

Development Policy After the Millennium Development Goals: Where Do We Go From Here?

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This policy brief reports on a discussion of the Post-2015 Development Agenda held during a full day conference at the Stockholm School of Economics on August 23, 2013. The event was organized jointly by the Stockholm Institute of Transition Economics (SITE) and the Swedish Ministry for Foreign Affairs and was the third installment of Development Day, a yearly development policy conference. The Millennium Development Goals established in year 2000 has been an essential concept for global and national efforts to promote economic, social and human development. Highlighting income poverty, health, education, gender equality and environmental sustainability, the targets have focused global efforts on a set of quantifiable and comparable measures of progress. The question for the development community as these goals reach their endpoint is how to build a successful agenda for the future beyond year 2015. To discuss this challenging question, the conference brought together a distinguished and experienced group of policy oriented scholars and practitioners from governments, International Financial Institutions, the business community as well as NGOs.

In September 2000, world leaders adopted the United Nations Millennium Declaration, committing their nations to a global partnership to reduce extreme poverty. The declaration defined eight time-bound targets expiring in 2015, the so-called Millennium Development Goals (MDGs). These goals specify areas of focus; eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality rates, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development. They also set explicit targets such as halving the number of people living on less than US\$ 1.25 a day and reducing maternal mortality by three quarters from 1990 to 2015. Some

commendable success has indeed been realized; already in 2010 the worldwide goal to reduce by half the proportion of people living on less than US\$ 1.25 a day was achieved. However, much less progress has been seen in some other areas, including maternal health, and there are countries for which none of the goals are expected to be achieved by 2015. Nevertheless, the use of quantifiable, comparable and time-bound targets to create awareness and direct political resources is generally regarded as a success. The question for the development community as 2015 quickly approaches is thus how to build a successful post-2015 development agenda that builds on what has worked but also incorporates areas identified as missing.

The process to establish a new agenda of course raises many questions and reveals some of the trade-offs involved. There seems to be a consensus that the Millennium Declaration and the MDG framework should serve as a starting point, but there are many details to pin down. For instance, there are important challenges not directly mentioned in the original eight goals such as political conflict, rising inequality and youth unemployment. Many also argue that environmental sustainability, though included, may deserve a more prominent role in the future agenda. On the other hand, loading the Agenda with more and more goals may also dilute the global effort across too many areas, and some scholars argue that the whole idea with specific goals is counterproductive based on an organic view of development ill-suited for social engineering from above. To protect credibility, it is also important to get a sense of what is realistic to aim for, and what responsibility to ascribe to the already developed world. Moreover, even if a consensus can be reached with regards to the goals, opinions on how to best reach those goals will most definitely vary widely.

To get the process towards a new agenda started, the UN Secretary General has launched several initiatives including task teams, special advisors and consultations, but also a High-level Panel of Eminent Persons co-chaired by the Presidents of Indonesia and Liberia, and the Prime Minister of the United Kingdom; also including as its member Gunilla Carlsson, Swedish Minister for Development Cooperation. The panel, led by executive secretary and lead author Homi Kharas, submitted a report to the Secretary General on May 31. The program of Development Day 2013 started with a presentation of the report by Dr. Kharas, and remarks from Minister Carlsson. This was followed by an academic session corroborating projections of the report and outlining its limitations, and two panel discussions on sustainable development and Sweden's potential as a leader in this process. Below

follows a short representation of the main arguments and debates of the day.

A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development

Homi Kharas, Senior Fellow and Deputy Director at the Brookings Institution, presented the main messages contained in the report in the first session. An analysis of the situation since year 2000 shows many positive signs such as high global economic growth; increased international connectedness; a reduction in global inequality; and a substantial drop in absolute poverty rates. However, there are also many challenges ahead; rapid population growth, political conflicts, and the fact that the majority of the extremely poor live in conflict zones, increasing urbanization, a deteriorating environment and dwindling aid flows. This, in turn, leads Dr. Kharas to conclude that 'business as usual' is no longer feasible, and a new framework replacing the MDGs is needed.

