Trade, development and poverty: a Millennium Development Goals (MDG) perspective

by

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Millennium Development Goals

The Millennium Development Goals or MDGs are a set of measurable and time-bound goals with associated targets that were adopted at the United Nations Millennium Summit in 2000. Since their adoption, the MDGs have become so popular in the jargon of development debates that today one rarely misses an opportunity to emphasise the need to "MDGise" every type of development agenda.

The following table shows the goals and corresponding targets that have been set for achievement.

Table 1: Millennium Development Goals and targets

MDG	Targets
MDG 1: Eradicate extreme poverty and hunger	• Halve, between 1990 and 2015, the proportion of people living below $1 a day. • Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
MDG 2: Achieve universal primary education	• Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
MDG 3: Promote gender equality	• Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.
MDG 4: Reduce child mortality	• Reduce by two-thirds, between 1990 and 2015, the under-5 mortality rate.
MDG 5: Improve maternal health	• Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
MDG 6: Combat HIV/AIDS, malaria and other diseases	• Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. • Have halted by 2015, and begun to reverse, the incidence of malaria and other diseases.
MDG 7: Ensure environmental sustainability	• Integrate the principles of sustainable development in country policies and programs and reverse the loss of environmental resources. • Halve by 2015, the proportion of people without sustainable access to safe

	drinking water.
	• By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.
MDG 8: Develop a global partnership for development	• Develop further an open, rule-based, predictable and non-discriminatory trade and financial system; includes a commitment to good governance, development and poverty reduction – both nationally and internationally.
	• Address the special needs of the Least Developed Countries; includes: tariff and quota free access to LDC exports, enhanced program of debt relief for HIPC and complete cancellation of official bilateral debt, and more generous ODA for countries committed to poverty reduction.
	• Address the special needs of landlocked countries and small developing island states.
	• Deal comprehensively the debt problems of developing countries through national and international measures in order to make debt sustainable over the long term.
	• In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.
	• In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.
	• In cooperation with the private sector, make available the benefits of new technologies, especially information and communication.

In 2002, the UN Secretary-General set up the UN Millennium Project to advise the UN on the strategies to be adopted to implement the MDGs. The Project presented its report *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* to the UN Secretary-General in January 2005. The report makes ten key recommendations that are summarised below:

1. Developing country governments should have in place by 2006 MDG-based poverty reduction strategies. Where PRSPs exist, they should be aligned to MDGs.
2. The strategies should anchor the scaling up of public investments, capacity building, domestic resource mobilization and ODA. They should also provide a framework for strengthening governance, promoting human rights, engaging civil society and promoting the private sector.
3. The MDG-based strategies should be crafted by developing country governments in transparent and inclusive processes, involving the civil society, private sector and international partners.

4. International donors should identify at least a dozen "fast-track" developing countries for rapid scale-up of ODA in 2005.
5. Developed and developing countries should jointly launch in 2005 a group of Quick Win Actions to save and improve millions of lives and to promote economic growth.
6. Developing country governments should align national strategies with regional initiatives.
7. High-income countries should increase ODA which as a percentage of GDP should reach 0.7% no later than 2015.
8. High-income countries should open their markets to developing country exports through the Doha trade round and help Least Developed Countries raise export competitiveness through increased investments in critical trade-related infrastructure including electricity, roads and ports. The Doha Development Agenda should be fulfilled and the Doha Round completed no later than 2006.
9. International donors should raise support for global scientific research and development to address special needs of the poor.
10. The UN Secretary-General and UN Support Group should strengthen the coordination of UN agencies, funds and programs to support the MDGs at headquarters and country level.

Perspectives on Millennium Goals

Why have the MDGs become so prominent in so short a time? The fundamental reason is poverty reduction assuming the foremost position in the global development agenda. Along with this came the idea of the Poverty Reduction Strategy Paper, PRSP, towards the end of 1999 and also a broader conceptualization of poverty as representing not only deprivation in income but in many non-income dimensions as well. On could thus talk of education poverty, health poverty, water poverty, voice poverty, and so on. Thus poverty was a multi-dimensional concept embracing money-metric and non-money-metric dimensions.

