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The Millennium Development Goals after 2015: A Proposal for 2015-2030

Beatriz Calzada Olvera

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The Millennium Development Goals after 2015: A Proposal for 2015-2030**

Beatriz Calzada Olvera*

Abstract The Millennium Development Goals (MDGs) have galvanised unprecedented levels of support. They represent the good will and intentions of the international community committed to the alleviation of extreme poverty and to fight its worst symptoms. However, progress has bypassed the most vulnerable countries and individuals. Such disparities and poor results are partly rooted in the incomplete vision of development implicit in the MDGs. As the 2015 deadline approaches, the debate about a successor for the MDGs has started. The purpose of this paper is to contribute to that debate by creating a concrete alternative scenario that takes into account major constraints of the current paradigm and builds on the recommendations from a selected number of organisations and researchers. A final MDG 2015-2030 list as proposed includes six agendas that accentuate the importance of reducing global and national inequalities, promoting a fairer and more strategic integration to globalisation, and increasing the commitment to environmentally sustainable growth. The key novel proposals for the period 2015-2030 are: halve poverty defined as people living on 2 US-dollars per day (PPP) rather than 1.25 US-dollars in the 2000- 2015 MDGs by increasing productive employment and implementing "Social Protection Floors" as proposed by ILO, and reduction of income inequality down to a universal Gini-target of 0.4 per country or below.

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* E-mail: beacalzada@gmail.com

Contents

List of Abbreviations

AfDB	African Development Bank
BRICS	Brazil, Russia, India, China and South Africa
CGD	The Commission on Growth and Development
CPIA	Country Policy and Institutional Assessment
DAC/OECD	Development Assistance Committee/Organisation for Economic Co-operation and Development
DD	Dutch Disease
DFID	Department for International Development (UK)
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
GDP	Gross domestic product
GHG	Greenhouse gas emissions
GNI	Gross national income
HIPC	Heavily indebted poor countries
HLP	United Nations High-Level Panel
IFAD	International Fund for Agricultural Development
ILO	United Nations International Labour Organization
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least developed countries
MDGs	Millennium Development Goals
NCCFPC	Norwegian Commission on Capital Flight from Poor Countries
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
PRSPs	Poverty Reduction Strategy Papers
SDGs	Sustainable Development Goals
SDSN	Sustainable Development Solutions Network
SPF	Social Protection Floor
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNFCCC	United Nations Framework Convention on Climate Change
UN-HABITAT	United Nations Human Settlements Programme
VAT	Value added taxes
WB	World Bank
WTO	World Trade Organization

1. Introduction

The Millennium Development Goals have galvanised unprecedented support all over the world. They represent the goodwill of the international community to improve the lives of millions who suffer from poverty and exclusion and to prioritize international action in their favour. The eight MDGs cover extreme poverty, education, health, environment, and international partnership.

People across the world have improved their living conditions since the MDGs took off. Still, there are so many more individuals that have not seen any improvements. Millions are deprived from the most basic services. Also, little progress has been made in environmental preservation.

As good willed as the MDGs are, the development discourse built around them has left out essential elements such as transformation of the productive spheres, reduction of inequality as well as stronger and fairer international partnership measures concerning trade, environment and financing. The old MDGs should not be abandoned but a new MDG scenario needs to respond to current deficiencies.

As the 2015 deadline approaches the international community has started the discussions of what, if anything, should replace the MDGs. The purpose of this paper is to contribute to that discussion by constructing a hypothetical scenario that brings a more meaningful and sustainable development paradigm to the MDGs. That scenario is built upon the recommendations of a number of organisations and researchers who have drawn important lessons from successful development stories and current challenges.

My objective is to capture guidelines and principles from the vast development literature to complement the MDGs discourse with a more balanced approach between human and productive capacities, markets and state, and global and domestic integration.

In chapters two and three I will explain what the MDGs are and provide information about their origin, their progress, as well as a brief summary of where they could head after 2015. In the fourth chapter I present some of the most interesting of the MDGs critiques – especially about the current development narrative, strategies and forms of international cooperation related to them.

In the fifth chapter I present a compilation of issues and general recommendations based on selected authors and reports. The topics include: production approach to development, resource mobilisation, universal social safety net, agriculture and rural development, environment and international partnership.

In the sixth chapter I will integrate the agendas presented in the previous chapter to complement a modified set of goals – which takes into account the critiques and agendas presented in earlier chapters. The alternative scenario (six goals plus six agendas) is concrete, as the intention is to emulate the simplicity of the original MDGs.

	MDGs 2015-2030 Goals	MDGs 2015-2030 Agendas
1	***Eradicate Extreme Poverty and Hunger**** *Includes halving extreme poverty ($2 PPP a day) and hunger; and achieving full employment*	**Production Approach to Growth** Includes the expansion of productive capacities based on investment, technology and non-traditional sectors; a competitive currency; and creating policy space for developing countries Relates to goals 1,2,6
2	***Reduce Inequality and promote inclusive economic growth**** *Includes reducing inequality below 0.4 (Gini); promoting inclusive economic growth; and reducing aid dependence in LDCs*	**Domestic Resource Mobilisation** Includes a resilient, socially inclusive, well-regulated financial system; increasing tax revenues; and more support for developing countries efforts to expand their tax administration capacities and financial development Relates to goals 2,3,5,6
3	**Universal Education**	**Universal Social Protection Floor** Includes extending adequate social services to all the population and a minimum income safety net Relates to goals 1,3,4,5
4	**Promote Gender Equality and Empower Women**	**Agricultural and Rural Development** Includes increasing agricultural productivity through technical and infrastructure upgrading to ensure food security, a decent income for small farmers and climate change resilience Relates to goals 1,4,5,6
5	***Health**** *Includes reducing child mortality, improving maternal health; and eradicating HIV/AIDS and other infectious diseases.*	**Environment** Includes integrating the principles of sustainable development into country policies and programmes; international commitment to reduce the greenhouse effect emissions to a safe level by 2020; Relates to goals 1,2,5
6	**Environment** Includes reducing biodiversity loss; and improving access to water and living conditions of slum dwellers	**Development Partnership** Includes a trading and financial system that allows developing countries to strategically integrate to globalisation; special support for LDCs, landlocked and small island developing states; access to affordable essential drugs; technology transfer; debt relief Relates to goals 1,2,3,5,6

Note: Modified and new targets/goals are in italics

2. The Millennium Development Goals: Overview

The Millennium Development Goals (MDGs) have marked today's prevailing development paradigm because of the unprecedented political consensus and support they have reached globally. MDGs are easy to understand, quantitative and time-bound goals that attempt to prioritize the provision of the utmost basic human needs in every developing country.

In September 2000, the United Nations Millennium Declaration was endorsed by all UN member states, and came as the result of a decade of United Nations conferences and summits on diverse issues surrounding development (UN, n.d.). From this Declaration, key targets were extracted and translated into a "free-standing category" (Vandemoortele, 2011:5). This task was performed by a group of UN experts[1], including experts from the International Monetary Fund (IMF) and the World Bank (WB), the Development Assistance Committee of the Organisation for Economic Co-operation and Development (DAC/OECD).

The targets were taken verbatim from the Declaration; a timeframe in which these would be met was set (1990-2015) as well as the indicators to keep track of the progress (Vandemoortele, 2011). The result of this roadmap came to be known as the Millennium Development Goals: eight specific goals with twenty one targets and sixty indicators[2] (UN, n.d.).

The purpose behind the MDGs was to help countries embed these objectives into their development agendas considering evidence-base national priorities and possible strategies; the MDGs, at least in principle, do not outline a policy framework to realise these objectives (Vandemoortele, 2011).

Today, 193 countries and 23 leading development institutions (OECD, n.d.) have committed to eradicating extreme poverty and its multiple dimensions covered in the MDGs. At the World Summit on the MDGs in 2010, a number of world leaders from

[1] This group of experts was chaired by Michael Doyle and Jan Vandemoortele (Vandemoortele, 2011)

[2] An additional target regarding employment was added in 2005. For the complete list of the MDGs with goals, and targets please see Table 1.

developed and developing countries pledged over $40 billion in resources over the next five years (UN, n.d.), showing the magnitude of the support the MDGs have galvanised.

A shared sense of responsibility, which has brought NGO's and citizens into the picture, is easily observed in the official MDGs campaign slogan: "We can end poverty by 2015" (ibid).

Nayyar synthesises the dimensions of the significance of the MDGs:

"It was an explicit recognition of the reality that a large proportion of people in the world were deprived and poor. It was a statement of good intentions that sought a time-bound reduction in poverty to improve the living conditions of those deprived and excluded. It was an attempt to place this persistent problem, until then a largely national concern, on the development agenda for international cooperation" (Nayyar, 2012:6).

As the 2015 deadline approaches many questions arise: Have all these unprecedented efforts paid off? Were the intentions behind them achieved? Is the humanistic approach to development they provide enough and if not, how could it be improved? I will present a short summary of the discussion around these questions in the next two chapters.

3. The Possibilities Beyond 2015 - Ongoing Debates

The world has seen important progress with respect to some MDGs during the last decade and it is likely that some of the targets will be achieved; still, there are important issues to consider.

There are reasons to celebrate: being on track on halving global extreme poverty, achieving great strides with respect to education in the poorest regions, significantly reducing the number of deaths related to malaria and tuberculosis, improving the lives of people living with HIV, achieving gender equality in education in many regions, improving access to clean drinking water and net gains in forest areas in Asia (UN, 2011).

Preliminary estimates suggest that halving the percentage of people living on less than $1.25 PPP per day was already achieved in 2010 and will further decline to 15.5 percent by 2015[3] (WB, 2013). Much of this progress results from the reduction of poverty in China[4].

Estimates for extreme poverty reduction, based on a poverty line of $1.25 a day, by region or country

Region or Country	1990	2015	1990	2015
	Population living on less than 1.25 a day (%)		**People living on less than 1.25 a day (millions)**	
East Asia and Pacific	56.2	5.5	926.4	114.5
Europe and Central Asia	1.9	0.4	8.9	1.9
Latin America and the Caribbean	12.2	4.9	53.4	30.0
Middle East and North Africa	5.8	2.6	13.0	9.3
South Asia	53.8	23.2	617.3	406.5
Sub-Saharan Africa	56.5	42.3	289.7	408.0
Total	**43.1**	**15.5**	**1,908.6**	**970.2**
China*	60.2	4.8	683.2	66.1
India*	51.3	22.4	435.5	276.8

Source: World Bank's Global Monitoring Report 2013; for India and China (*): World Bank's Global Monitoring Report 2011.

[3]Please see Figure 1 for the proportion of people living on less than 1.25 PPP a day in each developing region.

[4]Regarding the impact it has had on global poverty: In China and India combined, the number of people living in extreme poverty between 1990 and 2005 declined by about 455 million, and an additional 320 million people are expected to join their ranks by 2015 (UN, 2011:7).

Notwithstanding this achievement, millions of people in Least Developed Countries (LDCs)[5] – most of them in Sub-Saharan Africa – hardly see any improvements in their living standards. For instance, despite the reduction of the percentage of extreme poverty in the latter region, the number of people under the $1.25 threshold keeps raising (WB, 2012). Likewise, one in every four children in the developing world remains undernourished (UN, 2011).

The 2011 MDG Report clearly highlights the great disparities in almost every aspect (mortality rates, undernourishment, probability of finishing school and obtaining productive employment, water access and sanitation, etc.) between men and women; urban and rural areas; the poorest and the richest quintiles. The presence of multiple crises – food, energy and financial – exacerbated these inequalities.

Ban Ki-Moon, UN Secretary-General, recognizes these disparities in the foreword of the report:

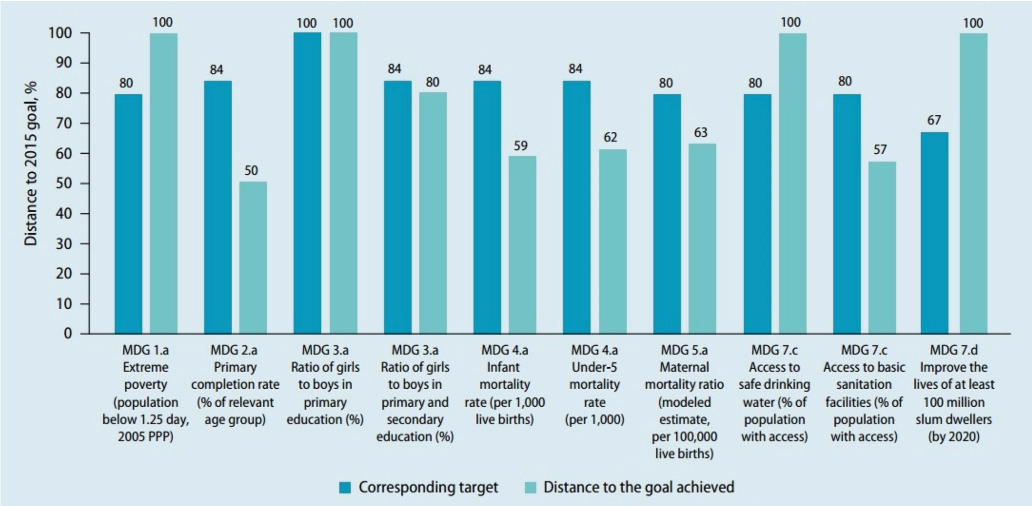
“Progress tends to bypass those who are lowest on the economic ladder or are otherwise disadvantaged because of their sex, age, disability or ethnicity. Disparities between urban and rural areas are also pronounced and daunting. Achieving the goals will require equitable and inclusive economic growth” (UN, 2011:3).

Disparities observed also regard regional differences. The exceptional progress observed in East Asia, as opposed to Sub-Saharan Africa, raises the question of why results diverge so much.

The report also shows the lack of progress in reducing greenhouse gas emissions (which in fact have increased), the great losses of forest areas in South America and Africa and the increasing number of endangered species, etc. Overall, it shows poor performance in protecting ecosystems and sustaining life on earth.

[5] The concept of LDCs here refers to the 48 countries which are currently designated by the United Nations as “least developed countries” (LDCs). The criterion includes three main aspects: economic vulnerability, human asset weakness and low-income (based on a three-year average estimate of the GNI per capita, with a threshold of $992 for inclusion and $1,190 for graduation). From those 48 LDCs, 33 are located in Sub-Saharan Africa, 14 in the Asia Pacific region and 1 in the Americas (UNCTAD, n.d.).

