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# MDGs: Crisis Impact and Outlook

**A**ssessment of the progress toward the Millennium Development Goals (MDGs) at the halfway point in 2008 showed major shortfalls in several of them. At high-level meetings held during the year, world leaders noted the substantial progress that had been made toward some of the goals, especially poverty reduction, but expressed grave concern at the prospect that most of the other goals, in particular the human development goals, would not be achieved if past trends continued. At the UN General Assembly's High-Level Event on the MDGs held in September 2008, Secretary General Ban Ki-moon noted that "we face nothing less than a development emergency," and the meeting resulted in a call to action to scale up development efforts and put the world back on track to achieve the MDGs.<sup>1</sup> A similar assessment was echoed in the report of the MDG Africa Steering Group comprising all major multilateral development organizations that focus on the region facing the most serious shortfalls.<sup>2</sup> Since then, the global financial crisis, coming on the heels of the food and fuel crises, threatens further setbacks, making the achievement of the goals still more challenging and the need for stronger action still more urgent.<sup>3</sup>

## Crisis Impact on MDGs

The global financial crisis can seriously retard progress toward the MDGs. The impact will be felt on all MDGs, including the goals for poverty reduction and human development. Poor countries that are vulnerable to shocks and have the least capacity to respond with ameliorative actions are at particular risk of falling further behind. A recent assessment by the World Bank found that almost 40 percent of developing countries were highly exposed to the poverty effects of the crisis (with both declining growth rates and high levels of poverty); most of the others were moderately exposed, with fewer than 10 percent facing little risk. Three-quarters of the exposed countries had limited fiscal capacity to expand programs to curb the effects of the economic downturn. Within countries, the poor typically are more vulnerable and have the least cushion.<sup>4</sup>

Strong economic growth in developing countries in the past decade had put the MDG for poverty reduction (halving the proportion of extreme poor in the population between 1990 and 2015) within reach at the global level. But the triple jeopardy of

the food, fuel, and financial crises adds new challenges. The rise in food prices between 2005 and 2008 pushed an estimated 160 million to 200 million more people into extreme poverty. Falling food prices since mid-2008 are helping to reduce this number. However, because changes in local prices lag behind changes in international prices, not all of the benefits of lower international prices have been felt yet. Preliminary projections suggest that as local prices come into line with international prices, between 90 million and 120 million people who were pushed into poverty by high food prices by 2008 may emerge from poverty in 2009. Still, up to 100 million people pushed into poverty by the high food prices would remain poor in 2009.

The growth slowdown resulting from the financial crisis will add to the poverty impact of high food prices. Projected economic growth in developing countries in 2009 on average is now only about a quarter of that forecast before the onset of the financial crisis. Past trends show that a decline in the average GDP growth rate in developing countries by one percentage point can trap as many as 20 million more people in poverty. Estimates of the poverty impact of the growth slowdown in developing countries as a result of the financial crisis range from 55 million to 90 million more poor people in 2009 than anticipated before the crisis.<sup>5</sup> At current growth projections, overall poverty rates in the developing world are still expected to fall in 2009 but at a much slower pace than before the crisis. The poverty impact of the crisis will vary across regions and countries. In Sub-Saharan Africa and South Asia (except India), the growth slowdown essentially eliminates the prospect of continued reductions in the poverty count in 2009. Within these regions, which already have high poverty rates, rising poverty can be expected in some of the more fragile and low-growth economies, which may experience declines in per capita incomes as a result of the growth slowdown.

The poverty impact of the crisis would be even greater if the crisis deepens and growth in developing countries falters further than currently anticipated. Severe financial crises in the past that caused growth to turn negative produced sharp increases in poverty rates in the affected countries. During the East Asian crisis of the late 1990s, for example, the sharp reversal in growth and the associated rise in unemployment and decline in wages caused the poverty headcount index in Indonesia to rise by 11 percent in 1997 and a further 19.9 percent in 1998. In Thailand, the increases in the same crisis years were 9.8 percent and 12.9 percent, respectively.<sup>6</sup>

Progress in reducing hunger and malnutrition, which along with poverty reduction is part of MDG 1, has also been affected. Although the proportion of people who suffer from hunger has fallen since 1990, there are serious shortfalls in achieving the goal of halving the incidence of hunger and malnutrition. The recent food crisis is eroding some of the hard-won past gains. High prices have increased the number of people without sufficient access to food because the majority of the world's poor, particularly those who live in urban areas, are net food buyers and spend over half of their income on food. About 1 billion people now suffer from hunger, and about 2 billion are undernourished. The food crisis is estimated to have caused the number of people suffering permanent damage resulting from early childhood malnutrition to rise by 44 million in 2008. The financial crisis and the resulting fall in economic growth are likely to exacerbate this impact. Decreases in household incomes can reduce both the quantity and quality of food consumption. Children and women are particularly vulnerable to such impacts.

