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FORMULATING A STRATEGIC APPROACH TO POVERTY REDUCTION:

FROM A GLOBAL FRAMEWORK TO AN INDONESIAN AGENDA

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Jakarta, July 2002

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1. Introduction: setting the context

A renewed commitment to poverty reduction: the Global Agenda

There is widespread realisation in the international community that, despite a good deal of progress in the past, the incidence of poverty is conspicuously prevalent. While the absolute numbers of the world's poor lying below an international poverty line have barely shifted,[1] the changes in the relative incidence of global poverty have largely been driven by progress in China and India.[2] Indeed, some practitioners have proclaimed, rather provocatively, that for the average developing economy, the 1980s and 1990s represent the 'lost decades'.[3] Apparently, median per capita growth of the developing countries has declined from 2.5 per cent between 1970 and 1978 to virtually zero since then. Others have suggested that, in terms of such basic health and education indicators, the rate of progress for the average developing economy has been slower in the 1980s and 1990s than in the 1960s and 1970s.[4] Some studies have noted that inequality in world income distribution has gone up sharply since 1978.[5]

It is thus appropriate that these admittedly contentious findings have coincided with the re-engagement by the international community with 'international development goals', first brought together in1996 in an OECD publication.[6] External assistance agencies have re-focussed attention on such noble declarations as halving extreme income poverty in the developing world by 2015, using 1990 as the

[1] Kanbur (2001). The international poverty line refers to the World Bank's widely noted US$ 1 a day as an internationally comparable norm.
[2] Rodrik (2001)
[3] See Easterly (2001a).
[4] Weisbrot et al (2001).
[5] Milanovic (2002)
[6] See OECD (1996), a document that sought to consolidate a series of declarations on development goals in various UN summits.

benchmark.[7] They are now enshrined as 'Millenium Development Goals' (MDGs) and re-affirmed in the 'Monterrey Consensus'.[8] At the same time, recent papers presented to the Executive Boards of the Bretton Woods institutions have strongly argued for an enhanced poverty reduction framework in low-income countries and the associated notion of 'poverty reduction strategy papers' (PRSPs).[9]

The adoption of the MDGs and the PRSPs seems to be occurring in a changed international environment. The global economy remains subdued, still struggling to disengage from the stupor imposed by the growth slow-down of 2001. The September 11 terrorist attack of last year on the United States and the unresolved Middle East crisis have created an age of uncertainty in international relations. In the domain of development assistance, 'aid dollars' are likely to be scarce rather than plentiful.[10] The renewed commitment to reduce global poverty and its correlates have been juxtaposed with a low degree of tolerance among international donors for lax policies. At the same time, there appears to be growing concerns that current institutional arrangements that underpin global economic governance suffer from perceptions of impaired legitimacy.[11]

These global developments have coincided with an intellectual metamorphosis in the way that poverty is conceptualised. Innovations in poverty measurement and analysis have suggested disenchantment with simple notions of poverty – insufficient income to acquire the basic necessities of life – and a growing recognition of its multidimensionality. It is increasingly being couched in terms of *deficient capabilities* (lack of basic education, adequate health, nutrition etc), *vulnerability* (the risk that people can move in and out of poverty) and *powerlessness* (the notion that the poor feel helpless and unable to influence the institutional, social and political circumstances that

[7] The others pertain to malnutrition, infant mortality, maternal mortality and improvements in reproductive health.
[8] This refers to the *UN Conference on Financing for Development* held in the Mexican City of Monterrey in March 2002 which re-affirmed the UN Millenium Goal for halving global poverty by 2015.
[9] These papers can be found in www.worldbank.org/poverty/strategies.htm and www.imf.org/external/np/pdr/prsp/poverty2.htm. For a critique of the PRSPs, see Easterly (2002a).
[10] Stern (2002:34) observes: 'Official (aid) flows to developing countries fell sharply during the 1990s, even as developing country policies were improving and the returns to aid were therefore rising'. Elsewhere (Stern, 2002:32) he warns that developing countries would have to contend with 'increased competition in the market for official development assistance, where both multilateral and bilateral donors are increasingly focusing their resources on countries that are making the reforms necessary for poverty reduction. Slow reformers risk being left out'.
[11] Stiglitz (2002) offers a robust critique of the current institutional arrangements underpinning global economic governance.

affect their daily lives and their future).[12] It is in such a changed global and intellectual context that one needs to appreciate the renewed quest to design and develop appropriate and effective strategies at the national level for reducing poverty.

A renewed commitment to poverty reduction: The Indonesian agenda

Not too long ago Indonesia was heralded as a rare exemplar of a low-income economy that has managed, over the space of two decades, to reduce mass poverty significantly. In the 1970s, this was attributed to rapid growth and the judicious use of revenues derived from Indonesia's oil wealth to fund public infrastructure, especially in agricultural and rural sectors. Such an activist policy eventually fuelled demand for unskilled workers in agriculture and construction-related activities and had a positive impact on real wages. In the mid-1980s, sustained poverty reduction was seen as the product of broad-based employment growth fuelled by the implementation of a trade liberalisation-cum-deregulation reform agenda.

Certainly, the available poverty statistics and pertinent social indicators pointed in the direction of a country that, under the tutelage of the authoritarian Suharto regime, delivered both political stability and sustained prosperity shared by many. Not surprisingly, these achievements bred a sense of complacency on the battle against poverty. It was felt that the latter – as a generic phenomenon – was largely tamed. The government needed to focus on pockets of poverty that marked the archipelagic terrain of Indonesia.[13]

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[12] For a comprehensive statement on the changing views on global poverty, see World Bank (2000), World Development Report, 2000/2001. See Kanbur and Squire (2001) who trace the evolution of thinking on poverty. The notion of poverty as 'capability deprivation' has been forcefully argued by Sen (1999) and is one of the core planks of the UNDP's global reports on human development. UNDP has also made the point that capability deprivation is equivalent to deprivation of human rights. See, for example, UNDP (2000). The notion of powerlessness is a key feature of a landmark 'voices of the poor' study drawn from the responses of a large sample of poor individuals and households spread across a large number of countries in the developing world. See Narayan et al (2000). For a critique of the broadening of the notion of poverty, see McCawley (2000).

[13] Breman (1999) offers a critique of the way poverty statistics were used in Indonesia under the Suharto regime. This, does not, however, undermine the genuine progress against poverty that was made in the high-growth era prior to the 1997 financial crisis.

