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to "Ranking the Rich" in FP's May/June 2003 issue
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CGD Brief

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From Promise to Performance: How Rich Countries Can Help Poor Countries Help Themselves

By Nancy Birdsall and Michael Clemens*

Summary: At the United Nations Millennium Summit in 2000 the nations of the world committed to join forces to meet a set of measurable targets for reducing world poverty, disease, illiteracy and other indicators of human misery—all by the year 2015. These targets, later named the Millennium Development Goals, include seven measures of human development in poor countries. At the same summit, world leaders took on several qualitative targets applicable to rich countries, later collected in an eighth Goal. The key elements of the eighth Goal, reaffirmed by senior leaders of the richest countries at a 2002 summit, pledge financial support and policy changes in trade, debt relief, and other areas to assist poor countries' domestic efforts to meet the first seven Goals. Combined, the eight Goals constitute a global compact between poor and rich to work today toward their mutual interests to secure a prosperous future. Mirroring past domestic efforts at social integration during their own economic development, industrial countries have in effect agreed to extend those policies and promises to poor people in poor countries. The CGD/Foreign Policy Magazine Commitment to Development Index measures and monitors the policies of rich countries that affect the poor. It provides one mechanism to ensure that rich countries, like the developing countries, are held accountable for their promises by their own citizens and by the citizens of the world.

Seven promises to keep

The Millennium Summit, the largest-ever gathering of heads of state, took place at the United Nations in New York City in September 2000. At that meeting, 147 presidents, prime ministers, and monarchs unanimously issued a joint promise to work toward meeting a set of specific development targets in poor countries by 2015. These targets later became known as the Millennium Development Goals (here, simply "the Goals"). The first seven Goals measure human development in poor countries, and each one comes with a specific numerical measure to be met by a specific date. For example, by 2005 girls should have caught up to boys in primary and secondary school enrollment. By 2015, the proportion of poor people in the world should be halved, and the chances of women dying in childbirth reduced by two-thirds compared to 1990 (http://www.developmentgoals.org).

The Goals are not just another set of UN-sponsored development ideals. They represent a new partnership between poor and rich countries—a kind of mutual compact to do what it takes to fight avoidable poverty and human misery worldwide. The heads of state of the 21 richest countries in the world stood side by side with the heads of state of more than 100 of the poorest countries and promised on behalf of their governments and their societies to "spare no effort" in their "broad and sustained action" to reach the Goals. Japanese prime minister Mori stood with Cameroonian president Biya; French president Chirac with Ethiopian prime minister Zenawi; US president Clinton with Indian prime minister Vajpayee. All stood together and unanimously issued the *Millennium Declaration*. They undertook a shared responsibility for an increasingly interconnected future.

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Promises and accountability

As often happens, however, these leaders' promises were vague regarding what actions would be necessary to meet the Goals, addressing only broad categories of action by both poor and rich countries. Poor countries were to 'shape up' in some way or another, and rich countries were to be more forthcoming with foreign aid and technological transfers. But one thing was different. Because the first seven Goals were stated *in concrete and easily measured terms*, it will be possible to judge whether they are met. If child mortality rates in Mozambique have not fallen by 2015 to one-third their 1990 level—as one of the first seven Goals pledges—who will be to blame?

Joint accountability of all countries and all leaders for jointly agreed-on performance amounts to no accountability at all. What if the only fact we have in 2015 is that those Mozambican children were not, in fact, saved? The rich countries will blame waste and incompetence in Mozambique; Mozambique will blame US penury in foreign aid and European Union barriers to Mozambican sugar exports; global enthusiasts will invoke insufficient progress in opening markets; and antiglobalization activists will invoke failings of the IMF and the WTO.

To make the governments of poor countries accountable, the World Bank, IMF, United Nations, and rich-country governments are proposing that poor countries outline their plans, commit their resources, and measure their performance on the first seven targets, Goal by Goal. To make the governments of rich countries accountable, it's time for them to do the same. The first step is to consider what their responsibilities actually are. That's why poor countries pushed for the qualitative promises that rich countries made in the Millennium Declaration to be formulated as one more Goal.

The eighth Goal: rich countries commit to practice what they preach

The eighth Goal collected various qualitative pledges made by rich countries in the 2000 *Millennium Declaration* (Box 1). In March of 2002, at a UN summit in Monterrey, Mexico, leaders of rich and poor countries strengthened these pledges by framing together the specific nature of their mutual responsibilities.

