with international prices falling sharply during the second half of 2008 in response notably to slower growth, increased supplies and revised expectations. However, recent FAO data and analysis show that food prices fall less, or even not at all, on domestic markets in several developing countries and that food crises currently persist in 32 countries around the world, of which 20 in Africa[23]. From a longer term perspective, World Bank's economic forecasts predict that food commodity prices are likely to remain much higher over the coming 20 years than during the 1990s, partly because of higher energy prices and the influence of biofuel demand for food crops[24].

3.2. Impacts of the Financial Crisis

Contrary to initial forecasts, which projected that the crisis would be limited to the most integrated economies in the world economy, it is now widely recognised that developing countries are seriously hit by the financial crisis and the ensuing global economic slowdown. Even though the outbreak of the crisis was in advanced economies, its effects will reach developing countries through various channels and in different ways.

While most developing countries are still struggling with the effects of the unprecedented high surge in food and energy prices, the current financial crisis threatens to exacerbate their situation and may reverse the progress made on the MDGs.

Developing countries may be hit by the effects of the crisis through two main transmission channels.

3.2.1. Direct impacts of the financial crisis

The most integrated economies in emerging countries, such as Brazil and India, and some developing countries with relatively developed financial markets (such as Pakistan, Nigeria, Thailand, South Africa, and the Philippines) have directly suffered from capital flight due to their direct exposure to the international financial system. Typically, countries that are the most integrated to the global financial system have also witnessed the steepest falls in their stock and bond markets, coupled with the sudden withdrawal of foreign capital and significant currency depreciation.

For most other developing countries, the crisis hits in quite different ways. They suffer contagion effects, such as the drying-up of credit, investment and private capital market flows. Tighter credit conditions and increased uncertainty are curbing investment in both developed and developing countries in 2009. The World Bank estimates that capital flows to developing countries will fall from $1 trillion in 2007 to around $600 billion in 2009.[25] Given their scarce resources and very limited access to capital, the effects of credit drying up will certainly be damaging for developing countries.

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23 FAO, "Early indications hint a smaller 2009 cereal drop", 12th February 2009, Rome, http://www.fao.org/news/story/en/item/10127/icode.

24 World Bank, See footnote 11.

25 World Bank, “Weathering the Storm: Economic policy responses to the financial crisis”, Washington D.C., November 2008.

There is a risk that the global financial crisis leads to domestic financial crises in some developing countries if it exposes existing structural weaknesses in their domestic financial systems. Countries with high domestic credit growth rates in the private sector in recent years, such as Nigeria, Guinea Bissau and Angola for example, appear to be more at risk.[26]

In the longer term, weak economies facing a reduction in private investment flows in a context of financing constraints, decreasing prices and weaker global growth may be even less able to cope with internal economic weaknesses and development needs in the future, notably in infrastructure and network industries. Uganda, for example, has estimated that FDI will decrease from 10% of its GDP to 4% of its GDP in 2009/2010.[27] In Ethiopia, the Ethiopian Electric Power Corporation, which is the sole provider of electricity in the country, has indicated that its investment plans will be severely affected because of the crisis.[28]

Although these contagion effects have important consequences for developing countries, they are only one of the ways in which the global financial crisis can affect developing countries. It seems that the more widespread and serious impacts of the financial crisis for developing countries will be due to the global economic slowdown.

3.2.2. Impacts of economic slowdown

The world economy is entering the most severe slowdown since the 1930s, as the financial crisis in developed countries has shaken markets worldwide. The economic recession following the financial crisis is leading to lower growth rates in developing countries, thus putting an end to the robust growth recorded by many from 2002-2007.

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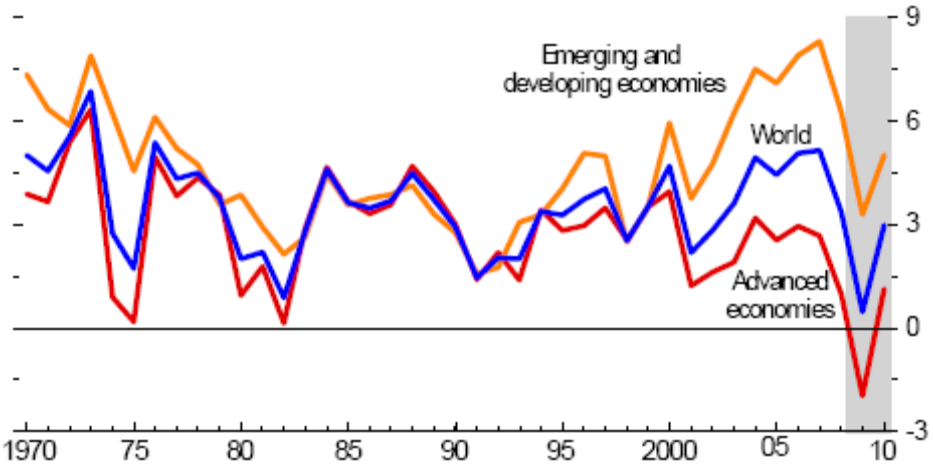
[26] M. Berndt, P. de Lima, B. Marchitto, "The impact of the financial crisis on ACP countries", opcit., pp.15 and 22. See also: World Bank, "Global financial crisis and implications for developing countries", G 20 Finance Ministers' Meeting, Sao Paulo, Brazil, November 2008, p.2; World Bank, "Weathering the storm: economic policy responses to the financial crisis", opcit., p.6.

[27] Groupe de la Banque africaine de développement, "L'impact de la crise financière actuelle sur les économies africaines", Conférence internationale sur le financement du développement, Doha, Qatar, 29 novembre — 2 décembre 2008, p.3.

[28] N. McCulloch, "Voices from the South — The impact of the financial crisis on developing countries — Analysis two", IDS, November 2008.

Growth rates (real GDP) in developed & developing countries



Source: IMF, "World Economic Outlook Update", January 2009.

The global economic downturn will have significant impacts in developing countries, starting with lower growth rates. A growing number of developing countries have already witnessed a significant deceleration in economic growth, which in turn diminishes the prospects of achieving the MDGs.

Growth prospects for 2009 are expected to vary significantly across developing countries and regions. According to IMF forecasts,[29] world GDP growth will be 3.4% in 2008 and 0.5% in 2009. Growth in high-income countries is expected to fall from 2.7% in 2007 to a contraction of -2% in 2009, while in the developing world growth is expected to slow sharply to 3.3% in 2009 from 6.3% in 2008 and 8.3% in 2007. Growth in Sub-Saharan Africa is expected to decline to 3.5% in 2009, compared to 6.9% in 2007, before rising again to 5% in 2010.

Slower growth rates in developing countries are expected to seriously endanger the achievement of the MDGs and trap more people into poverty. The World Bank estimates that a one percent drop in growth in developing countries could trap another 20 million people into poverty. Recent estimates compiled by the World Bank show that slower growth will push 46 million more people below the poverty line of US$1.25 a day while an extra 53 million people will stay trapped on less than US$2 a day. This is added to the 130-155 million people who were already pushed into poverty in 2008 as a result of soaring food and fuel prices.

As the crisis turns into an unemployment crisis, the International Labour Organisation (ILO) for its part has warned that world unemployment in 2009 could increase by between 18 to 30 million people in comparison to 2007, and by more than 50 million if the situation continues to deteriorate as a result of the current crisis. In the worst case scenario, 200 million workers, mostly in developing economies, could be pushed into extreme poverty.[30] In Asia, the loss of employment will be significant and more workers will be pushed into vulnerable jobs in a region where formal wage employment is still very low.

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29 IMF, "World Economic Outlook Update", January 2009.

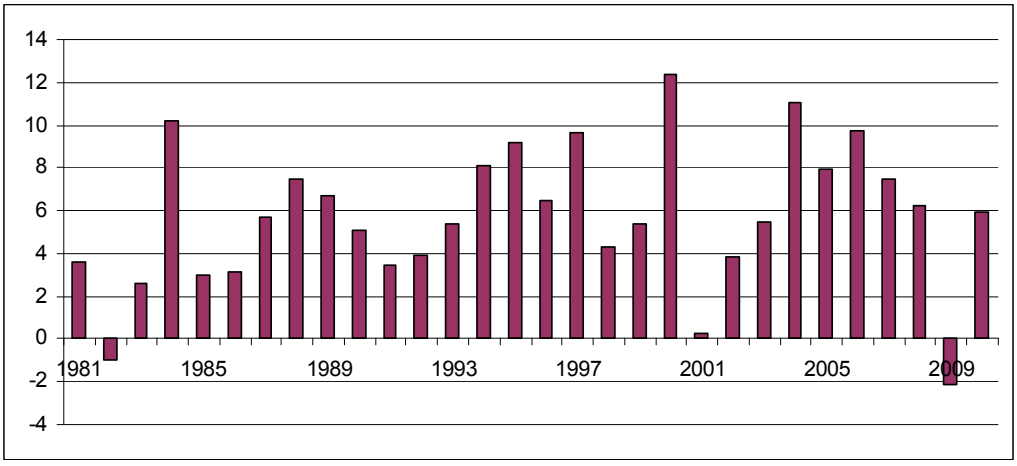
30 ILO, Global Employment Trends 2009, Geneva, January 2009.

Furthermore the ILO expects the crisis to be more detrimental for women than men in most regions of the world and projects a female unemployment rate ranging from 6.5 to 7.4 percent, such that the number of unemployed women will rise between 10 and 22 million.[31] The ILO also highlights the risk of the rising incidence of informal employment, aggravating pre-existing challenges[32], which will add to the pre-existing lack of adequate basic social protection for large shares of the population.

As labour markets weaken in rich countries, remittance flows to developing countries are expected to decline. Forecasts of falling employment in the developed world, especially in sectors with many migrant workers (such as construction, retail and catering) suggest that migration flows from developing countries may slow. Fewer economic migrants will go to developed countries in recession, which in turn will lead to fewer remittances and probably lower volumes of remittances per migrant.[33] Remittances are projected to stagnate in the second half of 2008, and shrink in 2009.

An immediate consequence of the global economic slowdown is the contraction of world trade volumes, for the first time since the 1982 recession, as the global financial crisis has led to recession in high-income countries and a sharp slowdown across the developing world.

Trend in global trade volumes



Source: WORLD BANK, "Global Economic Prospects 2009 — Commodities at the crossroads", December 2008

This will lead to a sharp fall in export revenues for countries whose **exports to advanced and emerging economies** account for a significant share of their account balance, such as Mexico, Papua New Guinea, Bangladesh, Cambodia, Republic of Congo, Guyana and Seychelles. The decrease in export revenues is projected to be exacerbated by the fall in commodity prices, which have been plunging since mid-2008.[34]

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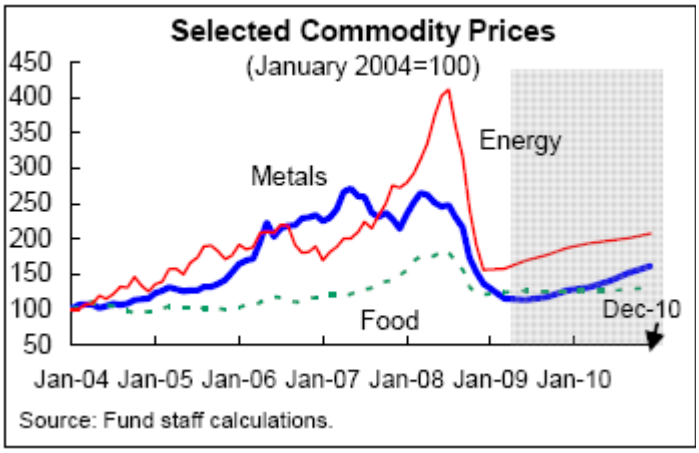
31 ILO, Global Employment Trends for Women Report, March 2009.

