2

Country-level processes to achieve the Millennium Development Goals

Chapter 4

MDG–based poverty reduction strategies

To enable all countries to achieve the MDGs, the world must treat them not as abstract ambitions but as practical policy objectives. The Goals are essential for transparency and accountability, so it is important that they be taken literally since the pressures in development policy push overwhelmingly for lower expectations rather than higher. National governments and international donors not wanting to be held accountable for their role in poverty reduction will always want to water down the Goals—particularly if achieving them requires increased budgetary commitments or major policy changes. In many countries the Goals are deemed "unrealistic" because they would require dramatic progress. Such statements should generally be met with skepticism. The practical steps to achieve the Goals in each country can and should be diagnosed, planned, and implemented with the proper focus and actions, combined with suitable support from the international community.

Designing a national strategy to achieve the Goals

In every country that wants to achieve the Goals, particularly those with basic conditions of stability and good governance, the starting assumption should be that they are feasible unless technically proven otherwise. In many of the poorest countries, the Goals are indeed ambitious, but in most or even all countries they can still be achieved by 2015 if there are intensive efforts by all parties—to improve governance, actively engage and empower civil society, promote entrepreneurship and the private sector, mobilize domestic resources, substantially increase aid in countries that need it to support MDG-based priority investments, and make suitable policy reforms at the global level, such as those in trade.

It is crucial that technical constraints to meeting the Goals not be confused with financial constraints. Although poverty reduction is the primary

responsibility of developing countries, as this report shows (chapter 17), achieving the Goals in the poorest countries—those that genuinely aspire to the MDG targets—will require significant increases in official development assistance to break the poverty trap. We urge all low-income countries to increase their own resource mobilization for the Goals by devoting more budget revenues to priority investments. And in countries where governance is adequate but domestic resources are not, we call on donors to follow through on their long-standing commitments to increase aid significantly. In short, we call for co-financing the scaling up of MDG-based investments. The rich countries must no longer delay on their side of the bargain.

To implement the core element of partnership outlined in the Monterrey Consensus, the international system requires a baseline approach to encourage all developing countries to outline their specific and systematic strategies to achieve the Goals and, where needed, the path of co-finance required. To that end, our core operational recommendation is that each developing country with extreme poverty—including middle-income countries with pockets of poverty or areas of specific policy neglect—should adopt and implement a national development strategy ambitious enough to achieve the Goals. The country's international development partners—including bilateral donors, UN agencies, regional development banks, and the Bretton Woods institutions—should give all the support needed to implement the country's *MDG-based poverty reduction strategy*. Official development assistance should be generous enough to fill the financing needs, assuming that governance limitations are not the binding constraint and that the recipient countries are making their own reasonable efforts at domestic resource mobilization (see chapter 17 for more discussion on resources for the Goals). Donors must commit credibly to make sufficient funds available with actual disbursements being allocated to high-quality MDG-based poverty reduction strategies. Where the Goals are already within reach and greater progress is sought, we suggest that countries adopt an "MDG-plus" strategy, with more ambitious targets.

Working back from the 2015 targets and timelines

Serious implementation of the MDG targets and timelines implies a major shift in development practice. Low-income countries and their development partners now plan around modest incremental expansions of social services and infrastructure. We recommend instead a bold, needs-based, MDG-oriented framework over 10 years—aimed at achieving the quantitative targets set out in the Goals. Rather than strategies to "accelerate progress toward the Goals," countries need strategies to "achieve the Goals."

Underlying this point is a fundamentally new approach for development policy. Instead of asking the typical question, "How close can a country come to achieving the Goals under current constraints?" we strongly recommend asking, "Given the urgency of the Goals and the repeated international commitments