The 1997 financial crisis and its aftermath have shaken – perhaps forever- the sense of optimism that characterised the Suharto era. It is widely recognised that Indonesia was the worst hit country in the tragic episode of the 1997 Asian crisis. After an initial bout of robust debate on how badly (or mildly) the poor were affected by the terrible recession of 1998 that followed the financial crisis, a consensus seems to have emerged that poverty shot up for a period, but the worst seems to be over.[14]

Under normal circumstances, such a finding would have inspired cautious optimism. Instead, several developments have overshadowed the onset of even cautious optimism. Based on the currently fashionable notion of multiple forms of deprivation, findings in the Indonesian context have emerged that suggest that the magnitude of poverty is much more widespread than was initially thought. At least one study claims that as much as 50 per cent of Indonesians are 'poor' based on the notion of vulnerability (vis-à-vis a little over 20 per cent based on conventional definitions of poverty), while others suggest that at least a third of Indonesians are vulnerable to a transient episode of poverty.[15] Another study has noted that the incidence of capability deprivation was more than twice the rate of poverty (as conventionally defined using consumption expenditure data) that was officially recognised to have prevailed in the Suharto era.[16] If one applies an international poverty line that reflects the living standards of a middle-income country, then it appears that approximately 60 per cent of Indonesians would be counted as poor today.[17] Survey data also suggest that about 87 per cent of those who are in the bottom quintile of households (in terms of expenditure distribution) do not have the incentive or the capacity to participate in political and civic activities.[18]

Moving beyond poverty numbers, there are major concerns about personal security among ordinary Indonesians that in turn reflect underlying concerns about lack of voice and representation of the poor. There is tentative evidence that the incidence of

[14] For a thorough review of this debate, see UNSFIR (1999). See also Booth (1999, 2000).
[15] The literature on vulnerability in Indonesia is reviewed in Islam (2000a, 2000b).
[16] See Dhanani and Islam (2002).
[17] This is the US$ 2-a-day poverty line used by the World Bank, that is, the incidence of poverty is measured in terms of the number of people (relative to the population) who cannot earn even US$2 a day (expressed in terms of purchasing power parity:PPP). See Islam (2000b) for a more detailed exposition of the evidence.
[18] As reported in World Bank (2001a, table 4, p.9).

social violence has gone up in recent years.[19] Although highly localized,[20] such violence imposes considerable negative externalities by denting the confidence of investors (both domestic and foreign) and by contributing to the growing vulnerability of Indonesians – an important facet of poverty. For example, there are now approximately 1.3 million internally displaced persons spread across 21 provinces, largely victims of highly location-specific communal violence.[21]

Such sombre findings are emerging precisely at a time of dwindling fiscal resources and political uncertainties.[22] To compound these challenges, Indonesia has embarked on what one author has aptly called a 'systemic transition'. It is engaged in the quest for democratic consolidation; it has embraced decentralised governance after decades of highly centralised rule; it is struggling to implement a broad-based economic and institutional reform agenda intended to transform 'crony' capitalism to a rule-based market economy.[23]

Systemic transitions are always difficult to manage and have direct implications for poverty reduction strategies. They carry the risk that the nature and implications of a transition will be misunderstood as merely cyclical deviation from a smooth growth-path rather than a historical discontinuity. This in turn may well sow the seeds of mismanaging a transition that triggers debilitating path dependence (that is, past policy mistakes constrain current and future policy choices). As a result, a society undergoing systemic transition may suffer reversals along economic, social and political dimensions. New democracies may revert to 'pseudo-democracies' or even authoritarian regimes; there may be prolonged periods of slow growth or even downright stagnation; the social benefits gained from sustained reductions in mass poverty might be dissipated as national stakeholders find themselves locked in unresolved distributional conflicts. The unfortunate phenomena of rising poverty and inequality in Russia and a swathe of post-Communist societies in East Europe as they

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[19] Tajoeddin (2002).

[20] Varshney (2002) notes that highly location -specific communal violence is also a conspicuous feature in other countries, such as India .

[21] These figures were kindly supplied to the author by Puguh Irawan, UNSFIR and BPS.

[22] Growth in 2001 is now expected to be below 3.5 per cent after being close to 5 per cent in 2000. The central government budget deficit is expected to increase to 6.0 pe r cent of GDP in the absence of counterveiling measures. See World Bank (200b1: 4 -6).

[23] See Mishra (2001).

embarked on the rocky road to a democratic polity and a market economy suggest how easily transitions can be mismanaged.[24]

Faced with such harsh realities, impending challenges and the global agenda on poverty reduction, it is apt that Indonesian policy makers are re-engaged in the quest to develop a deeper appreciation of the sources of the manifold manifestations of poverty and articulate a shared vision of a national strategy that could lift the many millions who are poor today – and those who are likely to become poor tomorrow – towards a reasonably secure and prosperous future. For example, the Indonesian government presented a draft PRSP in the October 2000 Consultative Group Meeting in Tokyo.[25] This was followed by a poverty reduction strategy paper in October 2001 under a Poverty Commission that drew on public consultations, while the National Development Planning Agency (BAPPENAS) has produced yet another poverty reduction strategy paper by drawing on consultations with regional governments and stakeholders.[26] No clear directions have yet emerged on what the final shape of the PRSP is likely to be, but there is a now a Ministerial National Committee on Poverty Reduction that is expected to pursue the issue with renewed vigour.

The paper argues that a salient aspect of the rethinking on poverty in post-Suharto Indonesia should entail a greater appreciation of the current global framework on poverty reduction and how best to engage with that framework. There are indications that the international development community will increasingly use the notion of multiple dimensions of poverty and the MDGs as a means of monitoring progress in poverty reduction both at the global and national levels. This in turn might well guide the allocation of scarce development assistance. On the other hand, the MDGs represent a guide only and it would be counter-productive to mechanically replicate them at the national level. Furthermore, some issues, such as inequality and the regional diversity that exist within nation-states, have received insufficient attention in the MDGs, while others, such as enunciating a global partnership on development cooperation, have hardly been resolved. The need for the resolution of a number of issues within the framework of the MDGs as well as local adaptations to reflect

[24] Contrast this with a relatively smooth transition to a market economy in China. See Stiglitz (2002).
[25] BAPPENAS (2000).
[26] BKPK (2001) and BAPPENAS (2002). See also BAPPENAS (2001)

country-specific circumstances create crucial opportunities for Indonesia to play a more active role in shaping the evolving global agenda on poverty reduction.

2. Revisiting the global framework on poverty reduction

The global framework of poverty reduction draws on the MDGs as well as the current notion of the multidimensionality of poverty. The MDGs, as is by now well known, reflect a mission statement by the international community on a renewed commitment to reduce global poverty. It was endorsed by nearly 150 Heads of states at the UN's Millenium Summit in September 2000 and represents a continuation of international development goals that were consolidated by the OECD in 1996. These goals pertain to

- Eradicating extreme poverty and hunger
- Achieving universal primary education
- Promoting gender equality and empowering women
- Reducing child mortality
- Improving maternal health
- Combating HIV/AIDS, malaria and other diseases
- Ensuring environmental sustainability
- Inculcating a global partnership for development cooperation.

These goals were then translated into specific targets. The key ones pertaining to poverty reduction are:

1. Halve, between 1990 and 2015, the proportion of people who live on less than a dollar a day
2. Halve, over the same period, the proportion of people suffering from hunger
3. Ensure that boys and girls everywhere complete a full course of primary education
4. Eliminate gender disparity in primary education and secondary education by 2005 and at all levels by 2015
5. Reduce, by two-thirds, by 2015 the under-five mortality rate
6. Reduce, by three-quarters, the maternal mortality rate

7. Halve, by 2015, the proportion of people without access to safe drinking water as part of the goal of achieving environmental sustainability.

The full list of targets (18) and indicators (48) are shown in appendix 1 of this paper.[27]

The MDGs and the multidimensionality of poverty

The MDGs, however, do not have clearly specified targets on all the dimensions of poverty. In particular, no specific global goals and indicators have been developed for vulnerability – other than in the case of urban slum dwellers (see appendix 1). The expectation is that sustained reductions in various forms of deprivation will be highly correlated with sustained reductions in vulnerability. These are certainly very plausible expectations, but one should take note of the fact that studies in some countries reveal that the incidence of vulnerability is significantly higher than current poverty and the former can worsen more sharply than the latter in response to systemic shocks. For example, in Indonesia, vulnerability was estimated to be at least 1.5 times higher than current consumption poverty, despite decades of very rapid growth in the pre-crisis period. As noted too, for the post-crisis period, some studies suggest that between 30 to 50 per cent of Indonesians are now vulnerable to the risk of falling into poverty, even though such an episode may be transient.[28]

What about the MDGs and their relationship to the lack of voice and representation of the poor that have been identified in the literature? Currently, global and country-specific studies that have been undertaken rely heavily on methodologies that are highly qualitative – and even ethnographic – in nature. These methodologies do not, as yet, yield readily monitorable targets. Is this necessarily a problem?

