Rescuing the MDGs: Paying for results

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Outline

- What's wrong with the MDGs?

- The current approach

- Rescuing the MDGs: What about aid?

- The proposal

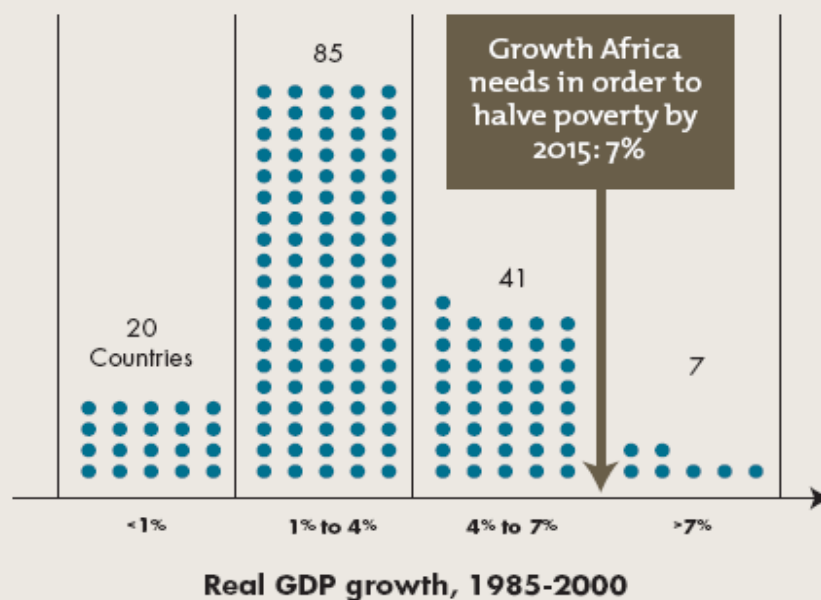- Trans-Atlantic tension: A synthesis

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What's wrong with the MDGs?

o They are not realistic…

What's wrong with the MDGs?

Figure 1: Growth goal vs. performance

Each dot represents one country. Only a handful of countries on earth, in the best of circumstances, grew recently at the rate all of Sub-Saharan Africa would need to grow in order to halve poverty by 2015.

85

Growth Africa needs in order to halve poverty by 2015: 7%

41

20 Countries

7

<1%   1% to 4%   4% to 7%   >7%

Real GDP growth, 1985-2000

Includes all 153 countries for which the World Bank's World Development Indicators 2005 lists constant-price GDP.

Source: Clemens and Moss (2005). "What's Wrong with the Millennium Development Goals" at http://www.cgdev.org/content/publications/detail/3940

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What's wrong with the MDGs?