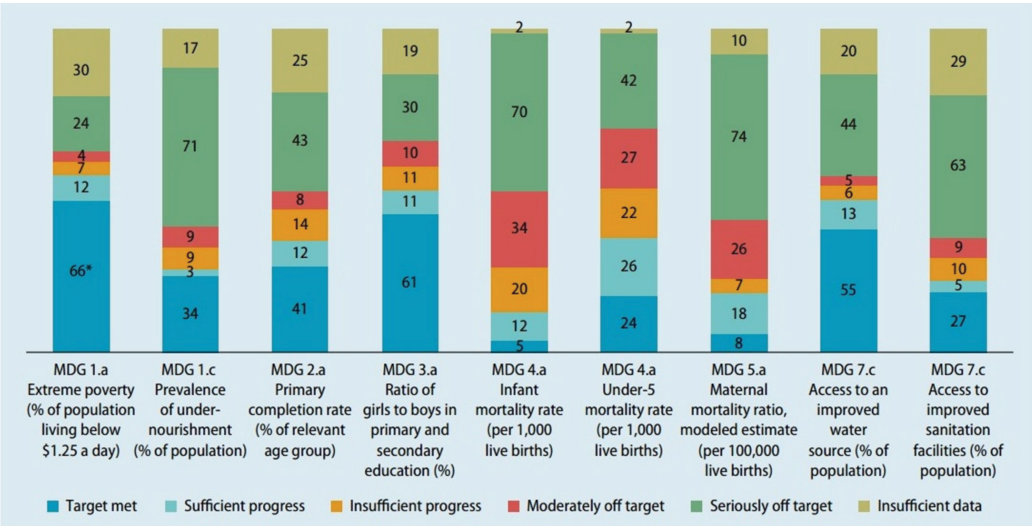
Developing countries, percent of total required progress between 1990 and 2015, as achieved in 2010 or 2011



Source: World Bank's Global Monitoring Report 2013

Note: Intermediate targets were calculated using a linear progression over 25 years, resulting in a needed progress of 4 percent a year. Note that the corresponding target for 2010 would equal 80 percent, and for 2011, 84 percent, to be on track to attain the MDG by 2015. Any value above those intermediate targets indicates that the world is ahead of the required pace to meet the MDG. A value of 100 percent means that the MDG has been met.

Extent of progress toward MDGs, by number of countries



Source: World Bank's Global Monitoring Report 2013

Note: Progress is based on extrapolation of the latest five-year annual growth rates for each country, except for MDG 5, which uses the last seven years.

After considering a brief summary of the trends and issues regarding the MDGs, what are the possibilities for a post-MDG scenario? Discussions for a successor began in 2011.

According to Sumner (2011), from the incipient debate one can discern three stylized options: the first is extrapolating the MDGs to 2020 or 2025; the second is something that builds on the current scenario; and the third is to go for something new – i.e. Richard Manning's 'One World' proposal[6] (Sumner, 2011).

The most important advantage of the first one is the political agreement and consensus it has already reached. The deficiencies around its discourse and structure might be compensated by the costs of creating a new consensus and political agreement (ibid). Vandemoortele (2009) however, considers that the price of not addressing such deficiencies – e.g. inequality – is too high (Vandemoortele, 2009).

The second option, a goal-led framework where indicators and targets are set at a national level, increases national accountability and ownership. But establishing which goals are to be kept and included, and obtaining support nationally and internationally is one of the major drawbacks to this option. The third option, offers infinite possibilities of changing the development paradigm, the international cooperation forms and to address country specific issues. However, starting a new goal framework from scratch means obtaining political consensus from scratch, which would be quite difficult to achieve in just three years.

A fourth option would be to abandon the MDGs. That is a feasible option and it would not imply that international efforts to alleviate poverty and climate change should be forgotten. But if the world drops the MDGs (or something similar), to some extent, it would be even harder to prioritise in the international agenda those issues concerning the well-being of millions and the preservation of the environment.

However, it is very likely the MDGs will go beyond 2015. The discussions between June and September 2012 point towards a new MDGs set that will be similar in its format and structure to the current one, but will take inclusive growth and environmental sustainability as its guiding axes.

The Annual report of the Secretary-General, released in August 2012, contains recommendations upon which the MDGs development agenda should be advanced

[6] Richard Manning, one former chair of the DAC/OECD and architect of the MDGs, offers a bold and ambitious plan called the One World. It is based on strengthening the partnership between developed and developing countries, environmental sustainability and eradicating extreme poverty. Based on binding agreements, developed countries are to reach sustainable consumption targets and developing countries are to reach poverty targets (Sumner, 2011).

beyond 2015. It stresses the creation of better employment opportunities and on strengthening global partnership efforts as envisioned in the eighth MDG (aid, debt relief, full market access, technology transfer and access to essential medicines). Moreover, it calls for the adoption of economic patterns that are employment-intensive and have an enhanced consideration for the environment (UN General Assembly, 2012).

The High-level panel (HLP) is the group of specialists tasked by the Secretary-General to advice on the post-2015 UN development agenda (UN News Centre, 2012).The HLP will be supported by the newly launched Sustainable Development Solutions Network (SDSN)[7]. Additionally, the HLP will be closely coordinated with an intergovernmental working group in charge of establishing the Sustainable Development Goals (SDGs) – a set of goals similar to the MDGs and whose purpose is "to address the broad challenges of poverty eradication, environmental protection and sustainable consumption and production" (Earth Summit Stakeholder Forum, 2012). Thus, the SDGs and the new MDGs are expected to be coherent with each other in order to "define a single global development framework with sustainable development at its core", as the Secretary-General stated (UN News Centre, 2012).

MDGs are important, for better or worse. They offer a general scan of important issues and consequently generate a discussion on the effectiveness of the MDG development approach. Millions still living in extreme poverty and the increasing destruction of the environment make the case for seriously considering a change. The recent discussions concerning the future MDGs indicate that the international community has begun to understand the urgency of changing the course of development.

There will never be a perfect set of MDGs; yet it does not mean that the MDG discourse cannot be improved. The aim of this work is to provide some clues as to how it could be more sustainable and inclusive. But first I will explore some of the most important critiques to the current MDGs and the paradigm they represent.

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[7] The SDSN will establish ten Thematic Groups comprising experts and scientists to bring solutions to key areas of sustainable development: Prospects for Global Growth, Population, and Planetary Boundaries; Poverty Reduction and Peace-Building Gender Equality, Social Inclusion, and Human Rights; Education, Technology, and the Future of Jobs; Universal Health Coverage; De-Carbonizing the Energy and Industrial System; Agriculture, Nutrition, and Ecosystem Services; Smart, Healthy, and Productive Cities; Good Governance of Extractive Resources; Governance of Oceans, Biodiversity, and Other Global Commons; Business and Sustainable Development. SDSN is chaired by Prof. Jeffrey Sachs and housed by Columbia University in Paris, France, and New York, US. (http://unsdsn.org/about/working-groups/).

4. Critiques of the MDGs

The first issue regarding the MDGs is the implicit concept of development they represent. Before the rise of neo-liberalism the idea of development was largely tied to the transformation of the productive spheres and the resulting social transformation – gender relation changes, urbanization, emergence of a welfare state, etc. (Chang, 2009). The international discourse observed in the First and Second UN Development Decades (in the 1960s and 1970s) aimed to close the inequality gap between industrial countries and developing countries. This was also supported by the interests of industrialised countries. As developing countries advanced economically, their import capacity expanded. This in turn, served the objective of full employment in developed countries (Gore, 2010).

During the 1980s, neo-liberalism fully emerged and the objective of full employment was replaced by low inflation. That meant the end of an international development consensus based on mutual economic interests (ibid, 2010: 70). Eventually the discourse changed to one where development was reduced to the provision of basic needs and alleviation of the worst symptoms of poverty. The MDGs reflect a shift in which the idea of catching up with the richest countries faded away and was replaced with minimum standards of living. Following that rhetoric, today's international community accepts double standards of living conditions: the poverty line for OECD countries is $15 USD a day, but for the developing nations it is $1.25 USD a day (Gore, 2010:71). The world has embraced (knowingly or not) growing disparities. For instance, the richest twenty percent of the world receives more than seventy percent of the global income while the poorest forty percent receives only five percent (ibid).

Chang (2009) has called today's vision of development 'ersatz development' (Chang, 2009:2; the German word "Ersatz" to which Chang alludes means "substitution" or "replacement", in this context also "pseudo"). In it, development is no longer seen as a process of transformation of a country's productive structure and capabilities; instead, it is regarded as the result of providing individuals with basic productive capabilities by ensuring a certain level of education and bringing their living conditions to a minimum standard (Chang, 2009). Development would depend on "uncoordinated individuals' efforts" (Chang, 2009:2). However, there are only so many productive capabilities that can be developed at the individual level and, as laudable and important as these actions are; they are not enough to foster development:

"As healthy or educated individuals are they cannot produce rapid, lasting, and sustainable productivity growth that makes development possible, unless they are employed by firms engaged in production activities with large scopes of productivity increase" (ibid, 2009:8).

If the concept of development behind the MDGs is incomplete, the results will be incomplete or dysfunctional. For instance, if there is no promotion of the expansion of productive firms offering good salaries, it will be very likely that children will finish school but will have trouble finding a job. There is a necessity to find a balance between developing productive capacities and addressing individual betterment, with a view to reducing the abysmal global inequalities (Gore, 2010).

The concept of 'ersatz development' behind the MDGs also results in inadequate strategies. MDGs are ends but not means; countries should define what, in their national context, is best for them (Vandemoortele, 2009). MDGs are silent about which strategies nations should follow in order to materialize them. That in principle should not be a problem, but the unintended consequence is that this silence has been filled with a triple recipe: trade-led growth, "good" institutions[8], aid and debt relief (Chang 2009; Nayyar, 2012). Thus, the assumption is that if aid is enough, institutions good and exports high, there will be economic and human development. This recipe is implicit in the eighth goal targets (Global Partnership).

While aid and debt relief are good, development can hardly come as the result of these two (Chang, 2009). Increasing trade, in this vision, means that rich countries open their markets to developing products (especially to LDCs) – mainly agricultural, textile products and other low-value manufactures. It is assumed developing countries will

[8] Institutions in the 'ersatz development' discourse, refer to the assumption that countries should adopt global standard institutions (Chang, 2000). This implies two things: the assumption that development is the result of good institutions (not the other way around) and that there is the imposition of uniform rules, disregarding the different levels of development (Nayyar, 2012). For instance, the World Bank's Country Policy and Institutional Assessment (CPIA) rates low income countries' institutional and policy performance. Its objective is to ensure that aid is provided on the basis of performance (rather than promises of policy reform). However, there is weak evidence that the CPIA has delivered its goal of improving policies and institutions in order to achieve poverty reduction and growth (Alexander, 2010). The use of the CPIA has resulted in lower aid allocations for countries with low levels of human development or low levels of progress (or regression) relative to the MDGs (Alexander, 2010:13). Moreover, the CPIA has reduced the capacity of governments to respond to the policy preferences of their electorates, undercutting democratic practices and hampering their ability to address their particular issues and priorities (ibid).

trade their way out of poverty, doing more of what they do now (ibid, 2009: 8), completely neglecting the importance of the type of the exports – which ultimately makes the difference for development.

There are two plans in this context that have been promoted by the WB and the UN. These are the UN Millennium Project and the WB Global Monitor Project (UNCTAD, 2005). The first is the result of the work commissioned to Jeffrey Sachs in 2002 (UN, n.d.). In his vision, there is a poverty trap in which poor countries are (especially in Africa); so the answer lies on scaling up aid (to 0.7 percent of donor countries' GNI by 2015) to expand public investment directed to human development (UNCTAD, 2005).

The WB Global Monitor Project assumes there is no poverty trap, but calls for doubling aid by 2010; it argues that accelerating economic reforms, improving the investment climate plus the provision of social services are the keys to development (ibid). This plan is an augmented version of the Washington Consensus, also known as the Monterrey Consensus, the neo-liberal agenda based on macroeconomic stability, privatisation and liberalisation plus a social component that includes areas such as health, education, gender equality and "good" governance.

The Monterrey Consensus is considered to be today's landmark framework for global development partnership. Such framework requires that developing countries follow policies linked to the aforementioned agenda, fight corruption and build solid democratic institutions in order to obtain aid, debt relief and better access to developed markets.

The strategy behind these plans reflects a narrative and policy paradigm more or less based on "globalisation with a human face" which reinforces a donor-centric view. The problem is that this paradigm does not address the structural weaknesses of the LDCs (Gore, 2010:72) and it will hardly do it for the rest of the developing countries.

Countries with aid dependency face an even worse problem derived from the conditionalities tied to external finance. Gore (2004) calls this situation a double bind: no matter what poor countries do, they cannot win. On the one hand, developing countries cannot choose the goals and on the other, they cannot design the policies to pursue the realisation of the goals.

In the late 1990s, the Poverty Reduction Strategy Papers (PRSPs) were introduced by the IMF and WB to provide assistance to low income countries. They are three-year programmes that include macroeconomic policies, and public expenditure and action plans. Their aim is to boost aid effectiveness by increasing local ownership.

However, the imposition of global standards of institutions and policies such as stabilisation, liberalisation and privatisation – the one-fits-all approach – is still promoted. Every PRSP has to be endorsed by the Executive Boards of the WB and IMF. In order to have concessional financing, these PRSPs have to stick to the Washington Consensus policies[9]. The double bind thus arises as many of these 'sound' policies impede the realisation of the MDGs; but also many of the MDGs cannot be achieved without external finance[10] (ibid).

In the previous chapter the increase of inequality and environmental degradation, underscore the importance of inclusiveness and environmental sustainability. In this chapter, the deficiencies of the goals and strategies indicate there is a need to re-address global inequalities expressed in productive and living standard gaps. Also, economic and human development is limited by international cooperation and trade architecture. Aid-dependency and conditional financing reduce the possibilities of poor nations to reach the MDGs but also a path to sustainable development. Developing countries, especially LDCs, must find a way to curb such constraints, and the international community in turn should support fairer rules.

There are many deficiencies in the MDGs, in their implementation and even in the discourse on development they offer. Despite this, they are a good departing point for change.

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[9] In order to enable access to concessional assistance and debt relief, PRSPs need to be judged as satisfactory by a Joint Staff Assessment and endorsed by the Executive Boards of the World Bank and the IMF. Despite the recent efforts of these two organisations to facilitate national ownership, they remain committed to Washington Consensus policies as "the core of what constitutes the sound policies that ideally should be at the heart of all PRSPs" (Gore, 2004: 280). In LDCs, national officials rarely put forward policies that might not be in line with what are considered to be sound policies. Doing so could mean having aid flows cut off or debt relief delayed and this in turn, a rise in poverty and even social unrest. "The mere awareness of dependence on the Joint Staff Assessment and on endorsement by the Boards of the IMF and World Bank constrains freedom of action. Whatever their own views on the efficacy of 'sound policy reforms', there is an inevitable tendency for Government officials to anticipate the endorsable" (ibid: 282).

[10] The UN Millennium Project estimates that to reach the MDGs, imports would have to be increased by 20 to 25 percent. The effects of increasing imports on the trade balance calls either for more funds from abroad or increasing exports (UNCTAD, 2005).

5. An alternative scenario for the MDGs 2015

In this section, I will present six agendas responding to the issues and critiques presented earlier. These agendas will provide the basis for an alternative post-2015 MDGs and include: production approach to development, resource mobilisation, social protection floor, agriculture, rural development, and international partnership. For each one, I provide a short summary of its relevance to development, its constraints and general recommendations.

The agendas attempt to re-incorporate a broader concept of development and to depart from the one-size-fits-all approach. Nonetheless, they are strongly linked to the core MDGs: poverty and hunger, health, education, gender equality, and environmental sustainability. In the sixth chapter, I will present these five goals plus a new goal – *to reduce inequality* –, and a condensed list of the six agendas.

The ideas presented here are a compilation of issues and general policy recommendations. They are highlighted by organisations, reports and authors who have extensively studied why today's paradigm is not working and what could work better. I also include some ideas in which alternative views coincide with conventional thinking.

The compilation includes proposals from many authors and organisations, but some have shaped it more than others. The production approach to development, financial development and international partnership sections are based on the work of Dani Rodrik, Ha-Joon Chang, Charles Gore, Mehdi Shafaeddin, and UNCTAD. They advocate for a greater role of the state to shape the economic environment and for upgrading the productive structure of an economy.