One could argue that a formal commitment by national governments to poverty reduction targets over a given time-frame in developing countries is really an act of ensuring that the voices and concerns of the poor are reflected in formal policy-making

[27] The author is grateful to Dr Abusar Asra of the ADB, Manila in granting the author access to the matrix presented in appendix 1.

processes. In addition, one could use evolving cross-country indicators of democratic processes as a proxy for voice and representation of the poor.[29] This is based on the logic that the provision of voice and representation through democratic processes has the character of a 'public good': once it is provided to all, it is also provided to the poor. On the other hand, it is possible to argue that while democratic processes are 'non-rival' (the right to vote in national elections, for example, are available to rich and poor alike) in principle, the property of 'non-exclusion' (that is, nobody can be excluded from the right to vote), can be easily violated in practice. The poor may be, and are, excluded from effective participation in political processes. Thus, while cross-country indicators of voice and representation might be used to act as a proxy for the powerlessness of the poor, they are, at best, imperfect proxies.

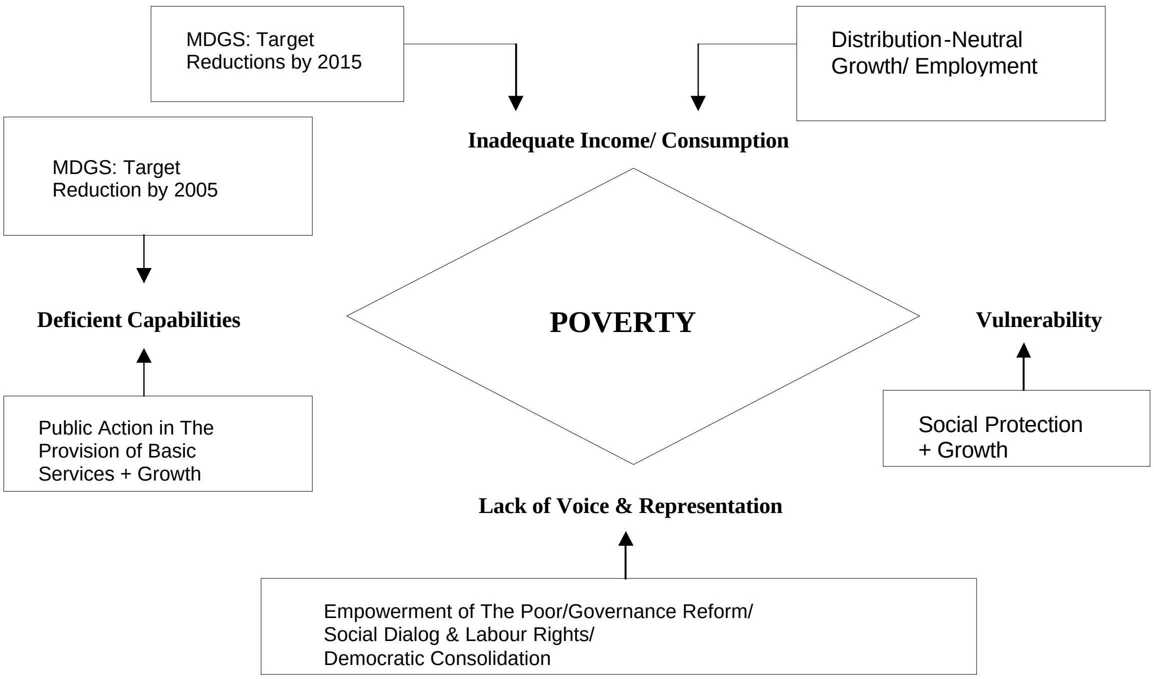
The MDGs and the multiple attributes of poverty: from goals to policy instruments

The MDGs do not directly link the goals and targets to specific policy instruments or even broad policy paradigms (such as the nature and quality of growth, governance reform etc). It is, however, possible to link particular dimensions of poverty to broad policy paradigms. Figure 2.1 suggests how this can be done. It draws on the principle that multiple goals require multiple policy instruments, with each goal assigned to instruments that are most effective in dealing with those goals. Thus, for example, when the goal is boosting the purchasing power of the poor as means of reducing the incidence of those with inadequate income/consumption, then an emphasis on growth and employment creation as an organising principle of policy intervention is entirely appropriate. If, on the other hand, the goal is the reduction of vulnerability, then growth and employment creation, while necessary, will not be sufficient. It will require additional interventions in the form of social protection initiatives (such as unemployment insurance, public works schemes, microfinance etc) as well as humanitarian assistance and rehabilitation efforts, in cases where internal conflicts trigger large, but involuntary, movements of people (or IDPs) and compound other forms of vulnerability. These initiatives in turn will have to be mixed with political skills of conflict resolution.

[28] As noted, these studies are reviewed in Islam (2002a, 2002b).

Figure 2.1

The Global Framework of Poverty Reduction :
A Proposed Interpretation



Note:

MDGS = Millennium Development Goals

The issue of matching the various attributes of poverty to appropriate policy initiatives can also be illustrated in other ways. For example, boosting the income of the poor through the 'trickle-down' mechanism of growth may not ensure that capability deprivation (poor health, adequate nutrition, basic education, safe water supply, adequate shelter) as a form of poverty will be ameliorated. This may well require determined public action in the provision of basic services as well as providing incentives to ensure that private resources are directed to the nurturing of basic capabilities.[30] Indeed, this issue is regarded by some as so critical that the achievements of such goals as a well-nourished and literate population are seen as ends in themselves

[29] See UNDP (2002).
[30] A well-known example is the tying of benefits, say subsidised food or cash payment to poor families, to sending children to school).

and equivalent to the fulfillment of basic human rights.[31] It is perhaps not surprising that the key goals and targets in the MDGs focus on non-income attributes of poverty.

Finally, the notion that the poor lack voice and representation in the political process cannot really be handled within the domain of economic growth alone. An emphasis on this attribute of poverty yields a complex array of policy proposals, such as empowerment of the poor, social dialogue and labour rights, reform of governance and democratic consolidation. All these issues are, of course, part of the agenda of policy and institutional reform in Indonesia and elsewhere.

The MDGs and current concerns about inequality

The MDGs do not focus explicitly on inequality, despite the fact that the issue is now 'back on the (development) agenda'.[32] The development goals are couched in terms of absolute poverty, rather than embedding them in notions of the relative distribution of income and assets. As is by now well-known, the ability of countries to reduce absolute poverty is conditioned by prevailing degrees of inequality and how it behaves over time. For example, while growth benefits the poor through the 'trickle-down' mechanism, this gets significantly impaired if inequality is either high or rises over time. Not surprisingly, attention has been drawn to the fact that the target reductions in income poverty that are currently enshrined in the MDGs will be much easier to achieve if inequality is at least contained or, even better, reduced.[33] Others have suggested that, in some cases, a 1 per cent reduction in observed inequality is equivalent to a 4 per cent increase in the growth rate required to reduce income poverty.[34] Appendix 2 of this paper demonstrates the relationship between average income, poverty and inequality using cross-country data. As can be seen, while raising average income will reduce absolute income poverty, this will be negated by increases in inequality.