32 ILO, "The financial and economic crisis: A Decent Work response", Discussion paper for the 304th Governing Body Session of the ILO, March 2009.

33 RATHA Dilip et al., "Outlook for remittance flows 2008-2010", WORLD BANK, 2008.

34 Oil prices plummeted by more than 60% from their peak levels of July to November. The prices of other commodities, including basic grains, have also declined significantly.



Source: IMF, "The implications of the global financial crisis for low-income countries", March 2009.

The fall in commodity prices will hurt primarily net exporters of primary commodities, notably oil and metal for which the price declines have been the sharpest, although countries that have accumulated sufficient public savings from the commodity boom will be better placed to support their economies for some time.

However, although the recent fall in commodity prices has certainly eased inflationary pressure in developing countries, the recent declines in food and fuel prices have not made the pressure and problems disappear. Commodity prices are expected to climb again and remain volatile in the medium term, partly due to the underlying imbalances in commodity markets.[35]

Thus, a constant structural problem that poor and vulnerable countries must face is price volatility. Since many developing countries continue to rely on earnings from exporting primary commodities, they remain particularly vulnerable to high volatility in primary commodity prices.

According to UNCTAD,[36] volatility has negative effects at both macroeconomic and microeconomic levels. In developing countries, particularly the poorest, the problems created by commodity price volatility are aggravated since their economies are less resilient to external shocks. The level and stability of commodity prices therefore remains an important policy issue, as the outlook for developing countries depends primarily on future trends in the prices of their primary commodity exports. Effective insurance mechanisms, together with sound macroeconomic policies and structural efforts to increase agricultural productivity and economic diversification, could be part of a long-term approach to this long-standing problem.

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35 World Bank, see footnote 11.

36 United Nations / UNCTAD, "Trade and development report 2008 — Commodity prices, capital flows and the financing for development", New York/Geneva, 2008.

The EU Research Paper on the MDGs underlines the importance of **insurance mechanisms**: *"Donors can play a part in smoothing the macro-economic effects of fluctuations in the price of commodities and the terms of trade, thereby reducing the 'vulnerability' of developing countries to exogenous shocks. The absence of insurance has a remarkably strong negative effect on investment and growth. Hence the payoff (in terms of economic growth and ultimately poverty reduction) to interventions related to* ***risk coping*** *might well be underestimated*".[37]

Given the projected decline in export revenues, private financial flows, remittances and reduced access to credit faced by developing countries, **Official Development Assistance** (ODA) is more important than ever in mitigating the impacts of the crisis and achieving the MDGs.

Projected trend in financial flows to developing countries

Table 4 Gross financial resources to developing countries, latest year available, US$ billion

	Baseline financial flows in 2007	Possible new estimate for 2008/9 (assuming a 2 % drop in GDP over 2008-2009 due to the crisis)	Expected fall	Examples
Foreign Direct Investment (gross)	US $499 billion (UNCTAD)	US $350 billion (own estimate)	a third	Xstrata pulled out of a US $5 billion deal in South Africa; drop of net FDI by 40% in Turkey.
International bank lending (net)	US $400 billion (IIF)	US $250 billion (estimate for 2008 by IIF)	a third to two-fifths	International bank cross-border claims (world wide) fell by US $862 billion in the second quarter of 2008.
Portfolio equity flows (net)	US $-6 billion	Zero or negative net flows		Investors in Korea have withdrawn US $45 billion, US $6.1 billion during the year in South Africa, and US $16 billion in India in 2008.
Remittances (gross)	US $251 billion	US $210 billion	a fifth	Annual decreases of 12% in Mexico, and 38% in Kenya.
Aid (gross)	US $100 billion	US $100 billion	No change (assumption, but acknowledge pressures on aid and other budgets)	Governments in France, Italy, and Spain could be planning to freeze or cut aid budgets. Joe Biden said that foreign aid may have to be re-examined as the US looks for places to cut spending.
Development Finance Institutions (gross)	US $50 billion (2005/6), not including IMF	US $75 billion (in 2008, assuming trend growth)	Increase (assumption)	New facilities (IFC, IMF US $200-250 billion); IMF deals with Ukraine (US $16.5 billion), Hungary (US $12.5 billion) and possibly Pakistan.
Sum of above	Around US $1.3 trillion	Around US $1000 billion	Decrease of US $300 billion (fall by 25%)	

Source: Cali, Massa, Willem Te Velde, "The Global Financial Crisis: financial flows to developing countries set to fall by one quarter", ODI, November 2008

[37] "Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?" see footnote 1.

The European Investment Bank (EIB) estimates that **all economic sectors** will suffer from the reduced availability of funds and slowing growth as a result of the crisis. For instance, **tourism**, which constitutes an important source of income and employment in many developing countries (notably in North, East and Southern Africa), might suffer from a major reduction of demand as consumers from advanced economies cut down on long-distance travel. "Tourism sensitive" countries in the Pacific such as Fiji and Samoa, in the Caribbean such as Dominican Republic or Jamaica, or in Eastern and Southern Africa such as Uganda and Botswana are expected to see heavy declines of tourism receipts. Another example is the financial sector, where foreign bank ownership may no longer be a guarantee for stability. Therefore countries with a high share of foreign-owned banks could be more at risk than those with few.

Overall, instability (a succession of booms and slumps) and its effects in terms of curbing growth and fluctuating incomes has significant and long-term implications from a **social perspective**. It can retard progress on poverty reduction, trigger social unrest and political instability and push people into poverty traps (poor people contracting health handicaps, children leaving school, workers dropping out of the labour market…)[38], which impedes long-term development prospects and the achievement of the MDGs over and above the effects of the crisis itself and macroeconomic recovery.

3.3. Economic Vulnerability

The effects of the crises are likely to be far more damaging for low-income countries with high degrees of economic vulnerability because this affects countries' ability to cope with and recover from the negative consequences of external shocks, risks and uncertainties.

3.3.1. Typologies of vulnerability

A general definition of the concept of "vulnerability" is given by the UN Department of Economic and Social Affairs: *"vulnerability can be seen as a state of high exposure to certain risks and uncertainties, in combination with a reduced ability to protect or defend oneself against those risks and uncertainties and cope with their negative consequences. It exists at all levels and dimensions of society and forms an integral part of the human condition, affecting both individuals and society as a whole"* (UN-DESA, 2003).[39] This definition highlights three key dimensions inherent to the concept of vulnerability: the shocks (size, frequency), exposure to these shocks; and the ability to cope with and recover from these shocks (or resilience).

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[38] See: P. Guillaumont, "An Economic Vulnerability Index: its design and use for international development policy", opcit., pp.8-9; P. Guillaumont, "Macro-vulnerability in Low-Income Countries and aid responses", Annual World Bank Conference on Development Economics, 2006, pp.74 – 78.

[39] P. Hirby, "Is globalisation good for us? Introducing the concept of vulnerability", Working Paper n°. 129, Research Centre on Development and International Relations (DIR), Aalborg University, 2004, p.3.

The 1999 Economic Vulnerability Index (EVI) measures the extent and dimensions of economic vulnerability of countries in a globalised economy. It uses a composite indicator reflecting different aspects of countries' exposure and vulnerability to exogenous shocks due to their structural characteristics (size and location of the country, structure of its economy).[40] This criterion was designed for the purpose of elaboration of the list of Least Developed Countries (LDCs), in addition to the two other criteria (GDP per capita and Human Capital Index).[41]

The succession of financial crises during the second half of the 1990s underlined the vulnerability of emerging countries and led the IMF to develop its own vulnerability indicators. The fund monitors four groups of indicators: (1) indicators related to external and domestic debts; (2) indicators related to reserve adequacy; (3) indicators related to financial soundness (to assess the strengths and weaknesses of countries' financial sector) and; (4) corporate sector indicators (to trace the exposure of companies to foreign exchange and interest rate). These vulnerability assessments are incorporated into the IMF's consultations with its member countries.[42]

3.3.2. Recent crises: different impacts at country level

Typology of vulnerable countries

There are several **key vulnerability factors** to consider to gain a better understanding of the differentiated impact of the current (and previous) crises and to identify the most potentially vulnerable countries.[43] However, specific impact and needs assessments should be carried out on a country basis to make sure the right response is provided at domestic level.

1. The degree of exposure of countries' banking systems to global financial markets. Countries with more sophisticated and integrated financial systems have been directly affected by the contagion effects and spill-overs of the financial turmoil as risk aversion spiked.

2. The degree of reliance on FDI, portfolio inflows and other private flows to finance current account deficits. Overall, inflows of private capital to developing countries have increased significantly over recent years, including into Sub Saharan Africa, but they are currently reversing and they should further decrease as a result of the crisis.

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40 The Economic Vulnerability Index (EVI) is a measure used by the United Nations to classify the development of the 192 member states. See: http://www.un.org/esa/policy/devplan/profile/criteria.html#evi.

41 See notably: P. Guillaumont, "An Economic Vulnerability Index: its design and use for international development policy", UNU-WIDER, Research paper N°. 2008/99, November 2008, http://www.wider.unu.edu/publications/working-papers/research-papers/2008/en_GB/rp2008-99; Lino Briguglio, Gordon Cordina, Nadia Farrugia, and Stephanie Vella, "Economic vulnerability and resilience: concepts and measurements", UNU-WIDER, Research Paper N°. 2008/55, http://www.wider.unu.edu/publications/working-papers/research-papers/2008/en_GB/rp2008-55/.

42 More information on: http://www.imf.org/external/np/exr/facts/vul.htm.

43 See D. Willem te Velde, "The global financial crisis and developing countries: which countries are at risk and what can be done?", ODI Background Note, October 2008; World Bank, "Weathering the storm: economic policy responses to the financial crisis", November 2008; IDS, "Voices from the South — The impact of the financial crisis on developing countries", November 2008.

Domestic regulations on capital movements should also be taken into account when analysing the risks of private capital outflows at country level.

3. Similarly, developing countries that resort to commercial lending to finance trade operations and investments might be affected as international banks may not be able or willing to lend as much as they have in the past.[44]

4. Trade features are another key factor to consider when analysing the impact of the crisis at country level.

5. The level of dependency on remittances from migrant workers is another relevant determinant of vulnerability, as fewer economic migrants will go to developed countries and remittances flows are expected to decrease further in 2009 in response to the weakening of labour markets in rich countries.[45] Haiti, for example, where remittances represent almost 20% of GDP value, could be particularly at risk.[46] The impact on flows to recipient countries will however depend significantly on exchange rates.

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44 D. Willem te Velde, "The global financial crisis and developing countries: which countries are at risk and what can be done?", November 2008.