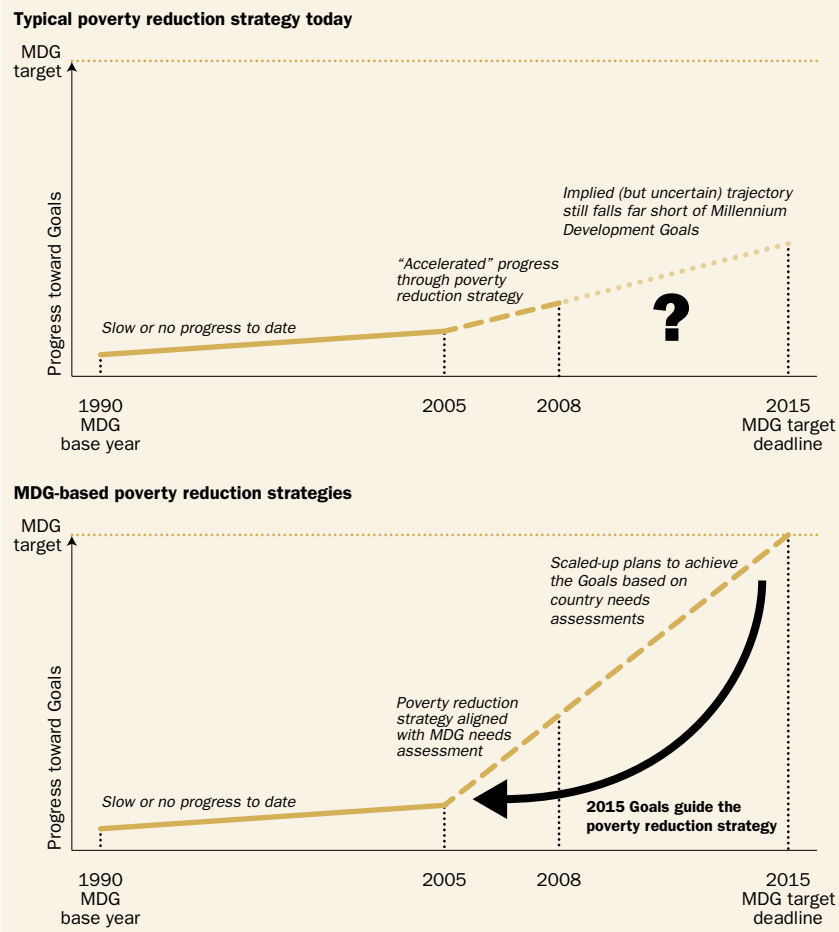
to achieve them, what sequence of investments and policies is required and what constraints, financial and otherwise, need to be overcome?" The guiding element of this approach is that it works backward from the MDG targets to focus on the policies and investment needed between 2005 and 2015 (figure 4.1).

We recommend a four-step approach.

- First, countries need to map the key dimensions and underlying dynamics of extreme poverty—by region, locality, and gender—as best as possible with available data.
- Second, consistent with the poverty maps, countries should undertake a needs assessment to identify the specific public investments necessary to achieve the Goals, including faster overall economic growth supported by major public investments in infrastructure and private sector promotion (chapter 17).
- Third, the needs assessment should be converted into a 10-year framework for action, including public investment, public management, and financing.

Figure 4.1

An MDG-based poverty reduction strategy



- Fourth, a 3-to-5-year MDG-based poverty reduction strategy should be elaborated within the 10-year framework. The poverty reduction strategy is a more detailed, operational document, linked to a medium-term expenditure framework that translates the strategy into budgetary terms.

Crucially, the 10-year framework and 3-to-5-year poverty reduction strategy should each include a public sector management strategy—with a key focus on transparency, accountability, human rights, benchmarking, and results-based management. They should also include a clear strategy for decentralizing target-setting, decisionmaking, budgeting, and implementation responsibilities at the level of local governments (box 4.1). They should encourage service delivery with the participation and oversight of local communities and nongovernmental organizations. And there should be a clear private sector strategy to promote economic growth and have countries "graduate" from donor assistance in the longer term.

Importantly, we are not advocating new development processes or policy vehicles. Instead, we are simply recommending that the current processes be truly MDG-oriented. In many low-income countries, the national poverty

Box 4.1

Translating the Goals to the local level

Many of the services and investments required to meet the Goals need to be delivered by provincial or local authorities. This applies particularly to cities where municipalities are responsible for providing urban services and infrastructure and upgrading slums. To this end the Goals should be "localized"—that is, translated into operational objectives for the level of government that will bear primary responsibility for their achievement. This is important both for linking program management as closely as possible to the intended beneficiaries and for translating large-scale national goals into more manageable pieces that communities can own and pursue for themselves.

For example, a city like Nairobi might be invited to define its "Nairobi Development Goals," setting quantitative targets for education, health, housing, water supply, sanitation services, solid waste disposal, transport services, and so forth. Similarly a village could identify its own targets for schools, clinics, water supply, sanitation, energy services, and so on. On the basis of localized goals consistent with the Millennium Development Goals, local authorities and regional governments should develop their own strategies that align with the national poverty reduction strategy and that partner with local community groups in service delivery.

