

THE ROAD TO ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS

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The Millennium Declaration and the Millennium Development Goals in the work of GTZ and KfW Entwicklungsbank

The Millennium Declaration: International values and goals for the 21st century

By adopting the Millennium Declaration in September 2000, 189 Member States of the United Nations (UN) unanimously agreed on fundamental values that would govern international relations in the 21st century. In the Declaration, the governments emphasise their intention to make the world a more peaceful place, promote development and combat poverty, protect our environment, respect human rights and honour the principles of democracy and good governance. In September 2001, the poverty-related sections of the Millennium Declaration were condensed into eight **Millennium Development Goals (MDGs)** to reduce poverty, specifying targets and indicators.

This was the first time the international community had found such a broad consensus in formulating joint development goals and agreeing to cooperate in a spirit of partnership. A clear framework of reference was thus established for development cooperation (DC). From now on, progress, successes and failures in the partner countries and the contributions made by bilateral and multilateral donors will be judged by the extent to which they help achieve the MDGs.

MDGs are changing international cooperation

The Millennium Declaration and the MDGs have now begun to change international relations. There is an increasing awareness that the governments of all signatories to the Millennium Declaration – both developing countries and donors – are responsible for making sustainable poverty reduction work. The MDGs were given an additional boost in the form of the UN Millennium Project's plan of action, known as the Sachs Report, which was published in January 2005, the report of the Secretary-General of the UN (*In Larger Freedom: Towards Development, Security and Human Rights for All*) and the *Global Coalition on Africa* report of March 2005. These documents emphasise the responsibility of developing countries for implementing good governance and national Poverty Reduction Strategies in line with the MDGs, while demanding long-term, pro-poor support for partner countries in the form of 'more and better' DC.

Donor countries must review their activities in all policy fields and ensure that their impact on the MDGs is consistent. DC is thus increasingly becoming an important political issue. At the same time, international cooperation programmes and concepts must be aligned with partners' national Poverty Reduction Strategies to ensure that their

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successful implementation helps achieve the MDGs as effectively as possible. In addition, greater efficiency can be achieved by **coordinating the contributions made by bilateral and multilateral donors**. Stand-alone projects should be better coordinated with those of other donors, with the entire donor community taking responsibility for integrating them into a network by means of programme orientation and joint financing.

The MDG framework presents new challenges for German and international cooperation. The Sachs Report calls, among other things, for a shift in emphasis in international DC. Investments in the rural infrastructure (transport, agriculture, irrigation and energy) are to form the basis for broad-based growth and for eradicating rural poverty. The private sector, a key factor in reducing income poverty (MDG 1) and reaching MDGs related to social and environmental dimensions (MDG 2 to 7), must be involved far more than before. There are calls for a new 'green revolution' and for investments in the economic infrastructure in Africa. Worldwide, increased support must be given to urban growth areas with a high intake of poor migrants. Health programmes must concentrate more on combating child and maternal mortality and the spread of HIV/AIDS and other communicable diseases. Education programmes need to focus more heavily on promoting secondary schooling for girls. Emergent countries, with their 'pockets of poverty', are also relevant to reaching the MDGs.

The Millennium Declaration and the MDGs provide orientation for GTZ and KfW Entwicklungsbank

The German Government has integrated the Millennium Declaration with its multidimensional system of targets and the MDGs into its Programme of Action 2015 for German development cooperation.

Areas of activity for German DC identified by the Programme of Action 2015 are: securing peace, combating poverty and shaping globalisation. The Programme stresses that poverty reduction is a cross-sectoral task for all policy areas and the overarching goal of German DC. Based on the principle of sustainable development, all DC measures must ultimately help reduce poverty in a broad, multidimensional sense.

THE MILLENNIUM DEVELOPMENT GOALS

1. Eradicate extreme poverty and hunger

- Reduce by half the proportion of people living on less than a dollar a day
- Reduce by half the proportion of people who suffer from hunger

2. Achieve universal primary education

- Ensure that all boys and girls complete a full course of primary schooling

3. Promote gender equality and empower women

- Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

4. Reduce child mortality

- Reduce by two thirds the mortality rate among children under five

5. Improve maternal health

- Reduce by three quarters the maternal mortality ratio

6. Combat HIV/AIDS, malaria and other diseases

- Halt and begin to reverse the spread of HIV/AIDS
- Halt and begin to reverse the incidence of malaria and other major diseases