45 See D. Ratha, S. Mohapatra and Z. XIU, "Outlook for remittances flows 2008-2010: growth expected to moderate significantly, but flows to remain resilient", Migration and Development Brief 8, World Bank, November 11, 2008.

46 M. Berndt, P. de Lima, B. Marchitto, "The impact of the financial crisis on ACP countries".

The table below gives a list of remittance-dependent countries (in US$ million).[47]

	Region	2004	2005	2006	2007	*2008e*	Share of GDP (2007)
Tajikistan	ECA	252	467	1 019	1 691	1 750	45.5%
Moldova	ECA	705	920	1 182	1 498	1 550	38.3%
Lesotho	SSA	355	327	361	443	443	28.7%
Honduras	LAC	1 175	1 821	2 391	2 625	2 820	24.5%
Lebanon	MNA	5 591	4 924	5 202	5 769	6 000	24.4%
Guyana	LAC	153	201	218	278	278	23.5%
Jordan	MNA	2 330	2 500	2 883	3 434	3 434	22.7%
Haiti	LAC	932	985	1 063	1 222	1 300	20.0%
Jamaica	LAC	1 623	1 784	1 946	2 144	2 144	19.4%
Kyrgyzstan	ECA	189	322	481	715	715	19.0%
El Salvador	LAC	2 564	3 030	3 485	3 711	3 881	18.4%
Nepal	SAS	823	1 212	1 453	1 734	2 254	15.5%
Armenia	ECA	813	940	1 175	1 273	1 300	13.5%
Nicaragua	LAC	519	616	698	740	771	12.1%
Philippines	EAP	11 471	13 566	15 251	16 291	18 669	11.6%
Guatemala	LAC	2 627	3 067	3 700	4 254	4 472	10.6%
Albania	ECA	1 161	1 290	1 359	1 071	1 071	10.1%
Bangladesh	SAS	3 584	4 314	5 428	6 562	8 893	9.5%
Sierra Leone	SSA	25	2	50	148	150	9.4%
Dominican Republic	LAC	2 501	2 719	3 084	3 414	3 575	9.3%
Cape Verde	SSA	113	137	137	139	139	9.2%
Morocco	MNA	4 221	4 590	5 451	6 730	6 730	9.0%
Senegal	SSA	633	789	925	925	1 000	8.5%
Togo	SSA	179	193	229	229	229	8.4%
Guinea-Bissau	SSA	28	28	28	29	30	8.3%
Sri Lanka	SAS	1 590	1 991	2 185	2 527	2 720	8.1%
Dominica	LAC	23	25	25	26	30	8.0%
Vietnam	EAP	3 200	4 000	4 800	5 500	5 500	7.9%
Uganda	SSA	311	323	665	849	875	7.2%

Note: Estimates based on data until October 2008.

Source: World Bank (2008) based on IMF Balance of Payment Statistics

[47] ODI, see footnote 43.

6. Policy and institutions are the main determinants of resilience to shocks, meaning the ability to cope with the adverse effects. Structural issues determine the extent to which developing countries are able to adjust in the long run to external shocks. In particular, developing countries with stronger economic fundamentals and solid macroeconomic policy frameworks and institutions are in a better position to deal with the negative impact of the crisis. Key factors such as the level of foreign exchange reserves, inflation rates, current account and fiscal positions as well as gross public debt (expressed as % of GDP) should be carefully analysed on a country basis to assess the risk of the current crisis leading to a balance-of-payments crisis.[48]

Progress on economic fundamentals has been made in many developing countries in recent years, notably thanks to better domestic economic policies, debt relief efforts and high export revenues from the commodity boom, which enabled many countries to improve their net foreign position. But there are stark differences among countries and developing countries generally have less flexibility and policy space (in comparison with advanced economies and emerging markets), to take the necessary fiscal, and monetary (counter-cyclical) policy responses to the crises and mitigate their effects at domestic level.

High commodity prices during previous crises also raised the current account deficits in many importing countries[49] and reduced their ability to cope with the fall-out from the current financial crisis due to the policy responses taken (tax reductions, increased subsidies) to offset the effects of soaring prices on consumers and companies.[50] Previous crises have exacerbated the vulnerability of many developing countries to the current global financial turmoil and its economic implications.

Various analyses aimed at identifying the potentially most vulnerable countries to the global economic and financial crisis have already been undertaken by major institutions, including the World Bank[51], the IMF[52] and the ILO[53].

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48 See footnote 46.

49 Current account deficits have raised to worrying levels in many oil-importing countries (they exceed 10% of GDP in about one-third of developing countries) (World Bank, “World Bank, “Global economic prospects 2009 — Commodities at the cross roads”, opcit.).

50 For example, data from a recent IMF survey covering 161 countries show that nearly 57% of countries increased food subsidies while 22% reduced tax on fuels. Besides, almost one in five countries increased food subsidies while 22% increased fuel subsidies (World Bank, “Global financial crisis and implications for developing countries”, opcit., p.4.).

51 WORLD BANK, "The global economic crisis – Assessing vulnerability with a poverty lens", February 2009

52 IMF, "The implications of the global financial crisis for low-income countries", March 2009

53 ILO, see footnote 32.

Based on various analyses[54], and bearing in mind the major expected negative effects of the crisis on developing countries (i.e. lower growth rates, falling export revenues, declining external financial flows – including remittances and private investment flows, budgetary pressures), the Commission's assessment of the degree of vulnerability and resilience of any country to the effects of the crisis is based on the three following areas:

(1) its **dependence on export revenues** and degree of integration into world trade

(2) its **dependence on external financial flows** and transfers, in particular foreign direct investment and remittances

(3) its **capacity to react** in particular to adopt fiscal stimuli measures

To measure the extent to which countries are vulnerable in each of these areas, **eight criteria** have been used.

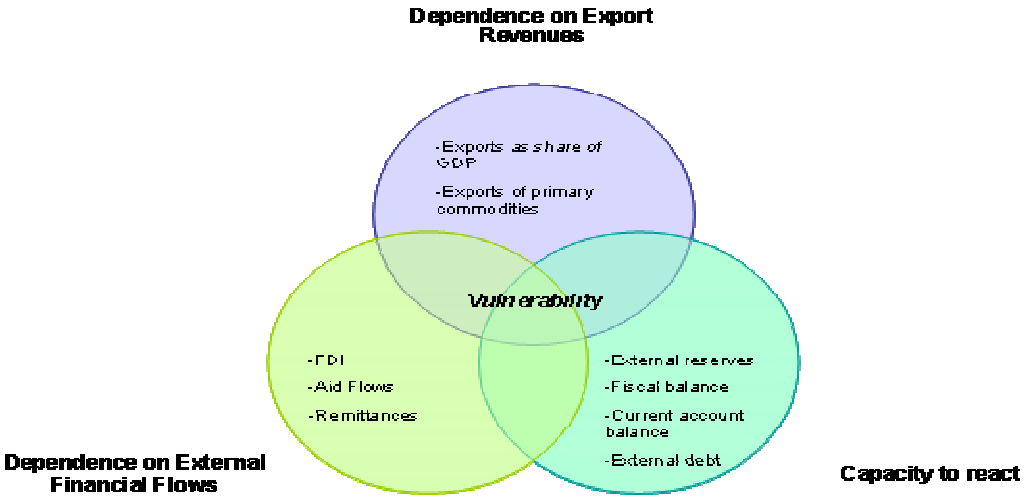

Chart 1

In addition to the macroeconomic dimension, specific impact and needs assessments are also being carried out on a country basis and at the country level, building upon recent analyses provided by European Commission delegations on the impact of the financial and economic crisis in their respective countries. The aim is to better grasp the differentiated effects of the crisis on developing countries by confirming or completing the quantitative data with more qualitative information, notably on the social and political effects.

Preliminary analysis of these reports shows that as a number of countries are expected to have more difficulties in financing social services and pursuing reforms, some are facing growing risks of high unemployment and threats of increased political instability.

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[54] WB ("The Global Economic Crisis: Assessing Vulnerability with a Poverty Lens"); ODI ("The global financial crisis and developing countries – What can the EU do?", January 2009); EIB (The impact of the financial crisis on ACP countries", December 2008; ADB ("Country Economic Monitoring Notes", February 2009);

4. THE "ROAD AHEAD" - OTHER KEY CHALLENGES UP TO 2015

The series of crises (food, energy, the current financial crisis and consequent economic downturn) will have an impact on developing countries' performance on progress on MDGs. The succession of crises is also generating changes in global economic and political governance and in development agendas (aid policies, institutions, resources) by default.

Compounded by the financial crisis, two other challenges to achieving the MDGs by 2015 appear particularly important to address, namely inequality and fragility.

4.1. Inequality

Although the MDGs do not directly address inequality (except gender equality MDG 3), the Millennium Declaration upholds the principles of equality (equal rights and opportunities) and solidarity (equity and social justice). Progress on achieving the MDGs is measured by aggregating and averaging change at national level. **National averages can obscure major inequalities** in wealth, gender, group identity and other factors. However, the MDGs are statements of international purpose rooted in international consensus on universal entitlements, centred on global justice and human rights. These include the right to education, gender equality, survival and to a decent standard of living.

Even before the series of recent crises, progress on the MDGs has been **extremely uneven**. Global income poverty (MDG 1) has fallen largely due to rapid economic growth in China, India, Indonesia and Vietnam. However, in many countries poverty reduction has been slow due to economic stagnation, slow growth and/or inequality.[55]

Growth is critical for poverty reduction but growth alone cannot reduce poverty. Other aspects of development policies also matter.[56] The World Development Report[57] (2001) espoused the instrumental importance of inequality: that high inequality is bad for growth and that high inequality is bad for poverty reduction, because it reduces the amount by which poverty falls for each 1% of growth. There is evidence that the impact of growth on poverty reduction is significantly lower when inequality is on the rise than when inequality is declining.[58]

However, since 1990, the majority of developing countries have experienced **rising inequality**. According to the EU Research Paper on the MDGs (2008), "*Inequality has increased so much that it considerably weakened the poverty reduction impact of growth*".[59]

The **least developed countries are today farther away economically from the richest countries than ever before**. Cross-country inequality in mean income, which has grown relentlessly over the last two hundred years, continues to widen. The ratio of Purchasing Power Parity (PPP) GDP per capita in the 10 richest countries to PPP GDP per capita in the 10 poorest increased from about 21 in 1960 to 34 in 1990, yet again to 47 in 2001 and to 50 in 2005.[60] With GDP expressed in market exchange rates, the ratios are much higher. Some countries have also seen a sharp drop in life expectancy, in most (but not all) cases as a result of HIV/AIDS. In Zambia life expectancy is just 37 years. It is questionable whether the processes of globalisation and market integration that, along with new technologies, have been the sources of accelerated world economic growth, can continue without a concerted effort to deal with divergence and inequality.

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55 "Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?", see footnote 1..

56 Idem, see footnote 1.

57 WORLD BANK, World Development Report 2000/2001: Attacking Poverty.

58 Ravallion, Martin. Pro-Poor Growth: A Primer (2004).

59 "Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?", see footnote 1.

60 Dervis, K, Ideas for Development, Blog Oct 2007.

Progress on the MDGs is also highly uneven **among population categories** and hides huge disparities and inequality **within countries**.