With the world already off track on most of the MDGs in human development, the financial crisis threatens to further set back progress. In the face of economic crises, both household and public investments in human

capital tend to suffer. With falling employment, wages, and asset values, and with weak social insurance systems, poor households in developing countries may not be able to cope with the economic shocks without cutting investments in human capital. Faced with declining revenues and limited financing options, government social sector spending is also likely to come under pressure. For example, Argentina and Indonesia cut public health expenditures by two-thirds during the crises of the 1990s. Experience suggests that growth collapses from financial crises are costly for human development outcomes. Countries that suffered economic contractions of 10 percent or more between 1980 and 2004 experienced more than 1 million additional infant deaths. During the crisis of the late 1990s, infant mortality in Indonesia increased 1.8 percentage points. In Peru, during the economic crisis of the late 1980s, the infant mortality rate rose by 2.5 percentage points for children born during the crisis, implying about 18,000 more infant deaths.<sup>7</sup>

Human development outcomes tend to deteriorate more quickly during growth decelerations than they improve during growth accelerations.<sup>8</sup> The projected slowdown in growth in developing countries is likely to sharply slow progress in reducing infant mortality. Based on current projections of lower growth, preliminary analysis shows that infant deaths in developing countries may be 200,000 to 400,000 per year higher on average between 2009 and the MDG target year of 2015 than they would have been in the absence of the crisis; that translates into an additional 1.4 million to 2.8 million infant deaths during the period.<sup>9</sup> In poor developing countries, education outcomes such as school enrollment also tend to deteriorate during economic crises. Evidence indicates that fluctuations in income have a larger impact on survival and school enrollment among girls than among boys. The intensity of the impacts of the financial crisis on health and education outcomes will

vary across countries, depending on their initial conditions, exposure to crisis impact, and policy response.

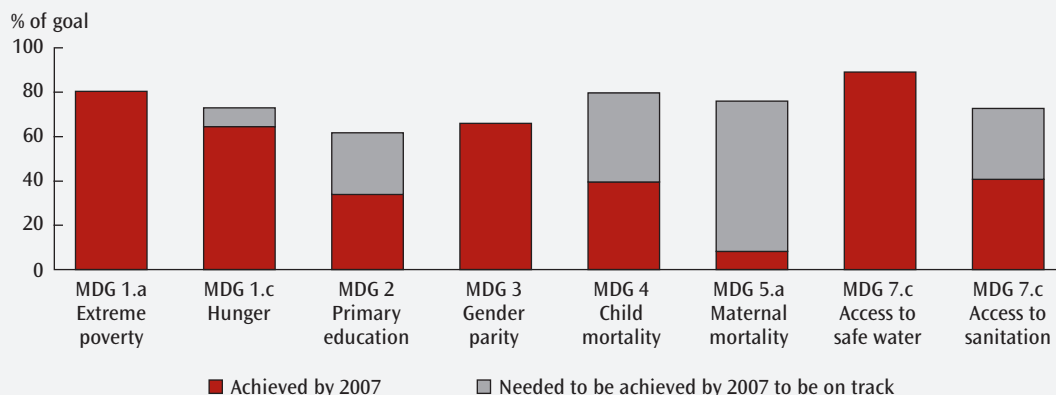
The long-run implications of the crisis for human development outcomes may be more severe than those observed in the short run. When poor households withdraw their children from school, there is a significant risk that they will not return once the crisis is over or that they will be unable to fill the learning gaps resulting from lack of attendance. And the decline in nutritional and health status among children who suffer from reduced (or lower-quality) food consumption can be irreversible, retarding their growth and cognitive and learning abilities.