Poor nations would focus on strengthening the rule of law, reducing corruption, and improving the environment for private sector–driven growth. Rich nations would focus on politically difficult steps that they themselves should take to help poor ones, such as more generous financial assistance, lasting debt relief, and improved access to their markets for poor countries' products. When rich-country leaders agreed at Monterrey to take these steps, they were directly approving point-by-point the key elements of rich-country promises in the *Millennium Declaration* that were gathered into the eighth Millennium Development Goal.

The Goal's actual text ended up as a hodgepodge of elements reflecting the reluctance of some rich countries to be too specific, and the special pressures of different groups of poor countries as well. But the Goal, reflecting the Monterrey idea of partnership in a kind of compact, does specify several actions by rich countries that are widely recognized as fundamental if poor countries are to achieve the other seven Goals (Box 2).

Box 1: The emergence of the eighth Goal, from New York to Monterrey

In December 2000, the UN General Assembly requested that secretary general Kofi Annan prepare a "road map" of how to achieve the targets of the Millennium Declaration to which the leaders at the Millennium Summit had committed in September of that year (General Assembly resolution A/RES/55/162, paragraph 18). Annan's response, issued in September 2001 as the Road Map towards the Implementation of the United Nations Millennium Declaration, proposed the eight Goals in their final form (General Assembly document A/56/326), drawing only on elements to which 147 heads of state or government had directly agreed at the 2000 summit. In December 2001, the General Assembly—representing all 189 UN member nations—adopted a resolution that "recommends that the 'road map' be considered as a useful guide in the implementation of the Millennium Declaration ... and invites member states ... to consider the 'road map' when formulating plans for implementing goals related to the Declaration" (General Assembly resolution A/RES/56/95, paragraph 2).

The main principles of the eighth Goal were reaffirmed directly by 54 heads of state or government and 300 high-level ministers—including top leaders of all the richest countries—at the 2002 UN Financing for Development Conference in Monterrey, Mexico. The resulting Monterrey Consensus promises "a new partnership between developed and developing countries." Rich country leaders, with their poor-country counterparts, agreed: "We ... commit ourselves to mobilizing domestic resources, attracting international flows, promoting international trade as an engine for development, increasing international financial and technical cooperation for development, sustainable debt financing and external debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems." These same principles are embodied in the Millennium Declaration, the source of all the pledges in the eighth Goal.

Box 2: The eighth Goal, a global partnership for development

- 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)
- 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 HIPCs and cancellation of official bilateral debt; and more generous ODA [official development assistance] for countries committed to poverty reduction)
- Address the special needs of landlocked 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)
- Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in 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 communications

Source: http://www.developmentgoals.org, which is based on UN General Assembly document A/56/326.

It worked at home; now take it on the road

The rich countries know a thing or two about promoting economic development. They've been doing it at home for 300 years. Their societies and citizens have supported tremendous growth in local and national government spending as a percentage of GDP during the past century and a half—from about 10% in 1870 to 50% today. Economists dispute how much of that increase is the cause or effect of being rich. But there is no question that much of that vast expenditure has gone toward social safety nets, banking regulation, public security, and other goods that markets do not readily produce but that matter for economic development. The citizens of the richest countries have learned over decades and centuries which policies complement the market and help it produce desirable outcomes. And the better-off in those countries have learned that many policies and programs directed at the worse-off secure national growth, stability, and prosperity that also help them. They have gradually empowered their governments in the making of a social compact, so that their governments are actually both the result of and the mechanism for that compact.

The eighth Goal can be seen as an international extension of the same lessons. The global marketplace is no better than national marketplaces at producing social safety nets, education, public health, perfect credit markets, and public security. Just as the better-off citizens of the richest countries agreed long ago to bear their share of the burden of correcting those problems at the national level, so in the eighth Goal do the richest countries clearly state their responsibility for rectifying the global market as they have rectified their domestic markets. Their commitment to the Goals is the equivalent of their partnership in a new "global compact." (That, in fact, is what US president Bush called it in his speech at Monterrey in 2002.)