There has been a clear trend over the last two decades in rising inequality **within countries**.[61] Even countries with an impressive recent record on growth, such as India, have wide national disparities in human development indicators, such as child and infant mortality. There are also marked **gender inequalities**. In India the death rate for children aged 1-5 is 50% higher for girls than for boys[62]. Women and girls face structural inequality in nutrition, healthcare and status. These structural inequalities lead to massive underutilisation of women's economic potential. Reducing inequality in the distribution of human development opportunities therefore instrumental in accelerate progress on the MDGs.

As we near 2015, we need increasingly to focus on areas that are **harder to reach and on chronic poverty**. By 2015, if the international community (donors and developing countries) achieves the MDGs targets, **global poverty will only have been reduced by half.**

The location and geographical distribution of the poor is changing and the **remaining half will be more difficult to address.** Tackling chronic poverty will most probably remain a priority for international partnerships after 2015. UNESCO estimates that, despite impressive national and regional progress in education and marked increases in enrolment rates, at least 29 million children will still be out of school in 2015.[63]

To some extent, household vulnerability is a product of macro-economic vulnerability (through macro-micro interactions). Economic crises in developing countries often lead to cuts in government social spending, particularly on essential services such as primary healthcare, education and transport, as public revenues plummet. Misguided macroeconomic policy responses to crises can have dramatic effects on human lives, as illustrated by the experience of Nicaragua in 1991, where a 400% devaluation in 1991 led to a 360% increase in prices, making a basic basket of consumption goods unaffordable on an average salary.[64]

Public spending, in particular on **social protection,** is regarded as playing a key role in promoting equity and in addressing chronic poverty. Social protection measures should therefore be given a greater focus.[65] Social protection policy recommendations may be particularly important to achieve the MDGs in the current financial crisis and global economic downturn. As the EU Research Paper on MDGs states *"When the global economy is hit by major shocks, the poorest need to be protected from the consequences, whether these are fluctuations in income, high food and oil prices or the emerging effects of climate change"*.[66]

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61 Cornia, G.A., "Inequality, growth and poverty in an area of liberalization and globalization", Oxford University Press, 2004.

62 United Nations Development Programme, Human Development Report: International cooperation at a crossroads: Aid, trade and security in an unequal world", 2005.

63 UNESCO — EFA Global Monitoring Report 2009, Overcoming Inequality — Why Governance Matters.

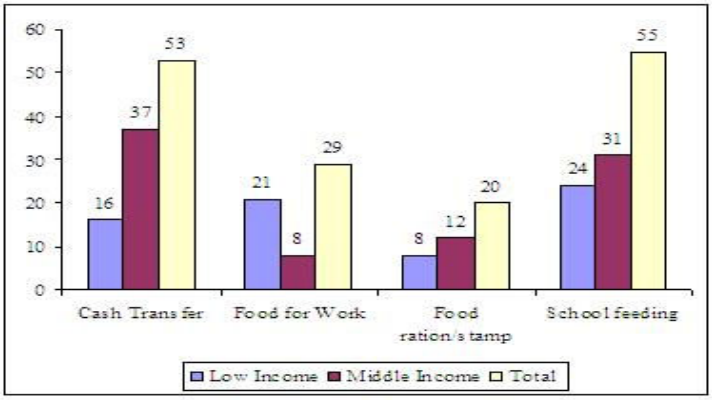
64 S. Fukuda-Parr, "The human impact of financial crisis on poor and disempowered people and countries", UN General Assembly: Interactive Panel on the Global Financial Crisis, October 2008, p.3.

65 "Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?", see footnote 1.

66 Idem, see footnote 1.

Many developing countries lack robust **social protection systems**. The figure below illustrates the number of social protection programmes by type and country group on the basis of an unofficial survey of 144 developing countries.[67] It shows that nineteen of 49 low-income countries and 49 of 95 middle-income countries lack established social safety net programmes. Moreover, only about one-third of low-income and middle-income countries benefit from some form of cash transfer programme.

Developing countries with social protection programmes, out of 144



Source: R. U. Mendoza, "Responding to the food, fuel and financial crisis of 2008: a case for pro-poor stabilization policy", 10 January 2009, http://www.voxeu.org/index.php?q=node/2774

The distributional impacts of external shocks within a given country are highly skewed among groups of population, depending on household wealth, demographics, education attainment and location.[68] Globally, **poor and disempowered people/households (mostly female-headed),** that already struggle to meet their basic needs are the most vulnerable as they are generally less equipped to deal with economic instability and tend therefore to resort to harmful coping strategies, such as pulling children out of school, eating less (or less nutritious) food, selling key productive assets or contracting debts, with the risk of generating adverse long-term and potentially inter-generational effects.[69] But not all poor people are affected in the same proportion - some are sometimes protected from shocks by the same factors that reduced them to poverty in the first place, such as geographic isolation and poor links with national and global markets. For instance, a study on the 1998 economic crisis in Indonesia showed that the urban poor suffered the most, while the ability of poor households living in rural areas to produce food helped them cope with the consequences of high inflation.

Case-by-case analyses should therefore be conducted to design the right policy and financial responses to reduce the vulnerability of certain developing countries and their populations to external shocks.

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67 Lustig, N., "Thought for Food: The Challenge of Coping with Soaring Food Prices", Centre for Global Development Working Paper, 2008.

68 M. Ravallion, "Bailing out the world's poorest", Policy Research Working Paper n°4763, World Bank, October 2008, p.3.

69 R. U. Mendoza, "Responding to the food, fuel and financial crisis of 2008: a case for pro-poor stabilization policy", opcit.

Rising inequality and the need for tested remedies to tackle chronic poverty in developing countries up to and beyond 2015 is an ongoing challenge. However the recent food, energy and financial crisis may be **exacerbating inequality**.

Thus, the **redistributive potential of policies for health, education and social protection is of major significance**. Improved access for the poor to public services and assets (especially in the health and education sectors) and income transfer programmes to sustain the poorest families are essential to changing the structure of opportunities and are key to reducing the intergenerational transmission of poverty and inequality.

4.2. Fragility

Many of the world's poorest countries can be described as "situations of fragility" lacking the capacity or will to fulfil their basic functions, meet their obligations and responsibilities regarding service delivery, management of resources, rule of law, equitable access to power, security and safety of the populace and protect and promote citizens' rights and freedoms.[70]

Recent reports and analysis show that **the MDGs' achievement gap is much larger in situations of fragility**.[71] Many **fragile** counties still need to meet the very basic conditions of stability and establish a minimum institutional framework to begin reducing poverty and make headway on the MDGs. Uneven progress on the various MDG indicators across regions and countries is partly explained by the distinction between fragile and non-fragile countries.

Fragility exacerbates poverty, has disproportionate impacts on vulnerable groups and often leads to reversals in progress on the MDGs. The World Bank Global Monitoring Report (2007) reports that "*27% of the extreme poor in developing countries live in fragile states", and poverty reduction in these countries will remain out of reach unless "fragile states become less vulnerable to adverse shocks, and they increase their capacity to absorb external funds and to mobilise internal resources*".

Moreover, negative spill-over effects from these countries — the trafficking of people, drugs, criminality and terrorism and the impact on international trade, development and stability — can be enormous.

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70 COM(2007)643, "Towards an EU response to situations of fragility — engaging in difficult environments for sustainable development, stability and peace", October 2007, http://ec.europa.eu/development/icenter/repository/COM_2007_0643_EN.pdf.

71 UN MDGs Report 2008, WB Global Monitoring Report 2008, Bourguignon report 2008 (see footnote 1).

The causality between state fragility, state failure and vulnerability is complex and it is not easy to isolate what causes what.[72] Fragility makes it difficult to implement proper development strategies and to achieve equitable and sustainable economic growth. Development work in fragile situations requires sustained engagement and new, imaginative use of combined political, technical, financial and sometimes military resources, engaging with governments but also civil society and non-state actors.

Though fragile countries have very dissimilar conditions, they often share institutional instability, which undermines the predictability, transparency and accountability of public decision-making processes and the provision of security and social services to the population.[73]

For all these reasons, the Commission issued a Communication on fragility in 2007[74]. Follow up work is currently on-going in particular through the elaboration of pilot countries' action plans and through work in collaboration with the World Bank on budget support in situations of fragility.

As demonstrated recently, the financial crises can also strike economies with relatively sound institutions and broadly successful policies but there is a growing consensus that the *extent* of the effects is smaller in countries with better institutions and policies.[75] Under-developed financial markets and fragile economies tend to magnify the effects of real shocks.

An analysis of the various factors of vulnerability indicates that **fragile countries are more *exposed* to shocks** and they will tend to suffer from cyclical multi-dimensional crises more *frequently*.

Countries in situations of fragility often present structural economic features that heighten their vulnerability. These include: (1) limited or entirely lacking banking systems, (2) dependency on private financial flows with a high share of foreign-owned banks, (3) significantly limited capacity of absorption, (4) long-standing arrears and (5) limited governmental capability to collect taxes to form a solid revenue base.[76]

Strong institutions are the main determinants of a country's resilience to exogenous shocks. Therefore fragile countries have a reduced *capacity* to react to shocks. The financial crisis may swell the number of fragile situations.

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72 Guillaumont, P., "An economic vulnerability Index: Its design and use for international development policy", November 2008.

73 Engberg-Pedersen et al., "Fragile situations: Current debates and central dilemmas", Danish Institute for International Studies, 2008.

74 COM(2007) 643 final, 25/10/2007.

75 *Lessons from World Bank Research on Financial Crises*, Development Research Group, The World Bank Development Research Group, November 2008.

76 Di John, J., "Retaining legitimacy in fragile states — Rebuilding the revenue base for sustainable peace, May 2007.

5. THE POLICY RESPONSE

5.1. Domestic policy responses in developing countries

Domestic policies are crucial to accelerate progress on the MDGs, take advantage of opportunities offered by the global economy and use aid as effectively as possible. One set of policies cannot fit all countries, and country specificity in terms both of opportunities and constraints should be recognised and taken on board.[77]

Weak governance is one of the major obstacles to achieving the Millennium Development Goals. Without a reinforced commitment to fully respecting human rights, democratic principles, rule of law and good governance, efforts to assist developing countries and their populations affected by the global crisis will fall short. The principles of sound democratic governance hold that the state be responsive and accountable and should facilitate civil society participation in efforts to alleviate the impacts of the financial crisis.

In response to **rising food prices**, some countries began to take protective policy measures designed to reduce the impact of rising world food commodity prices on their own consumers.

In the autumn of 2007, some exporting countries made policy changes designed to discourage exports and keep domestic production within the country. The objective was to increase domestic food supplies and restrain increases in food prices.[78] Early in 2008, importing countries also began to take protective policy measures to combat rising food prices. Their objective was to make high-cost imports available to consumers at lower prices.[79] However, export restrictions are short term policy choices which lead to further increase of world prices, to the detriment of other countries, and also to the detriment of domestic producers since they insulate them from world market signals and risk suppressing investment in the agriculture sector.