The MDGs in a sense present a multi-dimensional approach to poverty. It thus includes not only goals and targets relating to eradication of extreme poverty expressed in monetary dimensions ($1 day), but, as can be noted from the preceding table, also goals and targets relating to health, education, gender and environment.

The fulfilment of the MDGs by a country would thus enable it to address the poverty issue in a more holistic sense. Countries that are not income poor could be still poor in respect of non-income dimensions of deprivation. Hence focusing exclusively or majorly on only income poverty eradication would not be enough.

But despite the popularity of the MDGs, it must also be recognized that they are not without their critics. Vandemoortele (2004), for instance, argues that not all the MDG indicators offer good gauges of reality. To quote: "Statistics on water, for instance, frequently overstate access in urban areas because they classify residents within 100 metres of a public supply point as adequately covered, based on the assumption that the

same water tap or pump can serve the needs of the other 500 or 1,000 residents within that radius—always assuming that the tap or pump is actually in good working order"(pp. 2-3).

In a similar vein, one can say that a child being enrolled in school does not imply that she will complete primary education because of the possibilities of repetition, dropout and re-entry, and ultimate dropout. Thus statistics on completion rates would not be as easily computable as enrolment rates. Again, income poverty is not readily observable in many rural areas.

The implication of the above kind of observations is that even if MDGs are fulfilled by the target date, in view of data reliability and limitations, one cannot be sure to what extent poverty may have been brought down in several dimensions.

Furthermore, even discounting the measurement problems, fulfilment of the MDGs by the target date by a country would not mean that that country would have graduated out of its poverty status. For instance, in the case of Zambia where child and maternal mortality rates are currently very high, even reducing them by two-thirds by 2015 would still leave the country with high child and maternal mortality rates by global standards.

However, notwithstanding the above limitations, the MDGs collectively offer a pretty good approach to gauge changes in poverty levels in a country and provide norms that a country can use as a roadmap towards eventual poverty eradication and development.

What chances do most developing countries have of attaining the MDGs? There is scarcely any evidence of any LDC that is likely to fulfil all the MDGs by 2015. On the other hand, there are several cases of countries especially in sub-Saharan Africa that are either likely to attain only some of the MDG targets, or that have made some initial progress and are showing signs of slipping back or have made little progress and are not likely to fulfil most of the targets.

A recent presentation by Fosu (May 2005) gives the following update on the possibility of MDG attainment by African countries.

Table 2: Countries that are likely to achieve MDG targets

Goals	Countries that are likely to achieve the targets
MDG 1: Eradicate extreme poverty and hunger	Poverty: Burkina Faso, Lesotho, Botswana, Cameroon, South Africa, Mauritius, Uganda, Ghana and North African countries; Child malnutrition: Botswana, Chad, Gambia, Mauritania, Egypt, Sudan, Tunisia; Overall under-nourishment: Ghana, Malawi, Angola.
MDG 2: Achieve universal primary education	Both net enrolment and completion rate: Algeria, Egypt, Tunisia, Botswana, Cape Verde, Seychelles, Togo, Zimbabwe, Mauritius, Namibia, South Africa, Gabon, Rwanda, Sao Tome & Principe.
Goal 3: Promote gender equality	Primary level education: Botswana, Lesotho,