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[31] This is a core element of the 'right to development' literature. See Stalker and Mishra (2001).

[32] Kanbur and Lustig (1999). There is now a voluminous literature on inequality and development. For a flavour of the recent research, see Alesina and Rodrik (1994), Jentsch (2000), Kakwani (2001), McKinley (2000), Easterly (2001), Thorbecke and…(2002). A perceptive summary is offered in McKinley (2001).

[33] Hanmer and Naschold (2000).

[34] Kakwani (2001)

Ascribing a key role to inequality in the attainment of the MDGs is particularly important in the case of countries undergoing a systemic transition, such as Indonesia. Countries experiencing social, economic and political transformation often have to resolve latent and explicit distributional conflicts between regions, between socio-economic groups within regions as well as between domestic and foreign constituencies. These conflicts can arouse emotions and passions that are often expressed in vague notions of fairness and justice. Thus, the capacity of national authorities to craft a poverty reduction strategy in such circumstances is crucially conditioned by the manner in which distributional conflicts are mediated.

The MDGs and regional diversity within nation-states

The MDGs, as is well known, are formulated to be applied at the national level and thus abstract from the geographical diversity of a country. In other words, there is an implicit assumption that if the MDGs are attained at the national level, they are also attained at the regional level within nation-states. Such a presumption may not be tenable for such a large and diverse country as Indonesia.[35] As will be suggested at a later stage in this paper, aligning the MDGs to reflect the regional diversity that inevitably reside within nation-states can make an important contribution: it can act as a unifying vision for a country, such as Indonesia, that is currently engaged in sustaining an ambitious and complex agenda of regional decentralisation.

The MDGs and development cooperation

Perhaps the issue that will require a great deal of collective good will and intellectual energy of the international community to implement the MDGs pertains to the goal of crafting a global partnership on development cooperation (or goal number 8 of the MDGs). As appendix 1 of this paper shows, there are a number of targets and indicators that are germane to this goal. They encompass the need for

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[35] Indeed, such a presumption may not be tenable even for geographically compact and reasonably homogeneous countries. See Islam (2002c) which explores the MDGs with respect to Bangladesh.

- ‘An open, rule-based, predictable, non-discriminatory trading and financial system’ including commitment to ‘good governance and poverty reduction’ (target 12)
- Special attention to the poorest as well as land-locked countries and small island states (target 13)
- Debt relief and sustainable debt management (targets 13 and 15)
- Ensuring that countries committed to poverty reduction are rewarded by generous allocation of ODA (official development assistance) (target 13).

In addition, a number of targets (16 to 18) have been set to ‘develop and implement strategies for decent and productive work for youth’, ensuring access at affordable prices to essential drugs in developing countries and developing cooperative strategies with the private sector to ensure that the benefits of new technologies (especially information and communications) are made available to developing countries.

The goal of development cooperation as embedded in the MDGs has emerged under difficult circumstances. ‘An aid fatigued public in the rich North’, observes a prominent economist, ‘beset by its own internal budgetary problems…and convinced by tales of waste and corruption in aid flows, has grown weary and wary of conventional…development assistance.’[36] Such ‘aid fatigue’ has coincided with a reduction in development assistance and is now well below the 0.7 per cent of OECD/DAC donors’ GNP that the MDGs have set. Current calculations suggest that annual flows of ODA will have to double from its present annual flows of US$56 billion if the world community wishes to make a credible commitment to financing the MDGs.[37] At same time, renewed efforts will have to be directed in ensuring that the available quantum of aid is allocated to priority areas that directly affect poverty, such as education and health.[38] Given the context of aid fatigue and reduced flows of development assistance, it is perhaps not surprising that the need to concentrate aid in countries with a track record of poverty reduction is upheld as a key target in the MDGs, but this has caused unease even among UN agencies because of the risk that

[36] Kanbur (2002:2).
[37] UNDP (2002:31)
[38] UNDP (2002:31)

'…countries falling behind in achieving the (MDGs), and in greatest need of resources, are least likely to receive aid'. [39]

While 'aid fatigue' has been accompanied by reduced flows of development assistance, there are growing concerns about the fairness of the institutional arrangements that currently underpin global economic perceptions. Such perceptions may well be ill-founded, but they do matter because they affect the credibility of a key target of the MDGs that there should be open, non-discriminatory and predictable trading and financial system.

Developing economies could argue that such a system is neither open nor non-discriminatory and certainly not predictable – as the tragic experiences of the East Asian economies induced by the 1997 financial crisis testify. The fact that even robust national economies once hailed as 'miracles' can succumb to a devastating combination of external shocks and internal weaknesses simply highlights the unresolved tensions of the current nature of global economic governance. In particular, this has brought to the fore issues of debt relief (normally reserved for the 'highly indebted poor countries' or HIPCs) and sustainable debt management that are key targets of the MDGs. Should debt relief be extended to countries such as Indonesia, although it would not normally be considered a HIPC? One could argue that the debt explosion in the wake of the crisis was not due to the actions of the current, democratically elected, government, but occurred under a thoroughly discredited authoritarian regime. Furthermore, is sustainable debt management compatible with a credible commitment to a national poverty reduction strategy under the fiscal circumstances that confront countries such as Indonesia? These concerns deserve scrutiny.

The MDGs rightly focus on enhancing trade and financial (primarily aid) flows as some of the key indicators of development cooperation, but one possible way in which the domain of development cooperation could be extended pertains to the role that international labour flows play in creating gains for the world economy by reducing poverty in the developing world. As a study has suggested, even a modest

[39] UNDP (2002:31)

program of regulated international migration can engender benefits of the order of US$200 billion annually.[40] More importantly, these gains accrue directly to workers from developing countries.

These issues are particularly germane to Indonesia as it is a significant labour-exporting country, particularly to richer countries within the Asia-Pacific region. An orderly process of international migration for countries, such as Indonesia, can play an important role in complementing domestic employment creation initiatives to reduce poverty.

The discourse on the future of development cooperation is also influenced by prevailing perceptions on the International Financial Institutions (IFIs) that are playing a key role in the articulation of national efforts at poverty reduction through the instrument of the PRSPs. Can they be independent arbiters of policy-relevant knowledge on development when they are also operational organisations with policies to defend and the pressures being placed on them from an aid-fatigued donor community? Some observers argue that the creation and transmission of policy-relevant knowledge by the IFIs may be constrained by the operational imperative to prescribe a standard framework on how to grow, develop and reduce poverty. For example, one could argue that the IFIs display a preference for full-scale globalisation or 'deep economic integration' as the primary instrument for attaining national economic prosperity and reducing poverty.[41] Hence, the emphasis on trade-cum-capital account liberalisation, privatisation and deregulation of domestic markets. These recommendations combined with a prudent macroeconomic framework (fiscal prudence and monetary restraint to sustain low inflation) are seen as providing the enabling conditions for a national poverty reduction strategy.

Critics argue that a standard framework for economic development is incompatible as an analytical method in social science research where '…much of the

[40] The scheme, suggested by Rodrik (2002: 20), is a temporary work visa scheme that amounts to 3 per cent of rich countries' labour force. Under this scheme, 'skilled and unskilled workers from poor nations would be allowed employment in the rich countries for 3 -to-5 years to be replaced by a new wave of inflows upon return to their home countries'. The massive gains from this regulated form of international migration is due to the massive wage differentials for similarly qualified individuals that exist between rich and poor nations.