The richest countries promise to move capital to the poorest with generous foreign aid, which is quite similar to what their progressive taxation systems already do at home. They pledge to lower direct and indirect trade barriers to the poorest regions of the world—which Germany, Italy, Japan, and the United States all did at the national level when they became unified states in the 18th and 19th centuries. They promise improved access to the latest technologies; and there can be no doubt that rich countries benefited from patent-free international transfers of technology early in their industrial development. They commit to a long-term solution to developing-country debt, and at home they long ago created mechanisms for writing off bad debts to the long-run benefit of both creditor and debtor. All rich countries ask their richest citizens to bear a larger share of the burden of environmental protection, public security, funding agencies to fight corruption, and other public expenditures at the national level that have allowed them to achieve their current levels of wealth and social justice at home.

Measuring rich countries' commitment to the new global compact

But no compact, whether it is a marriage or an arms-control treaty, can be strong if there is no way to assess whether the parties are making a credible effort to keep their promises.

The developing countries' efforts on the first seven Goals will be monitored by their own citizens and by the international community in the context of IMF, World Bank, and bilateral aid programs. And the United Nations Development Programme (UNDP) is coordinating a massive effort to track progress toward the first seven Goals. Every developing country has been asked to work with UNDP field offices to prepare a report on its current progress toward and future prospects for meeting the Goals. Anyone can

Figure 1: Going it alone, with strings attached

All aid is not the same. Some countries give a large share of their aid in the form of "technical cooperation" (TC), which is rarely demand driven and is often largely spent on well-paid advisors from rich countries. Some of the remaining aid is often "tied" to the purchase of the donor country's products, meaning that the recipient can't use aid to buy from other countries that make those things more cheaply. Countries also vary in how much of their aid goes to support collective international aid institutions and how much goes only through their own bilateral aid agencies—often without significant coordination with other donors.

	Share of all aid requiring spending on donor-country goods or services (%)[a]	Share of all aid given bilaterally (%)[b]
Australia	80	74
Austria	54	65
Belgium	54	57
Canada	79	69
Denmark	19	59
Finland	46	58
France	64	73
Germany	61	59
Greece	87	41
Ireland	6	61
Italy	93	25
Japan	37	68
Netherlands	37	69
New Zealand	53	76
Norway	17	73
Portugal	84	75
Spain	46	61
Sweden	11	70
Switzerland	21	74
United Kingdom	43	66
United States	91	75
Average	**54**	**64**

Note: All data on tied aid and all data on TC and bilateral aid are from each country's 2001 report to OECD on its percentage of tied aid, except for Austria (2000 report to OECD), New Zealand (1992), and the United States (1996).

a This is the sum of two numbers. The first is the share of gross aid commitments that is given as TC. The second is the share of all non-TC gross aid commitments that is "tied." A small amount of aid is classified as "partially untied"; half of this amount is included in the tied share.

b Calculated as 1 minus the ratio of "contributions to multilateral institutions" to "total official development assistance."

Source: OECD Development Assistance Committee, DAC Online database, http://www.oecd.org/htm/M00005000/M00005347.htm#dac/o.

read these valuable documents on the Internet (http://www.undp.org/mdg/countryreports.html). You can read that a few poor countries have already achieved some of the first seven Goals; others are "on track" or "slipping back"; while still others are rated "far behind."

What you won't find on the UNDP website are any reports from industrial countries about their efforts to keep the promises summarized by the eighth Goal. Indeed, only a small fraction of rich countries' citizens are even aware that the eight Goals exist, much less that they imply immediate, necessary, and promised action by themselves through their representatives in New York and Monterrey.

So the rich countries' efforts also need to be monitored, by their own citizens and the citizens of the developing world to whom they have made their promises. Without benchmarks to measure and monitor rich countries' efforts, they cannot be held to account for the eighth Goal.

A Commitment to Development Index: one way to measure and monitor commitment

The UN has suggested 17 indicators of progress toward the eighth Goal, ranging from "proportion of ODA [official development assistance] provided to help build trade capacity" to "telephone lines per 1,000 people" in developing countries. These indicators, the UN recognizes, need "further refinement," and no rich country has specifically approved these indicators. The Center for Global Development has undertaken the annual calculation of an index that could also provide insight into rich countries' commitment to the Goals. (However, it does not measure every aspect of the commitments in the Goals.) The measure, called the Commitment to Development Index has been developed and is published in cooperation with *Foreign Policy* (FP) magazine. (To learn more about how the Index is calculated and to see country ratings, see the May/June 2003 issue of FP or go to www.cgdev.org or www.foreignpolicy.com) The Index rates 21 of the world's richest countries. It combines simple but telling numerical ratings of rich countries' policies toward poor countries in six areas: aid, environment, investment, migration, peacekeeping, and trade.