The Commission on Growth and Development (CDG) is another very important source for this work. The WB put this commission together to "prescribe" a new paradigm of growth strategies. The result is a thorough (yet very general) report based on the study of 13 high performing developing countries. In many aspects it coincides with UNCTAD's and some authors' views I mentioned earlier. Moreover, the CGD gives special importance to climate change. Other important sources to the agendas are Brian Harris, the IFAD and the ILO, whose social safety net initiative was done in cooperation with the IMF.

I do not attempt to cover the extensive problematic of developing countries, or to design specific policies. It would be necessary to have an extensive analysis of each country to translate principles into specific policies adequate to local knowledge, institutions and economic conditions (Rodrik, 2003). However, there is a pattern common to a successful process of development with much policy space for individual adjustments. This chapter points to those patterns and other essential global challenges.

5.1 Agenda 1 - Production Approach to Development

If the world is to see the realisation of the MDGs, and close the wealth gap between nations, developing countries need to address the root causes of persistent poverty. Governments and foreign aid can only alleviate certain symptoms of poverty, but the core of the problem lies in the inability of individuals to sustain themselves and their families: unemployment and underemployment are at the core of poverty[11]. The latter – a defining characteristic of underdevelopment – refers to low productivity economic activities (or even to full employment with low productivity). Subsequently, the high prevalence of low levels of productivity in developing countries is explained by the poor, slowly growing levels of technical progress.

The predominant economic activities in poor regions - traditional agriculture and informal services - are weakly linked to the rest of the economy. Also they have low labour productivity and low capacity to provide a decent living and to multiply wealth. Extractive industries are also very important to many of these countries. The productivity in this sector is much higher than agriculture or informal services but can employ a very limited number of the labour force. It is the whole structure of the economy that needs to be changed in order to increase the income and living standards of the labour force[12].

In other words, developing countries need to learn to produce more of whatever creates more and better paying jobs. Traditional agriculture, still the most prevalent activity in

[11] Referring to LDCs' inability to generate enough productive jobs for the rapidly expanding population in working age, to the diminishing capacity of agriculture to absorb new entrants and to the informal service sector (characterized by low productivity activities), Gore comments: "This permanent employment crisis is the root cause of the LDC's persistent poverty problem"(Gore, 2010:74).

[12] To see the relationship between inter-sectoral productivity, labour productivity and income levels, see Table 1 from McMillan & Rodrik, 2011.

the poorest regions[13], fails to do so: it has little or no backward and forward linkages, low productivity, and the "marginal product" of agricultural labour in many countries is close to zero[14] (CGD, 2008). Those already in this sector, usually have low incomes as much of their yield is for self-consumption and they only trade with the little that remains. The booming service sector is dominated by low productivity activities such as petty trade, and has the same limits to boost the economy (Gore, 2010).

Considering the weaknesses of the economic structure of developing countries, it is necessary that they develop their productive capacities[15]- as the old development discourse suggested. Developing productive capacities is based on three pillars: capital accumulation, technological progress and structural change (UNCTAD, 2006).

Structural change is a process in which a country changes its economic structure to allocate its natural, human and financial resources in the most productive economic activities which are usually found in the manufacturing sector[16]. This refers to the process of industrialisation: the cornerstone of employment, innovation and growth.

From the orthodox view, employment and growth come as a result of trade liberalisation, privatisation, deregulation of capital inflows, and minimal public intervention in economic activities. Countries must adopt an outward approach to growth, i.e. trade led-growth, in which they export and specialise in whatever product they hold a comparative advantage - which for many developing countries and most LDCs is commodities and/or low-technology manufactures - in order to generate productive employment and revenues to provide social services. Foreign direct investment (FDI) also plays a major role, as it is supposed to provide capital and technological spillovers creating the right environment so that poor countries can eventually industrialise. Under this perspective, free markets and globalisation provide the right incentives - private investment and competition - to allocate resources where they are most effective, allowing developing countries to catch up.

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[13] In Africa, agriculture still accounts for almost two thirds of livelihoods (Africa Progress Panel, 2012:20).

[14] This refers to the interpretation to A. Lewis' Dual Sector model in which it is assumed that in the developing countries there is a surplus of labour in agriculture (Ranis, 2004).

[15] Productive capacities are defined by UNCTAD as *productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services and enable it to grow and develop* (UNCTAD, 2006:II).

[16] The productivity in the manufacture sector can be as much as three times higher than in agriculture in developing countries (McMillan & Rodrik, 2011).

However, these strategies have failed to generate the growth expected, especially in those regions where it had been embraced most enthusiastically, i.e. Africa and Latin America[17]. One of the most important assumptions is that of perfect factor mobility - including labour - which in reality does not exist (Chang 2007). In fact, in these regions, after embracing the orthodox recipe for globalisation, "labour moved in the wrong direction from more productive to less productive activities, including, most notably, informality" (McMillan & Rodrik, 2011:2). Another important misleading assumption is that of FDI per se increases investment and creates technological spillovers. There are well-documented adverse situations like Brownfield investment (purchasing already existing assets), crowding out local investors (that may occur with Greenfield investment) (Cypher & Dietz, 2008:461,462), and little to no technological spillovers (ibid, 2008:467), that have contradicted this theory.

On the other hand, the structuralist perspective, in line with UNCTAD's concept of productive capacities, argues that development depends on addressing structural weaknesses through active public intervention, which includes investing in infrastructure and in stimulating the creation and expansion of highly productive economic activities, i.e. manufacturing.

Development and industrialisation

Developing productive capacities requires a steering force, a "developmental state", which will actively pursue the reallocation of its human, productive and financial capital into high-value added activities. Such reallocation or selective industrial policy consists of the stimulation and support of certain economic sectors, namely manufacturing.

[17] Chang (2007) mentions these two regions as particular examples of the neo-liberal failure: "Growth failure has been particularly noticeable in Latin America and Africa, where neo-liberal programmes were implemented more thoroughly than in Asia. In the 1960s and the 1970s, *per capita* income in Latin America was growing at 3.1 percent per year, slightly faster than the developing country average. Brazil, especially, was growing almost as fast as the East Asian 'miracle' economies. Since the 1980s, however, when the continent embraced neo-liberalism, Latin America has been growing at less than one-third of the rate of the *bad old days*" (Chang, 2007:10). Rodrik (2003) also comments on growth decline of these regions: "Latin America and Sub-Saharan Africa both experienced robust economic growth prior to the late 1970s and early 1980s—2.9 percent and 2.3 percent respectively—but then lost ground subsequently in dramatic fashion. Latin America's growth rate collapsed in the "lost decade" of the 1980s, and has remained anemic despite some recovery in the 1990s. Africa's economic decline, which began in the second half of the 1970s, continued throughout much of the 1990s and has been aggravated by the onset of HIV/AIDS and other public-health challenges" (Rodrik, 2003:3).

Compared to the orthodox view, the main difference would be the active role of the state in creating a comparative advantage in high value products, regardless of the "natural comparative advantage":

"(...) history has repeatedly shown that development is achieved by upgrading a country's productive capabilities and moving into more 'difficult' industries before they acquire comparative advantages in those new activities, by using protection, subsidies, and other means of market-defying government intervention" (Chang, 2009).

With very few exceptions (e.g. the Netherlands), industrialisation policies were adopted by the governments of today's developed and newly industrialised countries; trade liberalisation became part of their development agendas once their industries - high-value added manufactures and services - had become "mature" enough to compete with other nations' products and to gain from it.

Asian countries, like Taiwan and South Korea, which went through late industrialisation in the last decades, are clear examples that catching up with rich countries is possible by exploiting the potential of individuals in highly productive organisations. Even when there seems to be growing and protracted divergence of income and productivity at an aggregate level between developing and developed countries[18], manufacturing industries have demonstrated to be automatic productivity escalators: they provide unconditional convergence in labour productivity. It is in this sector where the absorption of technology takes place, unlike other sectors like informal services and agriculture. Unsurprisingly, there is a strong correlation between share of employment in the industrial sector and growth[19] (Rodrik, 2011). Thus, the main challenge is to stimulate the creation and development of highly productive firms; in other words, to move investment and support mechanisms in the direction of manufacturing industries, and eventually modern services.

[18] In the period of 2002-2003, it took 5 workers in the LDCs to produce what one worker produced in other developing countries, and 94 LDCs workers to produce what one worker produced in developed countries (UNCTAD, 2003). Another illustrative example: in 2005, Malawi had an average labour productivity of $1,354 (2000 PPP USD) and the United States had an average of $70,235 – more than fifty times higher than Malawi's (McMillan & Rodrik, 2011).

[19] After exposing the rapid convergence in the industrial labour productivity across countries and in different periods, Rodrik concludes: "(...) what high-growth countries typically have in common is their ability to deploy policies that compensate for the market and government failures that block growth-enhancing structural transformation. Countries that manage to affect the requisite structural change grow rapidly while those that fail don't" (Rodrik, 2011:19).

Expanding manufacturing industries also has a direct impact on the MDGs for the eradication of poverty. Firstly, because of its direct impact on protracted unemployment, as it can generate many more jobs with better incomes and provide training - an important form of education. This becomes particularly important for the growing number of young entrants to the labour market in Africa and Asia[20]. Also, it is a possibility to diversify economies, which is crucial given the strong correlation between the incidence of extreme poverty and the degree of commodity dependence (UNCTAD, 2002). Rodrik synthesises the importance of manufacturing:

"For developing countries, the manufacturing imperative is nothing less than vital. Typically, the productivity gap with the rest of the economy is much wider. When manufacturing takes off, it can generate millions of jobs for unskilled workers, often women, who previously were employed in traditional agriculture or petty services" (Rodrik, 2012: no page)

Growth that is reflected on employment with a higher income is probably the most important driver for the accomplishment of many MDGs, especially those that reflect household incomes rather than social services provision[21] (Gore, 2010). Similarly, if countries with very limited resources increase their productive wealth, social services like education and health can be upheld and expanded without running into further debt.

Allocating a nation's resources in manufacturing industries must be on top of the policy agenda because generation of employment and catching up has not been - and very unlikely will be - the result of market forces alone (Chang, 2007). Government policies should prioritise the diversification and modernisation of their economies through the promotion of manufacturing industries as a departure point for the expansion of productive capacities.

Industrial policy

A developmental state, i.e. a state that has mainstreamed industrial policies into its development plan, is defined as "a state that intervenes to promote economic

[20] Just in Africa, youth population will rise from 133 million in 2000 to 246 million by 2020, requiring another 74 million jobs over the next decade simply to prevent youth unemployment - referring to people aged between 15 and 24 - from rising (Africa Progress Panel, 2012).
[21] Goals related to hunger, extreme poverty, and child mortality reduction have been more directly influenced by the effects of household income (Gore, 2010).

development by explicitly favouring certain sectors over others" (Chang 2010:2), namely, manufacturing.

As mentioned earlier in this chapter, today's most economically advanced nations such as the Scandinavian countries, Japan, the East Asian Tigers[22], France, Germany and even the US have adopted a wide range of instruments to favour manufacturing and innovation within that sector. These included direct subsidies, special credits, import licences, fiscal provisions, content requirements, selective FDI, state owned enterprises, tariffs and other infant industry protection measures (Chang, 2010). The objective of all these protective measures was neither to ostracise economies from the rest of the world nor to nurture inefficient industries. Instead, they aimed to incentivise industrial expansion by artificially increasing profits and helping entrepreneurs overcome the risks in initial stages of upgrading activities until they are able to compete at an international level. That was ultimately the plan: to prepare their in-house competitiveness, by strengthening the internal linkages between firms, small producers and the state in order to ensure optimal global integration to the rest of the world. Shafaeddin quotes: "Wade (2005) correctly argues that development is more about internal integration than external integration" (Shafaeddin, 2008:30). With this in mind, practical, country-focused, dynamic and inclusive manufacture-stimulating policies must be chosen and implemented.

The organisational forms and policies necessary to mainstream industrial policies and expansion of productive capacities into national development plans should be analysed and defined according to the political, environmental, social or economic feasibility[23]. History shows that when there is a deliberate political choice to upgrade the productive spheres and the social structures around them; there is a possibility to curb organisational constraints such as corruption, bureaucracy and inexperience which, at some point, all newly industrialised countries suffered from[24] (Chang, 2010).

There is not an exact recipe, nonetheless, there are some features that play a crucial role in determining its success. The first one is that industrial policies have to be temporary:

[22] Singapore, Taiwan, South Korea and Hong Kong.
[23] For example, Scandinavian industrial policies were tied to wage, training and welfare policies; in Korea and France there were special pilot agencies; in the US, special sectoral agencies, and in some countries, e.g. Singapore, there was an extensive use of State Owned Enterprises (Chang, 2010).
[24] Chang in "How to do a developmental state": "The organisational methods of developmental state were diverse across countries, partly reflecting structural constraints but also as a result of deliberate organisational choices and innovations" (Chang, 2010).

protected firms and sectors must know that the benefits they receive are not open-ended (CGD, 2008; Shafaeddin, 2008). The CGD comments on this: “Bad policies are often good policies applied for too long” (CGD, 2008:5). Economic agents must be aware that industrial instruments are incentives to help them overcome the initial risks, but eventually they have to achieve manufactures whose price and quality can compete at a global level.

The second feature is they have to be reciprocal. Incentives, in the forms of cheap credits, subsidies, preferential credits, etc., are conditioned to improved quality, price and even export performance (Akyüz & Gore, 1996; Shafaeddin, 2008). The purpose is that through this process, a top-quality performance selection system is developed.

The third feature is they must be progressive. This refers to improving efficiency within a firm to produce a certain product, and to increase the innovative and technological nature of its products until state-of-the-art industries and services are reached (Shafaeddin, 2008).

Thus, the type of manufactures and instruments depend on each nation’s availability of resources, skills and training of the labour force, social objectives and stage of development (Shafaeddin, 2008). LDCs and other countries with low industrial capacity should start with consumer products or light industries, such as textiles. The initial phase must work towards using revenues from commodity exploitation to develop supply capacities and increase productive investment and infrastructure including electricity, telecommunications, and roads. At this stage the objective is to reduce commodity dependence, kick-start the diversification of the economy and lay the foundations for higher value-added products and services.

On the other hand, middle income countries (usually with some degree of industrialisation) may struggle in maintaining competitiveness as the labour costs gap is reduced. It is imperative to upgrade infrastructure and human capital and to commit to the development of innovative, higher-value added manufactures, services and productive systems. At this point, it is necessary to induce “the capacity of independent technological learning” (Furtado quoted in Cypher, 2010: 22) to reduce the dependency for technological and other high-value added products necessary to keep fuelling economic growth.

Investment

In addition to these characteristics, a complement and essential element to the construction of productive capacities is investment. In successful Asian countries where growth rates at or above 7 percent were sustained for over three decades since the 1960s, incentivising manufacturing was supported by high levels of investment, which were followed by prodigious levels of savings. From 1962 to 2004, the East Asian Tigers increased their manufacturing exports from $4.6 billion to $715 billion USD. Investment commonly had a level of 20-25 percent (or even more) of their GDP[25] (CGD, 2008).

