

# **Challenges to Achieving MDG 1 in the ECIS Region**

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**Regional Consultation on MDGs  
17 March 2010, Palais des Nations, Geneva**

# Challenges to Achieving MDG 1 in the ECIS Region

## 1. Progress towards MDGs in the region

- Specifically, MDG 1 of poverty reduction
- *Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar and twenty-five cents a day.*

## 2. The impact of the crisis

- Reversal already seen
- Impact is broad, large & lasting

# MIDG 1 – progress through 2007...

- **Poverty has been reduced significantly reduced but remains high – indicative examples**

	1999	2007
Tajikistan	64%	41%
Kyrgyzstan	63%	35%
Moldova	60%	24%

- **Poverty fell because of**
  - Rapid economic growth driven by exports of primary commodities (gold in KG, aluminum & cotton in TJ, agro-exports in Moldova);
  - High & soaring remittances : 40% of GDP in TJ, 35 % in Moldova, 28% in KG

# But looking ahead: likely reversal on MDG

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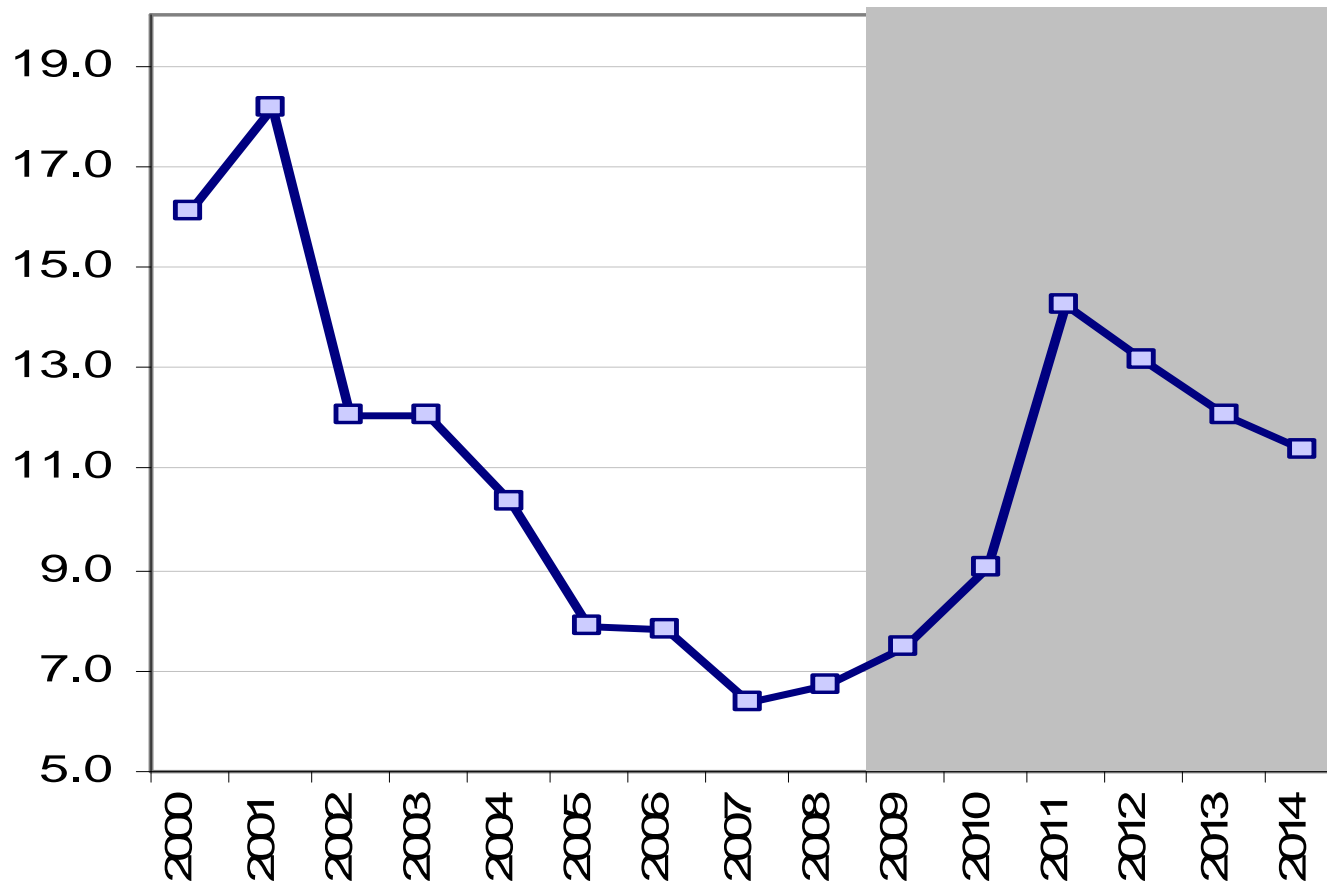
- **Economic growth fell**

Real GDP growth rate	2008	2009 (estimate)
Tajikistan	8 %	2 %
Kyrgyzstan	7.6%	0.9%
Moldova	7.2%	-0.9%