### Overall MDG Progress and Outlook

Even though the global economic crisis will slow progress, the target for reducing income poverty remains within reach at the global level based on current growth projections, which envisage a recovery in growth starting in 2010. The goals for gender parity in primary and secondary education and for access to safe water have also seen relatively good progress and are expected to be met at the global level by 2015, although prospects for gender parity in tertiary education and other targets about empowerment of women are less promising. Of greatest concern are the nonincome human development goals. Based on current trends, most human development MDGs—especially for child and maternal mortality, but also for primary school completion, nutrition, and sanitation—are unlikely to be met at the global level (figure 1).

Within this global picture, considerable variation occurs across regions and countries. At the regional level, Sub-Saharan Africa lags on all MDGs, including the goal for poverty reduction, which on current trends will be achieved or nearly achieved in all other regions. Thanks to rapid growth,

**FIGURE 1 MDGs at the global level: serious shortfalls loom on human development goals**



Source: Staff calculations based on World Development Indicators database.  
 Note: Calculations are based on the most recent year for which data are available. MDG 1.a: Poverty headcount ratio (PPP2005 US\$1.25 a day); MDG 1.c: Underweight under-five children (U.S. child growth standards); MDG 2: Primary education completion rate; MDG 3: Gender parity in primary and secondary education; MDG 4: Under-five mortality rate; MDG 5.a: Maternal mortality ratio (modeled estimates); MDG 7.c: Access to improved water source; MDG 7.c: Access to improved sanitation facilities.

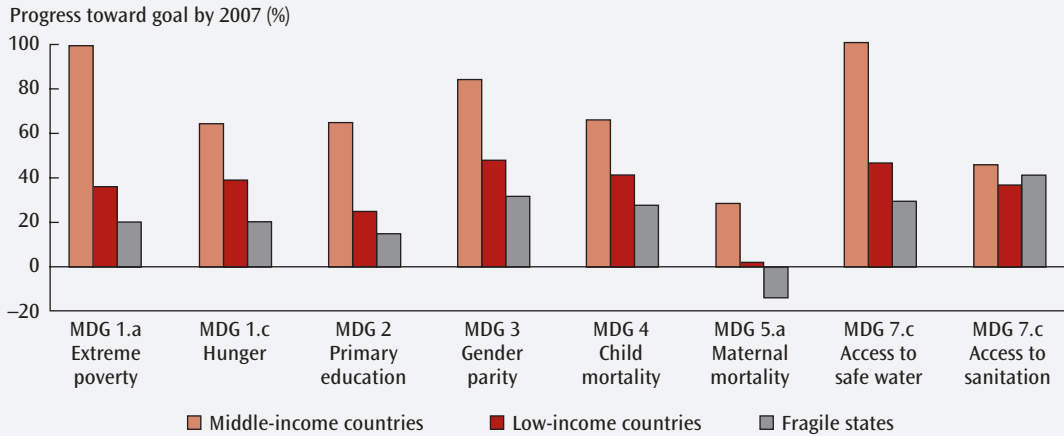
especially in China, the East Asia region has already succeeded in halving extreme poverty. South Asia is on track to achieve the poverty reduction goal, but it is seriously off track on most human development goals. On the goals relating to health, most regions are off track, though the rate of progress varies substantially across regions, with East Asia, Europe and Central Asia, and Latin America in general doing better than the other regions.

Middle-income countries have made the most rapid progress toward the MDGs. These countries as a group are on track to achieve the target for poverty reduction. Many of these countries, however, continue to have large concentrations of poverty, in part reflecting high levels of income inequality. This factor, together with the large population size of some middle-income countries, means that these countries remain home to a majority of the world’s poor in absolute numbers. Many of these countries also continue to face major challenges in achieving the nonincome human development goals. Overall progress toward the MDGs has been weaker in low-income countries, although

here too performance varies considerably across countries within the group. Progress toward the MDGs has been slowest in fragile and conflict-affected states (figure 2). Wracked by conflict and hampered by weak capacities, these states—more than half of which are in Sub-Saharan Africa—present difficult political and governance contexts for effective delivery of development finance and services. Fragile states account for close to one-fifth of the population of low-income countries but more than one-third of their poor people. Looking ahead, the challenge to achieve the MDGs will increasingly be concentrated in low-income countries, especially fragile states.