It is worth underlining the divergence of growth and levels of investment during the same period across regions: Africa, Latin America and high-performing Asian countries[26] had similar levels of investment during the 1970s, yet in the beginning of 1980s the difference in investment and growth levels grew notoriously[27]. By the 1990s, investment in these Asian countries, as a percentage of GDP, was already 20 points higher than in the other two regions and they had already consolidated their economies in the global context (CGD, 2008).

Investment now depends on the ability to finance it. A part of it can be financed externally. In the experience of Korea, Taiwan, Hong Kong and Singapore, foreign savings boosted a proportion of investment initially. For Korea and Taiwan this was in the form of bilateral and multilateral loans; for Singapore, FDI; and for Hong Kong, overseas transfers from China[28] (Akyüz & Gore, 1996).

However, financing investment with external sources has its limits, i.e. huge levels of foreign debt are risky. In the case of those countries, external financing was important

[25] This level, 25 percent of the GDP, was also the target of investment for LDCs in the UN Brussels Programme of Action (UNCTAD, 2006).

[26] Taiwan, Singapore, Hong Kong, Indonesia, South Korea, and Japan.

[27] This result is related to the Structural Adjustment Programs (SAPs): "It is vital to avoid the mistakes of the 1980s, in which the bias against capital accumulation resulted in policies, which in the name of more efficient resource allocation, almost invariably led to a lower investment and growth" (Mosley quoted in Akyüz & Gore, 1996).

[28] The proportion of gross national domestic investment financed externally in Korea and Taiwan for the 1956-60 period was 65 percent and 45 percent respectively; in Hong Kong for the period 1949-1965, 40 percent; and in Singapore for the 1970s period, 35 percent on average (Akyüz & Gore, 1996:464).

but high rates of domestic savings rose rapidly (ibid). High investment levels were accompanied by high savings levels in all cases (CGD, 2008: 52). In the long-run domestic resource mobilisation and export promotion to earn foreign exchange sustains investment.

The East Asian industrialisation process[29] shows that investment and industrial policy cannot be separated:

"The isolation of allocation from the process of capital accumulation is no doubt artificial. Without the impressive pace of capital accumulation in East Asia, it would have been impossible to improve so rapidly the methods of production and quality of output, to diversify the range of goods and services produced and to compete successfully in world markets for manufactured goods" (Akyüz & Gore, 1996: 468).

In order to stimulate capital accumulation, public policy should strengthen the 'investment-profits nexus', which in the case of these countries was done by creating rents and pushing profits above the levels that would be attained under free market conditions (Akyüz & Gore, 1996). Stimulating the investment-profits nexus creates a self-reinforcing cycle that accelerates the process of capital accumulation and the subsequent upgrading of productive capabilities.

Exchange rate control

Another effective instrument to enable growth and competitive manufacturing industries is the real undervaluation of currencies. Real undervaluation acts as an indirect general tax on imports and at the same time as export subsidies. It increases the profitability and competitiveness of the manufacturing sector, moving resources towards it and resulting in its expansion – but this mechanism only holds for developing countries (Rodrik, 2008:2). Rich countries are rich not only because they have high productive levels in their traditional exports, but also because their products are diversified. Entering a new industry implies discovery costs and risks. In developing countries, institution and market failures, e.g. learning and coordination externalities or failures in modern industrial production, increase the risk of producers to embark on new industries. In

[29] This refers to the industrialisation process in post-war and the four newly industrialized economies of the East Asian region: Hong Kong, Korea, Singapore and Taiwan.

developed countries, institutions are stronger and have learned to deal with market imperfections (Rodrik, 2008).

Real undervaluation of currencies makes the relative price of domestically produced manufactures more attractive, increasing their profitability and inducing entrepreneurs in developing countries to enter new markets and industries. This is why there is a strong relation between growth and sustained undervaluation - growth regressions show the component share of industrial activity is directly caused by the latter[30] (ibid).

Having control over the exchange rate also addresses a common problem in resource-rich and major aid-recipient countries where manufacturers' competitiveness is damaged due to Dutch Disease and Resource Curse[31].

The Dutch Disease (DD) is a major market failure and the main cause of the developing countries' tendency to have an overvalued exchange rate. As Bresser-Pereira explains, DD is caused by "(...) the presence of cheap and abundant resources used to produce commodities which are compatible with a more appreciated exchange rate than the one that would be necessary to make competitive the other tradable industries" (Bresser-Pereira, 2008:50). The consequence of such overvalued exchange rate is a process of pre- or semi-industrialisation, in which the only tradable goods the country is able to produce are those that generate the DD (Bresser-Pereira, 2008). This brings negative externalities to the economy indefinitely, and irrespective of whether those goods are high-value added per worker (as in the high-technology content oil industry) or not (as in many mining and agricultural activities); in the end, specializing in the production of those commodities cannot offer full employment of the available workforce that otherwise could be employed if the country had not renounced to the development of manufactures (ibid).

The bigger the difference between the exchange rate that renders non-traditional industries competitive and the current exchange rate, the more serious the DD will be

[30] Rodrik (2008) concludes that manufactures are special in developing countries as they suffer more from institutional and market failures; first best option would be to eliminate such failures. Subsidies are also another way to increase such profitability but given that, with very few exceptions, this is in conflict with current WTO rules, sustained undervaluation of currencies - a production subsidy plus a consumption tax on tradables - comes in as a second best option increasing the profitability, expansion of industrialisation and growth of the economy (Rodrik, 2008).

[31] Both are paradoxical phenomena in which countries rich in cheap resources experience stagnant growth and reduce the diversity of their export base. The Resource Curse refers to the negative consequences of the Dutch Disease in the long-run.

and the more difficult it will be for a developing country to catch up; hence the importance of understanding the DD effects and neutralising them (ibid). Managing the real exchange rate (through the depreciation of the currency to a competitive level) plays a vital role in overcoming DD, in strengthening the current account via manufactures exports, and in creating the proper conditions for growth.

This strategy was also observed in the 13 high-performing developing countries studied by the CGD:

"Give [a country] an exchange rate sufficiently competitive that its entrepreneurs are motivated to go and sell on the world market, and it will grow. Give it too much easy money from oil exports, or aid, or capital inflows, and let its exchange rate appreciate in consequence, and too many people with ability will be diverted from exporting to squabbling about the rents, and growth will be doomed" (CGD, 2008:50).

UNCTAD also recognises that real depreciation of currencies has a positive impact to boost industrial expansion and growth. However, a too sharp undervaluation shows the opposite effect; mainly because they impede the expansion of production capacities and are often linked to a drop in domestic economic activity, a need to cut imports of intermediate and capital goods and a reduced availability of finance from both domestic and external sources (UNCTAD, 2004:VIII). Undervaluation of currencies should not substitute increasing productivity and innovation in production; it should be used to boost manufacturing and complement a broader set of industrial policies.

5.2 Agenda 2 - Domestic Resource Mobilisation

In the previous chapter, I presented important arguments to promote growth based on raising productivity through the support of manufacturing. I also mentioned the strong connection between industrial policies and investment. While foreign sources of capital play an important role in boosting investment, all successful stories indicate that domestic resource mobilisation is crucial to investment (CGD, 2008:3). The second agenda explains the importance of improving tax administration and deepening the financial sector to seize the potential of domestic resources. Likewise, this translates into reducing aid-dependency, expanding productive capacities, and increasing funds to afford better social services.

Tax Reform

Taxes are indispensable to finance a wide provision of public goods essential to the realisation of the current MDGs. Yet, a good tax system is central to ensure sustainable development not only because of that. A well designed and implemented taxation reform can improve equality as taxes are an important form of redistribution and increase access to social services[32]. Also, it can help aid-dependent nations to reduce their reliance on external financing; and it can increase national accountability while increasing a reliable form of funding of development projects, such as social services, infrastructure investment and other programs aimed to expand the industrial sector.

Taxes face particular challenges in developing countries. Theoretically, tax revenue increases as per capita incomes increase (Bird & Zolt, 2007); “accordingly” the average tax revenue to GDP in industrialised countries was approximately 35 percent in 2005 whereas in developing countries it was 15 percent and in the poorest about 12 percent (Fuest & Riedel, 2009). In developing countries there is no direct relation of tax revenues and national income (Hernandez, 2011:290), thus it is not uncommon to find a booming economy where fiscal revenues remain the same. Although it varies from country to country, this holds especially true in low income countries where revenues as a percentage of GDP have barely grown despite tax growth (McKinley, 2009)[33].

The slow growth in tax revenue reflects the inherent problems related to the economic structure; in particular the high reliance on natural resources and commodities of many poor countries. For example, in Sub-Saharan Africa in the 25-year period from 1984 to 2009 the increment in the tax collection for sources not related to natural resources was scarcely 1 percent of GDP, but this tendency has also been observed in other developing countries with commodity dependency (Norwegian Commission on Capital Flight from Poor Countries or NCCFPC, 2009). The big size of the informal sector and traditional

[32] Fischer indicates the importance of eliminating out of the pocket and quota systems in social services to increase their coverage - a universal social system - financed through progressive income taxation instead of the former systems which are obviously much more regressive (Fischer, 2010).

[33] Stagnant levels of tax revenue as a share of GDP have been observed in countries in Sub-Saharan Africa and South East Asia where they increased by 2.3 percentage points from 1990 to 2006 and 1.2 percentage points from 1995 to 2000 respectively - much less than half of the 5 percent points increment suggested by the UN Millennium Project necessary to meet all the costs of social services upon which the realisation of the goals depend (McKinley, 2009).

agriculture represent another constraint to increase tax revenues due to their unstable low incomes and because it is costly to collect these taxes (ibid).

Before the 1980s, tax programmes were based on theories that attempted to take into account socio-economic features. After the adoption of the neo-liberal "tax consensus" - which demands a small government and trade liberalisation - there was less necessity to expand the tax base and revenue losses from trade taxes. These policies were suggested to poor and rich countries equally - disregarding substantial differences such as the historical opposition to taxes and their high-dependency on trade taxes, such as tariffs and customs (Hernandez, 2011).

While in developed countries, trade taxes represent only a small percentage of their tax revenue (Bird & Zolt, 2007), for many low income countries these represent a very important source of income[34] (Hernandez, 2011; McKinley 2009). Financial institutions suggested trade taxes lost to trade liberalisation could be compensated by indirect taxes and value added taxes (VAT). Since these are levied on the formal sector, industrialised countries and more advanced developing regions like Latin America, were able to compensate the losses but low income countries were only able to replace one third of them (NCCFPC, 2009).

Countries can expand their tax base by taxing firms in the formal sector. However, developing countries attract FDI by offering low-corporate taxes, thus the entire tax burden is placed on domestic companies which are part of the formal sector (Bird & Zolt, 2007). Despite the arguable efficacy of this strategy to increase investment (and that FDI is a major economic boost driver), it is practised in more and more developing countries[35] with increasingly favourable terms for foreign firms in the form of tax holidays and exemptions, contributing to the meagre increments of fiscal revenue[36].

[34]In many low income countries - namely in Sub Saharan Africa -, this ranges from 30 to 35 percent. However in some countries import duties exceeded 35 percent of total tax revenue for the year 2007: Madagascar 49 percent, Liberia 49, Lesotho 64 percent, Namibia 47, Dem Rep Congo 38 percent (World Bank Indicators, n.d.)

[35] In a global survey conducted by UNCTAD in 45 developing countries, 85 percent offered tax holidays and reductions (UNCTAD, 2000). In another dataset by Keen & Mansour (2008), it was found that in 1980 only 1 in 40 African countries offered free zones while in 2005 about half of the sample used it (Fuest & Riedel, 2009).

[36] "(Corporate taxes) 10 years ago were typically in the range of 30-35 per cent- broadly equivalent to the prevailing rate in most OECD countries. Today, few developing countries apply corporate tax rates in excess of 20 per cent". Oxfam calculates the losses of the cutting rate bargaining would be at least 50 billion higher (Fuest & Riedel, 2009:13).

Widespread tax evasion and fraud is another important concern. It is practised by domestic taxpayers (ranging from political and economic elites and independent professionals to informal urban activities) and by multinational companies - through transfer price mechanisms and tax havens (NCCFPC, 2009), and facilitated by liberalised capital outflows.

According to a diverse number of studies, tax evasion losses are estimated to be 285 billion USD per year; profit shifting related losses range from 50 to 371 billion USD; losses related to profit off-shoring amount between 15 to 255 billion USD (Fuest & Riedel, 2009). The approximate quantities vary from study to study, yet there is a consensus that tax evasion and avoidance are major obstacles.

Commodities, including oil, play a major role in tax revenue collection. Between 1995 and 2006, in Sub-Saharan Africa and Southeast Asia tax revenue, as a percentage of GDP, grew only by 2.3 and 1.2 percentage points respectively (McKinley, 2009). In both regions it was observed that those countries which were able to increase their revenue most successfully, did so because they have had oil and other valuable natural resources (ibid).

Commodity exploitation cannot be the permanent base of development, but its potential lies on the possibility to provide fiscal revenues to the state so that it can upgrade its economic activities. Consequently, renegotiating taxes and royalties in the best possible way is a crucial step, which in many developing countries has not been taken. For example, in 2006 the Democratic Republic of Congo received only $86,000 USD in mineral royalties (CGD, 2008: 80). Additionally, selling extraction rights too cheaply or using low taxes to attract the private sector has been identified as one of the incentives that has driven opportunistic and cyclical expropriations of hydrocarbons in Latin America (Manzano & Monaldi, 2008)[37].

In short, taxes are fundamental to reducing aid dependency and mobilising resources. In developing countries, they face special constraints because the models, in which their fiscal policies were built upon, have been inadequate and the situation is worsened by domestic and multinational evasion practises.

[37] In recent years, some Latin American countries with gas or oil, i.e. Argentina, Bolivia, Venezuela and Peru, have experienced nationalization processes which eventually are reverted and further privatisation takes place. Poor taxes and royalties negotiation with private enterprises, among other reasons, has triggered this process which, in the long-run, hampers the quality of state-owned enterprises and even macroeconomic stability (Manzano & Monaldi, 2008).

Tax Policy Considerations

Developing countries face an enormous challenge designing good tax policies. However, after considering some key issues, there are important recommendations to improve taxation. First of all, the tax system has to be contextualised to expand the tax-base and tax collection fairly and progressively. There is a necessity to reconsider those characteristics unique to each country including socioeconomic configuration, institutional capacities and political feasibility.

Secondly, it has to adhere to the national development strategies, in particular, to the expansion of productive capacities, reduction of inequality[38] and environmental sustainability. This means that certain across-the-board recommendations are no longer sensible. For example, the minimum threshold tax revenue (15 percent share of the GDP) recommended by the IMF (NCCPFC, 2009) might not be enough to expand investment and infrastructure, as this comes from a model in which government tasks are "limited" to security (i.e. military and police spending), basic infrastructure, schooling, and very few, if any, social services. Another example are Sub-Saharan countries, where trade liberalisation should be taken slowly and carefully as trade taxes cannot be so easily replaced with VAT or income tax (AfDB/OECD, 2010). Also, it would make more sense to support the domestic expansion of productive capacities by providing favourable tax terms to domestic manufacturing industries instead of extractive foreign companies.