Some countries responded by building on their **existing social protection systems**, reflecting a growing consensus on their importance. However there is still great room for improvement here. In Latin America, for example, cash transfer programmes cover more than 25% of the poor population in only 8 of the 26 countries for which data is available.[80] In other regions, programme coverage is better — in Asia, the proportion of the poor receiving some social protection benefits is about 57%. However, benefits there are also much more limited. An analysis of 31 Asian and Pacific countries found that about half of the countries had social protection expenditure totalling a mere 20% of the poverty line income or expenditure.[81]

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77 "Millennium Development Goals at Midpoint: Where do we stand and where do we need to go?", see footnote 1.

78 The policies adopted include: elimination of export subsidies (e.g. China); rise in export taxes (e.g. Argentina, Russia, Indonesia, Malaysia, Kazakhstan and China); restrictions in export quantitative (e.g. Ukraine, India, Vietnam and Argentina); export bans for some products (e.g. India, Serbia, Ukraine, Egypt, Cambodia, Vietnam and Kazakhstan).

79 The policies adopted include: reduced imported tariffs (e.g. India, Indonesia, Serbia, Korea, Mongolia and Thailand); subsidising consumers (e.g. Morocco and Venezuela).

80 Lustig, N., see footnote 67.

81 Wood, J., "A Social Protection Index for Asia", 2009, Paper for presentation in the Association for Public Policy Analysis and Management Conference on Asian Social Protection in Comparative Perspective, 7-9 January, 2009, National University of Singapore, Singapore.

There is a growing recognition that most social protection programmes across the world lack a clear mechanism to deal with the "new poor", pushed into poverty by the aggregate shocks. Policy adjustments are often made in an *ad-hoc* fashion after the event, indicating that the "vulnerable near-poor" do not receive adequate social protection.

In response to the financial crisis, many developed and emerging countries have drafted fiscal stimulus packages to boost consumer and business demand.[82]

The link between the global economic environment and the level and effectiveness of aid, coupled with national policies, is crucial to achieving the MDGs. Therefore it is important to look not solely at new national policies to respond to crises but also at the sustainability of policies addressing the MDGs. In some countries the financial crisis may curb the planned expansion of basic services, for example.

5.2. Responses from the international community

5.2.1. Responses to the food crisis

The response to the food crisis was swift and coordinated. Immediate action to help the most severely hit countries was taken both at global and regional levels.

At **global level**, important measures were taken by the United Nations specialised agencies, Funds and Programmes and Bretton Woods institutions.

As early as December 2007, the UN **Food and Agriculture Organisation** (FAO) launched the *Initiative on Soaring Food Prices* to help the most severely affected countries. Through this initiative, almost $59 million were granted to governments to distribute seeds, fertiliser and other farming tools and supplies to smallholder farmers. The FAO appealed for $1.7 billion to support urgent activities under its Initiative until the end of 2009. In June 2008, world leaders held an emergency summit in Rome to address the food crisis and pledged $22 billion to the FAO. But most of what was pledged has not been forthcoming and the FAO estimates that $30 billion per year is needed to invest in the massive task of boosting smallholder agriculture on a global scale.

During the annual meeting dedicated to the world food crisis in April 2008, the UN Board of Executives established a **High-Level Task Force** (HLTF) on the Global Food Security Crisis under the leadership of the UN Secretary General. The HLTF produced a *Comprehensive Framework for Action* (CFA)[83] calling for sustained growth in food availability through smallholder production, increased social protection systems, strengthened food security management systems, improved international food markets, and an international consensus on sustainable biofuels. Immediate action includes measures to help vulnerable people now, as both consumers and producers of food; while longer-term action focuses on addressing underlying, structural issues to help build resilience and contribute to sustainable improvements in global food security and poverty reduction within the context of the MDGs.

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82 On average, developed and developing countries are implementing stimulus packages ranging from 1 to 2% of GDP. As an example, China has announced significant stimulus packages of US $586 billion. See footnote 28.

83 UN High-level Task Force on the Global Food Crisis, "Comprehensive Framework For Action", New York, July 2008.

In April 2008, ministers from 150 countries met in Washington D.C. to endorse the **World Bank**'s *New Deal on Global Food Policy*. The New Deal embraces short, medium and long-term responses, including safety nets such as school feeding, food for work, and conditional cash transfers; increased agricultural production; a better understanding of the impact of biofuels; and action on trade to reduce distorting subsidies and trade barriers. Also as part of its Global Food Response Programme (GFRP), the World Bank has created a new US$1.2 billion rapid financing facility to speed assistance to the neediest countries. So far, the GFRP has approved and begun disbursing US$851 million in 27 countries. An additional US$309 million is being earmarked for programmes in nine countries.

In July 2008, **G8** leaders adopted a *Statement on Global Food Security* at the G8 Summit in Hokkaido (Japan), calling notably for "*a fully coordinated response and a comprehensive strategy*" by the international community to tackle the issue of food crisis[84].

Building on these various international initiatives, the international community launched in January 2009 at the Madrid High Level Meeting on "Food Security for All conference" a consultation process leading to the creation of a **Global Partnership for Agriculture and Food Security (GPAFS).** The Global Partnership aims at maintaining the issue of food insecurity high on the political agenda, coordinating global food prices and harmonising aid delivery at country level. It will also help developing countries prepare and implement national plans to tackle hunger and support agricultural development.

At **regional level**, a number of significant initiatives were taken to urgently tackle the food crisis, including by the Asian Development Bank, the African Development Bank and the European Commission.

In April 2008, the **Asian Development Bank** (ADB) published a report outlining its strategic response to the food crisis.[85] A month later, during its annual meeting, the ADB provided up to $500 million in immediate budgetary support to the hardest-hit countries in Asia and the Pacific. In the medium to longer term, the ADB has decided to increase lending for agriculture and rural development to more than $2 billion in 2009.

On 24 July 24 2008, the **African Development Bank** established the *African Food Crisis Response* (AFCR)[86], a framework for accelerated support to its Member States affected by high food prices. Adding $1 billion to its agricultural portfolio, the objectives are threefold: to reduce the vulnerability of the poor to high and unstable food prices; to support growth through increased agricultural productivity, market participation and strengthened government policies for sustainable agricultural development; to increase capacity and lay the conditions for sustainable agricultural growth.

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84 G8 Leaders Statement on Global Food Security, July 2008, Hokkaido (Japan), http://www.mofa.go.jp/policy/economy/summit/2008/doc/doc080709_04_en.html.

85 Asian Development Bank, "Soaring Food Prices — Response to the crisis", Manilla, 2008.

86 Resolution B/BD/2008/14 Rev.1 –F/BD/2008/09/Rev. 1.

The **European Commission,** in its Communication of May 2008[87], called for a three-pronged response including short-term development action focusing on humanitarian responses, medium-term action concentrating on safety nets, and longer-term action to boost agricultural production.

In addition, following a proposal from the Commission[88], the EU has created a € 1 billion Food Facility to help the poorest countries cope with high food prices.[89] The Food Facility is providing support to farmers in the most affected developing countries through the supply of seed and fertilisers; help meet the basic food needs of the most vulnerable people; and support measures to ensure long-term agricultural production. This time-bound initiative (2008-2010) is complementary to the existing Commission policies and financing instruments to support rural development, food security and agricultural production in developing countries.

5.2.2. Responses to the financial crisis

A distinction can be made between immediate responses to help developing countries mitigate the impact of the financial crisis and longer-term responses to reform the economic and financial architecture. Convinced that development is part of the global solution to the crisis, the **EU** is ready to contribute to the international effort to support developing countries.

Immediate responses

Most of the **immediate responses** to the crisis are based on the financial rescue of some of the hardest-hit emerging and developing countries.

For instance, in response to the liquidity pressures on emerging markets, the **IMF** has created a new facility, the *Short-Term Liquidity Facility* (SLF), to provide major, up-front, quick-disbursing and short-term financing to eligible emerging countries with a good track record of sound economic policies.

The **World Bank** decided to increase its financial support up to US$100 billion over the next three years to help developing countries cope with falling revenue, investment and trade and to help them design supportive policies. In December 2008, the World Bank launched its new *Financial Crisis Response Fast-Track Facility* of US$2 billion to speed funds to the poorest countries, through an accelerated approval process for money from the US$42 billion IDA 15 fund. These funds are to be used in priority for safety nets, infrastructure, education and health. Moreover, the World Bank recently urged developed countries to pledge 0.7% of their stimulus packages to a vulnerability fund to assist developing countries that cannot afford bailouts and deficits.[90]

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87 European Commission, "Tackling the challenge of rising food prices — Directions for EU action", COM(2008) 321 final, Brussels, 8 May 2008, http://ec.europa.eu/commission_barroso/president/pdf/20080521_document_en.pdf

88 European Commission, "Proposal for a regulation of the European Parliament and of the Council establishing a facility for rapid response to soaring food prices in developing countries", COM(2008) 450/5.

89 The Food facility Regulation, adopted on 16th December, published in the Official Journal n° L354 of 31 December 2008 and therefore came into force on 1st January 2009.

90 "Zoellick Calls for 'Vulnerability Fund' Ahead of Davos Forum", World Bank Press release, 30 January 2009.

Longer-term responses

Longer-term responses to the financial crisis consist essentially of major initiatives to reform the international financial and economic architecture. Such initiatives are currently being discussed by international bodies, including the G20 and the UN. Institutional reform was also the subject of discussion at the Informal Meeting of Development Ministers in Prague on 29 January 2009.

In November 2008, at the Washington summit, the **G20** leaders made a number of commitments to address the global financial and economic crisis in a sustainable and inclusive way. While all leaders agreed that urgent action was required, the final summit declaration underscored that *"a broader policy response is needed, based on closer macroeconomic cooperation, to restore growth, avoid negative spill-overs and support emerging market economies and developing countries".*[91]

Following-up the Washington Summit, the second G20 summit in London in early April 2009 expressed its determination to lay the foundation for a fair and sustainable world economy and took a number of additional measures to strengthen coordination between countries in order to help restore global economic growth and reform financial markets. Commitments were taken to stabilise financial markets, avoid protectionism; reform the global financial markets; and put the global economy on track for sustainable growth as well as ensuring a fair and sustainable recovery for all, including the vulnerable in the poorest countries.

At the **UN Conference on Financing for Development** in Doha in November 2008, governments stressed the need to comply with existing aid commitments to poor nations, even amid the current economic slowdown, and called for a *UN High-level conference on the world financial* **and** *economic crisis and its impact on development***.**

In November 2008, the **President of the UN General Assembly** set up a *High-level Taskforce of Experts*, chaired by Nobel Prize economist Joseph Stiglitz, to undertake a comprehensive review of the global financial system, including the major international economic institutions, and to suggest how to reform the International Financial Institutions to enable them to adapt to new power shifts in the world economy and respond better to new challenges. One recent initiative is the proposal that Africa be given a new seat on the World Bank Board. This reform would increase Sub–Saharan Africa's seats to 3 (out of 25) and increase the voting rights of developing countries to 44%.

6. LOOKING AHEAD TO 2015

Much remains to be done to achieve the MDGs between now and 2015. Ongoing challenges to the MDGs presented by growing inequality between and within countries and the challenges faced by conflict-affected and fragile countries have been exacerbated by the current global economic crisis.

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91 "Declaration of the Summit on Financial Markets and the World Economy", Washington D.C., 15th November 2008.