Review of data for individual countries reveals that many countries will achieve a few of the MDGs, but that on current trends a majority are likely to fall short of most of the goals. Among countries for which data are available, the proportion of off-track countries exceeds that of on-track countries for all MDGs except those for poverty reduction and gender parity at school (figure 3). In many countries MDG data continue to suffer from large gaps.

**FIGURE 2** Fragile states have made the least progress toward the MDGs



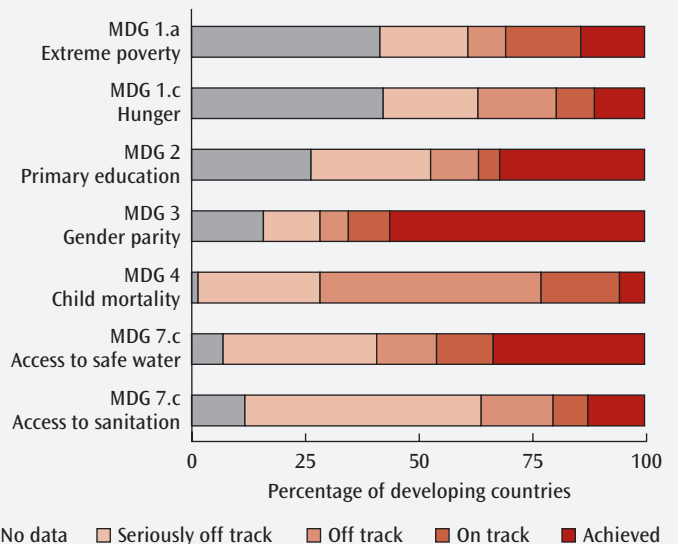
Source: Staff calculations based on World Development Indicators database.

### Closer Look at Progress by Goal

New data on poverty show that the number of people living in extreme poverty in developing countries fell from about 1.8 billion in 1990 to 1.4 billion in 2005, decreasing from 42 percent to 25 percent of the population (box 1). Much of this progress is attributable to East Asia, which reduced the incidence of poverty from 55 percent in 1990 to 17 percent in 2005. In China, the proportion declined from 60 percent to 16 percent, and the absolute number of extreme poor fell from 683 million to 208 million (figure 4). The number of people living in extreme poverty in India rose between 1990 and 2005, from 436 million to 456 million, but their share in total population declined from 51 to 42 percent. Thanks to a resurgence of growth in this decade, Sub-Saharan Africa also was able to reduce the proportion of poor people, from 58 percent in 1990 to 51 percent in 2005, but the absolute number of poor people rose from 296 million to 388 million. Of all developing regions, Sub-Saharan Africa alone remains seriously off track to achieve the poverty reduction MDG, and the global economic crisis threatens to interrupt the region’s recent progress

in picking up the pace on economic growth and poverty reduction. For developing countries as a whole, the proportion of extreme poor is projected to fall to 15 percent by 2015, below the MDG target of 21 percent,

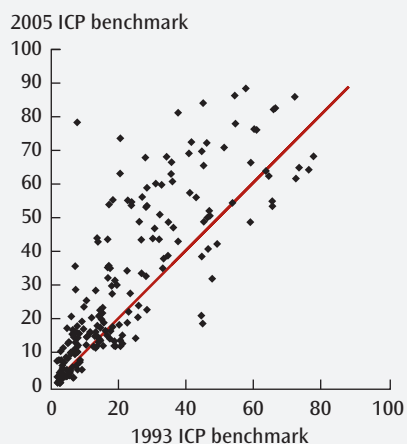
**FIGURE 3** Most countries are falling short of most MDGs



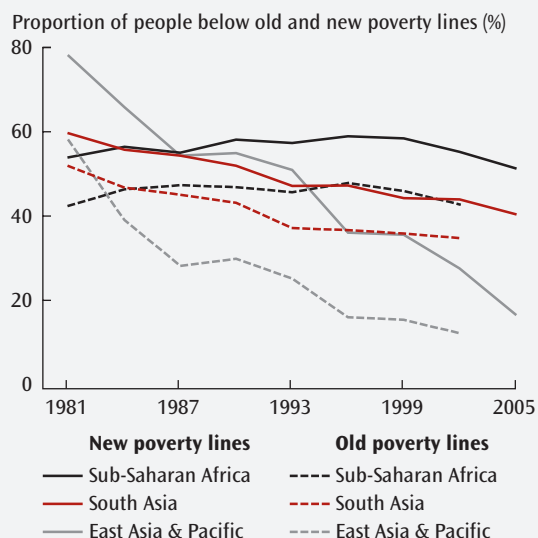
Source: Staff calculations based on World Development Indicators database.  
 Note: The graph covers 144 developing countries.