Thirdly, developing countries need to negotiate better and fairer tax terms with TNCs and focus on more constructive approaches. Using tax incentives to attract FDI – which ultimately aims at boosting growth – is not advisable. In 2009, research conducted for the IMF found that even if cutting tax rates might be effective in attracting FDI, this did not translate into economic growth (Klemm & Parys, 2009). Additionally, these incentives discriminate against local companies. Improving investment fundamentals (e.g. infrastructure) might be much more effective and benefits – instead of revenue losses – would multiply[39]. Similarly, taxes and royalties for extractive industries should

[38] " Reliance on different taxes [such as income, corporate and indirect taxes] define the extent of progressivity in the overall tax system. Typically, the overall tax system in poor countries is regressive" (Prasad, 2008:1)

[39] "Developing countries will probably do better by concentrating on improving investment fundamentals rather than using the tax system as the main incentive tool." (Goodspeed, 2006:13)

be better negotiated to reach equilibrium in the benefits received by the extractive company and the host country.

Finally, there is a great necessity to tackle tax evasion and corruption. Understanding the political, social and economic structures including the administrative capacity is vital to design policies, programmes or initiatives[40] that can increase the tax base and reduce evasion (AfDB/OECD, 2010). This also requires cross-border commitment to support actions against evasion and transfer pricing.

Financial Development

With the right focus, deepening the financial sector in developing countries can effectively trigger economic development by kick-starting the implementation of industrial policies, investment and infrastructure, and by contributing to macroeconomic stability.

Successful stories, like East Asia's, indicate that sustained high investment implies sustained levels of savings (particularly corporate savings). Households' savings need to be channelled to banks and passed on to enterprises. However, household and corporate savings are not the only source of investment. Bank credits – created ex nihilo – can also finance investment[41]; hence, the financial system has an important role with respect to its ability to create money (UNCTAD 2008:88). In this sense, savings are not a prerequisite for investment but a result of capital formation and generation of income:

"To the extent that investment can be financed by the banking system, which has the power to create credit depending on the amount of liquidity provided by the central bank, the prior existence of savings balances in the financial system is not a prerequisite for investment" (UNCTAD, 2008: VIII).

In this vision, the causation runs from investment to savings, implying that banking activities are not neutral and can be a major instrument for development. Additionally, expansionary monetary policies do not necessarily translate into inflation, as past

[40] Some of the existent programmes and initiatives include: the Extractive Industries Transparency Initiative - an international programme to monitor the practices of these industries in developing countries – and the Arm's Length Principle or the Global Formula Appointment to avoid price transfer (AfDB/OECD, 2010).

[41] In a closed economy, savings (non-consumed income) equals investment (S=I). Yet banks can create money ex-nihilo ("out of nothing") and enterprises can borrow it. Thus, not only savings, but also bank credits are finance for investment.

experiences also reveal that fiscal and wage policies can maintain price stability (UNCTAD, 2008).

Developing countries must proceed carefully and challenge conventional recipes, which argue that if taxes were lowered and financial markets liberalised "growth would come". Just like lowering taxes has not worked, the deregulation of the financial system has brought very serious complications and has not been effective in boosting growth[42] (Stiglitz, 2003).

Capital market liberalisation, without a regulatory framework, has led to more recurring and more severe crises (Stiglitz, 2000) - the financial crises of the late 1990s followed by the 2008 crisis are the latest and most notorious cases. UNCTAD has also warned about the risks that cross-border financial deregulation (especially short-term capital flows) has brought: it has encouraged a gambling behaviour and profits have been driven by speculation (UNCTAD, 2011). This has damaged the real economy and people's well-being all around the world.

China and India, for example, which do not have a fully liberalised financial markets and strong cross-border capital controls, have performed even better than countries that have liberalised the financial sector (Stiglitz, 2000). A more balanced approach where state intervention provides direction and control over the system without stifling the economy can be more effective and beneficial for development.

Another important part of the 'sound macroeconomic policies' package is that of low-inflation policies. Indeed, price stability plays an important role in people's well-being; for example, an abrupt rise in the prices of food, would hurt the poor the most as a biggest share of their income is destined to food. However, often anti-inflation policies are the leading and most imperative objective in the economic agendas of many developing countries (Ffrench-Davis, 2010). One common strategy to control price levels is that of inflation targeting: whenever inflation exceeds the target, the interest rates are raised, regardless of its source and the costs of high interest rates (Stiglitz, 2008).

[42] This is clearly reflected in a thorough cross-country study by Rodrik, 1998, where *no relation* was found between the degree of capital account liberalisation (as measured by the IMF) and economic growth or investment in East Asia, Latin America, and sub-Saharan Africa (Stiglitz, 2000).

In many Latin American countries, where low inflation policies – mostly through high interest rates - have been strongly adopted, these types of tight monetary policies coexist with high unemployment, slow growth, and low utilisation of capital (Ffrench-Davis, 2010: 259), making the case for a more comprehensive approach that takes into account the real side of the economy (ibid).

Most recently, the report of the "Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System" (the Stiglitz Commission) mentioned that raising interest rates to counter rising prices of tradables imposes a high cost on the economy's output and does not necessarily control prices (UN, 2009:36). Likewise, it is also suggested that the widespread belief of price stability as a (nearly) sufficient condition for growth and financial stability (UN, 2009:35) must be reconsidered, as these two goals require a broader range of policies and considerations.

Financial Policy Considerations

Developing nations are facing a double challenge: on the one hand, they have to make up and/or implement instruments that can protect the financial system from external shocks and ensure economic sustainability; and on the other, they have to make sure that finance is accessible - from commercial or state-owned banks - to support projects that contribute to inclusive and sustainable growth, e.g. infrastructure, investing in non-traditional sectors, R&D in green energies, rural productivity, etc.

Regarding the first challenge, regulation of the financial system across borders is necessary. UNCTAD suggests that controls for capital inflows and outflows should be part of the arsenal of public policy to regulate currency movements, secure sufficient reserves of hard currency, and maintain the exchange rate within reasonable levels. (UNCTAD, 2011: 51). The instruments to achieve this are varied, widely known and have been used in the past by developed countries and now by some developing countries. Contextual circumstances define how each country should implement them (UNCTAD, 2011).

Regarding the second challenge, development banks and domestic regulation are financial strategies to fulfil national development goals. Historically, development banks have been important industrial policy instruments and still are in a number of developed and fast-growing developing nations[43]. They can take on large-scale projects considered too risky or with long-term maturity, e.g. roads and R&D, which normally commercial banks or micro-finance institutions cannot take[44]. Plus, they can strengthen the profit-investment nexus by offering better interest rates and complementary services for strategic sectors (UNCTAD, 2008).

Alternatively, adopting a financial "industrial policy" has worked in several countries to strengthen development efforts. Hellman, Murdock and Stiglitz (1997) coined the term 'financial restraint' to the strategy used in many successful Asian countries in which the state intervened in the financial system - where asymmetric information prevails and savings are low - in order to create moderate rents for incumbent banks. This turned into increased liquidity, lower portfolio risk and better monitoring (Rodrik, 2003). The benefits of financial restraint strategy are more likely to materialise in the presence of certain institutional properties and polices, namely external capital controls and state autonomy (to avoid rent dissipation and being captured by private interests). If these are present, "the quality and level of financial intermediation can both be higher than under financial liberalisation" (Rodrik, 2003:10)[45].

It is of vital importance to extend financial services to all the population, including neglected sectors. On one side, promoting a savings account in the formal financial sector[46], contributes to increase individuals' savings with more safety, and to make the system more efficient. On the other, to have access to other financial services, e.g. rural credits or insurances, is an essential part of social inclusion[47].

[43] In 2005, in Germany and Japan, credits from state-owned banks accounted for 20 and 45 percent respectively of the domestic credit market. In Brazil strategic sectors have been heavily supported by these types of banks (UNCTAD, 2012).

[44]Micro-credits have been a successful scheme of financing certain sectors, but they cannot replace the services development or commercial banks offer, as these present important limitations i.e. their coverage, rigidity and zero-default policy (Banerjee & Duflo, 2011).

[45] In this context liberalisation refers to both domestic and cross-border regulation as financial restraint implies closed capital accounts (external) but also control over the interest rates and other policies concerning domestic banks (Rodrik, 2003)

[46] "In [a] eighteen-country data set, in the median country (Indonesia), 7 percent of the rural poor and 8 percent of the urban poor have formal savings accounts. In Brazil, Panama, and Peru, that number is less than 1 percent. But they save, nevertheless" (Banerjee & Duflo, 2011:185).

[47] In developing countries, usually the rich are offered better interest rates and have less borrowing constraints, whereas the poor and the middle class face higher interest rates and many types of barriers to obtain credits – making their incentives and capacities to invest very different: "The middle ranks and the poor underinvest in their businesses, because they are denied equal access to capital; the rich, on the other hand, invest too much" (Banerjee quoted in CGD, 2008:63).

Successful experiences point at a financial system that works towards the expansion of productive capacities and social inclusion through the efficient mobilisation of funds, adequate risk management, project monitoring with the guidance and regulation from the state.

5.3 Agenda 3 - Universal Social Protection Floor

One of the most important missing objectives of the MDGs is reducing inequality, yet it determines to a large extent the possibilities of achieving them. From the ethical point of view, high inequality is not acceptable; and from an economic perspective, it impedes sustainable economic growth. In the last six decades (1950-2010), the global GDP grew ten times in real terms - an increase of 260 percent per capita (ILO, 2011:1). But from the 7 billion people that live on the planet, 1.4 billion are living in extreme poverty and 5.1 billion are not covered by adequate social services (ibid)[48].

Inequality has been rising in the past decades[49] and much of it has been attributed to economic globalisation (CGD, 2008). Developing countries have been hit hardest, stressing the importance of redistribution policies.

Redistribution measures work through three principal mechanisms: taxes, social services (health, education, and other forms of insurance), and social transfers. In developed countries, the impact of taxes, as a measure of redistribution, is limited if compared to that of social transfers. Countries with the highest poverty rely more on taxes to redistribute and less on transfers - like the US, the most unequal developed country. Countries with the lowest poverty redistribute the most - like the Scandinavian countries (Prasad, 2008).

In developing countries reducing inequality through these mechanisms is constrained. Their implementation is more or less limited: taxes and social coverage tied to formal employment cannot have the same impact because of the size of the informal sector;

[48] "The terms "minimum income security", "essential health care", "adequate social security", and other similar terms are set out only for the purpose of national social protection floors and their definitions are left to the determination of member States" (ILO 2012:3). Some guidelines for the priority-setting process are: access to basic shelter, housing and sanitation, access to potable water, essential drugs, equitable distribution of health services, implementing a national health plan, especially giving attention to the poorest and the vulnerable (ibid).

[49] Please refer to Figure 4 to see the evolution of Gini.

progressive programmes[50] (e.g. universal pension schemes and social assistance) are underfunded and transfer programmes are generally regressive (Prasad, 2008:18)[51].

Addressing inequality depends on creating employment in more productive sectors and other inclusive economic growth policies, including capital access for small and medium businesses. Committing to reducing inequality and implementing adequate redistribution programmes is also fundamental.

ILO proposes a so-called Social Protection Floor (SPF) - a set of basic transfers or entitlements enabling persons to access essential goods and services (ILO, 2012:3). Investing in a SPF does not have to sacrifice growth or employment. It is a win-win situation for developing countries, even for low-income countries: in the short run, it serves as a macroeconomic stabiliser (e.g. positive impact in aggregate demand and its function as a buffer against food price instability) and in the long run it helps human capital and productivity to thrive (ILO, 2011).

Considering these limitations, increasing funding through a progressive and equitable tax system should work towards offering a universal provision of basic social services[52]. ILO's proposal for a universal social protection floor includes having access to those services (ideally eliminating out of the pocket and quota systems and extended coverage), and the provision of minimum income security[53].

SPFs are economically feasible, even in low income countries. The IMF and the ILO estimated that in poor countries, such as Benin, El Salvador, Mozambique or Vietnam, a major SPF would cost between 1 and 2 per cent of GDP (ILO, 2011: xxvii). ODA can contribute to kick-start these programmes in very poor nations, but in the long run they have to be financed domestically (ibid). Social safety nets, just like other distribution mechanisms, depend more on political will than on economic development. The

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[50] In this case, the author refers to those social security programmes whose rate of benefits increases as the disposable income of individuals decreases.

[51]Social policies from their inception particularly have a top-down fashion and are used for purposes of political control and patronage instead of redistribution. Additionally, globalisation has had a stronger impact on inequality in developing countries (Rudra, 2004).

[52] Defined as universal access to essential and affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities (ILO 2011:9).

[53] The social protection floor developed by the ILO was endorsed by the UN Chief Executives board and by the Heads of State and Government in the 2010 Millennium Development Summit. Its goal is "to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle" (ILO 2011:xxii).

effectiveness of these relies on its design and implementation, which should be tailored to the context and priorities, and in consideration of other development programmes.

It also is fundamental to introduce indicators of inequality, i.e. Gini coefficient, with the objective of reducing disparities. Another good recommendation is disaggregated monitoring of progress: it consists of giving more weight to the progress made in the poorest quintiles of the population (Vandemoortele, 2009). In some developing countries, efforts to improve health and gender disparities target the best-off groups (showing a “good average progress”), but did little or nothing for the poorest quintiles and worsened the disparities. Disaggregated monitoring underscores the importance of reducing inequality, as opposed to the “tyranny of averages” (Vandemoortele, 2009).

5.4 Agenda 4 - Agriculture and Rural Development

No other sector is more linked to extreme poverty than agriculture: about 70 percent of the world’s extreme poor live in rural areas of developing countries, where they live with less than $1.25 USD a day (IFAD, 2011)[54]. Rural poverty is concentrated on children, women, and elderly; agriculture - characterised by low labour productivity[55] and small sized family farms - is critical to their livelihood.

In the past decades, productivity in agriculture has increased in most regions of the world but Sub-Saharan Africa has been the exception. Productivity in this region has remained almost completely stagnant since the 1960s and the eradication of extreme poverty and hunger has been very difficult. This is no surprise, given the strong correlation between increased productivity in agriculture and extreme poverty: every 1 percent of growth in agricultural productivity reduced the people living on less than 1 USD a day by between 0.6 and 1.2 percent, and every 1 percent of growth in per capita agricultural GDP is translated into a 1.61 percent growth in the incomes of the poorest quintile (DFID, 2004).

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[54] In absolute numbers, this percentage represents about 1.4 billion people. The key regions of concern are: South Asia, with the greatest number of poor rural people, and Sub-Saharan Africa, with the highest incidence of rural poverty (IFAD, 2011).

[55] In 2009 the agricultural value added per worker in high-income OECD countries was $28,176 USD while it was $3,417 in Latin American & Caribbean, $498 in South Asia and only $322 in Sub-Saharan Africa (World Bank Indicators, n.d.);

In Sub-Saharan Africa, where productivity is the lowest, small farmers’ productivity could be at least 5 times higher with the adequate management and inputs (The Montpellier Panel, 2012)

Besides productivity, there are two more challenges of agriculture: food security and climate change. Every day 1 billion people suffer from hunger and in the future this number might grow as food production needs to be increased by 70 percent (based on 2009 levels) to feed the population by 2050, but arable land cannot increase by more than 12 percent (IFAD, 2011). Moreover, climate change increases traditional risks - just in Africa climate change exposes 75 to 250 million people to water stress[56]. The costs of adaptation projects in agriculture in developing countries are between 7 to 12 billion USD; but small farmers are often excluded from these projects and benefits (ibid).