A rare international development consensus has been achieved around the MDGs using a clear framework and set of indicators as well as development language that has helped communication between donor and partner countries. The MDGs played an essential political role in mobilising support for development assistance when aid disbursements were on a downward trend in many key OECD countries and remain a key focus of development policies.[92] However as we approach 2015 and some countries come closer to achieving their country targets for the MDGs, the focus may shift to pockets of extreme poverty. Even if the MDGs are achieved in the next seven years, global poverty will only have been reduced by half and the remaining half will pose fresh challenges to the international development agenda. For low-growth poor countries and fragile countries, 2015 may only be the beginning not the end of the road.

Hence it is important to begin thinking about the MDGs in the lead up to and beyond 2015. Two issues in particular merit special attention: how to tackle chronic poverty persisting in 2015 and how to sustain the MDG achievements.[93] Connected to both these issues is the widely recognised problem of data collection and analysis that is currently already being explored by work on new monitoring frameworks, targets and indicators.[94] Strengthening national statistical capacity is important in order to make possible the timely provision of reliable statistics which are essential for the implementation and follow-up of the MDGs Indicators framework.

In order to start a process of inclusive debate at international level ahead of 2015, the scope and flexibility of the MDG framework can be carefully considered. Although there is general agreement that the MDG framework adds value to the international development agenda,[95] its scope appears more questionable.[96] In particular there is an ongoing debate on the "missing dimensions" of the MDG framework and on the global challenges to global goals and targets

6.1. The missing dimensions of the MDG framework

The original purpose of the MDGs paradigm is to measure and encourage sustainable pro-poor development progress and donor support for domestic efforts.[97] However, while the structure of the MDGs has proved highly effective in improving public understanding of what sustainable pro-poor development might look like in practice, it seems less useful as a tool for deciding what investments should be given priority to achieve this development. This is mainly because the policy areas are not weighted in any way and the general nature of some goals makes it hard to come up with targets and indicators that adequately capture the key aspects of the policy area.

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92 "MDGs at Midpoint: Where do we stand and where do we need to go?*"* see footnote 1.

93 Idem, see footnote 1.

94 Sabina Alkire "The missing dimension of Poverty data", Oxford Development Studies December 2007.

95 See footnote 1 and Manning, R., "Using indicators to encourage development: lessons from the Millennium Development Goals", January 2009.

96 See footnote 102 and Chronic Poverty Research Centre, "A proposal to introduce social protection into the MDGs".

97 Manning, R., "Using indicators to encourage development: lessons from the Millennium Development Goals", January 2009.

The selection of the goals has come under attack for neglecting important issues. Many advocates have criticised the absence of a goal and targets on rights, empowerment and good governance, which can be considered as some of the key issues to lift the poor out of poverty.[98] Similar criticisms focus on the absence of other development challenges, like security issues, citizen participation, food security, socio-economic inequality and social exclusion.

A number of proposals to raise awareness of these other aspects have already been made. The Chronic Poverty Report 2008-09, for example, identifies five chronic poverty traps that must be addressed by the international community[99]. The solution proposed is centred on an increased level of social protection and public services. These are considered crucial to fully achieving the existing MDGs and to ensure their sustainability after 2015. Stemming from this idea, the Chronic Poverty Research Centre published a proposal to enhance the MDGs with a more explicit target (under MDG 1) related to social protection. Social protection is seen as critical to protect the poor from sudden shocks, such as food price rises, and in the longer term promotes investment in healthcare and education, which increase prospects and life chances. Other examples include a series of papers from the Oxford Poverty and Human Development Initiative (OPHI) and from the University of Bath, which suggest a defining poverty in a way that embraces further dimensions.[100]

However, broadening the scope of the current MDGs, by adding more goals or more monitoring indicators may be counter-productive.[101] Although the situation needs adjusting, it is unclear whether new targets would be the best answer. The risk of increasing the complexity of an already complicated international situation may be too high. Any addition to the MDG framework should be cautiously balanced against the risk of losing partner countries' commitment to let the MDGs feature prominently in their national development agendas.

Other issues relate to developing countries' perceptions of who ‘owns’ the MDGs and how they can be translated into national poverty reduction priorities. National priorities are often corralled into MDG compliance, and the goals are often seen at country level as developed country constructs. Listening to the voices of developing countries may entail a stronger focus on clear local indicators that reflect the on-the-ground situation bringing into question the sweeping global targets. Increasing developing country ‘ownership’ of the MDGs is a major factor in accelerating progress up to and beyond 2015.

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98 Idem.

99 The traps are: Social discrimination, Insecurity and poor health, Poor work opportunities, Spatial disadvantage and Limited citizenship (from Chronic Poverty Research Centre, "The Chronic Poverty Report 2008-09 — Escaping poverty traps", July 2008).

100 See footnote 97.

101 See footnote 1 and 97.

6.2. Global challenges to global goals and targets

A second relevant issue concerns global public goods. These goods are public (i.e. non-rivalry in consumption and non-excludability of benefits), extend to more than one set of countries or more than one geographic region and do not discriminate against any population groups or generations (present and future).[102] By their very nature, public goods are known to have large externalities and sweeping benefits. Examples are biodiversity, water and climate patterns. Global public goods are considered preconditions for the development of countries and their populations. Protecting and managing sustainably the natural resource base is key to successful poverty reduction strategies.

The issue here is should more focus be placed on key global public goods, such as minimising the extent of climate change or providing greater security in the international development agenda? This is linked to the more general question of whether any new goals should be set at developing country level or more explicitly at global level.[103] The aspects of development are gradually changing and, as barriers between countries continue to lower, the influence of global factors seems likely to have a greater weight in determining the progress of the poor. This suggests that the approach of considering a set of indicators linked to absolute poverty needs also to be tested against a more "one-world" approach. The aim here would be to encourage policy makers in every country to give greater weight to tackling systemic global issues, of which absolute poverty would be only one. In this case, the two main concerns would be whether such a macro framework would be negotiable and whether it might lead to poverty being under-weighted compared to other global issues.[104]

Given the above, the current level of uncertainty on these issues, and the EU's prominent role internationally and in the development process of partner countries, the EU might take a lead in launching an international debate in the next couple of years with the aim of exploring the various options for the development narrative after 2015.

7. CONCLUSIONS AND KEY POLICY IMPLICATIONS

The current financial turmoil and its repercussions on the world economy, combined with the effects of previous food and energy crises, have revealed how much influence (whether positive or negative) the global economic context can have on progress on the Millennium Development Goals (MDGs) and their sustainability.

A clear conclusion is that developing countries are vulnerable to a host of fall-out effects from the past and current crises, either directly (in the food crisis) or indirectly (as a result of the financial and fuel crises). The culmination of these negative effects seems to exacerbate inequality and jeopardise progress made on the MDGs, pushing the 2015 goalposts even further.

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102 I. Kaul, I. Grunberg, and A. Stern, "Global Public Goods: International Cooperation in the 21st Century", Oxford University Press, 1999.

103 See footnote 101.

104 Idem.

The international development community has an important role to play in ensuring that commitments to ODA are fulfilled, that aid is given in a more coherent and effective manner and that there is true coherence with global trade and financial policies to ensure that the most vulnerable countries and their most vulnerable populations are not disproportionately affected. The EU is playing an important role on all three fronts. The gains made during 2008 in terms of global action on development must be maintained if the MDGs are to be achieved. Given the depth and intensity of the current crisis the period 2009-2015 will be one of even greater challenge for achieving progress on the MDGs.

New issues are arising in discussions and action since the Millennium Summit in 2000. It is clear that the MDGs have been useful to garner support for development assistance, but they have their limitations. Debate on the usefulness, extension or differentiation of the MDGs seems to be expanding to encompass the global dimensions of poverty and the need for more national involvement and ownership. It will be important to ensure leading up to 2015 there is an internationally owned framework to take action and development policy forward taking into account these issues and maintaining the focus on helping the most vulnerable lift themselves out of or avoid debilitating poverty.

The global dimension of new challenges that overlap strongly with development, such as global food security, access to energy or climate change, must feature prominently in the development agenda. Although the MDGs are likely to be important for the longer-term task of eradicating poverty beyond 2015, development policy is being challenged by a host of aspects brought sharply into focus by the financial crisis.

ANNEX 1

State of play of progress on achieving the MDGs by 2015[105]

The 2005 World Summit assessing progress on the MDGs reported significant gains. From 2000 to 2005 more than 120 million people have escaped poverty. About 2 million lives have been saved by reducing child mortality, 30 million additional families now have access to water, 30 million additional children now go to school, and boys and girls attend school in equal numbers in many countries where the gap used to be very wide. Recent UN assessments indicate the world seems on track to halve global poverty by 2015, which is the first development goal. However, global progress has been highly uneven and mainly driven by the rapid growth and improvements in the giant countries of Asia, including China, India, Indonesia and Vietnam. Other regions in the world have performed poorly, especially Sub-Saharan Africa, which still lags behind on income and non-income MDGs. Gender parity in primary and secondary school is the only goal - other than poverty reduction - for which developing countries seem to be on-track overall. The world is off-track on the other goals, most of all in the poorest regions in South Asia and Sub-Saharan Africa. The most off-track MDGs are child mortality and maternal health.

GOAL 1 Eradicate extreme poverty and hunger		In 1990 1.8 billion people lived in extreme poverty, equal to 41.7% of the world population. In 2005 the figure fell to 1.4 billion, equal to 25.7% of the world population. These estimates take into consideration the new threshold of $1.25 per day (compared to the previous $1) recently established by the World Bank. The recent change to the threshold has had the obvious consequence of increasing the absolute number of people living below the poverty line, but it has had only a minor impact on the evaluation of trends in poverty and thus on achieving the MDGs.
	Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	In 1990 28.7% of the world population lived on less than $1 a day. In 2005 the percentage had fallen to 18.1%. More than 120 million people came out of poverty between 2000 and 2005, i.e. a 2.4% annual drop. The East Asia and Pacific region has made the most dramatic progress in reducing the number of people living on less than $1 per day—from 29.8% in 1990 to 9.1% in 2005. China led this decrease, moving from 33% to 9.9%. Sub-Saharan Africa is the worst-performing region: the poverty rate rose from 46.7% in 1990 to 49.7% in 2000, dipping to 41.1% in 2005 and the absolute number of poor people increased by a third. However countries within the group fare differently: poverty fell by an annual rate of 4.6% in Ghana between 1999 and 2006 but increased at an

[105] The Millennium Development Goals and targets come from the Millennium Declaration, signed by 189 countries in September 2000. In 2007, the MDG monitoring framework was revised to include four new targets agreed at the 2005 World Summit. The four new targets are: Target 1.B Achieve full and productive employment and decent work for all, including women and young people; Target 5.B Achieve, by 2015, universal access to reproductive health; Target 6.B Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it; Target 7.B Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss. Moreover, the language has been modified in some cases for technical reasons, so that the data can be more clearly reflected.