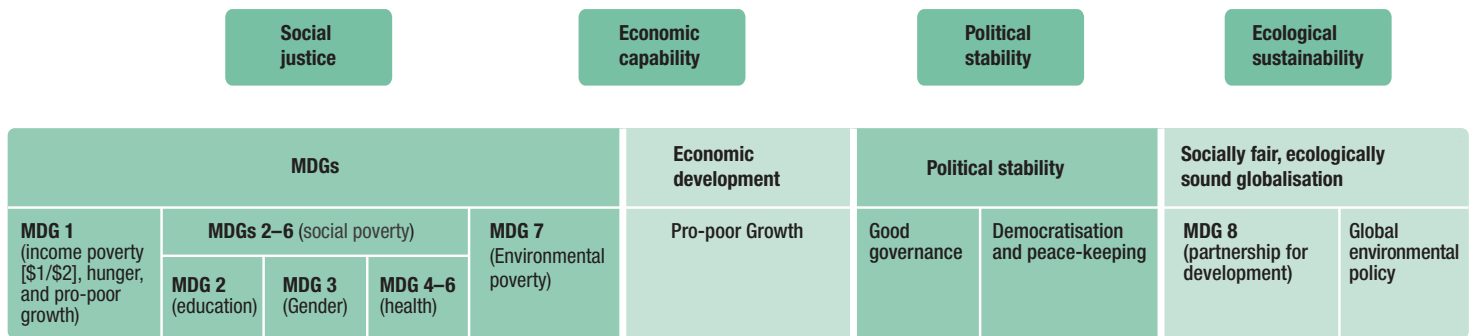
7. Ensure environmental sustainability

- Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources
- Reduce by half the proportion of people without sustainable access to safe drinking water
- Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020

8. Develop a global partnership for development

- Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction – nationally and internationally
- Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction
- Address the special needs of landlocked and small island developing States
- Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term
- In cooperation with the developing countries, develop decent and productive work for youth
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
- In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies

Four-dimensional system of targets



GTZ and KfW Entwicklungsbank take their cue from the framework provided by the Federal Ministry for Economic Cooperation and Development (BMZ) to pursue an approach to DC based on a multidimensional perception of poverty. In particular, investments in better policy-making structures in the partner countries and the targeted promotion of economic and social infrastructures relevant to the MDGs are of crucial significance. Peace, good governance, a regulatory framework aligned with the principles of a social market economy and global environmental policies are indispensable if the MDGs are to be achieved on a lasting basis. In many cases, however, changes to frameworks and structures will require support in the form of complementary approaches. There is a conviction that certain MDGs may be able to be achieved more effectively and in a more sustainable manner if they are approached indirectly by addressing structural causes rather than solely through targeted support to the sectors in question. To achieve a sustainable reduction in maternal mortality (MDG 5), for instance, it is not enough to develop better-quality medical care. Improved access to hospitals and health centres through better transport networks, more extensive education for girls and a strengthening of women's social role and participation are major structural changes that will have to be made in order to reach MDG 5.

Understanding the causes of poverty more clearly

Before targeted investments can be made, the causes of poverty must be analysed and strategies developed to overcome them. While this is the task of the governments in the partner countries, in many cases it presents their institutions with a major challenge. GTZ and KfW Entwicklungsbank therefore support their partner countries in a variety of ways in analysing the main causes of poverty and assessing the anticipated results. This is done, among other things, by means of regular sector dialogue and long-term support in the form of programmes, and by advising policymakers and developing capacity in state and non-government institutions.

Need for innovative development financing

The call for 'more development cooperation', i.e. more DC funding, brings the question of financing into stronger focus. KfW Entwicklungsbank has highlighted the significance of new forms of financing and is involved in developing new, innovative international financing instruments. By extending its range of promotion instruments, KfW Entwicklungsbank is also making a key contribution towards increasing the volume of financial resources for partner countries. In 2004, for instance, the German DC budgets was supplemented by 30 per cent through KfW Entwicklungsbank's promotional credit facilities and innovative financing tools.

Capacity development – vital for reaching the MDGs

Successful capacity development in the partner countries is crucial for achieving the MDGs. The main condition is an improvement in the legal and administrative framework and stronger democratic institutions geared towards the rule of law and the market economy. This is the only way to allow individuals, organisations and societies to deploy their resources effectively and efficiently. Through capacity development, GTZ supports its partner countries in developing targeted, participatory poverty reduction strategies and implementing them successfully. This requires effective support for public institutions, civil society and the private sector, whose constructive cooperation is key to sustainable, pro-poor development and the achievement of the MDGs.