To manage policy implementation and responsibilities for localized MDG targets, local and provincial (or state) governments require real resources. An MDG-based poverty reduction strategy should therefore include fiscal frameworks to provide these resources, including transfers from the national budget. For low-income countries with domestic resources insufficient to finance the Goals, poverty reduction strategies need to map out the systems for transfers of external finance to the lower levels of government. While such resource transfers to subsovereign entities raise complex questions of financial accountability and transparency, scaling up requires consolidated mechanisms in each country. Otherwise the transaction costs between donors and large numbers of local authorities would be too high, making impossible the rapid scaling up of essential investments at the local level.

reduction strategy is embodied in a Poverty Reduction Strategy Paper (PRSP), used as a basis for programs with the IMF and the World Bank. Those PRSPs urgently require revision to align them to the Millennium Development Goals. Very few PRSPs are ambitious enough to achieve the Goals, largely because they have been prepared in a context of insufficient donor assistance. Even when the PRSPs claim to aim for the Goals, they rarely identify the path of public investments that would be needed to achieve them.

We strongly support the PRSP as a powerful tool for achieving the Goals, but it needs to be deployed for that purpose, including both targets and time horizons. In our view, the World Bank, as the international development institution with the most direct financing engagement with the PRSP process, should work energetically to help countries prepare PRSPs that are MDG-based. Most PRSPs have a three-year time horizon, so they need to be embedded within countries' longer-term plans, many of which already exist. In addition, the process of preparing the PRSP needs to become more inclusive.

In countries that do not use a PRSP to guide policymaking, we similarly recommend that their processes be made MDG-based, with full support from the international community. There are five criteria for evaluating whether a national strategy is genuinely consistent with the Millennium Development Goals (box 4.2).

In the MDG-based policymaking process, we recommend that the government lay out a 10-year MDG framework for scaling up critical interventions over the entire period and sketch out 10-year financing needs as they appear as of 2005. Countries have often already prepared such strategies within individual sectors, but those strategies typically have not received support for implementation. Nor are they linked to other sectors in a consolidated framework. In many countries, such bold plans sit in the drawers or on the shelves without public discussion, since the donors have told the countries that sufficient financing is not available for such bold programs. The MDG-based process would enable such strategies to be empowered with financing commitments, implementation strategies, and alignment across sectors.

The 10-year MDG framework should then become the basis for elaborating the detailed budget and plan of action in the MDG-based poverty reduction strategy (or PRSP, if appropriate) for 2005–08, the time horizon typical of IMF and World Bank–supported programs. To link the MDG-based poverty reduction strategy with actual budgetary processes, the international community—including the international financial institutions and the bilateral donors—should support each country as it develops its medium-term expenditure framework to finance it.

This differs starkly from the prevailing practice in developing countries, which is to formulate investment strategies after the macroeconomic framework, official development assistance, and overall budgetary ceilings have been set independent of needs (Oxfam 2004). For many developing countries to achieve

Box 4.2

How to know if the content of a poverty reduction strategy is up to the task of meeting the Millennium Development Goals

For a poverty reduction strategy to be truly MDG-based, it needs to do much more than mention the Goals as aspirations. It needs to be linked systematically with the MDG targets and timelines—and be based on a detailed assessment of the public investment strategies needed to achieve the Goals. As a general rule, one can apply the following five-point checklist to review whether a poverty reduction strategy is really MDG-based.

Ambition: Are the targets aligned with the Millennium Development Goals?
The simplest thing to evaluate is whether the poverty reduction strategy's targets are aligned with the Goals. Are they equal to the Goals, more ambitious, or less ambitious?

Scope: Is the poverty reduction strategy aligned with all of the Goals?
Many PRSPs refer to the Goals in name but actually discuss only a few of them. For example, even if a poverty reduction strategy sets MDG-consistent targets for education, it also needs to set MDG-consistent targets for health, hunger, and the rest of the Goals. Moreover, issues like the environment, gender equality, and urbanization need to be addressed in an integrated manner.

Rigor: Are the targets substantiated with solid analysis of the needed inputs?
Many poverty reduction strategies set lofty targets, often much more ambitious than the Goals, without a clear plan on how to achieve them. For instance, a country could aim to cut its child mortality rate by 80 percent within 10 years, but not have a clear intervention-based strategy on how to achieve that target. Outcome targets are crucial, but input targets are also crucial for achieving outcomes. It is further important that all necessary investments be included in an MDG-based poverty reduction strategy. For example, all too often major investments in transport and energy are not included in existing strategy documents, even though the Goals cannot be met without them.