	Mauritius, Namibia, Rwanda, Swaziland, Zimbabwe; Secondary level: Algeria, Libya, Tunisia, Botswana, Lesotho, Namibia, Rwanda.
Goal 4: Reduce child mortality	Mauritius, Seychelles, Cape Verde and North African countries.
Goal 5: Reduce maternal mortality	North African countries, Botswana, Gambia, Cape Verde, Mauritius.
Goal 6: Combat HIV/AIDS, malaria and other diseases	HIV/AIDS (condom use): Botswana, Zimbabwe, Uganda; Malaria: Gambia, Guinea-Bissau, Comoros, Benin, Rwanda, Central Africa, Cameroon, Kenya; TB: South Africa, Swaziland, Zambia, Angola, Gabon, Gambia, Madagascar, and North African countries.
Goal 7: Ensure environmental sustainability	Sustainable development (forest area): North African countries, Swaziland, Gambia, Cape Verde; Access to safe drinking water (rural): Egypt, Mauritius, Algeria, Botswana, Burundi, Malawi, South Africa, Tanzania, Ghana, Gambia, Namibia; Access to sanitation (urban): Libya, Morocco, Egypt, Tunisia, Algeria, Ghana, Mauritius.

The main constraints seem to be political commitment and paucity of resources especially due to inadequate growth. For example, the Joint Staff evaluation by the IMF and the World Bank of Zambia's Second Progress Report on PRSP performance (IMF, June 2005) observes:

"The Report provides an updated poverty profile and an assessment of Zambia's current situation with regard to its ability to reach the MDGs in 2015. The updated poverty profile, which is based on the 2002/03 Living Conditions Monitoring Standard Survey (LCMS), provides a sobering picture of Zambia's poverty situation. Poverty remains high and largely a rural phenomenon. The overall poverty headcount has remained at 67 percent. The Report indicates that a subset of the MDGs could be reached by 2015, if certain conditions are met. In particular, two conditions are critical: (i) average annual growth rates in excess of 8 percent; and (ii) better prioritization, scaling up, and stronger effectiveness of PRPs related to the MDGs. Staffs recommend that the next Report articulates better how this could be achieved, given that growth rates are not expected to exceed 5 percent over the coming three years".

The general feeling is that without more aid, trade and debt relief, most of the MDGs will remain unmet in most of the countries.

MDGs and trade

There is a plethora of perspectives regarding the relationship between trade and the MDGs.

A glance at Table 1 shows that there are targets relating to trade and trade regimes under the last goal. But there is one difference between these trade-related targets (developing an open, rule-based, non-discriminatory trade system, addressing the special needs of Least Developed Countries through tariff and quota free access to their exports) and the targets associated with other goals. Achieving the target on primary education will immediately impact on education poverty, reversing the trend in HIV/AIDS will lead to a reduction in health poverty, reducing the number of people living below $1 a day brings down income poverty, and so on. But achieving the targets related to trade need not bring down poverty. That is to say, while all the other targets relate directly to poverty and their achievement is therefore *ends* in themselves, trade-related targets are only a *means* to reduce poverty. In this sense, Goal 8 with its associated targets is different from other goals.

Another important difference is that while the attainment of the first seven goals rests largely with national actors, Goal 8 relates to the actions of international actors as well.

There seems to be a consensus that while trade reform is *necessary* for accelerated poverty reduction and the attainment of the MDGs, addressing trade reform and North-South relations is *not sufficient* to establish trade as a basis for poverty reduction. (see Howe *et al,* 2005). What then is required to establish a strong correlation between trade and the attainment of MDGs?

A broad view is that for trade to facilitate the attainment of the MDGs, its impact has to be distinctly pro-poor.

What is meant by pro-poor? Vandemoortele (op.cit.) argues that for policies to be pro-poor, it is not enough that economic and social indicators improve for the poor; they have to improve at a faster pace than for the non-poor because absolute poverty always has a relative dimension. With this definitional stance, the author suggests that trade liberalization should be implemented cautiously. To quote:

"Surging imports have had destabilising effects in many countries. The benefits from trade are often concentrated in enclaves or benefit people with skills or capital that are beyond the scope of the poor. Also, heavily subsided exports from rich countries—for agricultural commodities such as cotton, sugar, fruit, maize, meat and diary products— have played havoc with the livelihood of millions of smallholders in poor nations. A recent study by Carnegie [2003] concluded that NAFTA (the North American Free Trade Agreement) has hurt subsistence farmers in Mexico and that the expected gains in jobs did not materialise; neither did it prevent real wages from declining and income inequality from rising…….. [The] study shows that it is incorrect to assume that trade liberalisation will automatically yield outcomes that are pro-poor, pro-jobs and pro-growth". (op.cit. p 11).