### BOX 1 New estimates of global poverty

The *Global Monitoring Report 2009* uses new estimates of global poverty based on recently released data on purchasing power parities (PPPs) compiled by the International Comparison Program (ICP) and on an expanded set of household income and expenditure surveys covering 115 developing countries. As part of this revision, the international poverty line has been recalibrated to \$1.25 a day. This new poverty line, measured in 2005 prices, replaces the \$1.08 a day poverty line, measured in 1993 prices, often described as “a dollar a day,” which has been widely accepted as the international standard for extreme poverty. The new poverty line maintains the same standard for extreme poverty—the poverty line typical of the poorest countries in the world—but updates it using the latest information on the cost of living in developing countries.



Note: The diamonds represent old and new poverty rates for individual countries.



The new estimates change our view of poverty in the world (see the two figures above). There are more poor people than previously estimated, and the incidence of poverty reaches further into middle-income countries. Previous rounds of the ICP underestimated average price levels in developing countries (perhaps because they did not fully adjust for quality differences) and thus overestimated their standards of living. By the new measurements, about 1,375 million people in developing countries (25 percent of the population) were living in extreme poverty in 2005, compared with the previous estimate of 935 million (17 percent) using the old measurements. The new, higher estimates for poverty imply that the target poverty rate to achieve the poverty MDG is 20.9 percent (half of the now higher estimate of 41.7 percent in 1990), rather than the previous 14.4 percent (half of the previous estimate of 28.7 percent in 1990). The upward revision of the poverty level does not imply that the rate of poverty reduction since 1990 has been less rapid than estimated previously.<sup>a</sup>

a. Chen and Ravallion 2008.

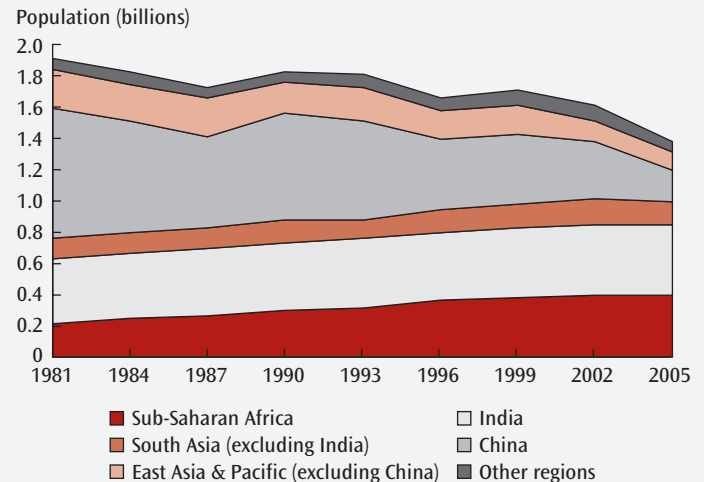
but the economic crisis adds serious new risks to the prospects for achieving the poverty goal in many countries.

The developing world is not on track to achieve the target of halving the proportion of people who suffer from hunger, and the food crisis can slow progress further. Reducing malnutrition has a multiplier effect, because it is essential to success on several other MDGs, including those relating to infant mortality, maternal mortality, and education. Child malnutrition accounts for 35 percent of the disease burden of children under age five. More than 20 percent of maternal mortality is attributable to malnutrition during pregnancy. The proportion of under-five children in developing countries who are underweight declined from 33 percent in 1990 to 26 percent in 2006, a much slower pace than needed to halve this proportion by 2015. While some regions have achieved stronger gains, progress has been slowest in Sub-Saharan Africa and South Asia. These regions have the highest incidence of child malnutrition, with severe to moderate stunting affecting as many as 35 percent of children under five. Currently, more than 140 million children under five in developing countries suffer from malnutrition.

Despite substantial improvements in primary school net enrollment and completion rates, the world is likely to miss the goal of universal primary school completion (MDG 2), though it will come close. In 2006 the primary school completion rate reached 85 percent for all developing countries and 93 percent in middle-income countries but was just 65 percent in low-income countries. Even with rising enrollments, as many as 75 million children of primary school age were not in school in 2007. Whereas other regions have shown good progress toward MDG 2, sizable shortfalls are likely in Sub-Saharan Africa and South Asia.