Timeframe: Is the strategy grounded in a long-term assessment of needs?
Most poverty reduction strategies cover only a three- to five-year period and are not grounded in an assessment of long-term investment and policy needs. Critical capacity constraints are typically not addressed since they would require long-term investments in training human resources—such as doctors and nurses who require many years of training—or infrastructure development plans. To be MDG-based, a poverty reduction strategy needs to be embedded in a decade-long needs assessment and action plan that work backward from the Goals to identify the required sequence of investments and policies.

Financing: Is the budget consistent with the level of inputs needed to achieve the Goals?
Often poverty reduction strategies do not have budgets or expenditure frameworks that are linked to the Goals. Where they exist, macroeconomic frameworks are typically set prior to designing sectoral investment strategies, regardless of the investments needed to reach the Goals (Oxfam 2004). Instead MDG-based budgets should be set from a careful assessment of how they will meet a population's needs. For example, the WHO Commission on Macroeconomics and Health outlined that the baseline costs of a scaled-up functioning health system are at least $30–$40 per capita (WHO 2001). The UN Millennium Project has identified similar benchmarks for other sectors (chapter 17).

If one sees a $4 per capita annual public health budget as part of a strategy to achieve the Goals, one knows that the budget has not been properly linked to a full needs assessment. At a deeper level of detail, particularly if cost estimates are conspicuously low, one needs to inquire whether the budget includes full costs of service delivery—for instance, both capital and operating costs. The latter are very often overlooked, consigning strategies to a low probability of sustainable implementation.

Box 4.2

How to know if the content of a poverty reduction strategy is up to the task of meeting the Millennium Development Goals

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These five questions can guide the evaluation of an MDG-based poverty reduction strategy or PRSP. Note that they are still separate from questions of implementation. Even the best poverty reduction strategy needs to be systematically implemented and managed through benchmarking, results-based management, and a medium-term expenditure framework.

the Goals, particularly low-income countries, this process needs to be reversed so that it starts with an assessment of the actual MDG investment needs—followed by the design of a supportive macroeconomic framework, including a viable financing strategy that includes increased development assistance.

A transparent, integrated, and consultative process

The process of developing an MDG-based poverty reduction strategy needs to be open and consultative, including all key stakeholders, domestic and foreign. Each country should convene an MDG strategy group chaired by the national government—but also including bilateral and multilateral donors, UN agencies, provincial and local authorities, and domestic civil society leaders, including women's organizations. The MDG strategy group can then organize a series of thematic working groups, each with broad participation, to develop the strategies to scale up in such areas as health, rural infrastructure, and agricultural productivity. Many countries already have similar working groups in place, so these can be used—with enhanced membership, as needed—to focus on the Goals. The MDG strategy group and each of the thematic groups should include gender expertise to ensure that actions for gender equality are fully integrated. Likewise, adequate environmental expertise should be available to all groups to ensure sector strategies are aligned with environmental objectives.

Development partners and civil society leaders should designate focal points for each of these government-led groups, contributing to the local MDG problem-solving process at the outset rather than midstream or after the fact. Developing multisector 10-year scale-up plans will naturally require much technical work—and considerable ingenuity. The UN agencies—including such technical agencies as FAO, UNICEF, UNIDO, UNFPA, and WHO, and the international financial institutions (the IMF, World Bank, and regional development banks)—should play an important advisory role in supporting this work as the host government requests. Middle-income countries requiring less external financial support will still often benefit from this technical support.

An MDG coordinator, typically in the ministry of planning or economy, or in the office of the head of government, should ensure that the work of the various working groups is properly integrated.[1] Importantly, the MDG strategy group will need to work closely with the ministry of finance to ensure the strategy is linked to the government's operational budget and not left to float as an irrelevant document. Meanwhile, line ministries such as health and water often complain that they have been excluded from the planning process, so they need to take leading roles in the thematic working groups. This process requires sustained executive leadership from the head of state and senior decisionmakers in each country.

In 2004 the UN Millennium Project began advising a selected number of UN Country Teams as they provide real-time support to governments developing MDG-based poverty reduction strategies. In each of these countries the UN Millennium Project and UN Country Team are working with government, local partners, and multilateral organizations to identify the best ways to integrate MDG targets and the time horizons into ongoing national policy processes. Some early lessons from these countries are discussed in chapter 13.

While this MDG-based framework is the UN Millennium Project's recommended norm for countries wanting to achieve the Goals, we recognize that in some countries—particularly those in conflict or with highly corrupt governments—the contents of a national strategy, the domestic process for preparation and implementation, and the international partners' financial support will each require adjustment to the local situation. These difficult circumstances require careful case-by-case strategies. We discuss the need for differentiated priorities and approaches to countries with weak governance and fragile states in chapters 7, 11, 12, and 13.