- **Remittances have fallen by over 30 % in 2009**
- **Loss of local jobs, returning migrants → Unemployment rising**
- **Poverty is bound to increase & won't improve until growth and remittance flows resume (hinges largely on Russian demand & labor market)**
  - In Moldova poverty rate increased from 24 % in 2008 to 31,2% in 2009
- **The crisis-induced shrinking of the fiscal space**
  - Arises owing to both falling revenues and rising needs for expenditure, notably on social protection
  - Restricts the room for manoeuvre for accelerating progress toward reaching MDGs

# Aggregate poverty projections for ECIS

Percentage share in population of poor with incomes under \$2.5 at 2005 prices



Source: Balázs Horváth, Andrey Ivanov and Mihail Peleah: *The Human Development Impact of the Global Crisis in Central, Eastern and Southern Europe and the CIS*, UNDP Bratislava Regional Center. 2010

# MDG context

## Low-income sub-group

- Some countries have GDP per capita and poverty rates comparable to many African countries (KG, TJ, Uzb.)
- National MDG agenda widely owned by Govt & civil society
- Country Development Strategies incorporate MDGs

## Middle-income sub-group

- In some countries many global targets were achieved several years ago
  - Good progress in poverty reduction, education, health care
  - Policy traction in these countries for MDGs is quite low
- ...but, even in these countries there is a room for national MDG agenda
- Targets need to be
  - Adapted to the current level of development
  - Disaggregated by gender, ethnicity, sub-national regions, labour market status to address pockets of acute poverty

# Constraints to poverty reduction

- **While growth in the past decade has been fast, it has failed to generate enough jobs**
  - In agriculture and small trade real incomes have not increased markedly
  - More generally, income-boosting potential of good governance combined with inclusive private sector development was largely unutilised
- **Regional inequalities have increased, particularly the gap between capital cities and rural areas and small towns**
- **Food insecurity and malnutrition remains widespread**
  - 32 % of the rural population in TJ (Apr. 2009) and 28% in KG (2007) experienced inadequate food consumption
  - these levels deteriorated notably during 2008-2009

# In-country regional inequalities increased

- **National average indicators do not reflect situation in regions**
- **Strong core-periphery relationship**
  - Over centralized states inherited from central planning system
- **Rural poverty**
  - transformation of former large-scale collective and state owned farms
  - unregulated property rights for land
  - underdeveloped markets for land, agricultural inputs and outputs
  - lack of modern productive capacity, weak governance, restricted access to finance, physical infrastructure, health services, education, etc.
- **Poverty in old industrialized regions (depressed urban areas)**
  - small towns created around single factories, with underdeveloped infrastructure, no or little work opportunities and high unemployment rates



# The crisis raises the risk of MDG reversal

- **Crisis → Falling budget revenue restricts social expenditure unemployment, poverty, malnutrition rising**
  - In Tajikistan revenue shortfall for 2009 was at least 20% of planned budget, or 3 % of GDP; 2009 social expenditures were protected by donor budget support, but this will be difficult to sustain in 2010
- **Weak government capacity to undertake necessary policy measures, reforms, and investments**
- **Returning migrants, falling remittances lead to sharply lower incomes, worsening poverty**
- **Natural sources of risks exacerbated by human activity:**
  - Increased water & energy insecurities; Severe water & energy crisis in CA in 2008; Same threat is very high for coming year
  - Climate change exacerbates the risk of natural disasters, especially earthquakes and landslides

# Shaping UNDP's response

- **Global Crisis has several interrelated components**
- **Whether ST or LT: decision point on all of them is now**
- **Central Asia's compound regional water/energy/environment/food crisis adds further wrinkles & urgency**
- **Einstein said: can't resolve problems with the same instruments we used to get ourselves into them**
  - Policy response needs to combine responses to the individual components in a coherent, consistent way
  - Donors must work together to make assistance effective & efficient
  - To ensure sustainability, macroeconomic constraints must be respected

**But crisis is also an opportunity, and UNDP has a clear role**

# UNDP Response

- **Strengthen social/environmental data collection, impact analysis**
  - poverty data disaggregated by vulnerability criteria (e.g., gender, location, age, ethnicity)
- **Support the design of new PRSs, promote policy coherence & inclusive growth**
- **Link MDG targets to the budgetary process**
- **Use PEI to mainstream poverty – environment linkages into national and sub-national planning and budgeting**
- **Capacity development for**
  - strengthened national policy and planning capacity
  - more effective, broader participation in macro policy discussions

# UNDP Response—Continued

- **Aid coordination—joint donor Country Partnership Strategy**
- **Inclusive local development/ABD programming**
- **Developing local planning capacity**
- **Investing in energy services, notably small hydropower**
- **Furthering government commitment to international agreements on women’s rights, investing in women**
- **Strengthening HIV/AIDS prevention and treatment capacities**
- **Engaging civil society to increase coverage of vulnerable groups**
- **Energy services for the poor, small hydro-power**