High-performing Asian countries began structural development by implementing policies to increase productivity and innovation in agriculture. These reforms included land distribution, subsidised inputs and controls to ensure stable, predictable and remunerative prices[57] for farmers (DFID, 2004)[58]. Their successes underscore certain lessons that can be adapted and implemented in other contexts, but there is no standard. Dialogue with farmers and commitment to rural development are crucial for success.

The first aspect is the necessity of a land reform to distribute land more equitably and guarantee land tenure. Although millions work in agriculture, most of them have very little control over the land they depend on. Land concentration across regions varies but it is high overall[59]. A more equal distribution can do much to reduce poverty because smaller holdings tend to produce more food and employ more people (IFAD, n.d.). In China, for instance, the shift from large farms to smallholdings led to an unprecedented increase in output that enabled millions rise out of rural poverty (ibid)[60].

[56] It is estimated that a 2°C temperature rise above pre-industrial levels could result in a permanent reduction in GDP of 4 to 5 percent for Africa and South Asia (Stern, 2006). Climate change is likely to disproportionately affect developing countries and more so the poorest people within those countries (AfDB/OECD, 2010:32)

[57] Remunerative prices refer to the economic compensation farmers receive based on the total costs of production of their agricultural produce.

[58] Although, these were progressively coupled with free market activities: for instance, in China besides distributing land according to the household size and through community property based entrepreneurship strategies, used a dual-strategy that allowed marginal output of farmers to be traded at free market prices but kept state controls (Rodrik, 2003). Regarding the agricultural development in Asia, Stiglitz emphasizes how China and Taiwan's early success was built on rural development (Stiglitz, 2003:23).

[59] Median land concentration Gini index for each region: Sub-Saharan Africa, 0.49; East Asia, 0.51; South Asia, 0.59, Middle East and North Africa, 0.66; Latin America, 0.81 (Vollrath, 2007).

[60] In a cross-country study, the Gini coefficient for land concentration was found to have a significant negative relationship with productivity. A one standard deviation drop in the Gini coefficient implies an increase in productivity of 8.5 percent (Vollrath, 2007).

Moreover, in rural societies the poorest have weak or unprotected land tenure rights – a situation that is markedly worse for women and indigenous groups. In Africa, for instance, over 90 percent of land is not legally owned by farmers (The Montpellier Panel, 2012). Farmers must face the risk of losing their land to private companies or even to family members. Land tenure and environment are also interrelated; in many parts of the world, clearing the land has become an effective way to lay claim to it. Either by fire or by cutting down trees, this practice has led to the clearing of forests on an extensive scale (FAO, 2002).

Tenure rights and access to land are important to increase productivity and to have a better income. For example, in El Salvador a 10 percent rise in land ownership boosted income by 4 percent per person (IFAD, n.d.). Reducing the gender gap can also increase production: if women had the same land access as men they could increase the yields on their farms by 20 to 30 percent (FAO, n.d.).

The protection of tenure rights increases the willingness and capacity of farmers to invest and raising productivity as well as sustainability of their farming practices. It represents an important measure to protect vulnerable groups and the environment and to avoid social conflict in general (FAO, 2002). Guaranteeing land tenure should be done in consideration with traditional practices, political, social and gender issues, and the general complexity of land tenure.

The second aspect is investing in raising productivity and climate change resilience through infrastructure and technical upgrading. Measures should aim at increasing and stabilising small farmers' incomes, and investing in raising productivity, especially in the most neglected areas and percentiles of the population.

An agricultural development strategy can include measures such as: fertilisers and other input subsidies, harvest management, technical advice, financial services, transfers, and other barrier reducing policies. In countries with high levels of rural inequality, the redistribution of assets is essential in order to benefit the poor. Redistribution of land is a starting point (Oxfam, 2004:14).

Besides capital, it is also important to improve supply capacities with input and output marketing services, not only oriented to exports but also to the local and regional markets (DFID, 2004). New challenges like supermarkets' dominating share of retail channels – which implies strict requirements – stress the importance of these services (Oxfam, 2004).

Public action in each nation plays a major role, yet the international context determines to a large extent much of what can be done in this area. Development aid for the agricultural sector and rural development fell steeply since the 1980s until the first years of the 2000s, when it had decreased by almost half. Although some improvement has been noticed it is still far from its initial levels (OECD, 2011)[61]. More ODA to this sector should be prioritised, but perhaps it would be even more important to re-shape the adverse conditions that come along with global trade integration and concessional loans - set by the WTO and, WB and IMF.

As mentioned, trade liberalisation is promoted by these institutions, and tied to concessional finance and to WTO membership. However, trade openness benefits the regions with better infrastructure and better productivity levels and damages those that are less developed (DFID, 2004). Also, liberalisation is part of a wider package that includes the elimination of state controlled markets that offer stable and predictable income for farmers, and subsidies, limiting the use of risk and barrier reducing policies (Rodrik, 2003).

Farmers are affected because they often cannot compete with developed countries' agricultural products. These usually offer lower prices, which are explained by their much higher levels of productivity and also by the huge subsidies many producers receive (Oxfam, 2004). It is essential to untie concessional financing from such a package of policies, creating policy space for developing countries while having coherence and more democratic international institutions. This includes fairer WTO rules and its Doha Round negotiations; in particular the Agreement on Agriculture needs to be reformed in order to end subsidised imports from developed countries, to allow developing countries to protect their domestic agricultural sectors (not only to ensure food security but also to attain rural development objectives) and to improve market access for exports from developing countries (Oxfam, 2004:2).

[61] In 2009, about half of ODA went to East and South Asia and to Sub-Saharan Africa. About 40 percent of ODA went to the top 16 ODA recipients - of which only 6 were LDCs (OECD, 2011)

5.5 Agenda 5 - Environment

Environmental degradation has been on the international agenda over the last four decades, and as an example of the consensus that exists around this matter, it is part of the MDGs. The 7th MDG, 'Environmental Sustainability', includes indicators related to CO_2 emissions, forestry and fish stocks, environmentally protected areas, ozone-depleting substance consumption and water resources and access. There are very good results in the latter two, but the world missed the 2010 target to reduce biodiversity losses, and climate change still requires further action (UN, n.d.). Up to now progress is mixed[62] but a real commitment towards the environment is urgently needed.

Climate change mitigation efforts have not been enough and international commitment has been very difficult to achieve. At the world summit of Rio20, climate change was one of the main issues of discussion and this included the Kyoto Protocol[63]. The US and China, the two biggest CO_2 emitters, decided not to participate, arguing mitigation commitments would hamper their economic development (Reuters, 2012).

Most recently, the 18th UN Climate Conference (COP18) in Doha, Qatar, concluded with a package of decisions to keep negotiations on track towards a new global climate deal in 2015, including the second Kyoto Protocol commitment period (2CP) which will run until 2020. However, the COP18 did not deliver improvements in mitigation ambition from major emitters – particularly the US whose reluctant position set the ambition ceiling (The Climate Group, 2012).

The EU – the largest party of the 2CP – has already met its 2020 target, but this second commitment period will only cover 15 percent of global emissions. Moreover, the collective emission reduction will be about 18 percent by 2020 from 1990 levels – significantly less than the 25-40 percent suggested by the scientific community to limit

[62] The Montreal protocol related to the reduction of ozone depleting substances has presented very positive results and forest and fish resources have been exploited less intensely but still at very high levels. The world already missed the 2010 target to reduce biodiversity loss and trends indicate that climate change and loss of key habitats among other main causes will continue to destroy biodiversity (UN, n.d.)

[63] A legally binding treatment for 37 developed countries (Annex 1 list countries) whose goal was "the stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system" - for the 2008-2012 period. The mitigation target for the first period was to reduce greenhouse gas emissions (GHG) to an average of five percent against 1990 levels. During the second commitment period, parties committed to reduce GHG emissions by at least 18 percent below 1990 levels in the eight-year period from 2013 to 2020; however, the composition of parties in the second commitment period is different from the first (UNFCCC, n.d.).

global warming to 2°C and its worst consequences[64]. With many developed countries unwilling to take the 2CP commitments (i.e. Japan, Canada, US and New Zealand) and/or to increase their targets, there were no incentives for big emitters in the developing world – Russia, China and India – to raise theirs (ibid).

Economic development is very important, but what happens when it is done in a way that threatens its sustainability and risks much of what is being built now? Or, if the absence of actions to reduce environmental damage, the most powerful nations place the costs and burden on the most disadvantaged, increasing global inequality and vulnerability of the poor? Thinking there are no options to support economic and sustainable development is a short-sighted vision and ethically and economically indefensible[65].

The CGD highlights that climate change is today's *quintessential* global challenge (CGD, 2008:9). Growth on one side contributes to climate change and climate change on the other risks growth. Besides commitment to reduce emissions from developed and developing countries[66], it is fundamental to develop technology and new production patterns that allow developing countries to grow without taking greenhouse gas emissions to dramatically risky levels (CGD, 2008)[67]

Developing a partnership to achieve equilibrium is in everyone's interest. The new paradigm around the MDGs should be constructed around the notion of global

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[64] The 2°C target – today's benchmark for climate change policy – was first adopted by the EU in 1996 during preparations for the negotiation of the Kyoto Protocol. The target is deduced from studies that indicate that limiting global warming to 2°C (from pre-industrial levels) would likely allow adaptation at socially and environmentally acceptable costs (EU Climate Change Expert Group, 2008). A recent study concludes that steeper reductions than 25-40 percent by 2020 are needed to limit warming to 2°C: according to den Elzen et al. (2013) developed countries (Annex 1 countries) would need to reduce their emissions by about 50 percent below the 1990 levels by 2020 to have a medium chance to achieve this target. If Annex 1 countries as a whole would reduce emissions by 13 to 18 percent below 1990 levels, as expected from the pledges, reduction of non-Annex 1 countries should be 22 to 34 percent business-as-usual levels for a medium chance of achieving the 2°C target (den Elzen, et al., 2013).

[65] Depending on the assumptions used in economic models, the GDP [costs] of policies to avoid climate change could range from a 3.4 percent decrease to a 3.9 percent increase in [global] GDP" (Harris & Roach, 2009:35).

[66] Especially China and India: their greenhouse emissions per capita are low compared to developed nations, but the bulk of their emissions is rapidly growing (CGD, 2008)

[67] If the developing countries did not grow, then safe levels of emissions would be achieved by reducing advanced countries' emissions by a factor of two or a little more. But with the growth of the developing countries, the incremental emissions are very large because of the size of the populations. To take the extreme case, if the whole world grew to advanced country incomes and converged on the German levels of emissions per capita, then to be safe from a warming standpoint, emissions per capita would need to decline by a factor of four. Reductions of this magnitude with existing technology are either not possible, or so costly as to be certain of slowing global and developing country growth (CGD, 2008:86)

sustainable development (Gore, 2010:75), one that addresses productive capacities, global inequality and environmental sustainability.

Policy recommendations

The benefits of sustainable development in mitigation alternatives vary between sectors and regions. Also, it needs to be contextualised to capacities of each country. A consistent approach in policies is an important consideration, but also constructing a dialogue with communities and adapting a bottom-up approach can help to preserve natural resources, biodiversity and reduce poverty.

Maximising energy, natural resources, and other inputs through incentives, disincentives and regulation across sectors is indispensable. A very important recommendation is to eliminate fossil fuel subsidies and to promote a shift move towards non-carbon fuels (CGD, 2008; Harris & Roach, 2009). Simultaneously, states must promote and standardise energy efficiency and renewable sources in industries and utilities. In agriculture, there is much that can be done to increase productivity in traditional practices and preserve the environment e.g. eco-agriculture based on diversity crops and chemical-free fertilisers. In some countries, subsidies that encourage overconsumption of energy, water and/or chemicals in industrial and agricultural activities should be eliminated (Harris & Roach, 2009).

Developed countries should increase financing and other support measures (including subsidies) to the development of alternative energy sources and carbon reduction technologies (CGD, 2008:90). For developing countries it is of vital importance to invest in its capacity to absorb these technologies (IPCC, 2007). There are some emergent countries and middle income countries that can also invest in R&D of green energies and carbon reducing technologies. However, LDCs and most developing countries[68] should focus on adaptation and climate-change resilience measures as this is essential to ensure food security and the income of millions of households in rural areas.

Although the majority of greenhouse gas emissions comes from the developed world, in the future, the bulk of emissions are projected to come from developing countries

[68] In this case, the group of developing countries that should focus on adaptation does not include China, India or Russia – the big CO_2 emitters of the developing world. Instead, these countries' aim should be to reduce their greenhouse gas emissions.

(Harris & Roach, 2009). Thus, mitigation efforts should be the task of the developed countries and some emerging economies like India and China. The second Kyoto Protocol period and the successor scheme for 2020 ('the Durban Platform') should include much steeper reduction targets and the implementation of political instruments that cover a bigger proportion of emissions across the world so as to ensure that global warming is limited to 2°C. An agreement and commitment based on fairness and shared responsibility to cut emissions from the US, Canada, Japan, Russia, India and China[69] is particularly important.

This should also consider a new, more effective generation of carbon trade schemes for nations and firms, where costs for permits are higher and over-allocation[70] is avoided (Harris & Roach, 2009). This can be supported by the introduction of an international carbon tax – set more heavily on those fuels with the highest carbon emissions (CGD, 2008; Harris & Roach, 2009). Revenue can be used to invest in alternative energies, biodiversity conservation and rural development plans to overcome the costs and barriers (ibid). Similarly, it is important to embed the reduction of greenhouse gases in urbanisation plans, and infrastructure to increase and improve public transport, the use of bicycles and the preservation/expansion of green areas (Harris, 2006).

Many recommendations can be implemented nationally by developed and developing nations. Yet, it is in the international ambit where they can be blocked or supported; hence the necessity of "a strong international agreement binding nations to act for the common good can prevent serious environmental consequences" (Harris & Roach, 2009:2).

Some of the actions that can increase the impact of national policies in the international level would be the introduction of international trade agreement provisions for environmental protection. Also, international and national agencies and projects that promote environmental protection need more enforcement power and financing; a political commitment at different levels to do so would be essential (Harris, 2006).

[69] The US never ratified Kyoto's protocol and Canada signed and ratified it but later pulled out of the protocol. (Harris & Roach, 2009) China and India have resisted the pressure to commit to a certain reduction because they consider it unfair as their per capita CO_2 emissions are much lower than developed countries (CGD, 2008: 86).

[70] The EU cap-and-trade system allows companies that exceed their greenhouse gas emission quotas to buy permits from those that emit less. However, the first stage of this trading scheme in Europe was problematic as there were over-allocations – too many permits were sold – and thus it failed to reduce the overall volume of emissions. Korea, China and Australia are among the countries that in 2012 announced their plans to follow the implementation of this type of trading schemes (Bloomberg, 2012).

Additionally, the creation of a World Environmental Organisation or a supra-national organisation that could advocate for greener corporate and trade practices, monitor international protocols, and oversee environmental protection would be beneficial (CGD, 2009).

Moreover, societies and world leaders need to ponder the systemic constraints that have blocked progress in this area over the years. It is important to set parameters, information flows, rules and goals; but above these actions, our aim should be to change those paradigms out of which our current system arises (Meadows, 1999:2). The world needs to analyse at which point economic policies have embraced a "growth at any cost" mindset. Countries need to keep raising awareness of sustainable environment and global warming among its citizens to change values and behaviour (CGD, 2008:90) National and international agreements, projects and organisations should seriously consider extending the concept of 'human well-being' to the environment surrounding us.