Each of the six components involves a careful calculation. The Index's **aid** ratings modify aid figures to account for "defensive" lending—aid to help service existing debt—and aid that requires the purchase of donor-country goods and services. The **environment** ratings account for the effects of rich countries' policies on global warming and on international fish stocks, among others. The **investment** score accounts for private investment flows from rich countries to the poorest countries, discounting these flows from countries whose companies tend to bribe abroad. The **migration** component reflects rich countries' absorption of legal immigrants and refugees from poor countries relative to their populations. The **peacekeeping** score reflects contributions to global peacekeeping operations. The **trade** ratings take account of all types of trade barriers to developing countries' products, including domestic subsidies that hurt faraway producers in poor countries. Taken together, these six scores provide a country-specific overview of policy efforts by rich countries that benefit poor countries as a group.

Rich countries: a long way to go and benchmarks to get there

The Index suggests that many rich countries have a long way to go. They could do a lot more, a lot better, often at little cost to themselves, to make the global economic and social system more propitious for development, and thus to fulfill their part of the global compact represented by the eight Millennium Development Goals.

Here are some examples of the kinds of benchmarks rich countries might decide to set for themselves—if they are to "spare no effort" to help poor countries meet the first seven Goals:

- Australia, Canada, Greece, and Italy give their foreign aid largely in a form that requires that more than 75% of it be spent on consultants or goods from the donor country (Figure 1). They could enact national plans to reduce this amount by, for example, 10% a year during the next 5 years. Donors with little of their aid going through international organizations—such as France, New Zealand, and the United States—could pledge to use 50% of their aid to support international efforts by 2008. This could help reduce the politically induced unpredictability of aid flows, as well as lessen the administrative burden on recipient-country governments of juggling so many separate and uncoordinated aid agencies. Such aid would be more efficient and, as promised at the Millennium Summit, more truly "generous."

- Australia, Canada, and Finland are among those countries that (per person) have contributed the least to canceling debt owed by the poorest countries in the latest round of debt relief, through their individual national writeoffs and their contributions to common international efforts (Figure 2). They could set a benchmark of (say) \$10 or \$15 per person in sharing the one-time costs of such debt relief. These countries have pledged to "spare no effort" to "deal comprehensively" with the developing-country debt problem.

- The European Union member states and Norway protect their agricultural sectors more than others like New Zealand and the US, causing extensive economic damage to producers in poor countries (Box 3). They could commit, for example, to reducing production subsidies and export subsidies by half during the next 10 years. This would move toward realizing the spirit of using trade policy as an engine for development as pledged at Monterrey.

- France, Finland, and Japan, with among the lowest ratios of legal immigrants given the size of their populations, could pledge—for instance—to double their admittance and training of immigrants by 2013. This could contribute to work opportunities for developing-country youth, as promised in the eighth Goal.

Figure 2: Sparing no effort?

Face value of debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, by selected creditor country

Creditor	Total cost (millions of US\$)	Per-capita cost (US\$)
Australia	17	0.89
Austria	230	28.36
Belgium	190	18.53
Canada	217	7.06
Denmark	83	15.55
Finland	50	9.66
France	1,625	27.59
Germany	1,202	14.63
Italy	869	15.06
Japan	2,453	19.33
Netherlands	329	20.67
Norway	107	23.83
Portugal	247	24.68
Russia	910	6.25
Spain	529	13.40
Sweden	120	13.53
Switzerland	80	11.14
United Kingdom	741	12.40
United States	927	3.29
Total	**10,926**	**11.18**

Note: Data are given in terms of the 2001 net present value. Figures are the sum of book value of bilateral debt writeoffs and contributions to the multilateral HIPC trust fund. Economic value of bilateral writeoffs may be significantly lower due to uncollectability, which makes these figures an upper bound on the true costs suffered by donors.

Source: International Monetary Fund and International Development Association, *Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation* (Washington, DC: World Bank, 2002), Tables 8 and 12; available at http://www.worldbank.org/hipc/progress-to-date/final_full_revised_status_of_implementation.pdf.