Gender equality and female empowerment are not only important in themselves as the third MDG, they are also effective ways

**FIGURE 4** The decline in the number of people living in extreme poverty is largely attributable to East Asia, China in particular



Source: World Development Indicators, Poverty Data 2008.

to improve progress on the other MDG targets related to poverty, hunger, disease, and education. Considerable progress has been made in reducing gender disparity in education. Almost two-thirds of developing countries reached gender parity at the primary school level by 2005, and the MDG 3 target of achieving gender parity in primary and secondary education can be met by 2015. However, Sub-Saharan Africa is likely to fall short, even though it is making notable progress. MDG 3 also calls for gender parity in tertiary education, gender equality in employment, and increased political representation of women. Progress toward these goals has been slower and more uneven. The gender goals face added risks from the current crisis because evidence from past crises suggests that women in general are more vulnerable to impact.

Prospects are gravest for the MDGs relating to health. The under-five mortality rate in developing countries declined from 93 to 72 deaths per 1,000 live births between 1990 and 2006, showing notable but insufficient progress to meet the MDG 4 of



reducing under-five mortality by two-thirds. In 2006, 10 million children died before age five from preventable diseases, compared with 13 million in 1990. The HIV/AIDS epidemic and civil conflicts have hampered Sub-Saharan Africa's progress in reducing child mortality, adding to other contributory factors such as malnutrition, lack of access to water and sanitation, and lack of mothers' education. The under-five mortality rate in the region in 2007 was still as high as 146 deaths per 1,000 live births, though down from the 1990 level of 183. Sub-Saharan Africa accounts for 20 percent of the world's children under age five but 50 percent of all child deaths. Progress in reducing infant mortality is also well short of the target in South Asia.

Relatively little progress has been made in reducing maternal mortality. The maternal mortality ratio declined by less than 1 percent per year between 1990 and 2005, much slower than the 5.5 percent annual decline needed to achieve the MDG 5 of reducing maternal mortality by three-quarters between 1990 and 2015. Most regions are off track on this goal, Sub-Saharan Africa and South Asia most seriously. Sub-Saharan Africa has the highest maternal mortality ratio at 900 deaths per 100,000 births, which is twenty times greater than the maternal mortality ratio in Europe and Central Asia. Progress in reducing the region's high maternal mortality rate has been negligible. Globally, the maternal health improvement goal has seen the least progress among all the MDGs. As many as 10,000 women die every week in developing countries from treatable complications of pregnancy and childbirth.

Progress toward MDG 6 targets for halting and beginning to reverse the spread of major communicable diseases has been mixed. An estimated 33 million individuals were living with HIV/AIDS at the global level in 2007, about two-thirds of them in Sub-Saharan Africa. Annual deaths from AIDS are estimated at more than 2 million

a year. The HIV prevalence rate has shown some decline in Sub-Saharan Africa, but it has risen in other regions, albeit from much lower levels than in Africa. The coverage of antiretroviral treatment for HIV-infected individuals has improved significantly, and now almost one-third of people living with HIV in developing countries receive the treatment. However, most countries are struggling to meet the target of achieving by 2010 universal access to HIV treatment for those who need it. The prevalence of tuberculosis, a disease that killed 1.8 million people in 2006, has been declining in all regions except Sub-Saharan Africa. Mortality from malaria remains high—at about 1 million annually, 80 percent of whom are children under five in Sub-Saharan Africa—but lack of data makes it difficult to monitor the incidence over time.