The report seeks to address these issues and is conceived to serve as a set of guidelines, new goals and targets for the UN Secretary General and for the UN member states for the post-2015 period. At the core of the report is a bold aspiration to eradicate absolute poverty by 2030 through a unified framework of sustainable economic growth, increased social equality and environmental sustainability, and a new global partnership paradigm. This universal agenda, in turn, is proposed to be reached via five paradigm shifts to the status quo, (i) universal inclusion and equality, (ii) environmentally sustainable development, (iii) a transformation of national economies for sustainable growth, (iv) peace and effective, transparent public institutions, and (v) a new and more inclusive global partnership. In the

report these broad and major shifts are further delineated across 12 illustrative targets, which, if met, will directly affect more than two billion people across the world and would require about \$30 trillion spent by the governments worldwide.

Dr. Kharas emphasized that the report was prepared in cooperation with 5000 civil organizations, 250 large international corporations, and thematic, regional and country consultations all over the world, with another one million people taking part in an online questionnaire. He stressed that this kind of broad cooperation and consultation is needed to implement the goals set by the report and especially to operationalize these goals at the level of each of the member states.

Gunilla Carlsson, Swedish Minister for International Development Cooperation and a member of the UN High-Level Panel, continued the discussion and commended the members of the Panel on the impressive amount of work put in the report. She also emphasized the universal character of the agenda presented in the report, largely applicable both to developing and developed countries.

Carlsson stressed what she identified as the core values of the report; eradication of extreme poverty, prevention of violence and conflict, and inclusive peace. She further underlined the importance of local and global partnerships across governments, business communities and civil society. Broader public-private partnerships are essential both for fostering innovation in development work and to guarantee sufficient amounts of financing. The exact design of such a framework, however, is still an open question, but she hopes Sweden can serve as a leading example.

Both Homi Kharas and Gunilla Carlsson also showed great optimism when asked about the potential to implement the substantive initiatives by 2030. They stressed that not only

does the world at present have more resources and more aid flows than it ever have, but the international community, including both public and private actors, is also showing more willingness to help the developing countries integrate successful development models than ever before.

Comments and Reflections

Martin Ravallion, Edmond D. Villani Professor of Economics at Georgetown University, started the commentary and reflection session. He showed how there is a strong current trend of between-country convergence of inequality rates (more equal countries becoming more unequal, while more unequal countries are becoming more equal) and declining poverty rate. The latter decline is to a considerable extent driven by Chinese economic growth, but this is far from the only source. He also underlined that the rate of poverty reduction has increased since the adoption of the MDGs in the 2000s, but said it was too early to judge the success or failure of the MDGs on these grounds.

Based on current trends, Ravallion also presented some estimates of the possibility to achieve the core objective of the report, eradication of absolute poverty by 2030. From a broad range of alternatives, the best case scenario, based on 3% annual growth rates of the world economy, absence of major economic crises and at least not decreasing participation of the poor in the benefits of growth, estimated a fall in absolute poverty rates from about 19% at present to 3% by 2030. In a less optimistic scenario, but historically not unlikely, levels of inequality and poverty would fall at a much slower rate, causing 12% to 14% of the world population to live below the absolute poverty line by 2030. Thus, the conclusion is that total eradication of absolute poverty by 2030 is hardly achievable, but substantial progress can

be made, and it depends critically on continued high levels of world economic growth.

Professor Ravallion also stressed that these projections were made possible through a recent revolution in data availability, something the High Level Panel was asking for. To a large extent, this is attributed to a massive data collection effort by the World Bank, which not only provided better coverage of countries around the world, but also allowed for deeper insights into the nature of extreme poverty, including re-calculations and harmonization of cross-country comparable Purchasing Power Parity consumption baskets. This revolution provided more reliable inputs for his prediction models and improved the precision of estimates considerably.

Owen Barder, Senior Fellow and Director for Europe at the Center for Global Development, further emphasized this importance of credible statistics. Barder was somewhat skeptical to the report's claim to be bold and offering a new approach, arguing that it largely reiterated the goals (jobs for young people, partnership with the private sector, reform of the financial system, etc.) already in the Millennium Declaration from year 2000. He also argued that the claim of success for the MDGs is almost entirely made on the basis of paragraph 19 of the Declaration; the objective to reduce by half the number of people living in absolute poverty. Much less progress has been made on the other explicit objectives, and all other aspects emphasized in the Millennium Declaration but which were not necessarily a part of the MDGs.

