

Feed Thy Neighbour

With donor aid programmes straining under the combined weight of a global financial crisis, fears of recession and persistently high food prices, many analysts wonder whether the priorities have shifted away from the “bottom billion” – the earth’s poorest people.

Ever since the Millennium Declaration of September 2000, helping the world’s poor has been guided by the Millennium Development Goals (MDGs), the framework by which both developing and developed nations set their priorities on aid. These eight goals – each with one or more targets to be reached by 2015 – were designed as a series of stepping stones aimed at eradicating chronic poverty and improving access to education, healthcare and clean water. While development experts credit the goals with helping to broaden access to primary education and healthcare, its detractors maintain that the targets have not achieved the sort of comprehensive effect once hoped for.

The MDGs were regarded as unrealistic targets even when they were first introduced because, claimed critics, they were set up essentially as shopping lists that disregarded, among others, economic development and the indirect cost of corruption. Moreover, while the MDGs represent a major improvement on the unfocused agenda for poverty that preceded them, the world has changed radically since 2000, and the assumptions on which they are based need to be revised.

Take, for instance, the number of poor. Last month, the World Bank said that more people were living in extreme poverty in developing countries than previously thought as it adjusted the recognized yardstick for measuring global poverty to \$1.25 a day from \$1. According to the bank’s data of 675 household surveys in 116 countries, a total of 1.4 billion people – or a quarter of the developing world – were living in extreme poverty on less than \$1.25 a day in 2005.

These figures, which are the latest available, are based on updated global price data and show how progress has been made in helping the poor over the past 25 years. In 1981, 1.9 billion people were living below the \$1.25 a day poverty line. This drop, from 52 per cent in 1981 to 26 per cent in 2005, translates into an average decline of about one percentage point a year. This means that the developing world has more poor people than previously believed, but that the world is still roughly on target to meet the goal of halving the number of people in poverty by 2015.

However, the global average masks the growing desperation of the bottom billion, even as the current food crisis is set to push a further 100 million people into deep poverty. According to the latest UN report on MDGs, which was released ahead of last month’s high-level development summit, there were big success stories in Asia, particularly China, and depressingly familiar news of under-achievement from sub-Saharan Africa.

The sharp disparities in achievement are echoed in the Arab region, with its mixed bag of subregions. The high-income Gulf States are relatively well placed to achieve the MDGs, and even most middle-income Mashreq and Maghreb countries are expected to meet the major targets by 2015 (see boxes). However, the chinks in the armour that offset the regional averages are the least-

developed Arab countries – such as Yemen, Djibouti and Somalia – which were intended as the main beneficiaries when the goals were first formulated.

The motive force for the MDGs is, of course, donor money. Last month's high-level development summit, which brought together more than a hundred heads of state, ended with a timely renewal of commitment and some \$16 billion in pledges of aid, including \$500 million by Saudi Arabia towards enrolling an additional 24 million children in primary school by 2010. By contrast, the only new pledge by the United States was \$61 million over five years to help farmers in Africa to get better seeds.

This falls far short of what's required. According to UN calculations, an additional \$160 billion in development aid will be needed by 2015. More to the point, the UN is pressing its member states to honour their financial commitments, particularly when the threat of recession can eat into good intentions.

For instance, the Group of 8 industrialized nations pledged at a 2005 conference in Gleneagles, Scotland, to increase aid by \$50 billion, but the nations are still \$31.4 billion short. The UN is therefore naturally alarmed that industrialized countries will now be even more inclined to renege on their pledges if they have to cut their budgets to ride the global financial crisis. Within that context, the Bretton Woods institutions presented a united front last month when the heads of both the World Bank and the International Monetary Fund warned countries not to abandon the bottom billion.

Under the agreement reached at the Millennium Summit, the world's richest 22 countries are supposed to donate 0.7 per cent of their overall national incomes to aid. But most of the aid has hovered around 0.45 per cent in the eight-year period and there are genuine concerns that the percentage will now slip further.

Aid to poor nations has slumped even as higher food prices and slowing global economic growth have made such assistance more urgent. According to UN figures, aid dropped 8.4 per cent in 2007, after a 4.7 per cent drop in 2006.

But money can't fix everything. Critics of the MDGs believe that too much emphasis is placed on raising new money and not enough on improving the efficiency with which it is delivered. It is also said that cash is poured into achieving the goals even where there are no checks and balances to monitor reliably where the money is going. Resources need to be combined with reform of governance, including improved targeting, equitable distribution of wealth and services, and accountability.

There is a reluctance to criticise the MDGs openly for fear of undermining the effort. To be sure, international coordination has been the great achievement of the Millennium Development Goals; all the major donor countries and international bodies have bought into them. However, there are serious charges that the goals and targets were agreed by the industrialized north to be applied in the developing south, with little room for local variations according to national priorities. Moreover, a shaky progress towards ending global poverty by 2015 feeds doubts; and many feel

that the goalposts should now be revised – especially as recession bites – by helping the bottom billion to converge with the rest of mankind on a more realistic timescale.