- They are not realistic

- And they risk turning "real" success into "imaginary" failure
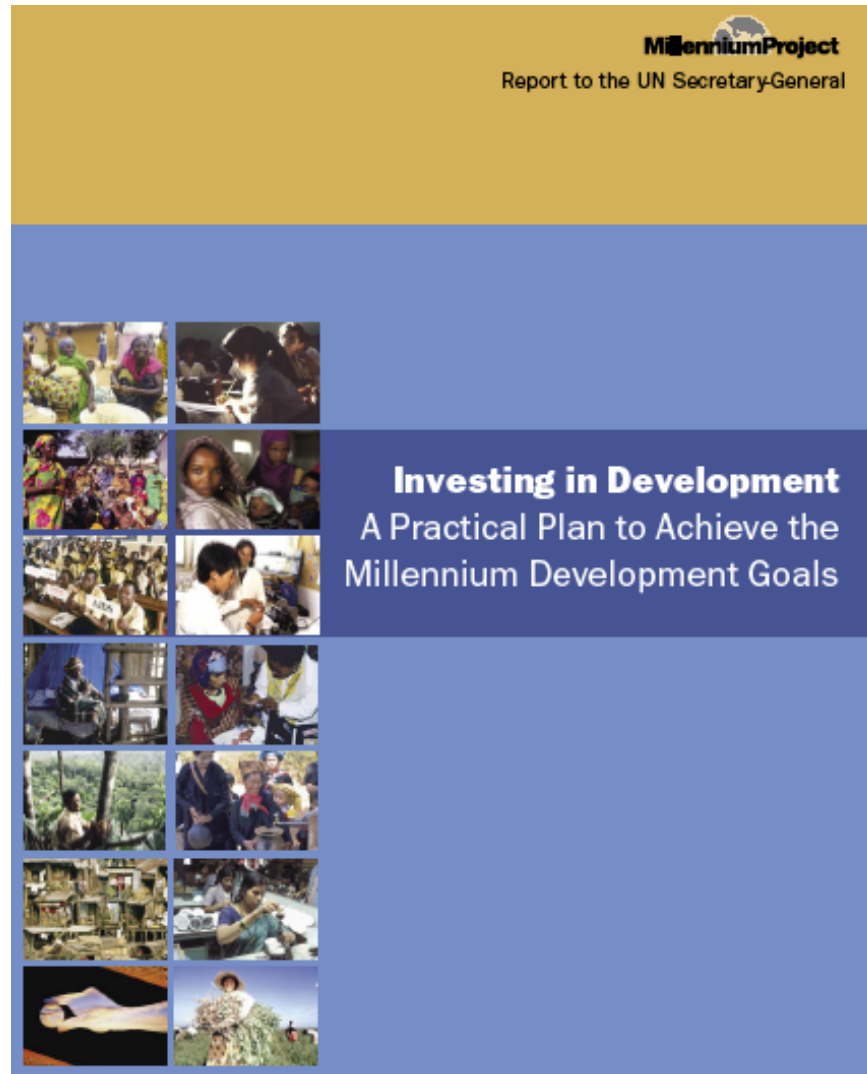
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What's wrong with the MDGs?

Figure 2: Education goal vs. performance
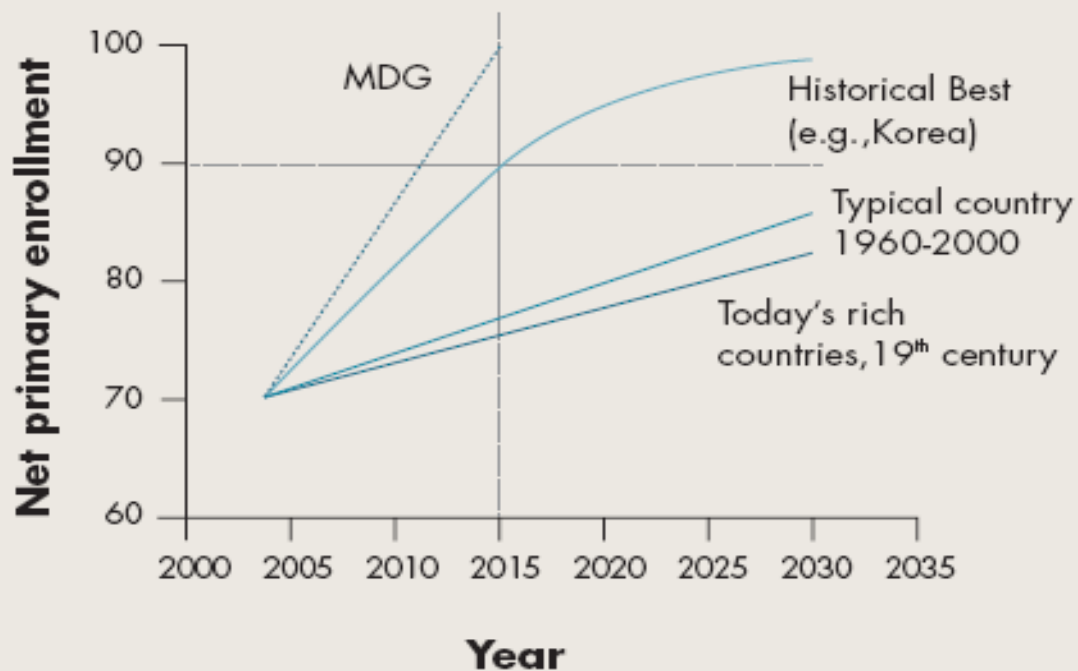
Source: Clemens and Moss (2005).