Barder suggested that there is too little effort to consistently measure whether rich countries are playing their part in the global partnership. Against that background he presented some preliminary results on the last round of the Center for Global Development's Commitment to Development Index, calculated on the basis of OECD countries' participation in aid, trade, investments,

migration, environment, security and technology transfers. Over the last 10 years, OECD countries demonstrated on average a modest increase from four to five points on a ten-point scale, with Sweden ranked third from the top with a score of 7.2 for 2011 and 6.8 for 2012. Interestingly enough, this deterioration in the index for Sweden is mainly due to deterioration in the security component of the index, in turn resulting from larger sales of arms to undemocratic regimes, and from decreasing aid and immigration. There is obviously variation across countries, but on average there is scant improvements during the 13 years since the Millennium Declaration. This led Barder to question whether the developed countries have contributed their share to the objective of ending poverty, or if too much of the heavy lifting is left for the developing countries.

Barder concluded the presentation by pointing out the difference in language used in the report, namely the imperative used in the parts of the report describing recommendations for the developing countries, and the subjunctive used for recommendations for the developed countries. Again, to him this difference signaled the need to re-emphasize the importance of political commitment and operational goals also for the already developed countries in the Post-2015 Agenda.

Johan Rockström, Executive Director at the Stockholm Resilience Centre, started out noting that the population of the world is estimated to increase to eight billion people by 2030 and to nine billion by 2050. This, in combination with the currently prevailing development paradigm that emphasizes short-term economic growth over long run sustainability, causing degradation of biodiversity and climate change, means that we are hitting the planetary ceiling of eco-capacity. This suggests that 'business as usual' is no longer an option, and a new development paradigm is needed.

To address this issue, Rockström formulated a set of goals for human development balancing the needs of the environment, the needs of society and the needs of the people, all within the Earth's life-support system. He proposed a broader framework for thinking about these issues, the so-called Sustainable Development Goals (SDGs rather than MDGs), which rebalances the relative weight on environmental, human and economic development with relatively more emphasis on the first two. This approach unifies the MDGs with planetary necessities (material use, clean air, nutrient and hydrological cycles, biodiversity, and climate stability), and sustainable development goals (sustainable food and water security, universal clean energy, governance for sustainable societies, etc.).

Discussion Panels

The first panel of the day focused on issues of sustainable development and was started by **Klas Waldenström**, Senior Advisor on the Post-2015 Development Agenda at Sida. He argued that the main challenge to the new partnership paradigm discussed earlier, will be the creation of trust both across nations and across the private and public sectors. Referring to the experience of Sida, he cited the successful creation of a network of 25 private Swedish companies focusing on models of sustainable development. An important role of official foreign aid in these partnerships, he argued, was to blend direct financial transfers with a combination of political support and business sector outreach, thereby potentially leveraging the financial flows with alternative sources of capital.

David Fergusson, Deputy Director at the Office of Science and Technology at USAID, called for more and better data in order to be able to operationalize and evaluate the new strategies that hopefully will come out of the report. He also reiterated the importance of transformative solutions for sustainable

development and the need to understand that 'business as usual' is no longer an option. He also referred to the successful cooperation between Sida and USAID as an example of international collaboration of a new kind, more of which will be needed in the future to overcome the status quo and achieve the goals put forward by the report.

Garry Conille, Special Advisor to President Ellen Johnson Sirleaf of Liberia and UNDP, discussed his experience of working with the MDGs and stressed that possibly the most challenging part was the negotiation between different stakeholders to reach a set of issues well-defined and contained enough to be operational. From his point of view, the major challenge is the operationalization of the rather opaque and broadly defined MDGs and how to find a proper allocation of resources across the many commendable ambitions. He therefore called for an effort to make the post-2015 agenda more practical.

The issue of operationalization was discussed further by **Stefano Prato**, Managing Director at the Society for International Development. He argued that with such large shifts proposed by the post-2015 agenda, it is perhaps difficult to understand how to work with the vision put forward by the panel. His suggestion for the Panel was to dig deeper into the challenging areas of the report but also to develop more applied recommendations for the member states and especially so for the private institutions desired as part of the new partnerships.

This need for operationalization was supported by **Jakob Granit**, Centre Director at the Stockholm Environment Institute. In his opinion, the broad vision as presented in the report is indeed difficult to work with, but he also suggested that progress on parts of the agenda can be instructive for how to go further also with the more challenging parts. He also emphasized the importance of a regional approach, building on existing networks of regional partnerships, and again stressed the importance of public-private partnerships to solve common international issues.