5.6 Agenda 6 - International Partnership

The 8th MDG "Develop a global partnership for development" is fundamental to the realisation of the rest of goals because it explicitly includes strategies for realising the rest of the goals. It covers areas of trade, aid and debt relief, affordable drugs and technology transfer.

As mentioned earlier, in the vision of this type of 'global partnership' development depends, on one side, on how much donors provide – either in the form of aid, technical assistance or lower trade barriers. And on the other, on how much developing countries (especially low income countries) comply with certain procedures and standards established by donors, such as the Poverty Reduction Strategy Papers or the Country Policy and Institutional Assessment (an indicator designed to "measure and ensure" the effectiveness of aid).

Moreover, the type of trade policies it promotes hampers the ability of developing countries and LDCs to upgrade their productive structure. Thus, one of the biggest challenges is to turn the current "open, rule-based predictable non-discriminatory trade system" into one that is more coherent with the needs of developing nations. One of the key achievements then would be to make the Aid-for-trade initiative and the WTO Doha Development Agenda (or Doha Round) more development friendly and eventually conclude it.

The Doha Round is a deal consisting of an 'industrial-agricultural' swap in which developing countries lower their industrial protection and, in exchange, developed countries lower their agricultural subsidies and tariffs. The Doha Round negotiations have remained at an impasse (and will most likely collapse) given the magnitude of the cuts on both sides (Chang 2009). Similarly, the Aid-for-Trade initiative provides low income countries with additional foreign aid in return of removing industrial protection instruments. The conditionalities tied to free market access or to additional finance in these schemes are anti-developmental; they significantly reduce developing countries' policy space and consequently, their chances of upgrading their productive structure and obtaining the benefits from such process (ibid).

Providing LDCs with 100 percent quota-free and market-free access to developed markets is part of the international trade agenda and one of the targets of the 8th MDG. Such access has not yet been granted and progress towards it has slowed down after the onset of the recent financial crisis (UN General Assembly, 2012). However, in order to turn this strategy more development friendly it would be crucial that such access is provided without conditions (UNCTAD, 2010).

Furthermore, while debt relief under the Heavily Indebted Poor Countries (HIPC) initiative will soon be completed, most donor countries are still far from meeting their aid commitments. Most donors still spend much more on agricultural subsidies – $227 billion in 2010 – than they do in ODA - $130 billion in 2010 (WB, 2012:18). In 2011, net aid disbursements totalled $133.5 billion, equivalent to 0.31 percent of developed countries' GNI. This means that aid would have to more than double to meet the UN target of 0.7 percent of donor GNI (UN, 2012:12). In 2010, net aid to LDCs represented 0.11 percent of donors' GNI – still lower than the UN target of 0.15 percent (UN, 2012:59).

The prevalence of human and economic vulnerability of LDCs is one of the most worrying pending issues of international cooperation. Since 1971 only three countries have graduated from the LDC status; there are still 48 countries that are under this category (UNCTAD, n.d.). Despite the fact that LDCs receive about one third of the international aid flows (UN, 2012:59) and that they have more duty-free preferential access to developed markets than other developing countries (UN, 2012), progress in LDCs remains slow. The protracted LDC status of so many countries calls for more coherent cooperation mechanisms and stronger efforts to reach the targets concerning LDCs in the 8th MDG.

Access to affordable medicines, internet and other telecommunications technologies are also areas in which progress has been mediocre. In developing countries average medicine prices are 2.6 times higher in the public sector and 5 times higher in the private sector in comparison with international reference prices (UN General Assembly, 2012). Most people in LDCs do not have access to internet; in many developing countries – especially in Africa - the only way to have access to it is through mobile devices which makes it really costly for most people (ibid).

Technology and technical upgrading are not important but indispensable for climate change adaptation. The intervention of the so-called 'development partnership' is essential to fight climate change and realise other environmental objectives. Such intervention requires not only much stronger commitments to reduce emissions (something in which so far the partnership has failed) but also finance – a topic that has been one of the biggest source of conflicts in recent UN Climate negotiations.

In 2009 nations pledged to give developing countries \$100 billion by 2020 – through the Green Climate Fund - to finance low carbon projects and adaptation measures. Although the UK, Sweden, Germany and France have already come forward with individual pledges, until now there is no quantified, collective plan to reach the \$100 billion pledge (The Climate Group, 2012). It is important that donor countries commit to the capitalisation of the Green Climate Fund and also support the institutionalisation of a 'loss and damage' mechanism – one of the key decisions of COP18 – that would compensate some developing countries for climate change effects (ibid).

The ambiguous progress to reach the MDGs by 2015, the high prevalence of extreme poverty in low and middle income countries, the worrying inequality within and among countries, the heightening of environmental problems and the huge imbalances in the developed-developing country relations call for an improved type of development partnership.

Development cannot be replicated bit by bit when the circumstances of each nation differ so much. It is precisely the one-fits-all approach which developing countries should stay away from. Greater amounts of public investing, expanding the manufacturing sector, avoidance of overvaluation or undervaluation of currencies, progressive and careful liberalisation of financial markets and trade, and other unorthodox recipes are not a guarantee of success. This greatly depends on the political will and ability of developing states to implement them (Chang, 2010). But under the current cooperation paradigm many developing countries, especially LDCs, cannot even try to climb the ladder that many of today's rich countries once did.

Consequently, a new development partnership requires that WTO, IMF and WB – institutions that have shaped globalisation to a great extent – promote country ownership and give developing countries their right for policy space to carry out their economic and social plans. Developing countries need to take a more active role to regain country ownership and policy space. Emerging powers in the developing world, i.e. the BRICS group, and increased South-South cooperation can strengthen their bargaining power in international negotiation and agreements (Nayyar, 2012).

In conclusion, in today's globalised world inclusive and sustainable development depends on the commitment of both developed and developing countries to create a more balanced and democratic international framework for cooperation that enables all nations to thrive (UNCTAD, 2010).

6. Millennium Development Goals 2015-2030 – A New Proposal

In this chapter I present a proposal for the MDGs 2015-2030: six agendas plus six goals. Fundamentally, this proposal integrates two additional issues into the original MDGs: the reduction of inequality and the promotion of growth based on the transformation of the productive spheres. Moreover, it aims to make a distinction between “the ends” and “the means”, i.e. the goals and the agendas required to achieve them, with the means being oriented towards development paths that deliver sustainable growth.

First I explain some of the modifications made to the original list of MDGs, before introducing the new goals and targets for the MDGs 2015-2030, providing a hypothetical scenario that is consistent with the agendas presented earlier. I also provide a brief explanation of which countries the MDGs 2015-2030 would address. At the end of the chapter I present the new list of goals and agendas for the MDGs 2015-2030, emulating the style of the original MDGs.

The goals in this scenario follow the same logic as the 2000 MDGs: a 15 year time scale, with revisions in years 5, 10 and 15. In the original MDGs, the first seven goals represent “the ends” while the eighth goal (Global Partnership) is more of a strategy. I therefore placed this goal under the agenda list – “the means”.

Of the remaining seven goals, I merged the three concerning health (fighting child mortality, maternal health and infectious diseases)[71] into one global goal called ‘Health’ whilst the ‘Education’ and ‘Gender Equality and Empower Women’ goals were placed in the new list without modifications[72]. Although there is no explicit agenda for these three goals, they are directly supported by other agendas. For instance, ‘Universal Social Floor’ covers social and health services, and ‘Rural Development’ directly

[71] Suggested by Vandemoortele (2009).

[72] These two goals overlap: if universal primary education is achieved the target on gender equality in education is also complied. Moreover, the education target is the only one used to measure progress for the ‘Gender Equality and Empower Women’ goal. This raises the question of which targets could be introduced in the post-2015 MDGs that could reflect and measure progress for this goal more adequately. For example, targets regarding women’s participation in politics and high-level management positions or land/business ownership could be of great relevance for the majority of countries.

addresses women's vulnerability in rural societies. Other agendas like the expansion of employment opportunities and inclusive financial services also support gender equality and women empowerment.

For the Environment goal I kept the targets concerning biodiversity, water access and urbanization services, whilst I placed the target ("Integrate the principles of sustainable development into country policies and programmes") under the Environment agenda, as this in fact represents a strategy for achieving the rest of the targets. Finally I added a new target regarding the reduction of greenhouse gasses: "achieve the emission reduction target of the 2nd commitment period of the Kyoto Protocol (2CP), by 2020, so as to ensure global warming is limited to 2°C".

As a new goal, I add "Reduce Inequality and Promote Inclusive Economic Growth", which will aim to reduce inequality at both global and national scales. It is a reminder that development is "the movement of the whole social system upward" (Myrdal quoted in Shafaeddin, 2008: 30), and that improving living standards of the lowest quintiles (the poorest of the poor) of a society is crucial to poverty reducing efforts.

For this goal, I included two quantitative targets. The first is to reduce national inequality to a Gini Coefficient of less than 0.4 – the threshold considered to be the 'international high inequality alert' by UN-HABITAT (2009). For this target there is no global deadline as there are some countries with extremely high inequality; instead, I suggest a reduction of five percent of the Gini Index every five years (considering the 5-year periodic revision scheme) until the target is reached[73].

The second target aims to reduce global inequality which currently has a Gini Coefficient of 0.7 – an extremely high disparity (Milanovic, 2009:14)[74]. It may be too unrealistic to reduce global inequality to a Gini Coefficient of 0.4; but for illustrative purposes I set this to be reached by 2050[75]. The objective of this target is to make a

[73] I considered this percentage for illustrative purposes. However, between 2000 and 2005, some countries were able to drop their income Gini index by five percent or more. For example, during this period, Malaysia reduced its Gini index from 40.1 to 37.1 (7 percent); Thailand, from 45.1 to 41.1 (9 percent); Brazil, from 52.3 to 49.1 (6 percent); and Lesotho, from 56.6 to 48.7 (14 percent) (Cummins & Ortiz, 2011).
[74] After recalculating global inequality using PPP rates, Milanovic states, "(…) inequalities are substantially higher than previously thought. Inequality between global citizens is estimated at 70 Gini points rather than 65 as before. The richest decile receives 57 percent of global income rather than 50 percent" (Milanovic, 2009: II).
[75] This normative, hypothetical target leaves the question open: Is a reduction of global inequality possible? If so, under which circumstances and time frame?

more coherent discourse in which development is promoted while enormous global inequalities are no longer ignored.

Additionally, I included a target to reduce aid dependence because it is a “sign” that LDCs are on a better growth path (hopefully one that is about expanding productive capacities). This is also important because it is harder to regain country ownership when countries have such reliance on external sources. Not having autonomy over national policies is a sign of global imbalances and of the inequality of powers globally.

In the first target of the first goal (Eradicate Extreme Poverty and Hunger), I raised the normative threshold for extreme poverty to $2 a day (PPP) – the average poverty line for developing countries (WB, n.d.). In 1981 the number of people living under this poverty line was 2.59 billion and by 2008, it had barely dropped to 2.47 billion (ibid). In 2008, 70.9 percent of South Asia, 69.2 of Sub-Saharan Africa and 33.2 percent of East Asia and Pacific fell under this category[76] (WB Data, n.d.).

Shifting the $1.25 (PPP) poverty line to the $2 (PPP) doubles the poor in middle income countries from almost 1 billion to almost 2 billion and in low income countries from 320 million to 490 million (Sumner, 2012:7). With so many people living in economic and social vulnerability (by both low and middle income country standards), it would not be fair or consistent to exclude those living under $2 PPP from the poverty reduction targets of the post-2015 MDGs.

The prevalence of poverty emphasises the necessity of a change in development cooperation, growth patterns and income distribution. Without addressing structural issues, it is very unlikely that aid and ‘ersatz development’ (Chang, 2009:1) will lift millions out of poverty.

The current MDGs predominantly address least developed countries (LDCs) and ODA donors: LDCs are responsible for the realisation of the goals through the elaboration and execution of the PRSPs and ODA donors for the provision of aid, debt relief, and increasing free access to their markets. Middle income countries, including emerging economies, have shown little or no interest in the MDGs – despite the fact that the

[76] The percentage of people living on less than $2 (PPP) a day, for the year 2008 in other developing regions is: Middle East & North Africa, 13.9 percent; Latin America & Caribbean, 12.4 percent; and Europe & Central Asia, 2.2 percent.

world's poor largely live in middle income countries[77]. If the MDGs are to be a serious global project of inclusive and sustainable development then addressees should be broadened.

In this alternative set of goals and agendas, there is less emphasis on aid, focussing instead on providing policy space for developing countries and provisions in their integration to globalisation. The poverty threshold and reduction of inequality increases the relevance of the goals to non-LDC developing countries, and even to developed countries whose levels of inequality are on the rise (like the US). The inclusion of an environmental agenda and climate change targets addresses both developing and developed countries. Overall, the new set of goals convey a concept of development that is relevant to all countries, sharing responsibility more fairly and supporting the original MDGs' vision that development is a shared objective.

[77] The proportion of the world's $1.25 and $2 poor accounted for by middle income countries is respectively 74 percent and 79 percent. Half of the world's poor (by both $1.25 and $2 poverty lines) live in India and China (35 percent and 14 percent respectively), a quarter of the world's poor live in other middle income countries (primarily populous lower middle income countries such as Pakistan, Nigeria and Indonesia) and a quarter of the world's poor live in the remaining 35 low income countries (Sumner, 2012:7).

Millennium Development Goals and Agendas 2015-2030

Millennium Development Goals 2015-2030
1. Eradicate Extreme Poverty and Hunger
– *Halve, between 2005 and 2030[78], the proportion of people whose income is less than $2 (PPP) a day*
– Halve, between 2005 and 2030, the proportion of people who suffer from hunger
– Achieve full and productive employment and decent work for all 79 percent
2. *Reduce Inequality and promote inclusive economic growth**
– *Reduce inequality by 5 percent every 5 years until a level below 0.4 (Gini Index) is reached*
– *Reduce global inequality to a level below 0.4 (Gini Index) by 2050*
– *Promote economic growth to reduce the gap of living standards in the developing and developed world*
– *Reduce persistent aid dependence in LDCs*
3. Education
– Ensure that, by 2020, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
4. Promote Gender Equality and Empower Women
– Eliminate gender disparity in primary and secondary education, preferably by 2020, and in all levels of education no later than 2030
5. *Health*
– Reduce Child Mortality: Reduce by two-thirds, between 2005 and 2030, the under-five mortality rate
– Improve Maternal Health: Reduce by three quarters, between 2005 and 2030, the maternal mortality ratio
– Combat HIV/AIDS, Malaria and Other Diseases: have halted by 2020 and begun to reverse the spread of HIV/AIDS, Malaria and other major diseases; achieve, by 2020, universal access to treatment for HIV/AIDS for all who need it
6. Environment
– *Achieve the emission reduction target of the 2nd commitment period of the Kyoto Protocol (2CP), by 2020, so as to ensure global warming is limited to 2°C[80]*
– Reduce biodiversity loss, achieving, by 2030, a significant reduction in the rate of loss
– Halve the number of people with no access to safe drinking water by 2030.

[78] In the MDGs there is a 25 year span to compare results: 1990 is the base year and goals are to be reached in 2015. Following this logic, I am using 2005 as the base year and the deadline is extended to 2030.

[79] According to the ILO, "[Decent work] involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men" (ILO, n.d.).