The current approach

The current approach

- Starts from needs (good)

- Adds up "costs" (misleading)

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The current approach

MDG cost estimate for meeting the MDG education goal[1]

(per capita, constant 2003 US$)

|		Education[2]	Primary education[3]
Bangladesh	2006	11	-
	2010	17	-
	2015	25	-
Cambodia	2006	15	-
	2010	19	-
	2015	22	-
Ghana	2006	17	13
	2010	19	15
	2015	22	17
Tanzania	2006	11	8
	2010	13	10
	2015	17	12
Uganda	2006	14	7
	2010	15	8
	2015	17	12

Notes:

1. MDG investment needs are defined as the capital investments and operating expenditures required to meet a given MDG, excluding expenditures for capacity building.

2. Education estimates include primary and secondary education.

3. The primary education cost estimates are in constant 2000 US$ and the 2006 numbers refer to 2005 for this indicator.

Source: UN Millennium Project (2005) *Investing in Development. A Practical Plan to Achieve the Millennium Development Goals,* Chapter 17 and UN Millennium Project (2004) "Millennium Development Goals Needs Assessments for Ghana, Tanzania, and Uganda."

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The current approach

- **But "cost" estimates ignore demand constraints, complementarities, non-marginal, non-constant returns…**

- **And they suggest more spending is <u>the</u> answer**

- **Though there is no particular association between spending and education outcomes**

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The current approach
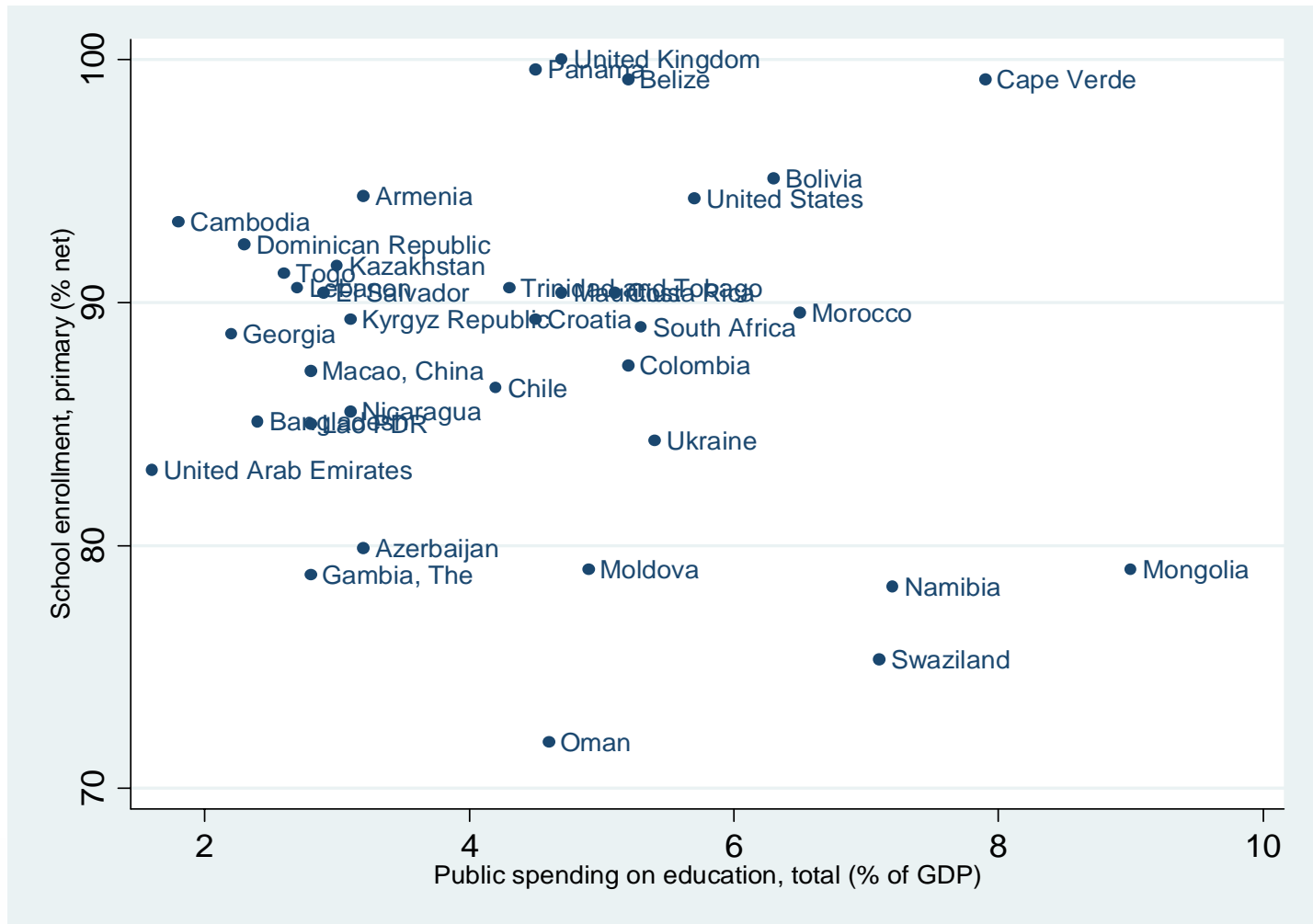
Source: WDI (2005).