[41] Rodrik (2001, 2002).

terrain is contested and there is no uniform, unifying framework in which research and its findings can be assessed'.[42] In any case, suggesting that there is, in essence, only one way to grow, develop and reduce poverty is incompatible with differences in country-specific circumstances – an issue that is germane to Indonesia. The challenge is to provide analytically credible and politically feasible policy options – as opposed to one set of prescriptions - that would support a national poverty reduction strategy.

Finally, as a leading practitioner has argued, the pursuit of deep economic integration as a means to an end (reducing poverty) runs the risk of paradoxically undermining democratic nation-states. The pursuit of unfettered globalisation can create enormous pressures on national governments to engage in a competitive bidding for policies '…that they believe will earn them market confidence and attract trade and capital flows'. Unfortunately, 'once the rules of the game are set by the requirements of the global economy, domestic groups' access to, and their control over, national economic policy-making has to be restricted'. The net effect could be the 'crowding out of democratic politics'.[43] To make matters worse, the single-minded pursuit of building market confidence may be doomed to failure, as investors abandon such countries because they believe that national governments will not be able to supersede the imperatives and interests of domestic politics. Indeed, the tensions created by the 'crowding out of domestic politics' are best seen as latent, and at times explicit, distributional conflicts between the contending interests of domestic and foreign constituencies.

These issues are germane for Indonesia, as it is caught in the twin pressures of sustaining democratic politics and maintaining the confidence of international investors. Failure to confront these issues may badly impair the capacity of the national authorities to develop an agenda on poverty reduction that can engender consensus among domestic stakeholders.

[42] Kanbur (2002:18)
[43] Rodrik (2002: 14)

3. Poverty reduction: from a global framework to an Indonesian agenda

The thrust of the discussion so far is that the formulation of a national poverty reduction strategy in Indonesia should proceed from a nuanced appreciation of the global framework of poverty reduction. The latter is anchored in the notion of multiple attributes of poverty and the goals, targets and indicators embedded in the MDGs.

Figure 3.1 summarises the productive interface between the national and the global frameworks of poverty reduction with the MDGs, the notion of multidimensionality of poverty and a national PRSP representing a mutually reinforcing trinity. Table 3.1 depicts the different routes via which Indonesia could contribute to the evolving global agenda on poverty reduction. Both figure 3.1 and table 3.1 set the basis for an extended discussion.

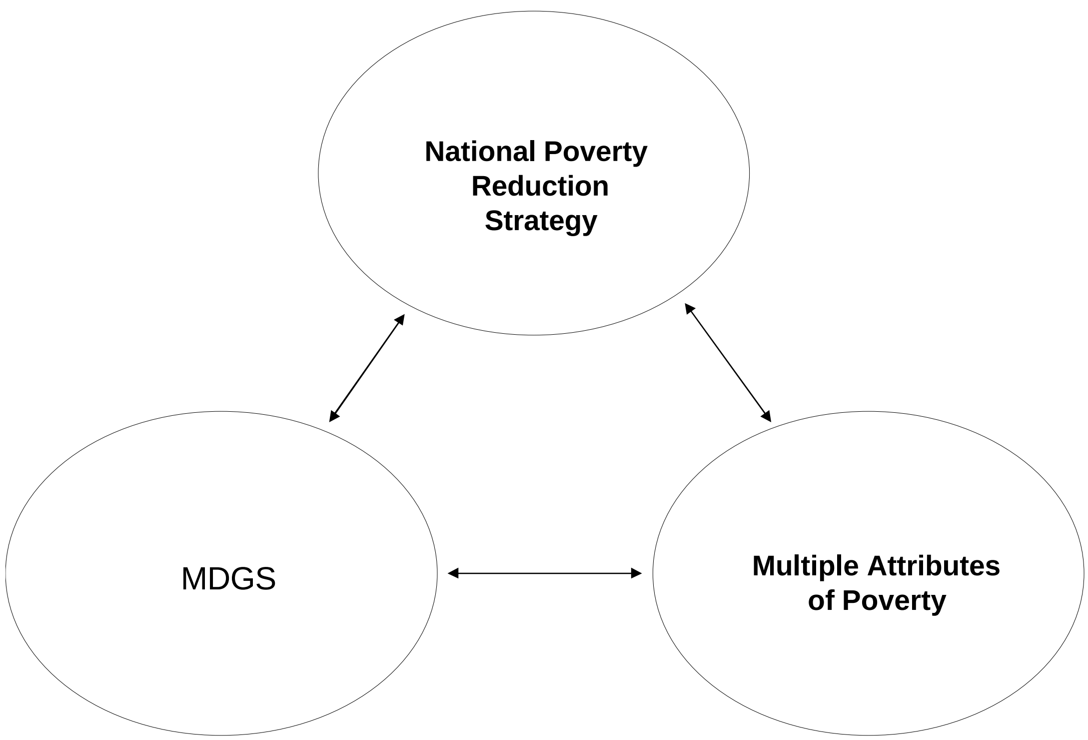

Figure 3.1 : Poverty reduction strategy- The mutually reinforcing trinity

Table 3.1: The nexus between a global framework on poverty reduction and a national agenda - an Indonesian perspective

Global framework of poverty reduction: issues and concerns	Indonesian framework of poverty reduction: issues and concerns
§ Income poverty and capability deprivation firmly embedded in MDGs, but indicators for vulnerability and voice not operationalised	§ Challenge for Indonesia is to preserve past achievements in terms of reductions in income poverty and capability deprivation, while responding to emerging concerns on vulnerability and voice
§ Goals, targets and indicators in MDGs not explicitly linked to inequality	§ Inequality, particularly in terms of changes in asset ownership, is an emerging concern, despite moderate levels of current income/expenditure inequality
§ MDGs to be monitored at national level	§ MDGs need to reflect regional diversity that reside within Indonesia that in turn can act as a compact on regional decentralisation
§ MDGs need a global partnership on development cooperation to overcome aid fatigue and dwindling volumes of development assistance	§ Agenda on development cooperation needs to respond to lingering concerns: whether there should be extension of debt relief to crisis-affected middle income economies to enable them to cope with new demands unleashed by systemic transition; whether sustainable debt management is compatible with renewed commitment to poverty reduction in terms of availability of fiscal resources; whether the interests of labour-exporting countries, such as Indonesia, should be reflected in new forms of economic integration; how to reconcile national democratic politics with the pursuit of full-scale globalisation.

From MDGs to a national agenda on poverty reduction: preserving past achievements, responding to emerging concerns

From the perspective of Indonesian policy-makers, an important insight that one can derive from the integration of the MDGs with the analytical literature on the multidimensionality of poverty is that it neatly encapsulates the view that poverty reduction requires a multi-pronged strategy. Reasonably rapid growth (about six per cent in the case of Indonesia) will certainly be necessary, but as part of a package of complementary policies encompassing social protection (including humanitarian assistance, rehabilitation and conflict resolution), public activism in building basic human capabilities (or human development), as well as a complex array of initiatives to empower the poor.

One should also recognise the fact that the MDGs provide a unifying vision for the international community, while the notion of the multidimensionality of poverty highlights aspects of impoverishment that have received insufficient attention in the past. Income poverty and capability deprivation have been translated into targets and indicators in the MDGs, but the notions of vulnerability and the lack of voice and representation of the poor have turned out to be less tractable in operational terms. These are turning out to be important dimensions of poverty in post-crisis Indonesia. Policy-makers will have to respond to these emerging concerns on poverty, while seeking to preserve the accomplishments in the past with respect to commendable reductions in income poverty and development of basic human capabilities.