Measuring results

The MDGs targets and indicators are set out in such a way that success can be measured, not least in the interest of maintaining the credibility of DC. The structural, long-term approach taken by GTZ and KfW Entwicklungsbank hence requires them to gear their programmes and projects even more effectively towards the MDGs and, in the interest of greater efficiency and effectiveness, to strive for even closer coordination between their activities and those of other

donors. Health projects, for example, should be examined in terms of how they actually help achieve relate to the MDGs, i. e. whether they contribute to reducing maternal and child mortality and/or HIV/AIDS or merely serve to provide better care to (wealthy) people or provide services that do not benefit the poor. Particularly where structural reforms are promoted, e.g. in the field of tax legislation or economic policy, their impact on poverty must be minutely analysed and any negative implications for the poor eliminated. As a result, GTZ and KfW Entwicklungsbank consistently review and adapt their processes, approaches and instruments for planning, monitoring and evaluation to be more MDG relevant. Poverty impact and target group analyses and a description of the intended results, for instance, are fixed components in the preparation of KfW Entwicklungsbank investment programmes and GTZ projects.

Demonstrating successful development

A list of intended results is not enough. There has to be tangible proof of successful development. The MDGs and their targets and indicators have thus been defined such that the partner countries can measure the extent to which poverty, in its various dimensions, has actually been reduced. It is no longer enough to provide a general description of the intended objectives of a given project or programme.

The measures and instruments have to be designed in such a way that the MDGs' intended results can be verified and made plausible. When developing projects, GTZ and KfW Entwicklungsbank therefore place great importance on results-based monitoring and are continually improving their results analyses.

In the interest of greater consistency, GTZ and KfW Entwicklungsbank have developed new approaches towards coordinating the instruments they use, helping German contributions achieve better results for the MDGs. Improved cooperation, programme building and joint financing with other national and international donors also help create a broad-based impact and achieve the MDGs more effectively.



Rising to the challenge

GTZ and KfW Entwicklungsbank are ready to take on these new challenges and to help reach the ambitious goals that the international community has set itself in the form of the Millennium Declaration and Millennium Development Goals. Moving closer to the MDGs needs further public support. This requires more effective DC, two examples of which are given in the following.



Microfinance reduces poverty

It was no coincidence that 2005, the year the signatories to the Millennium Declaration will be conducting an interim review of achievements to date, was also declared the Year of Microfinance by the UN. The reason is simple. Today, the institutional strengthening of banks serving poor and disadvantaged people in developing countries is perceived as an effective way to combat poverty. In regions where the poor have no access to financial services, they depend on informal lenders, who frequently charge high, double-digit interest rates. As a result, borrowers can easily find themselves in a debt crisis.

Microfinance services help improve poor people's income situation (MDG 1). Families with higher, more stable incomes can better invest in their children's basic and vocational education (MDG 2) and gain access to health care services (MDGs 4-6). As women are the main beneficiaries of microfinance services, these services also help to empower women and establish gender equality (MDG 3).

Since the 1990s, GTZ and KfW Entwicklungsbank have achieved major successes in developing and strengthening financial systems and structures for small and micro businesses. The microfinance sector has traditionally been one of the main emphases of KfW Entwicklungsbank activities in developing countries.

India is a good example. In 1996, the country's rural central bank, the National Bank of Agriculture and Rural Development (NABARD), embarked on a new programme to improve the limited access to financial services by poor rural population groups. Its national Linkage Banking Project aimed to link up at least one million self-help groups with the formal banking sector. A total of 20 million poor rural families were to receive access to financial services. While India has a well-developed network of more than 140,000 formal

bank branches, the majority of the rural poor still had no access to financial services. The concept received strong input from GTZ. Additional partners are the Swiss Agency for Development and Cooperation and the International Fund for Agricultural Development. At the beginning of 2005, more than 1.5 million self-help groups had been linked up to the bank, and over 20 million poor families – 100 million people in total – had already accessed sustainable financial services. Further national institutions and international donor organisations have now been integrated and networked into this successful model, allowing it to create an even broader impact. Within this framework the strategic alliance with KfW Entwicklungsbank and the Asian Development Bank will be deepened.