[80] If the 2°C is to be met, reduction targets established in the 2CP, 18 percent from 1990 levels by 2020, would have to be re-negotiated; the current target is substantially less than the one suggested by climate scientists. Also the 2CP would have to include commitments from major emitters in order to extend the coverage of emissions.

– Improve the lives of at least 100 million slum dwellers by 2030[81]

Note: Modified and new targets/goals are in italics. Targets for goals 3, 4, 5 and 6 (with the exception of the targets concerning global warming) were not modified from the list of MDGs 2000-2015. Only deadlines and time spans were changed for illustrative purposes.

Millennium Development Goals 2015 – Agendas

1. Production Approach to Growth

1.1. Promote the expansion of productive capacities based on investment, technology and the non-traditional sector, through the implementation of a country-based, temporary, progressive and reciprocal industrial policy

– Reduce commodity dependence
– Expand the non-traditional sector
– Provide electricity for all
– Increase investment (a minimum threshold of 25 percent of GDP is suggested)
– Increase infrastructure investment (8-9 percent of the total investment is suggested)
– Increase investment in the development and/or implementation of renewable energies

1.2. Establish a competitive exchange rate to boost the non-traditional sector

1.3. Develop an international partnership for expanding productive capacities in developing countries

– Promote country ownership and create policy space to develop their productive capacities, namely to expand the non-traditional sector

2. Domestic Resource Mobilisation

2.1. Increase tax revenues to support development objectives with a country-based and progressive tax system. Includes:

– Elimination of loopholes and tax holidays in corporate taxes and transnational companies
– Better negotiation of taxes, royalties, and extraction rights for extractive industries
– Tax evasion controls adequate to domestic institutional capacity

2.2. Develop a resilient, socially inclusive, well-regulated financial system that supports development objectives. Includes:

– Deepen the financial system to offer more and better financial intermediation with the guidance and regulation from the state through development banks and/or domestic financial regulation
– Support expansionary monetary policies coordinated with wage policies and fiscal policies to maintain macroeconomic stability
– Ensure macroeconomic stability and external shock resistance with the use of capital controls if necessary
– Increase household savings in formal financial institutions
– Increase corporate savings to strengthen the profit-investment nexus
– Design and implement adequate and inclusive financial services for all the population

2.3. Establish international support measures to promote resource mobilisation

– Support developing countries to expand their tax administration capacities, and financial development. Including more ODA for LDCs for these sectors

[81] By 2012, more than 200 million of slum dwellers had access to improved water sources, improved sanitation facilities, or durable or less crowded housing, exceeding the MDG target well ahead of the 2020 deadline. However, the number of people living in slums keeps growing: 863 million people are now estimated to be living in slums compared to 650 million in 1990 (UN, 2012:56) A new goal should aim to improve the lives of a higher percentage of slum dwellers as well as to curb the increase of number of people living in slums.

- Strengthen international tax and financial cooperation to reduce international tax evasion and illicit capital flight
- Give policy space to LDCs to gradually compensate trade tax losses

3. Universal Social Protection Floor

3.1. As proposed by ILO, establish a Universal Social Protection Floor tailored to each country and in consideration of other development programmes. Includes:

- Universal access to essential social services in the areas of health, water and sanitation, education, food security, housing, and others.
- Basic income security, especially for the poorest and most vulnerable

4. Agricultural and Rural Development

4.1. Increase agricultural productivity through technical and infrastructure upgrading to increase food security, a decent income for small farmers and climate change resilience

- Distribute land more equally and guarantee land tenure, especially supporting women's rights
- Provide greater supply-support for exports, and for the integration of local regional markets through input and output marketing, information's services and other forms of technical assistance

4.2. Develop international measures to support agriculture and rural development

- Create policy space for rural development, including the implementation of risk and barrier reducing policies for small farmers and gradual liberalisation of agricultural markets
- Reform WTO rules to protect LDCs against export dumping of agricultural products
- Increase ODA to Agriculture and Rural Development

5. Environment

5.1. Integrate the principles of sustainable development into country policies and programmes (MDGs 2000)

- Promote environmentally responsible practices across energy, extractive, industrial and agricultural sectors through incentives, disincentives and other measures. Includes:
- Promotion and standardisation of energy efficiency and renewable sources in industries and utilities
- Elimination of fossil fuel subsidies
- Promotion of non-carbon fuels, clean energy sources and carbon reducing technologies
- Eco-agriculture based on crop diversity, nutrient recycling and natural pest controls and other environment-friendly techniques
- Elimination of subsidies that encourage overconsumption of energy, water and/or chemicals
- Education and awareness of environmental issues to promote a change in values and behaviour of citizens

5.2. International commitment to reduce the greenhouse effect emissions to a safe level by 2020

- Establish a second Kyoto Protocol with steeper reductions and the commitment from developing and developed countries, especially from the US and China, so as to ensure that the 2°C target is achieved.
- Establish international carbon taxes and more effective carbon trading schemes
- Promote technology transfer related to climate change mitigation and adaptation from developed countries to developing countries
- Promote 'green cities' through the improvement of public transport, promotion of the use of bicycles and the preservation expansion of green areas in urban zones

5.3. Promote measures at international level to ensure environmental sustainability

- Promote the introduction of agreement provisions for resource conservation and environmental protection in international trade agreements at the WTO
- Provide more enforcement power and financing to international and national agencies and projects that promote environmental protection

- Create of a World Environmental Organisation to monitor progress of international protocols and oversee for environmental protection
- Extend the concept of ‘human-well-being’ to the environment, in national and international agreements and policies

6. Development Partnership

6.1. Promote a trading and financial system that allows developing countries to strategically integrate to globalisation through the promotion of country ownership in policy design and implementation, in line with their unique circumstances.

6.2. Address the special needs of the Least Developed Countries. Includes:

- 100 percent tariff- and quota-free access for LDC exports supported with more ODA to expand supply capacities
- Untying bilateral and multilateral ODA and WTO membership to trade liberalisation
- Enhanced program of debt relief for heavily indebted poor countries and cancellation of official bilateral debt
- Ensuring an ODA target of 0.15 - 0.20 percent of donors’ GNI is allocated in LDCs as reconfirmed in the Third United Nations Conference on Least Developed Countries (2001).
- Promote the creation of more coherent international initiatives to promote technology transfers to LDCs

6.3. Address the special needs of landlocked developing countries and small island developing states

6.4. Deal comprehensively with the debt problems of developing countries

6.5. In cooperation with pharmaceutical companies, provide access to affordable essential drugs

6.6. In cooperation with the private sector and the state, make available the benefits of new technologies, especially information, communications and environmental sustainability

7. Conclusion

The question behind this paper was "how to bring a more meaningful and sustainable concept of development to the MDGs?" The purpose was to answer this question with the help of a concrete hypothetical scenario for the post-2015 MDGs that could integrate a new development narrative. This narrative is based on a different understanding of development; and, in contrast to the old MDGs, in this alternative scenario I indicate some strategic elements, such as:

- Adequate macroeconomic policies as an important instrument to foster growth.
- The expansion of high-productivity sectors (industrialisation or non-traditional sector development) as a key to achieve development objectives in most countries.
- Switching the focus from external finance to internal.
- Learning from successful countries and their development process.
- The adoption of tailor-made policies instead of the one-fits-all approach.
- The reduction of income inequality essential to sustainable and inclusive growth.

These general strategies intend to empower developing countries by responding to some of their most common issues and to the most problematic aspects of the current international cooperation architecture.

My final proposal for the 2015 MDGs, presented in an easy-to-visualize list, is a quick snapshot of today's development challenges whose addressees are both developing (emerging countries included) *and* developed countries. The intention is to present a set of MDGs that integrates a broader concept of development – one where humanistic, environmental and economic dimensions are considered – without running into an extremely complex or a one-fits-all plan.

The MDGs should be much more than alleviating extreme poverty and its associated symptoms. The international community needs to reconsider if setting the bar too low is really going to make the world fairer and preserve our planet. In the end, it is in everybody's interest.

Annex

Table 1

MDG 2000 indicators for the period 2000-2015

All indicators should be disaggregated by sex and urban/rural as far as possible. Effective 15 January 2008

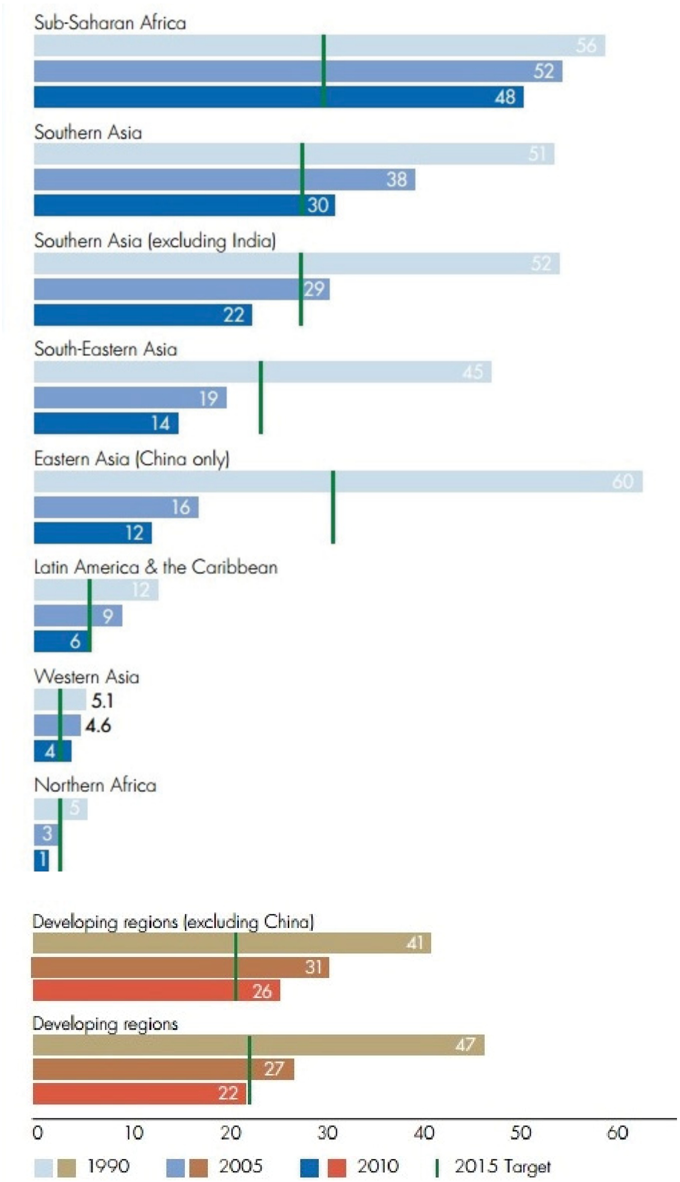
Goals and Targets (from the Millennium Declaration)
Goal 1: Eradicate extreme poverty and hunger
Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
Target 1.B: Achieve full and productive employment and decent work for all, including women and young people
Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Goal 2: Achieve universal primary education
Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
Goal 3: Promote gender equality and empower women
Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
Goal 4: Reduce child mortality
Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
Goal 5: Improve maternal health
Target 5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
Goal 6: Combat HIV/AIDS, malaria and other diseases
Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it
Goal 7: Ensure environmental sustainability
Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss
Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation

Target 7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers
Goal 8: Develop a global partnership for development Target 8.A: 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 Target 8.B: Address the special needs of the least developed countries Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction Target 8.C: Address the special needs of landlocked developing 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) Target 8.D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Source: UN, n.d.

Figure 1

Proportion of people living on less than $1.25 per day, 1990, 2005 and 2010 (Percentage)



* No sufficient country data is available to calculate the aggregate values for Oceania.

Source: UN MDG Report 2013

Figure 2

Relationship between inter-sectoral productivity gaps and income levels, 2005.

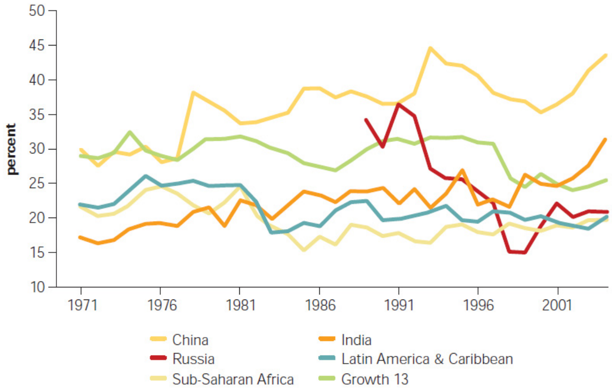
Source: MacMillan and Rodrik, 2011

The coefficient of variation in sectoral labour productivities within countries (vertical axis) is graphed against the log of the countries' average labour productivity (horizontal axis), both in 2005.

In this graph, huge disparities existent in developing countries' sectoral productivity (agriculture vs. mining or manufactures) and are clearly related to the average labour productivity. This indicates that structural change, i.e. moving the whole economic model towards higher labour productivity stimulates convergence with inter-sectoral productivity and is directly related to the level of development. Countries on the left side (low income countries) indicate huge inter-sectoral productivity disparities and low labour productivity (Malawi, an LDC, has the lowest productivity in this 48 country sample). Countries on the right side, with low disparities among sectors and high labour productivity levels, are developed countries: US, Singapore, France, Hong Kong, etc.

Figure 3

Percentage of GDP, Investment Rates, 1971-2004

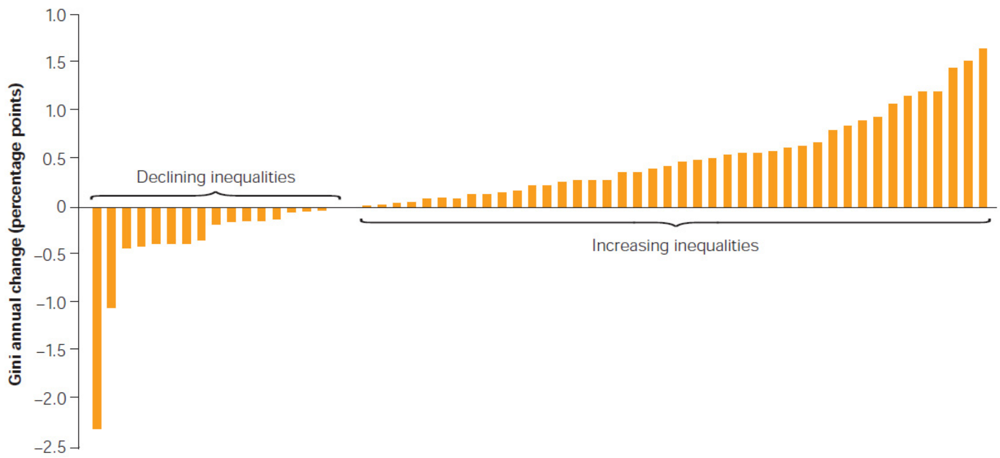


Source: Commission on Growth and Development, 2008 (with World Bank information)

Growth 13 refers to Botswana, Brazil, China, Hong Kong, Indonesia, Japan, Korea, Rep. of Malaysia, Malta, Oman, Singapore, Taiwan and Thailand.

Figure 4

Gini Annual Change in 59 Developing Countries



Source: Commission on Growth and Development, 2008 (with information from the World Bank's World Development Report 2008)

Note: The time period varies depending on the availability of data. Typically it is from late 1980s/early 1990s to later 1990s/early 2000s.

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