Vulnerability is probably more widespread in Indonesia than what one would have expected, given the long boom under the Suharto era. To reiterate, the stylised facts are that as many as one in two Indonesians could be classified as vulnerable, and with others suggesting that at least a third of Indonesians are prone to the risk of at least a transient episode of poverty. Furthermore, if one uses poverty norms that are more applicable to a middle-income economy, then 60 per cent of Indonesians appear to be poor today. These are the challenges that Indonesia face in developing a national strategy on poverty reduction.

Another salient aspect of the vulnerability of ordinary Indonesians pertains to the highly location-specific communal violence that has caused the phenomenon of more than a million IDPs to emerge as a major social and political problem. Such violence has also impaired the investment climate and has probably led to deleterious consequences for growth. Thus, a poverty reduction strategy in Indonesia today would have to contend not just with normal social protection initiatives (such as public works, food subsidies, unemployment insurance, microfinance etc) but also humanitarian assistance and rehabilitation efforts geared towards displaced communities. At the same time, the government would have to invest considerable political capital and energy in developing durable conflict resolution mechanisms.

Indonesia is also engaged in a systemic transition that has, at its core, the idea of sustaining democratic politics. Nourishing the latter is a challenging task. Dysfunctional democracies are all too common, with the poor unable to participate effectively in the political process. How to provide voice and representation to disenfranchised groups in society (despite the presence of nominally democratic institutions) is a major task of a national poverty reduction strategy. Here, the MDGs will have to be creatively adapted to devise home-grown approaches that can respond to the rather difficult goal of empowering the poor.[44]

Dealing with inequality within a national poverty reduction strategy

Indonesia's engagement in a systemic transition also brings to the fore concerns about inequality and underlying distributional conflicts that span across regional communities, socio-economic groups and domestic and foreign constituencies. The MDGs are concerned about the reduction of absolute poverty without explicitly linking the task to the issue of inequality. On the other hand, concerns about inequality – reflecting underlying concerns about fairness and justice – are an endemic feature of societies, such as Indonesia, that are seeking to comprehensively disengage from an authoritarian past and build a decentralised, democratic polity that is intertwined with a rule-based market economy.

[44] Programmatic approaches to the empowerment of the poor in an Indonesian context are discussed in BAPPENAS (2000).

Indonesia has had a good record on income/expenditure inequality during the rapid growth era of the pre-crisis period. Observed inequality, as measured by the Gini coefficient, is moderate relative to many developing countries. In the 1990s, for example, the average value of the Gini coefficient was 0.32 compared with 0.38 for the Middle East and North Africa, 0.47 in Sub-Saharan Africa, and 0.49 in Latin America and the Carribean.[45] Long-term trends (1964-65 to 1999) show that inequality rose noticeably between 1990 and 1996 but seems to have tapered off to its average value of 0.32 by 1999.[46] Thus, one encouraging evidence appears to be that the crisis does not seem to have worsened observed inequality at least as measured in terms of current income/expenditure. Interregional inequality has also remained roughly constant in the pre-crisis period and appears to have been unaffected by the crisis. Indeed, the bulk of the aggregate inequality (both in the pre-crisis and post-crisis period) is generated by intra-regional inequality.[47]

Despite these commendable achievements, the Indonesian government is acutely aware of the role that inequality plays in poverty reduction. For example, in a Poverty Reduction Partnership Agreement (PRAP) that the government signed with the ADB on April 2001, a key recommendation is to focus on a 'stable or declining Gini coefficient which will help ensure that the benefits of growth are pro-poor'. In line with agreed targets on achieving the 'International Development Goals' (or what is now the MDGs), PRAP envisages that the '…cumulative impact is the achievement of…a 50 per cent decline in the level of poverty over the 1990 base by 2015'.[48]

The issue is not merely inequality in terms of current income/expenditure. Inequality in the distribution of assets is, in some respects, much more germane to a poverty reduction strategy. Here, there is paucity of both information and analysis relative to the knowledge that is available on inequality in terms of current income/expenditure. Yet, in policy terms, a redistribution of productive assets – such as land and human capital – is likely to have a significant positive impact on both growth and perceptions of fairness of prevailing institutions.

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[45] The comparative figures are from Deiningger and Squire (1996) as cited in Tajoeddin et al (2001:286).
[46] See Irawan and Romdiati (2000).
[47] See Tajoeddin et al (2001:288). Based on decomposable measures of inequality, such as the L -index and Theil index, 78 to 83 per cent of the observed inequality in Indonesia during the 1990s (1990 to 1999) can be attributed to inequality within provinces.

Underlying the distribution of assets are persistent concerns about who bears the costs and benefits of the various fiscal adjustments that Indonesia has had to make since the 1997 financial crisis. For example, some representatives of the Indonesian government argue that the current approach of selling banks that became bankrupt during the 1997 crisis to the private sector is a case of rather unequal exchange across socio-economic groups that have opened up fault-lines along ordinary Indonesians and the relatively well-off financial community entailing both debtors and creditors. The argument is that the new owners are acquiring the bank assets at one-sixth of their actual value, while the government will continue to service the debts of these banks (despite their changed ownership) at a rate of Rp 10 trillion per year.[49] To the extent that these financial obligations constrain the capacity of the government to spend on basic social services that will form a key part of a national poverty reduction strategy, these examples suggest a redistribution of costs and benefits of fiscal adjustments (new owners gaining valuable assets at substantial discounts and hence at the expense of ordinary Indonesians) that may not be socially and politically acceptable.

Of course, the calculations underpinning the above example may well be contentious, but perceptions, as noted before in this discussion, matter in afflicting policy debates. The challenge is not to shy away from an open, robust debate on the changing distribution of assets in post-crisis Indonesia, but to bring these concerns about inequality to the fore through informed public discourse.

Unity in diversity: using the MDGs to develop a compact on regional decentralisation and to act as an anchor for a poverty reduction strategy

An encouraging fact is that, despite the setback of the 1997 financial crisis, Indonesia appears to be on track to attain the core MDGs by 2015. This presupposes a growth rate of around 6 per cent and the assumption that past trends in poverty reduction both along income and non-income dimensions will be maintained.[50]

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[48] See GOI/ADB (2001:5)
[49] Minister of State for National Development Planning, Government of Indo nesia, in a speech at the Pre-CGI Meeting in Jakarta, June 12, 2002.
[50] Projections by UNSFIR based on robust econometric methodology that takes account of past growth and cyclical deviations due to internal and external shocks show that Indonesia has a 95 per cent

However, attainments at the national level can be deceptive, particularly in such a large and diverse country as Indonesia. An important message of the most recent National Human Development Report is that monitoring goals and targets with respect to poverty reduction at the national level can hide the fact that some provinces will not be able to achieve the MDGs (or similar targets) by 2015.

Table 3.2 sets the scene for a discussion of the implications that follow from the quest to creatively adapt the MDGs to reflect the regional diversity of Indonesia. It is clear that if focuses on Indonesia only, then one can make the optimistic inference that, with the exception of universal access to safe water and net enrolment in primary education, Indonesia will attain the 2015 targets. Yet, there are quite a few provinces (ranging from 12 to 22) that will not attain the targets. To complicate matters even more, neither the number, nor the type, of provinces are identical in terms of their failure to attain the 2015 targets, given that provinces vary in terms of their past performance with respect to reductions in both income and non-income dimensions of poverty. This highlights the complex and diverse nature of deprivation at the regional level in Indonesia.

probability of sustaining a growth rate of 5.9 per cent. See UNSFIR (2002). A required growth rate of 6 per cent to reduce poverty is also noted in GOB/ADB (2001).