		annual rate of 3.8% in Uganda between 2000 and 2003.
	Target 1.B: Achieve full and productive employment and decent work for all, including women and young people	Between 55% and 75% of the working age population is employed in most regions. The two exceptions are Northern Africa and Western Asia, mainly because the employment: population ratio for women is less than 25% (more than 40 percentage points below the ratio for men). In Eastern Asia the ratio is 78% for men and 65% for women, but there is a striking difference in employment: population ratios of young people and the rest of the population. Although it escapes the high youth unemployment of other regions, Eastern Asia's young people are working rather than investing in education for the future. A major issue is that half the world's workforce is in unstable and insecure jobs: in developing regions 64% of working women and 57% of working men are own-account and contributing family workers. Here again the picture across countries is highly uneven: Zambia, Bolivia and Paraguay have experienced an increase in vulnerable workers of over 1% per year in the period 1990-2005, while Vietnam, Thailand and Namibia have recorded a decrease of more than 1% per year over the same period. Moreover, jobs in most the developing countries provide little relief from poverty because the pay is too low. In sub-Saharan Africa, over half the workers are "working poor", meaning that, although they have a job, they live in a household where each member earns less than $1 a day. The global percentage of "working poor" (calculated over the total number of workers) has however fallen from 30.6% in 1997 to 20.4% in 2007. Full, secure and productive employment seems to remain a distant target.
	Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	Fewer than 40% of the 77 countries with adequate data to monitor trends are on track to hit this MDG target. In particular progress on child malnutrition seem to be very slow in Southern Asia and Sub-Saharan Africa, where the percentage of underweight children under the age of 5 in 2006 was still 46% and 28% respectively. A high-yield, drought-resistant and protein-rich variety of rice (NERICA) contributed to food security and improved nutrition in several countries in sub-Saharan Africa. But it didn't suffice: the total prevalence of undernourishment only fell from 20% in 1992 to 16% in 2004. Moreover the rise in food prices between 2006 and 2008 put great pressure on many developing economies and threatened to unravel hard-won progress in fighting hunger and malnutrition. Almost 105 million people in the least developed countries have been added to the world's poor since 2005 because of rising food prices.

		Prices are now falling but are predicted to remain higher than in the past, with the crisis having long-lasting effects.
Goal 2 Achieve universal primary education	**Target 2.A:** Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Progress on this goal has been widespread. Overall the total net enrolment ratio in primary education in developing countries rose from 80% in 1991 to 88% in 2006. In almost all regions it now exceeds 90%, with many countries close to achieving universal primary enrolment. Sub-Saharan Africa and South Asia are the two regions lagging behind, with a net enrolment ratio in primary school of 71% and 88% respectively. More than 70m primary school-age children are still not enrolled. But even in these regions, some countries have made substantial progress. Malawi, Uganda, Tanzania and Kenya have abolished school fees, enabling more than one million extra children in each country to enrol in primary school. However the good progress in access masks problems in completion of primary school. In half the countries with available data for 2004, less than 87% of pupils who started grade one reached the last grade. According to 2006 data, attendance is higher in urban than in rural areas, but being poor is the key determinant: surveys in sub-Saharan countries indicate that children from the poorest households are least likely to attend school, regardless of whether they live in urban or rural areas.
Goal 3 Promote gender equality and empower women		The world seems till a long way off achieving gender equality. Progress in equal access to remunerative labour markets has been modest, except in low performing regions. This is compounded by lower welfare for women than for men. In many developing regions, women still lack property rights and access to credit. Overall, women occupy almost 40% of all paid jobs outside agriculture, compared to 35% in 1990. But almost two thirds of women in the developing world work in vulnerable jobs are self-employed or unpaid family workers. In Southern Asia and sub-Saharan Africa, this accounts for more than 80% of all jobs for women. Women are slowly gaining ground in political decision-making, but progress is erratic and marked by huge regional differences. In January 2008, the global proportion of parliamentary seats held by women reached a high of nearly 18%. Women today occupy at least 30% of parliamentary seats in 20 countries, but none in Asia.
	Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	All regions except Sub-Saharan Africa seem broadly on track to meet the gender parity target by 2015, even if some countries in the regions still lag behind. In 2005 59 countries out of the 181 with data available had already achieved gender parity in both primary and secondary education. Globally, for every 100 boys, 95 girls were enrolled in primary school in 2005. South Asia has made the most

		progress, up from 77 to 93 girls every 100 boys between 1991 and 2006. Latin America & the Caribbean and East Asia and the Pacific have reached gender parity in secondary education and are close in primary schooling. In rural areas and in poorest regions the disparity in girl:boy schooling is greater (the difference being respectively 4 and 3 percentage points, compared to just 2 in urban areas and 1 in the richest regions).
Goal 4 Reduce child mortality	**Target 4.A:** Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	The under-five mortality rate in developing countries slowly improved from 103 to 80 deaths per 1000 live births between 1990 and 2006, with 37% of deaths occurring in the first month of life. Therefore the goal is still some way off. With a child mortality rate of 157, Sub-Saharan Africa accounts for about half of the deaths of children under five in the developing world. The HIV/AIDS epidemic and civil conflicts have hampered the region's progress in reducing child mortality. The developing regions closest to achieving the target are Northern Africa (down from 82 to 35), South-Eastern Asia (from 77 to 35) and Latin America & the Caribbean (from 55 to 27). But even in these regions over half the countries are not on track.
Goal 5 Improve maternal health	**Target 5.A:** Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	Of all the MDGs the goal on maternal mortality has seen the least progress. Maternal mortality decreased by less than 1% a year between 1990 and 2005, from 480 to 450 deaths per 100 000 live births. This is way below the 5.5% annual improvement needed to reach the target. Pregnancy remains the main cause of death of girls aged 15-19 in developing countries. In 2005 alone, more than 500 000 women died during pregnancy, childbirth or in the six weeks after delivery. 99% of these deaths occurred in developing regions, with sub-Saharan Africa and Southern Asia accounting for 86% of them. In these regions maternal mortality rates have barely changed since 1990. In particular, in sub-Saharan Africa, a woman's risk of dying from treatable or preventable complications during pregnancy and childbirth over the course of her lifetime is 1 in 22, compared to 1 in 7 300 in developed regions. In Malawi and Zimbabwe, maternal deaths have even increased in the past years as a consequence of HIV, conflict and deteriorating health systems.
	Target 5.B: Achieve, by 2015, universal access to reproductive health	The proportion of deliveries attended by skilled healthcare personnel increased from 47% in 1990 to 61% in 2006. In the same period the proportion of women (15-49 years old) attended by skilled health personnel at least once during pregnancy rose from 54% to 74%. In almost all developing regions, adolescent fertility fell between 1990 and 2000 (from 67 to 55 births by women 15-19 years per 1000 women), then largely stagnated or increased marginally between 2000 and 2005 (from 55 to

		53 on average). Adolescent fertility remains especially high in sub-Saharan Africa (119 per 1000 women), where fertility remains high among all women of childbearing age. Total fertility has declined substantially over the past two decades in many countries in Latin America and the Caribbean and South-Eastern Asia, yet adolescent fertility has fallen slowly and remains over 60 births per 1 000 women in these two regions. The gap between women's stated desires to delay or avoid having children and their actual use of contraception also declined in most countries between 1995 and 2005. However, in sub-Saharan Africa, 24% of married women still have an unmet need for family planning, and the rise in contraceptive use has, on average, barely kept pace with the growing desire to delay or limit births. In all regions, this unmet need is highest in the poorest households. This is most pronounced in Latin America and the Caribbean, where 27% of the poorest households have an unmet need for family planning compared to 12% of the wealthiest households. In sub-Saharan Africa, unmet need is high — over 20% – even among the wealthiest households.
Goal 6 Combat HIV/AIDS, malaria and other diseases	**Target 6.A:** Have halted by 2015 and begun to reverse the spread of HIV/AIDS	Improvements in prevention programmes are reducing the number of people newly infected with HIV down to 2.7 million in 2007 from 3 million in 2001, and the expansion of antiretroviral treatment is reducing the number of people who die from AIDS (2 million in 2007 down from 2.2 million in 2005). However, due to unmet treatment needs, AIDS remains among the leading causes of death globally and the primary cause of death in Africa. With newly infected people surviving longer, the number of people living with HIV/AIDS has risen from 29.5 million in 2001 to 33 million in 2007, most in Sub-Saharan Africa. Condom use and knowledge about HIV can help decrease the number of individuals who become infected with HIV. Between 1999 and 2004 condom use for females' partners increased in all Sub-Saharan African countries with available data, with the only exception of Zimbabwe, where usage is estimated to have fallen from 11% to 10%.
	Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	The proportion of population living with HIV needing treatment and receiving antiretroviral therapy rose between 2006 and 2007 from 22% to 31%, but it remains low. In almost every region, women represent a growing share of people living with HIV, and 59% of all people affected in sub-Saharan Africa. The HIV prevalence rate for 15-49 year olds was highest in Sub-Saharan Africa (5.7%) in 2007 and much higher than the average for all developing countries (0.9%).

		Work in Cambodia has highlighted the importance of community-based action in combating HIV/AIDS. Since September 2003, the country has used a UNDP-developed package of participatory techniques known as Community Capacity Enhancement (CCE) and, although the country has one of the highest prevalence rates in Asia and the Pacific, it has now reversed the spread of the infection.
	Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	According to UNDP data, malaria takes a terrible toll in sub-Saharan Africa, which accounts for 90% of all malaria deaths. There malaria accounts for 25% to 35% of all outpatient visits, 20% to 45% of hospital admissions and 15% to 35% of hospital deaths. Joint efforts of the NMCP, UNDP and other partners achieved a notable decrease in malaria incidence rates by 30% in 11 Northern states, cutting morbidity by 55% and mortality by 52%. The number of insecticide-treated mosquito nets produced worldwide jumped from 30 million in 2004 to 95 million in 2007. All sub-Saharan African countries for which there are trend data showed increases in insecticide-treated net use among children under five. 16 of these 20 countries have at least tripled coverage since around 2000. However, despite tremendous progress, the use of insecticide-treated mosquito nets still falls short of global targets. There has been less progress in treating malaria than in preventing it. In a subset of 22 sub-Saharan African countries, the proportion of children with a fever who received anti-malarial medicine dropped from 41% in 2000 to 34% in 2005. Similarly, treatment with the Artemisinin-based combination therapy (ACT) was 6% or less between 2004 and 2006 in a subset of 14 countries. Evidence suggests that large-scale expansion of prevention programmes and improved access to more effective anti-malarial drugs can substantially reduce malaria cases and deaths. In South Africa documented cases and deaths fell by 80% between 2000 and 2006 after introducing ACT and improving mosquito control (including spraying with DDT). In Eritrea, more than a million mosquito nets were distributed between 2000-2006 and as a result recorded malaria cases and deaths plummeted by more than 70%. Progress on tuberculosis targets is mixed. In developing regions, the number of new tuberculosis cases per 100 000 population (incidence rate) peaked in 2004, then fell by 0.7% between 2005 and 2006. If these trends are sustained globally, the incidence of tuberculosis should be halted and reversed well before 2015. Moreover the prevalence rate for tuberculosis (the number of existing cases per 100 000 people) and the death rate are falling even faster. Success in eradicating tuberculosis depends upon early detection of new cases and effective treatment. Between 2005-2006 progress in detection slowed: the detection rate increased only marginally to 61%, short of the 65% benchmark for 2006 in the 'Stop TB Partnership' Global Plan and the ultimate target of 70%.