The current approach

. . . not in the developing world, and not in New Jersey

- Abbott v. Burke case

- Equalize school funding: New Jersey

- Equal since 1997

- Transfer of $1,924 per student

- $30 billion transferred, 1997-2004

Source: Clemens (2005) "International Tax."

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New Jersey 8th grade basic language skills test: pass rate

Source: Clemens (2005) "International Tax."
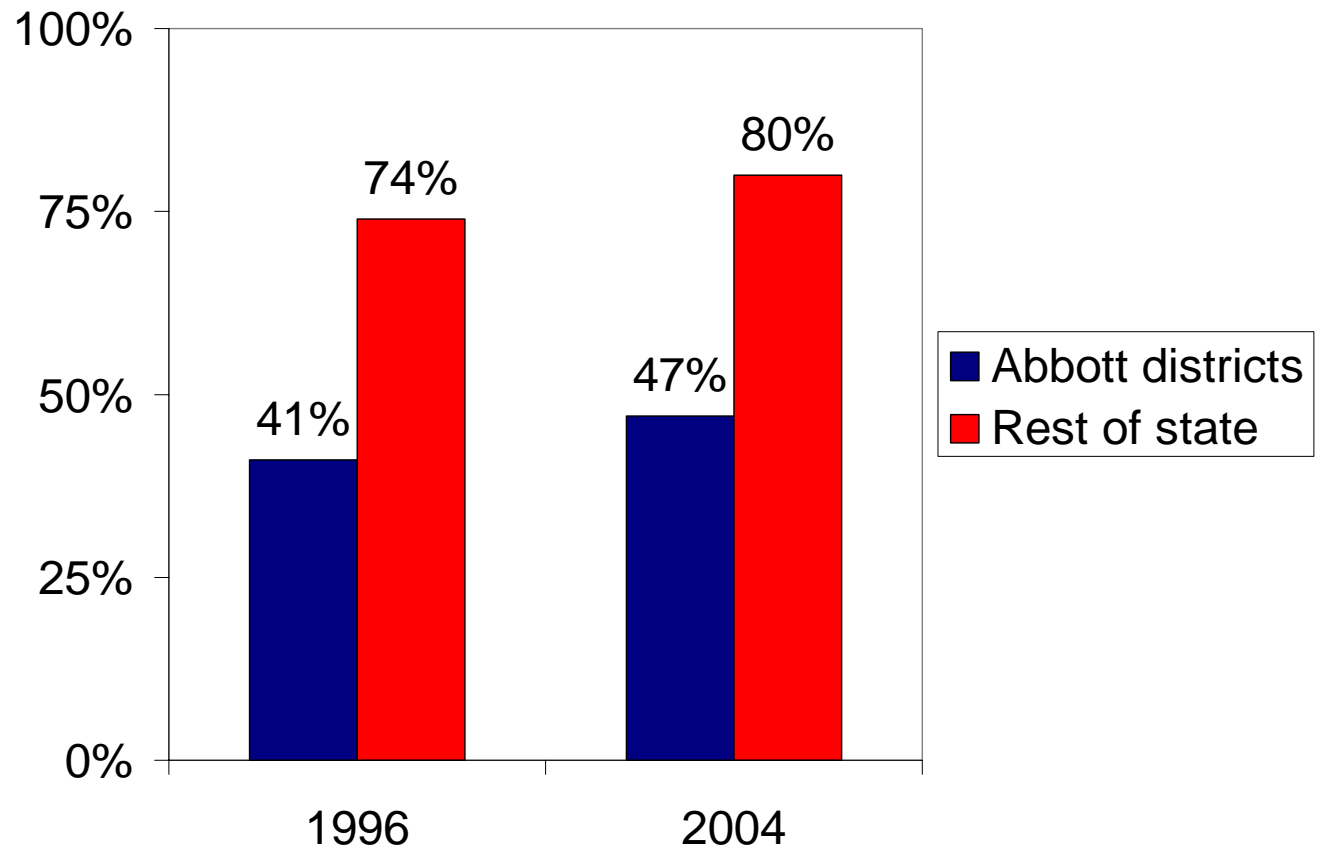
The current approach