Iraqi Refugees

The Iraqi refugee crisis dwarfs anything that the Arab region has seen since 1948 and the exodus of Palestinians sparked by the creation of Israel. Then as now, a refugee crisis threatens to destabilize the entire Middle East both economically and politically.

Most of this exodus has occurred over the past two years, triggered by the spiral of sectarian violence in the aftermath of the bombing of the Golden Mosque in Samarra in February 2006. At their height, these sectarian clashes were killing hundreds of people a day and dislocating up to 50,000 civilians a month. Businesses ground to a halt, and many executives fled to neighbouring countries.

The United Nations High Commissioner for Refugees (UNHCR) estimates that more than 4.7 million Iraqis have left their homes since the US-led invasion in March 2003, which represents some 15 per cent of the population. These statistics are corroborated by the International Organization for Migration (IOM) that sets the number of internally displaced inside Iraq at 2.7 million and some 2 million refugees in neighbouring countries, particularly Syria and Jordan (see boxes).

Iraq's GDP growth, which hovered at 8.0 per cent in 2006 and 2007 and is projected to reach low double digits by year's end, is symptomatic of the external demand for its oil exports and masks the dire state of the domestic economy.

Specifically, as many as half of all adult Iraqis are currently without jobs, making employment one of the most-prized commodities in Iraq – on par with electricity and running water – and adding substantially to the emigration and outflow of skilled labour. Moreover, consumption growth has stalled owing to deep-seated supply bottlenecks from the unstable security situation, and inflation stood at an alarming 66.4 per cent in 2007. By stark contrast, inflation in the Gulf region in the same year ranged from a low of 1.0 per cent in Saudi Arabia to a high of 8.0 per cent in Qatar.

More damaging still, the adverse security situation rules out investment growth and is frequently used as a pretext to delay the reconstruction efforts needed across the country. Consequently, only a small number of refugees have returned home despite a decline in violence in the past year, and more often due to diminishing personal resources or compelled by the host countries through tighter residential permits and visa restrictions. For example, in July, a great deal of media hype centred on the return of 650 Iraqi physicians. However, this represents a drop in the ocean; an estimated 7,500 doctors who fled Iraq since 2003 remain out of the country. Moreover, a survey undertaken this year by UNHCR of nearly 1,000 Iraqis currently in Syria revealed that 89.5 per cent were not planning to return to Iraq any time soon.

Indeed, from the Iraqi perspective, the greatest loss has been the flight of the professional class – workers whose resources and skills might once have combined to build a post-Saddam Iraq.

But with a drop in violence, there is a hope rather than a genuine expectation that Iraq's commercial climate is edging towards normalcy. While corporate statistics in Iraq are virtually non-existent, a survey published in late February of this year indicated that 75 per cent of Iraqi businessmen expected sales to increase and that almost 50 per cent believed the business environment had improved over the past year. Revealingly, the survey of 1,630 Iraqi business owners by the Centre for International Private Enterprise, which is linked to the US Chamber of Commerce, highlighted that corruption and graft in the Iraqi establishment was considered almost as detrimental to business as the ongoing violence.

Within that context, the World Bank ranked Iraq 141 out of 178 economies in its Doing Business 2008, which represents a drop of four places from 2006. Even the US, Iraq's biggest patron, is concerned by the rampant corruption and Baghdad's fiscal spending habits. According to the US Government Accountability Office, Iraq could have a budget surplus of \$79 billion by year's end. But despite the oil windfall, the government has spent only a fraction of its budget for the reconstruction of Iraq's security, oil, electricity and water sectors, amounting to a modest \$3.9 billion in the three years from 2005 out of an earmarked \$23.2 billion. Moreover, capital spending has been hampered by the lack of trained personnel, and weak budgeting and procurement processes.

While bombings still occur on a nearly daily basis across the country, the overall level of violence has dipped to four-year lows, thereby raising hopes that a tenuous peace might just be possible. And better security does equate with more business. The work has improved and the markets have opened. Iraqi traders are dealing with other companies directly and are even beginning to export non-oil goods and services to foreign markets, albeit at the very low rate of 2 per cent of total, non-oil volume. A commercial conference in Baghdad, which was held in July this year, was attended by 100 leading Iraqi businessmen and touted as the first economic forum for the new Iraq.

However, the country will need more than slogans and much more than political stability and a functioning infrastructure. If the country is to emerge from the morass and open for business again, its leaders are going to need to enact change and push for a comprehensive strategy that accelerates reconstruction from its current excruciatingly slow pace, and that tackles the shortage of jobs and combats corruption. Only by normalizing the business environment will the Iraqi refugees feel confident enough to return home.