		Africa, China and India collectively account for more than two thirds of undetected tuberculosis cases. Progress in improving the detection rate in China and India stalled in 2006. The detection rate in Africa — 46% in 2006 — is furthest from the target.
Goal 7 Ensure environmental sustainability	**Target 7.A:** Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	Carbon dioxide emissions reached 28 billion metric tons in 2005 and continued to rise, resulting in increased atmospheric concentrations of CO_2. Globally, emissions increased by 30% from 1990 to 2005, rising annually from 2000 to 2005 faster than in the previous decade. From 1990 to 2005, changes in emissions ranged from a 38% decline in countries of the Commonwealth of Independent States to an 82% increase in South-Eastern Asia. Per capita emissions remain the highest in the developed regions, about 12 metric tons of CO_2 per person per year, compared with about 3 metric tons in developing regions and 0.8 metric tons in sub-Saharan Africa. According to the World Bank, Europe & Central Asia, the Middle East & North Africa, and Sub-Saharan Africa have all exhibited a downward trend in adjusted net savings since 1995 and had negative adjusted net saving rates in 2005. Adjusted net savings measures the saving rate in an economy after adjustments are made for educational expenditure, capital depreciation, natural resource depletion, and carbon dioxide and particulate emissions damage. A negative saving rate indicates that an economy is on an unsustainable future path of economic growth. Latin America and the Caribbean had a positive 2005 adjusted net saving rate but also had declining adjusted net saving levels. In recent years, only the Asian regions seem to have both an upward trend in adjusted net savings and a positive saving rate.
	Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	In response to the loss of global biodiversity, the international community has encouraged land and marine protection. As a result, about 21 million km^2 of land and sea (out to 12 nautical miles) were protected by 2007. Deforestation continues to pose serious challenges, even though the net loss of forest area is slowing down. Thanks to increased forest planting, landscape restoration and to the natural expansion of forests, deforestation of about 13 million hectares per year resulted in an estimated net decline of 7.3 million hectares of forest area per year over the period 2000-2005, compared to 8.9 million hectares annually in the previous decade. The percentage of forest designated to protect soil and water resources has also increased from 8% in 1990 to 9% in 2005. The number of species threatened with extinction is rising rapidly and improved fisheries management is needed to reduce the depletion of fish stocks.
	Target 7.C: Halve, by 2015, the proportion	Although there is not yet a global water shortage, about 2.8 billion people, representing more than 40% of the world's population, live in river basins with some form of

	of people without sustainable access to safe drinking water and basic sanitation	water scarcity. More than 1.2 billion live in conditions of physical water scarcity, which occurs when more than 75% of the river flows are withdrawn. Another 1.6 billion people live in areas of economic water scarcity, where human, institutional and financial capital limit access to water, even though water in nature is available locally to meet human demands. According to the UN, currently, around one billion people lack access to safe drinking water. However since 1990, 1.6 billion people have gained access to safe water and at this rate, the world is expected to meet the drinking water target (i.e. 89% of the population of developing regions use improved sources of drinking water by 2015). Progress has been most pronounced in Eastern Asia, where over 400 million people have gained access to improved drinking water sources and coverage has grown by 20% since 1990. There are huge disparities among and within regions. For example, in North Africa 92% of people use improved sources of drinking water, while in sub-Saharan Africa the proportion is only 58%. Likewise, in 2006, more than 8 out 10 people without access to improved drinking water sources lived in rural areas. Almost a quarter of the developing world's population have no form of sanitation. Far less progress has been made on this issue. For example, the percentage of the population in Sub-Saharan Africa with access to sanitation only rose from 26% in 1990 to 31% in 2006. The World Bank has estimated that meeting the water and sanitation MDG will require annual investment in the order of $30 billion, roughly double the current level.
	Target 7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	Typical slums in developing countries are unplanned informal settlements where access to services is minimal to non-existent and where overcrowding is the norm. Slum conditions put residents at a higher risk of disease, mortality and misfortune. Slum dwellers represent more than one third of the growing urban population in developing countries — 72% in Africa — and by 2020 their number is expected to swell to 1.4 billion. Improving their living conditions will require major investment.
Goal 8 Develop a global partnership for development	**Target 8.A:** Develop further an open, rule based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction — both nationally and internationally	The rise in ODA appears to have stalled: after rising during 2002–05, total net ODA from Development Assistance Committee (DAC) donors fell by 5% in real terms in 2006, and by 8.4% in 2007. Today total aid remains well below the United Nations target of 0.7% of the GNI of DAC donors, equal to just 0.28%. Denmark, Luxembourg, the Netherlands, Norway and Sweden were the only countries to reach or exceed the target in 2007. At the December 2005 WTO Hong Kong Ministerial
	Target 8.B:	

	Address the special needs of the least developed countries. Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt and more generous ODA for countries committed to poverty reduction	Conference a decision was taken to provide duty-free and quota-free (DFQF) market access for least developed countries (LDCs). Under the Everything But Arms (EBA) regime, the EU already grants full DFQF treatment, with just some tariff rate quotas for sugar and rice, to be phased out in 2009. However globally there has been little progress in reducing the barriers to exports from developing to developed countries. Excluding arms and oil, the proportion of developing countries' exports that have duty-free access to developed countries' markets has remained largely unchanged since 2004 and it even fell slightly for the least developed countries. Developed countries' total support to their own domestic agricultural sectors grew by some $65 billion between 2000 and 2004, before being cut by $16 billion in 2006. Nevertheless, at $372 billion, this expenditure remains more than three times higher than the official development assistance of developed countries. Support provided by developed countries to their own agricultural sector continues even though developing countries have been encouraged to end all public support to their agriculture. This acts as a disincentive to agricultural production in developing regions and undermines official development assistance's broad objective of supporting development. By the end of June 2008, 33 out of the 41 eligible countries had qualified for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. Of these 33 countries, 23 had reached their 'completion point', meaning that all the conditions for debt relief had been met and relief becomes irrevocable. Together, these countries had received committed debt relief of $48.2 billion in 2006 present-value terms. Post-completion-point countries also received additional assistance of $21.2 billion under the Multilateral Debt Relief Initiative (MDRI), further reducing their debt service. Meanwhile, the value of exports from low-income economies has increased by more than 65% since 2004, giving them more resources with which to service their diminished debt. For the average developing country, the burden of servicing external debt fell from almost 13% of export earnings in 2000 to 7% in 2006.
	Target 8.C: Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty second special session of the General Assembly)	
	Target 8.D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. Official development assistance (ODA).	
	Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.	In almost all developing regions, the availability of drugs is limited. It is better in the private sector than in the public sector, although still scarce. Surveys in about 30 developing countries indicate that the availability of selected drugs was only 35% in the public sector and 63% in the private sector. In a sample of six countries in Eastern, South-Eastern and Southern Asia, availability in the private sector was only 45%. Some pharmaceutical manufacturers have lowered their prices to public health systems in developing countries in line with the purchasing power of governments and households. However, the scarce availability of medicines in the public sector often forces patients to purchase medicines on the private market where prices are still higher: in the 33 developing countries for which data are

		available, the lowest-priced generic medicines on the private market cost over six times international reference prices.
	Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies	The total number of fixed and mobile telephone subscribers jumped from 530 million in 1990 to over 4 billion by the end of 2006. In Africa, over 60 million new mobile subscribers were added in 2006, bringing to 22% the ratio of Africa's population that had a mobile phone. Almost every country now has more mobile than fixed telephone subscribers. Internet use is increasing rapidly, but the poorest regions lag behind. In developing countries, 11% of the population used the Internet in 2006, compared to 58% in developed countries and only 1% in the least developed countries.

ANNEX 2

Follow up to the 'EU Agenda for Action on the MDGs' (June 2008)

Analysis of the replies by EU Member States to the annual

Monterrey questionnaire 2009

The EU Agenda for Action on the MDGs (European Council, 19/20 June 2008) is a collective offer by Europe to its development partners and the international community. This Agenda identifies specific milestones and points of action to help meet the MDGs within timeframes.

The EU Agenda for Action on the MDGs was presented at the UN High-Level Event on the MDGs in New York (25 September, 2008) and is referred to by the UN Secretary General in the List of Donors' Commitments on MDGs released after the High-Level Event.

Summary of Responses to the Monterrey Questionnaire

Many EU Member States are using the EU Agenda for Action on the MDGs, which is perceived as a positive tool to raise public awareness and enhance policy dialogue in support of the MDGs. In addition, by defining concrete targets and setting timelines for reaching the MDGs, the EU Agenda for Action on the MDGs also serves as strong political impetus to increase coordination amongst EU donors. Under this Agenda, most Member States have planned specific initiatives and actions to help achieve the MDGs, particularly in the sectors of health and education as well as water and sanitation. Gender equality and the empowerment of women is a crosscutting priority for most EU Member States.

Detail on the responses to the Monterrey Questionnaire by the EU Member States to the **three MDG-related questions**:

- 17 out of 27 Member States said they plan to make use of the EU Agenda for Action (AfA) to **mobilise political support, enhance policy dialogue and coordination in support of the MDGs and raise public awareness in support of the MDGs**.

For example, some Member States have promoted the EU AfA through the organisation of seminars, workshops and other events aimed to raise public awareness in support of the MDGs. Various entities including parliaments, NGOs, academics, schools and the media have been involved. The Commission and the UK have requested all country offices to support the use of the AfA at country level. Some Member States have set specific priorities within the framework of the EU AfA (Netherlands, Sweden) such as: fragile states, equal rights & opportunities for women, climate change, policy coherence and aid, democracy and governance. Germany also sees the Agenda as an important tool in the EU Africa Strategy.

- 23 out of 27 Member States said they plan to **take concrete action or initiatives between now and 2010 in support of MDG-related sectors**.

For example, almost all Member States gave examples of concrete initiatives already undertaken and that will be further strengthened in the next years, to support the achievement of the MDGs. The answers mainly focused on the health sector (expressly mentioned by 11

Member States), on improving water and sanitation systems (expressly mentioned by 6 Member States) and on the education sector (expressly mentioned by 7 Member States).

Some more specific answers also highlighted maternal health (expressly mentioned by 4 Member States), gender equality and women empowerment (expressly mentioned by 4 Member States) and HIV/AIDS prevention, care and treatment (expressly mentioned by 4 Member States). Two Member States cited environment, climate change and sustainability and one Member State identified countries in situations of fragility as a central focus.

Many countries also highlighted their contributions to support international programmes and institutions related to the achievement of the MDGs, like the Global Fund to Fight AIDS, TB and Malaria, the GAVI Alliance, the World Bank, various development NGOs, and UN organisations.

- 24 out of 27 Member States said they intend to increase their support to **promote gender equality**.

Gender equality and the empowerment of women is a crosscutting priority for most Member States. In Poland, for instance, all projects co-financed by the Ministry of Foreign Affairs must have a positive impact on gender equality. A number of Member States have specific strategic commitments on gender. France, for example, is setting up an experts' network and new actions aimed at promoting women's role in economic development, in particular in response to the food crisis. The UK has a Gender Equality Action Plan. Germany is also developing an action plan on gender and has clear commitments on gender equality in its budget support.

In addition to bilateral aid, many Member States support existing mechanisms within multilateral organisations (e.g. UNIFEM, UNGEI, UNFPA, UNICEF, and UNHCR).