ProCredit is another example: For years, KfW Entwicklungsbank has given strong support to ProCredit Holding, under whose umbrella 19 microfinance institutions (in 2004) worldwide have been working successfully in Eastern Europe, Asia and Latin America. With 5,700 employees, the 19 institutions run 275 branches and serve around 650,000 customers, almost 400,000 of whom are borrowers. More than 1 million jobs were created or secured as a result. Almost all ProCredit banks were profitable in 2004, generally reaching their break-even point after three to four years. In the context of the MDGs, more attention will have to be paid to ensuring that the savings and insurance products on offer are better tailored to the needs of the target group – the poor. This can be done at product level or indirectly, for example by ensuring that loans to small and micro enterprises have a positive impact on employment.

Impacts of the programme »Linkage Banking«

MDG	MDG 1 Reducing income poverty and hunger	MDG 2 Improved access to education	MDG 3 Gender equality	MDGs 4–6 Improved health care
Development policy goals	<ul style="list-style-type: none"> • 5 million families have incomes that take them above the poverty line • Families increase their incomes by 30% • Families spend 20% more on food 	<ul style="list-style-type: none"> • Families spend 50% more on education 	<ul style="list-style-type: none"> • 74% of women assess themselves of having a more prominent role in taking decisions for the family 	<ul style="list-style-type: none"> • Families spend 40% more on health
Impacts	<ul style="list-style-type: none"> • 24 million families have access to financial services • 90% of the members of self-help groups are women 			
Outcomes	<ul style="list-style-type: none"> • 1.6 million self-help groups are clients of the banks • 95% of the loans are fully repaid 			
Use of outputs	<ul style="list-style-type: none"> • 560 banks with 35,000 branches offer financial services (loans, savings and insurance products) to the rural population 			
Outputs	<ul style="list-style-type: none"> • Strategy and process advice on programme implementation • Refinancing of credit lines for financial intermediaries in rural areas • Development of innovative financial products and technologies • Establishment of a management information system • Training and upgrading measures 			
Partners	NABARD, GTZ, International Fund for Agricultural Development, Swiss Agency for Development and Cooperation KfW Entwicklungsbank and Asian Development Bank (in preparation)			

Water, an indispensable source of life

Water is food, a commodity and a production factor all in one. It enables farming and, in the form of safe drinking water, is indispensable to health. However, water is not available everywhere in sufficient quantity and quality.

A total of 1.2 billion people have no access to safe drinking water, while 2.6 billion are not connected to a basic sanitary system.

The scarcer water is, the greater the threat of conflict over access becomes.

With water being of such crucial importance, the reduction by half of the proportion of people without sustainable access to safe drinking water was included in the MDGs. Since the World Summit in Johannesburg (2002), the proportion of people without access to basic sanitary facilities is also to be halved by 2015. An improved supply of drinking water and better wastewater disposal also improve people's health situation (MDGs 4–6) and provide other employment opportunities specifically for women and girls, who frequently spend hours carrying water from the pumps.

Irrigation is particularly important for the rural poor as it creates income and enables food production (MDG 1). Integrated water management can help prevent soil salination and erosion and reduce the pollution of groundwater with pesticides (MDG 7, resource conservation).

In Zambia, GTZ and KfW Entwicklungsbank have been helping to reform the water sector and invest in local distribution points, since 1994: in the form of handpumps for the rural poor, and so-called water kiosks in urban slums. The reform is being promoted as part of the World Bank and EU Water Initiative and is also supported by other partners and donors.

It focuses on regulating, decentralising and professionalising supply services. Greater financial sustainability in the water sector, coupled with more balanced rates and conditions, will help the poor gain access to water at stable, affordable rates.

Ten new utility companies have now taken over and in some cases restored ramshackle facilities. Decisions in the water sector are no longer dominated by large-scale users. Instead, the new, independent regulatory authority NWASCO has given the poor population a voice and a strong lobby. Water Watch Groups arbitrate in disputes between consumers and utilities. The dedicated Devolution Trust Fund (DTF) provides investments to allow poor and extremely poor users low-cost access to water. As a result of the 80 urban water kiosks set up in two provinces supported by GTZ and KfW Entwicklungsbank, more than 100,000 slum residents now have reliable access to water.

The advantages of commercialising the water supply do not, however, automatically benefit the poor. The pro-poor aspect must be given high priority even at the planning and implementation stage of reforms. This crucially requires political backing at top level in order to ensure that the reform process is kept steadily on track during implementation. In an urban context, special attention must be paid to the peripheries and slums where the poor live. Strong, autonomous regulation and specific pro-poor instruments such as the DTF are required in order to close the gap, including a dedicated information system tailored to the water problem that is user friendly and easy to maintain in the long term.

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