The second panel was devoted to the role Sweden can play in global sustainable development and the post-2015 agenda. The discussion was started by **Ulla Holm**, Global Director at Tetra Laval Food for Development Office. She presented some of Tetra Laval's experiences of sustainable development work in Bangladesh, an example of a successful public-private partnership. In her view, one of the main pillars of sustainability is to prevent unnecessary food loss, and this can be achieved by building an integrated value chain that supports rural development in the long run. The crucial challenge on this path is the need for concurrent public and private investments, and how to overcome coordination problems and lacking trust across stakeholders. She therefore stressed the need to construct successful public-private partnerships on a large scale and in different areas, but also to make sure to document and scale up the existing models in order to replicate success in the most cost efficient way.

Erik Lysen, Director for International Affairs at the Church of Sweden, stressed the challenges in changing existing institutions and briefly discussed the main motives that could make such changes to occur. He also argued that some of the strongest motives that would actually provide the necessary motivation for change, namely fear, could not be desirable in the long run, but still viable in a context of post-2015 agenda if complemented with better social protection, institutes of civil society and a broader public discussion. Here, NGOs could act as watchdogs and catalysts, strengthening the desire for building new institutions and providing material and human support for their construction at the same time.

Stefan Isaksson, Head of Policy Analysis at the Department for Aid Management at the Ministry for Foreign Affairs, continued the discussion on the challenges of changing existing institutions. He described current efforts to remodel the Swedish aid management system in order to become a more effective bureaucracy. In his view, the

major shift in thinking is that of understanding aid less as simply giving money away and more as an investment for a common future. This is needed to improve the selection process of aid projects and also to motivate better the need to make projects and their results measurable and accountable. To achieve this, broader collaboration and consultations across stakeholders is needed. He also mentioned that perhaps at present many aid projects are too conservative, that the failure rate is too low because it reflects an aversion to risk that partly defeats the purpose of official foreign aid. The private sector will always be reluctant to venture into areas with high risk even if the potential social rate of return is high, so for official aid to serve as a more effective complement to private flows, more risk tolerance may be needed.

The issue of understanding aid as investment was discussed in detail by **Jonas Ahlen**, Investment Manager at the Storebrand Kapitalförvaltning. He described current efforts in the area of sustainable investments, mainly centered in microfinance and agricultural loans. In his opinion, broader involvement in such practices from the private sector would facilitate a transition to sustainable practices, but would at the same time require changing existing regulations in home countries to incentivize and alleviate the risks. He also stressed the need for broader public-private partnerships in these areas and briefly described the new consultative practices established by the Ministry of Finance in Sweden to catalyze private capital participation in for instance infrastructure projects in Sub-Saharan Africa.

Finally, Homi Kharas added to the Sweden-centered discussion by stressing that there exists no systematic assessment of what public-private partnerships can do. In his opinion, possibly the most important role for Sweden is to create conditions that would facilitate public-private partnerships in development and aid. By developing and experimenting with forms of public-private partnerships, as well as with new ways of

measuring and monitoring of performance of such partnerships, Sweden could create a case for broader involvement of private funding and thus accomplish perhaps the most difficult part of bridging the post-2015 with the experience and skills of the private sector.

Conclusions

In sum, the discussion at the Development Day 2013 clearly highlighted the importance of sustaining some of the positive trends seen lately for economic and human development but also highlighted how crucial it is to take environmental sustainability into account. There is a growing consensus that long run human development necessitates an understanding of the planetary boundaries, even though exactly what trade-offs this involves and where to put the relative weight on more short run economic development is still debatable. There was also a wide consensus around the importance to get all different parts of society involved and working in tandem. Foreign aid cannot be expected to pull the heavy load by itself. The challenges are far too wide and important. Instead, much hope was attributed to public-private partnerships, but there is a lot of work that remains to make sure these vehicles generate the hoped for solutions. The capital, experience and skills of the private sector are needed. On the other hand, getting the incentives right is not a trivial challenge. Finding models of partnerships that work and can be scaled up may be an area in which Sweden can set an example and lead the way for other nations striving to contribute to long run sustainable development.

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