Vandemoortele also cites the study by UNDP (2003) which emphasizes that open trade is more a *result* of development than a *pre-requisite* for it. (Italics mine). To quote again:

"Trade follows development, it seldom leads development; the causation between growth and trade has seldom been in the other direction. While recognizing that no country has ever developed by keeping its borders closed, it is equally true that no country has developed by throwing open its borders to foreign trade. Our argument is that the current rules for global trading do no longer allow countries to follow an export-led development strategy similar to that experienced by several Asian economies in the 1970s and 1980s because the policy space for individual countries to sequence selective export subsidies or import tariffs has been narrowed tremendously". (Vandemoortele, 2004, p. 11).

Zambia provides a good illustration of the above. In respect of the MDG target of developing a rule-based, predictable and non-discriminatory trading system, the environment for the country has not been very favourable despite the country having embarked on trade liberalization over more than a decade. Von Braun (2005) cites a study by Valenzuela *et al* (2004) regarding the effects of trade liberalization on poverty in 8 countries in Asia and Africa. This study find that, in the case of Zambia (one of the 8 countries), the long-term impact of trade liberalization on poverty has been nil.

The joint Government of Zambia-UN System progress report on the MDGs (2004) points to the difficulties that Zambia faces in respect of market access in the following comment:

"Although Zambian textile and agricultural products enter the US and EU duty and quota free, processed goods which add value to the agricultural goods and thus help create employment, do not enjoy the same privilege. Furthermore, non-tariff barriers by developed countries such as complex qualifications systems and sanitary and phyto sanitary (SPS) conditions remain as barriers to Zambian exports. Therefore, further liberalization of developed markets is crucial for Zambia's achievement of the MDGs"(op.cit. p. 22).

Another more specific perspective of trade being pro-poor is that it must impact on agriculture and the position of small-scale farmers. This is because three-quarters of the world's poor live in rural areas and the majority of these people depend on agriculture for their living. (see Huvio *et al,* 2005). So far, the distributional and poverty-reducing effects of the benefits trade liberalization on small-scale farmers are not clear. Huvio *et al* contend that rapid trade reform without prior social safety net implementation for the poorest is not in the least desirable. Small-scale farmers are themselves a very diverse group and addressing their diversity would require trade financing, infrastructure improvement, and institutional improvements, including the strengthening of cooperative and contract farming.

All the same, given that the fulfilment of the MDGs requires, among others, the achievement of fairly high rates of sustained growth, trade assumes importance in terms of its growth-enhancing potential. It is from this perspective that trade becomes a necessary condition for poverty reduction. Most countries, especially in sub-Saharan Africa, have relatively small domestic markets and hence export diversification and expansion become critical for these countries to achieve high growth rates. These

countries therefore have to see what can be done to remove the binding constraints to exports.

As things stand, a lot of work remains to be done in this regard. The fact is that, in the first place, neither MDGs nor trade have been mainstreamed in the development strategies of many of these countries. Zambia's carefully prepared first PRSP, for example, mentioned the MDGs only in a passing sentence and there was virtually no mention of trade or trade policy either in its macroeconomic section or anywhere else in the Paper. This was probably true for many other PRSPs as well. The reason could be that the first generation PRSPs may have been formulated with a hangover of SAP (Structural Adjustment Program) whose focus was mainly on the attainment of macroeconomic stabilization with little attention paid to poverty reduction as a major objective. Clearly, therefore, the time has come when, instead of stylized neo-liberal SAP policy frameworks with cosmetic changes beginning to search for faster tracks towards poverty reduction and development, the agenda of poverty reduction and development must determine the appropriate policy frameworks that can help fulfil the agenda as quickly as possible.

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