	Camden	*State*
African-American/Latino	97%	33%
Avg. residence value	$24,400	$147,500
Eligible for free lunch	78%	28%
Crime rate per 1000	86	32
Unemployment	12%	4%
Budget per student	$17,500	$12,000
8th grade proficiency test	25%	80%

Source: Clemens (2005) "International Tax."

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The current approach

- **"Cost estimates ignore demand constraints, complementarities, non-marginal, non-constant returns…**

- **Suggest more spending is <u>the</u> answer…**

- **And the need for more spending implies foreign aid is <u>the</u> constraint**

The current approach
## As many studies seem to imply…

Study	Covering	*Additional* resources / year
Devarajan, et al "Goals for Development" (WB 2002)	Global poverty goal	$54-62 billion
	Global social and environ. goals	$35-75 billion
	Global primary education	$10-15 billion
Vandemoortele, "Are the MDGs feasible?" (UN 2002)	Global MDGs	$50-80 billion
Greenhill, "The Unbreakable link" (Jubilee Research, 2002)	Global poverty goal	$15-46 billion, + cancel debt
	Global, other goals	$16.5 billion, + cancel debt
"Last Chance in Monterrey" (Oxfam 2002)	Global MDGs	$100 billion
"Supporting Sound Policies…" (WB 2003)	Asia and South Asia	double / triple aid
	Africa and Central Asia	60% increase
"Achieving the MDGs in Africa…" (AfDB 2002)	Sample of 30 African countries	$20-25 billion
Delamonica et al (Unicef, 2001)	Global primary education	$9.1 billion
"Education for Dynamic Economies…" (WB 2002)	Primary education, 47 IDA countries	$2.5-5 billion
	African primary education	7x aid
Naschold, "Aid and the MDGs" (ODI 2002)	Global primary education	$9 billion
Filmer, "Costing the Goal…" (WB 2002)	Global Primary education	$30 billion
Mingat, et al "Financing Education for all…" (WB 2002)	Primary Education for 33 African countries	$2.1 billion
Brossard et al., "Education Primaire Universelle: Combien?" (Unesco 2001)	African primary education	$2.9-3.4 billion
Bruns et al, A Chance for Every Child (WB 2003)	Low-income primary education	$5-7 billion

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Source: Clemens and Moss (2005)

Rescuing the MDGs: What about aid?

- **Aid cannot drive the process…but constraints on resources should not be a constraint on progress**

- **Aid should create and enhance *incentives* for households, communities, and governments toward the MDGs, and support good *institutions***

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Rescuing the MDGs…
(and the aid business from itself)
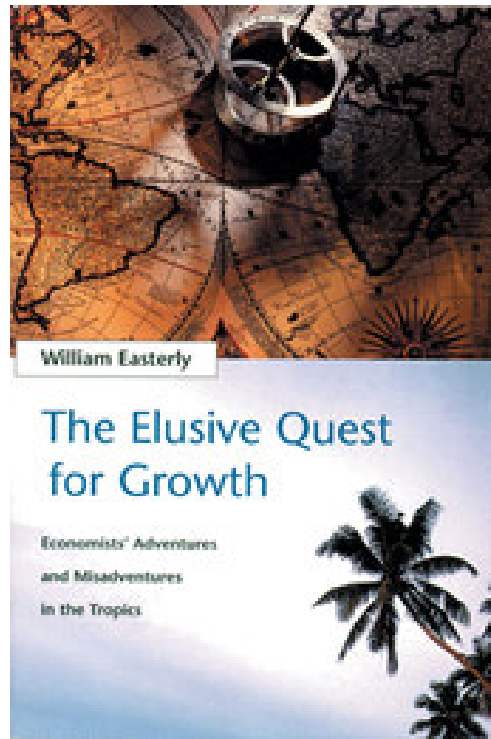
Rescuing the MDGs: What about aid?