- Italy and Japan, with the worst scores on the Bribe Payers' Index of Transparency International, could introduce legislation or enforcement to control their corporate sectors' excesses. In the eighth Goal, these countries promised to work toward a "rule-based" trading and financial system.

- The United States, which ranks low on Yale and Columbia Universities' measure of global stewardship (Figure 3), could commit to quantitative national targets on reducing carbon dioxide emissions as part of the response to global warming its government promised to develop back in 2001. The commitment to sustainable development is clear in the Monterrey Consensus.

Box 3: The long reach of domestic agricultural subsidies

It is intuitive to most people that taxes and limits on the importation of poor countries' agricultural exports could hurt those countries. It is less obvious that rich countries' domestic agricultural subsidies could hurt poor producers abroad. The mechanism is simple: Industrial countries' subsidies to domestic farmers make their farms more profitable, which has the twin effects of encouraging greater production volume and lowering the prices of output. The result: cheap agricultural products, and more of them.

But for some countries, cheaper food is not always better. Unlike in rich countries, many consumers in poor countries are also producers of agricultural products. They often cannot successfully sell their exports to rich countries, because their unsubsidized prices cannot compete with the below-market prices that subsidized rich-country farmers can offer. Such is the case with Indian milk in the EU, or Latin American sugar in the United States. Reducing tariffs, as the EU has recently done, simply does not affect the very large trade barriers created by subsidies.

To make matters even worse, poor countries may not be able to sell their products at home or in third countries, because the subsidy-inspired surge in rich countries' agricultural production can create surpluses to be exported at prices no poor-country producer can match. Such is the case with heavily subsidized European milk exports to Jamaica. Subsidized EU exports of sugar to the Middle East damage exports from Brazil, Southern Africa, and Thailand that must compete without subsidies. Recently, subsidized US cotton on world markets took away more than 1% of GDP in Benin, Burkina Faso, and Mali, very poor African countries highly dependent on cotton production.

Source: Oxfam, *Rigged Rules and Double Standards* (Oxford: Oxfam International, 2002); Oxfam, *Cultivating Poverty: The Impact of US Cotton Subsidies on Africa* (Oxford: Oxfam International, 2002).

Measuring policy effort: difficult but doable

But it's difficult to set benchmarks and measure policy effort scientifically and convincingly.

- Coherence: What if a given industrial country adopts policies that contradict each other? For example, if a country increases its foreign aid commitments but backs away from commitments to market access, has it moved toward or away from meeting the eighth Goal?

- Objectives: Everyone agrees that the ideal number for child mortality is zero, and the benchmark has been set to measure progress toward zero. But the ideal quantities of aid, debt relief, technology transfer, and market openness are not known. The ideal benchmarks would be the amount sufficient to allow poor countries to meet the benchmark for child mortality—but we don't know exactly what those numbers are, and they will always be inextricably linked to poor countries' own efforts.

There are also other challenges. Good benchmarks would be comparable across countries and over time. But how do we compare Mexico's special access to the US market with an increase in Italy's foreign aid budget or with a reduction in Europe's agricultural tariffs? Good benchmarks would take into account the ultimate outcome of policy changes: What's the impact of Japan admitting more refugees compared with Australia admitting more bananas?

Yet these kinds of challenges didn't stop scholars and policymakers in the past. For instance, though it took years of work and debate, every country now measures annual inflation—an index subject to all the same challenges (Box 4). These challenges can be overcome.

Conclusion

The rich countries are beginning to show an interest in setting national benchmarks and collectively monitoring progress toward them. The OECD agreed in 2001 to work toward removing requirements that tie their aid money to buying their own products and services. The Parliamentarian's Implementation Watch was recently created as a forum for legislators from rich and poor countries to monitor and discuss their countries' progress toward the commitments made at the Millennium Summit and reaffirmed at Monterrey. These efforts are just a first step, requiring a great deal more national discussion within the rich countries. Ahead lies much more controversy.

Fortunately, controversy can be good. Controversy will inform the public. It will raise awareness—about the lives of the world's poor people, about global interdependence, and about commitments already on the books. It can also catalyze in one or another rich country a call for a clear and coherent national strategy to honor what may be that country's most important commitment in the 21st century. The years until 2015 are few, and the promises are many.