Table 3.2: The regions of Indonesia and the 2015 targets

	50% reduction in income poverty	100% prim net enrolment by 2015	100% adult literacy rate	No gender disparities in primary and secondary edn By 2015	2/3 reduction in infant mortality by 2015	4/5 reduction in maternal mortality by 2015	Universal access to safe drinking water By 2015	Universal access to shelter of minimum quality (housing without dirt floor) By 2015
Number of provinces that will fail to attain targets by 2015	17	16	8	12	1	6	24	10
Year by which Indonesia will attain	2008	2023	2016	2003	2003	2011	2040	2010

Source: Adapted from National Human Development Report, BPS/BAPPENAS/UNDP (2001: 49-50)

If, as argued, national attainment of the MDGs masks significant diversity at the province-level, it is likely that the degree of this diversity will be even greater at the district level. This is an important point given that the districts – of which there are well over 250 - now represent the locus of the current agenda of regional decentralisation in Indonesia.

The finding that there is significant regional diversity with respect to the attainment of the 2015 targets should inspire policy-makers into taking appropriate action. Indeed, an important proposal of the 2001 National Human Development Report is that the MDGs may well serve as a platform for enunciating a compact on regional decentralisation.[51] This approach reinterprets the MDGs as a 'right to

[51] The National Human Development Report did not specifically mention the MDGs as the draft of the report was finalised prior to the promulgation of the MDGs. Nevertheless, the spirit and intent was closely aligned with the MDGs, given the emphasis of the report on universal access to basic services.

development' initiative that national authorities should undertake.[52] In other words, the philosophical premise of decentralisation ought to be the notion that all Indonesians, as Indonesians, are entitled to minimum economic and social standards that are as important as core political rights and civil liberties. One way of prescribing the minimum economic and social standards is to relate them to the MDGs. Thus, one could articulate *a strategic vision of poverty reduction in Indonesia in which the 2015 goals and targets are only considered to be achieved if all regional communities of Indonesia at the district-level share in that achievement*. In other words, the MDGs are *minimum standards* that the regional communities of Indonesia are entitled to, while recognising that dynamic and more entrepreneurial regions can, and will, move ahead and above those standards. An additional advantage of reinterpreting the MDGs in an Indonesia-specific context is that they can serve as an instrument for dealing with both latent and explicit distributional conflicts that span across regional communities as well as socio-economic groups within such communities.

The challenge for the government is to take the necessary steps to translate the proposed strategic vision on poverty reduction to a politically and administratively feasible, as well as fiscally sustainable, set of policies and programmes. In an authoritarian system of the past, a 'command-and-control' approach to the implementation of the MDGs would have been the preferred method. In a nascent democracy a more creative, and more difficult, approach is required. This pertains to the role that the central government, in partnership with their regional counterparts, can play in inculcating a shared vision on a national poverty reduction where the proposed compact on decentralisation becomes the key driver. The articulation of the shared vision would be mediated through a series of public deliberations and consultations that are democratic in spirit and substance and in turn reinforce democratic norms and values. In many countries, this process culminates in a 'White Paper' on policy options representing a formal commitment by the government to a national strategy of action.[53]

While the process of public deliberations and consultations in a democracy are crucial in building broad-based support, such support can easily dwindle if the strategic

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[52] The 'right to development' approach and its applicability to Indonesia is forcefully argued by Mishra and Stalker (2001).
[53] See UNSFIR (2002).

vision on poverty reduction is not subjected to a ‘reality check’. Is the compact on regional decentralisation compatible with existing and emerging institutional arrangements, with the capacity to translate them into concrete programmes by an agreed time-frame (such as 2015 as proposed in the MDGs)? Does a credible poverty monitoring framework exist that can inform public debates, guide the allocation of budgetary resources and evaluate performance with respect to goals and targets? Are the goals and targets fiscally sustainable? There are both hopeful developments and areas of concern.

The newly established National Committee on Poverty Reduction can provide a much-needed focal point for the government in its renewed quest to deal with the multiple attributes of poverty in post-crisis Indonesia. The Committee could become the custodian of the proposed compact by coordinating the necessary analytical and technical work, building broad-based support for a national strategy of action and by drawing on a poverty monitoring framework that would inform public debates, guide the allocation of budgetary resources and evaluate performance with respect to goals and targets. Indeed, the Committee can take some comfort from the fact that a recent audit has shown that it is possible to build on the existing statistical system to enable policy-makers to monitor MDG-type goals and targets at the district level.[54] Of course, sustained investments in the national statistical system at a fairly disaggregated level are required to ensure that a poverty monitoring framework geared towards the MDGs remain functional and relevant.

Whether the proposed compact is fiscally sustainable is less clear. A sensible answer to this critical question needs appropriate analyses and reflection. The global community has agreed that unless there is doubling of development assistance, the MDGs cannot be met by 2015 for all developing countries. Translating this idea to the case of Indonesia, one could ask: what additional fiscal resources – both from internal resources and external agencies - would be required for the MDGs to be implemented by 2015 for all the regional communities within the country, after allowing for a substantial reduction in the static inefficiencies that currently afflict the budgetary framework? Are they compatible with the current task of fiscal consolidation induced

[54] Recently UNCEF, in conjunction with BPS, has undertaken a valuable data audit to assess the availability of indicators that are aligned with th e MDGs and other international development goals.

by the 1997 crisis? Once the questions are posed in this manner, their resolution becomes problematic because they impinge on contentious issues pertaining to debt relief and sustainable debt management that are part of the broader domain of development cooperation.

This leads to a brief discussion of the role that Indonesia can play in facilitating an alignment of interests among development partners. Such a discussion also provides a basis for concluding this paper.

National poverty reduction and development cooperation: Indonesia's role in facilitating an alignment of interests

As noted, there is a clear recognition among development partners that the implementation of the global framework of poverty reduction anchored in the MDGs and the analytical literature on multiple attributes of deprivation depend on the collective will and capacity of the international community to foster a new era of development cooperation. The development of such cooperation faces a number of challenges. On the one hand is the syndrome of aid fatigue among the donor community and the reduced inflows of development assistance. This has understandably led to overriding concerns about aid effectiveness. On the other hand, there is a perception held by an amorphous coalition of developing countries, transnational NGOs, radical activists and some leading development practitioners, that the current institutional arrangements of global economic governance lack fairness and adequate accountability. Can this divide between the concerns of the donor community and the perceptions of those outside it be bridged?

It is in such a context that Indonesia can play a more active role with others in facilitating an alignment of interests among development partners so that the MDGs truly become a unifying vision for the world community in the battle against global poverty. Indonesia is well-placed to play such a role, given the recognition that, along with other large and populous economies (Brazil, India, China, Russia – part of the so-called 'Big Five'), it has the potential to make a major impact on the world economy and world affairs.

Through a multiplicity of domestic, regional and international platforms Indonesia should, along with others, be engaged in seeking cooperative solutions to diverse and complex problems that beset the agenda of development cooperation. The donor community could be persuaded to revisit the predilection to adopt a uniform set of prescriptions pertaining to national prosperity and poverty reduction. In particular, the pursuit of full-scale globalisation or deep economic integration as the primary instrument for growth, development and poverty reduction may unleash unintended, but unfortunate, consequences. The risk that there is a trade-off between the imperatives of globalisation and domestic democratic politics cannot be ignored. When developing economies gear their entire national development strategy to the preferences and sentiments of global markets – often subsumed under the rubric of attracting and sustaining investor confidence – they may be forced to shun the voices and concerns of domestic constituencies pertaining to policy choices and the strategic directions that a nation ought to take. This inadvertently undermines democratic governance and may well cause the tensions between domestic stakeholders and foreign constituencies to become unmanageable. Under such circumstances, crafting a credible national poverty reduction strategy becomes rather difficult.