- **But currently aid tends to make recipient countries accountable to donors, not their citizens**

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Aid and government revenue in selected countries 2003

	Total net ODA (% of GNI)	Total net ODA per capita (current US$)	Government revenue excl. grants (% of GDP)
Burundi	39	31	21
Sierra Leone	39	56	12
Malawi	30	45	18
West Bank and Gaza	25	289	-
Mozambique	25	55	14
Ethiopia	23	22	20
Nicaragua	21	152	21
Mauritania	21	85	-
Rwanda	20	40	14
Mongolia	20	100	38
Niger	17	39	10
Tanzania	16	47	11
Uganda	16	38	12
Zambia	13	54	18

Source: WDI (2005), ADB (2005) and IMF Regional Economic Outlook for Sub-Saharan Africa (2005).

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The proposal

- **Recipient government defines country-specific goals (not "universal MDGs)**

- **Agrees with donor community on country-specific benchmarks**

- **Donors tie aid tied to progress against those agreed benchmarks**

- **Benchmarks can be inputs, outputs, outcomes (all constitute "results")**

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The proposal

- **Donors agree on a legally binding tariff, e.g. $50 per year for every child in school (above 1990 enrollment)**

- **Cash amounts the same for all countries**

- **Annual independently audited "invoice" presented by governments to donors**

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The proposal: An education example

- **MDG goal: all children complete primary school by 2015**

- **MP estimates of "cost" in poorest countries of putting every child in school**

- **. . . provide a "weak" rationale for a payment of $50 per child**

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(Back to education "costs")

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The proposal

The process should create incentives for households (enhance household demand), support public "supply", and make government accountable to its own citizens.

- **Vouchers worth $50 go to poor households for each child in school,**

- **Are collected by schools, which**

- **"sell" them to local government or other official intermediary. . . and then to the Finance Ministry, which bills donors**

The proposal

Rough estimates of resulting annual donor transfers, selected countries

Primary education

	Donor transfers at <u>actual</u> primary enrollment 2001 ($50 per student)	Donor transfers for 1990-2001 <u>increment</u> in primary enrollment ($50 per student)	Donor transfers for 1990-2015 <u>increment</u> in primary enrollment assuming universal enrollment in 2015 ($50 per student)
Bangladesh	870,000,000	255,000,000	500,000,000
Cambodia	85,000,000	33,000,000	58,000,000
Ghana	105,000,000	29,000,000	115,000,000
Tanzania	155,000,000	23,000,000	237,000,000
Uganda	-	-	310,000,000
Tajikistan	50,000,000	20,000,000	17,000,000

Sources: United Nations World Population Prospects: The 2004 Revision, World Bank EdStats (2005) and author's calculations.