Box 4: If a country can measure inflation, it can measure its commitment to global development

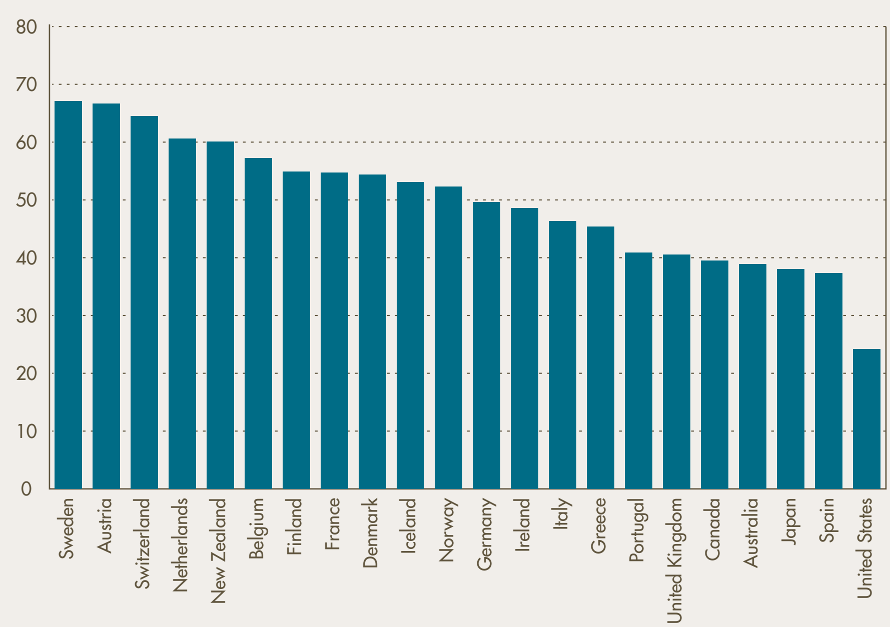
The calculation of inflation, now routine for rich-country governments, involves all the same problems encountered in analyzing progress in global development efforts. When rents go up 5% and food prices go up 2%, how much has the cost of living gone up? When television prices go up but the quality of televisions has increased, are televisions really more expensive? How can measures of inflation be standardized over time when (for example) cell phone usage was not a significant part of the cost of living 10 years ago? And what is the objective of measuring inflation—given that economists argue vigorously about the costs and benefits of having zero or even negative inflation?

The fact is that every rich country's government does extensive research to address all these questions when its calculates the inflation numbers it reports to the world, because it recognizes that having a gross measure of changes in the cost of living is important for policy. Honoring its promise to act along several dimensions to attack poverty is surely as important as measuring its cost of living.

Rich-country policymakers must trade off the imperative for accountability against the inherent arbitrariness of any quantitative exercise. The question must not be, "Should we bother to measure progress on trade policy unless we know with certainty its precise impact?" but rather "What research and public discussion need to take place for us to use trade policy to keep our promises to poor people?"

Figure 3: Minding the house

Columbia and Yale Universities' index of global environmental stewardship



Note: The index is calculated by standardizing the degree to which each country differs from the rest of the countries in the world along 13 dimensions in three categories: participation in international collaborative efforts; greenhouse gas emissions; and reducing transboundary environmental pressures. The score in each of the 13 categories is then added, with equal weight, to achieve the score shown in the figure.

Source: World Economic Forum, 2002 *Environmental Sustainability Index*, in collaboration with Yale University Center for Environmental Law and Policy and Columbia University Center for International Earth Science Information Network (Geneva: World Economic Forum, 2002); available at http://www.ciesin.columbia.edu/indicators/esi.

The Center for Global Development is an independent, non-partisan, non-profit think tank dedicated to reducing global poverty and inequality through policy oriented research and active engagement on development issues with the policy community and the public. A principal focus of the Center's work is the policies of the United States and other industrial countries that affect development prospects in poor countries. The Center's research assesses the impact on poor people of globalization and of the policies of governments and multilateral institutions. In collaboration with civil society groups, the Center seeks to identify policy alternatives that will promote equitable growth and participatory development in low-income and transitional economies. The Center works with other institutions to improve public understanding in industrial countries of the economic, political, and strategic benefits of promoting improved living standards and governance in developing countries.

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