As noted, these issues have come to the fore in Indonesia in the wake of the 1997 crisis. The latter has, in many ways, been a defining moment unleashing a systemic transition in Indonesia. It is faced with the difficult, and rather delicate, task of reconciling the imperatives of globalisation as a route to poverty reduction with the need to nourish democratic politics. The latent tension between domestic interests with their nationalist sentiments and foreign constituencies as the custodians of the global economy have become more explicit largely because the 1997 crisis has pitted the interests of domestic debtors against the interests of foreign creditors. This is why the issue of debt relief and its possible extension to crisis-affected middle income economies has become part of the public discourse. This is why the political feasibility of sustainable debt management has become an issue.

Raising concerns about the risk of a trade-off between the imperatives of deep economic integration and the nurturing of domestic democratic politics should not be abused by advocating an irresponsible, and ultimately unsustainable, strategy of 'de-globalisation' and economic isolation. Nevertheless, there may well be a case for the international community to reflect on a more eclectic array of ‘feasible globalisations’ where developing countries are offered the space to craft their distinctive paths to development.[55] If Indonesia, along with others, can incorporate these eclectic ideas in the domain of development cooperation, then one can suggest with some confidence that a global framework on poverty reduction will truly become a nationally owned and driven enterprise.

[55] Rodrik (2002).

Appendix 1

Table A.1 : The MDGs – goals, targets and indicators

Indicator on Millennium Development Goals
It covers: 8 Goals, 18 Targets and 48 Indicators.
NB: The selection of Indicato rs for Goal 7 and Goal 8 is subject to further refinement
SOURCE: The United Nations

Goals	Targets	Indicators
Goal 1. Eradicate extreme poverty and hunger	Target 1. Halve, between 1990 and 2015, the proportion of people whose income/consumption is less than one dollar a day	1. Proportion of population below $1 per day
		2. Poverty gap ratio (incidence x depth of poverty)
		3. Share of poorest quintile in national income
	Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of under weight children (under five years of age)
		5. Proportion of population below minimum level of dietary energy consumption
Goal 2. Achieve universal primary education	Target 3. Ensure that, by 2015, children everywhere , boy s and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education
		7. Proportion of pupils who enroll in grade 5
		8. Adult literacy rate (Literacy rate of 15-24 year old)
Goal 3. Promote gender equality and empower women	Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education
		10. Ratio of literate females to males of 15 to 24 year old
		11. Share of women in wage employment in the non-agricultural sector
		12. Proportion of seats held by women in national parliament
Goal 4. Reduce child mortality	Target 5. Reduce by two third, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate
		14. Infant mortality rate
		15. Proportion of 1-year-old children immunized against measles
Goal 5. Improve maternal health	Target 6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality rate
		17. Proportion of births attended by skilled health personnel
Goal 6. Combat HIV/AIDS, malaria, and other diseases	Target 7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV prevalence among 15 to 24 year old pregnant women
		19. Contraceptive prevalence rate
		20. Number of children orphaned by HIV/AIDS
	Target 8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria
		22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures
		23. Prevalence and death rates associated with tuberculosis
		24. Proportion of tuberculosis cas es detected and cured under directly observed treatment short course

Goal 7. Ensure environmental sustainability	Target 9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental reso urces	25. Proportion of land area covered by forest
		26. Land area protected to maintain biological diversity
		27. GDP per unit of energy use (as proxy for energy efficiency)
		28. Carbon dioxide emissios (per capita) [Plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases]
	Target 10. Halve by 2015 the proportion of people without sustainable access to safe drinking water	29. Proportion of population with sustainable access to an improved water source
	Target 11. By 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers	30.Proportion of people with access to improved sanitation
		31. Proportion of people with access to secure tenure [*Urban/rural desegregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers*]
Goal 8. Develop a global partnership for development	Target 12. Develop further an open, rule-based, predictable, non - discriminatory trad ing and financial system. Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally Target 13. Address the special needs of the least developed countries. Includes: tariff and quota free access for least developed countries' export; enhanced programme of debt relief for HIPCs and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction Target 14. Address the special needs of landlocked countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty -second special session of the general Assembly) Target 15. Deal comprehensively with the debt problems of developing countries through national and international measures in order t make debt sustainable in the long term	*[Some the indicators listed below will be monitored separately for the least developed countries (LDCs_, Africa, landlocked coun tries and small island developing States].* **Official development assistance** 32. Net ODA as percentage of OECD/DAC donors' gross national product (targets of 0.7% in total and 0.15% for LDCs) 33. Proportion of ODA to basic social services (basic education, p rimary health care, nutrition, safe water and sanitation) 34. Proportion of ODA that is untied 35. Proportion of ODA for environment in small island developing States 36. Proportion of ODA for transport sector in landlocked countries **Market access** 37. Prop ortion of exports (by value and excluding arms) admitted free of duties and quotas 38. Average tariffs and quotas on agricultural product and textiles and clothing 39. Domestic and export agricultural subsidies in OECD countries 40. Proportion of ODA provi ded to help build trade capacity **Debt sustainability** 41.Proportion of official bilateral HIPC debt cancelled 42. Debt services as a percentage of exports of goods and services 43. Proportion of ODA provided as debt relief 44. Number of countries reaching HIPC decision and completion points

	Target 16. In cooperation with developing countries, developed and implement strategies for decent and productive work for youth	45. Unemployment rate of 15 to 24 year old
	Target 17. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	46. Proportion of population with access to affordable essential drugs on a sustainable basis
	Target 18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	47. Telephone lines per 1000 people 48. Personal computers per 1000 people [Other indicators to be decided]

Appendix 2[56]

Poverty, Inequality and Per Capita Income: International Evidence

Ln HCR (US$1 a day poverty measure) = 0.045 –0.87LnPPP (Per capita GDP in US$ purchasing power parity) + 2.45Ln Gini Ratio

HCR or Head Count Ratio (HCR) represents the proportion of the population earning less than US$ 1 a day at 1985 prices.

Ln represents natural logs of the relevant variables.

Adjusted-R square = 0.66

All the coefficients are significant at the 1 % level. All data are based on the latest available estimates and are derived from 2000 World Development Indicators.

The above estimates suggest that, while there is a strong positive relationship between poverty and average income ('growth is good for the poor' view) and yields an elasticity of 0.87, it is offset by an even stronger relationship between inequality and poverty, with an elasticity of 2.47 ('inequality is bad for the poor' view).[57] Thus, the poverty-reducing impact of economic growth will be reinforced if policy interventions also lead to declines in inequality – or if the latter is at least maintained at low levels. This is the basis of 'pro-poor' growth.

[56] The author is indebted to Zulfan Tajoeddin, UNSFIR, for facilitating the cross -country regressions reported here.

[57] Data reported in Easterly (2001c) on the relationship between changes i n income poverty and per capita income growth is can be used to estimate an 'ex -post' elasticity of 0.75, which does not appear too far from the 0.87 elasticity obtained with respect to average income in the cross -country regression reported in appendix 2.

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