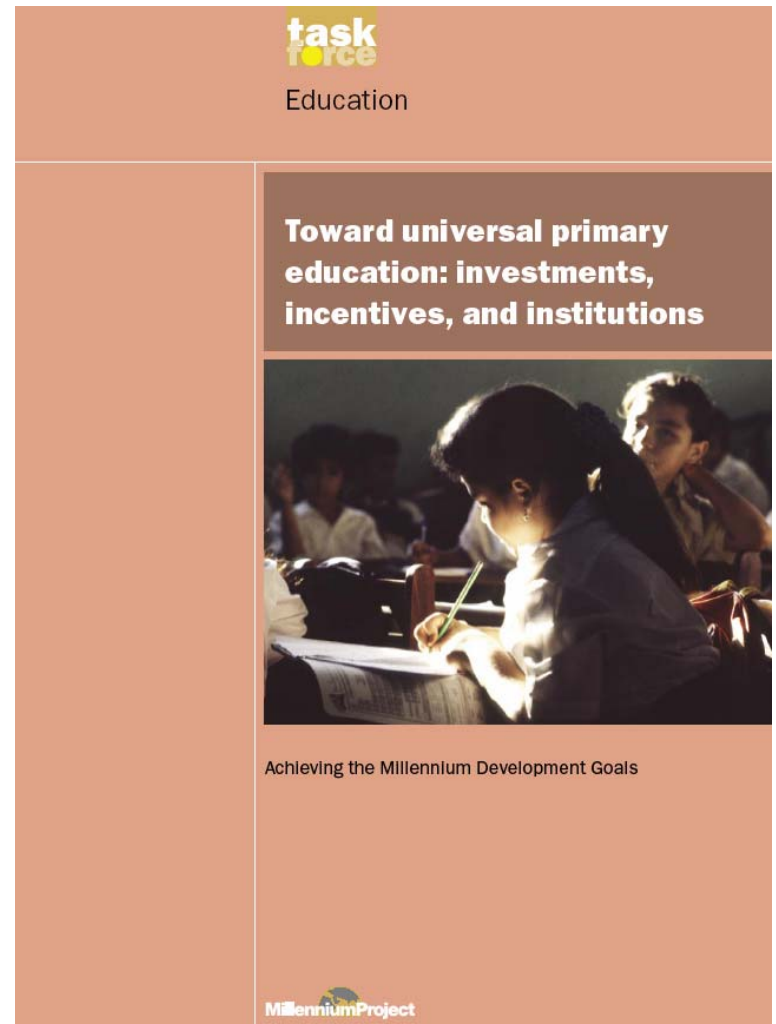Center for Global Development

The proposal

Benefits:

- **No arguments over "conditionality." Payments tied to results not policies**

- **Binding donor commitments provide predictable, long-term funding against which performing governments can plan, invest…**

- **and borrow on private markets**

- **Makes recipient country governments accountable since a shortfall in achievement cannot be blamed on insufficient donor aid.**

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The proposal

"Changing education systems requires political leadership and institutional reform, as well as additional investments and inputs"

Source: UN Millennium Project ,Taskforce on Education and Gender, *Toward Universal Primary Education: Investments, Incentives and Institutions,* p. 24.

task force

Education

Toward universal primary education: investments, incentives, and institutions

Achieving the Millennium Development Goals

MillenniumProject

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Trans-Atlantic Tension: A synthesis
Two Views About Aid and the MDGs

"[T]he key question is how we can meet in practice the ambitious Millennium Development Goals. If every child is to have primary education, we will need $10 billion more a year. If infant mortality is to be cut by two thirds and maternal mortality by three-quarters, we will need at least $15 billion extra a year. If we are to halve poverty by 2015 we will need an additional $20 billion or more each year."

-Gordon Brown, 2003

"Aid is just one of many important inputs to development, and the amount of aid that will be needed to meet the MDGs will depend critically on the quantity and quality of the supply of these other inputs. Indeed, the argument for targeting good performers grows out of the recognition that aid is most effective when coupled with good governance, and sound policy. ... Moving forward, we will need to present increased development assistance as a clear means towards an end rather than as an end in itself. This will require us (first) to define clear objectives for development funding and (then) to identify demonstrable results associated with those objectives."

-John Taylor, 2005

Trans-Atlantic Tension: A synthesis

○ **There <u>is</u> a resource constraint in poor recipient countries (per Gordon Brown)**

	Health expenditure per capita (current US$) 2002	Primary education expenditure per capita (current US$) 2002
Bangladesh	11	34
Burundi	3	12
Cambodia	32	18
Eritrea	8	19
Nepal	12	29
Niger	7	26
Sierra Leone	6	21

Source: WDI (2005) and author's calculations.

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Trans-Atlantic Tension: A synthesis

- **But external resources should be linked to results (per John Taylor)**

- **And should create, not undermine government accountability to citizens**

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Trans-Atlantic Tension: A synthesis

What the "cost" studies do really tell us:

- **The necessary "additional resources" are feasible: well inside what donors have already pledged**

- **And, if all other conditions were adequate (institutions, incentives), additional resources would make a difference**

- **The challenge: ensuring that new resources complement rather than substitute for incentives and institutions**

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Conclusion

Treat the MDGs seriously but not literally