Substantial progress has been made toward the targets of halving the proportion of people without access to clean water and basic sanitation, part of MDG 7 on environmental sustainability. On current trends, the water access target is likely to be achieved at the global level and in most regions. However, the target for improving access to sanitation, where progress has been much slower, will be missed. Almost half of the developing world's population lacks sanitation. In Sub-Saharan Africa, the proportion of population with access to sanitation rose from 26 percent in 1990 to only 31 percent in 2006. South Asia also lags far behind. MDG 7 also calls for integration of sustainable development principles into country policies and programs and reversal of the loss of environmental resources. Progress on this broader environmental agenda has been relatively slow but is picking up as the world focuses increased attention on environmental sustainability and climate change.<sup>10</sup>

Progress has been made toward the MDG 8 goal of developing a global partnership for development but is falling short of targets in several areas. The goal covers



cooperation in the areas of aid, trade, debt relief, and access to technology and essential drugs. Net ODA (official development assistance) disbursements from the Development Assistance Committee of the Organisation for Economic Co-operation and Development rose during 2003–05 but fell in both 2006 and 2007, dropping from 0.33 percent of donors' gross national income (GNI) in 2005 to 0.28 percent in 2007. The ODA-to-GNI ratio increased to 0.30 percent in 2008, but to meet donors' aid commitments, larger and sustained increases in ODA will be needed than seen so far. Donors will need to demonstrate resolve in shielding aid budgets from the fiscal impact of the financial crisis. The largest implementation gap in the trade area is the failure to date to conclude the Doha Round of trade negotiations. Greater progress has been achieved in the provision of debt relief to poor countries, thanks to the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative.<sup>11</sup> A challenge in monitoring progress in improving the transfer of technology to developing countries and their access to essential drugs is the lack of specific targets for commitments in these areas.<sup>12</sup>

## Looking Ahead

Risks to the achievement of the MDGs have greatly intensified with the global economic crisis. Goals that were already imperiled by shortfalls in progress have been put in further jeopardy. The world needs a strong, coordinated response to preserve the promise of the MDGs, very much in the spirit of the international cooperation that gave birth to the MDGs at the turn of the decade and to the Monterrey framework for the mutual accountability of both developing and developed countries for the achievement of these goals. The immediate priority is to mitigate the impact of the crisis on developing countries' growth and on programs critical for the poor and vulnerable. At the same time, countries and their development partners

need to recommit to the longer-term development objectives and redouble efforts to generate stronger and broader momentum toward the MDGs and related development outcomes. This report addresses key elements of that agenda.

## Notes

1. United Nations. 2008. "Committing to Action: Achieving the Millennium Development Goals." Background note by the Secretary-General for the High-Level Event on the Millennium Development Goals. New York.

2. United Nations. 2008. "Achieving the Millennium Development Goals in Africa: Recommendations of the MDG Africa Steering Group." MDG Africa Steering Group. New York.

3. What follows provides a summary assessment of the outlook for the MDGs. More details on trends in progress toward the MDGs, including a listing of the goals, are provided in the annex to this report.

4. High exposure denotes that countries are experiencing the combined effects from both declining growth rates and high initial poverty levels, whereas moderate exposure denotes that they are affected by either decelerating growth or high poverty levels. Low exposure to the financial crisis is defined as having economic growth at rates similar to precrisis conditions and low initial poverty levels. See "The Global Economic Crisis: Assessing Vulnerability with a Poverty Lens." A note prepared by the World Bank's Poverty Reduction and Economic Management Network in February 2009.

5. See "The Expected Impact of the Global Financial Crisis on the World's Poorest." A note prepared by the World Bank's Development Economics Vice Presidency in February 2009; and International Labour Organization, *Global Employment Trends: January 2009*, Geneva.

6. Fallon, Peter, and Robert Lucas. 2002. "The Impact of Financial Crises on Labor Markets, Household Incomes, and Poverty: A Review of Evidence," *World Bank Research Observer* 17 (1): 21–45.

7. Baird, Sarah, Jed Friedman, and Norbert Schady 2007. "Infant Mortality over the Business Cycle in the Developing World," Policy Research Working Paper 4346, World Bank, Washington, DC.

8. Arbache, Jorge, and John Page. 2007. "More Growth or Fewer Collapses? An Investigation of the Growth Challenges of Sub-Saharan African Countries." Policy Research Working Paper 4384, World Bank, Washington, DC.

9. See "The Impact of the Financial Crisis on Progress towards the Millennium Development Goals in Human Development." A note prepared by the World Bank's Development Economics and Human Development vice presidencies in February 2009.

10. Environmental sustainability and its links to the MDGs were a major focus of *Global Monitoring Report 2008*.

11. Developments in aid, debt relief, and trade are discussed in more detail in chapters 4 and 5.

12. United Nations. 2008. "Delivering on the Global Partnership for Achieving the Millennium Development Goals." *MDG Gap Task Force Report*. New York: United Nations.