



# IMPROVING THE EFFECTIVENESS OF ANTI-POVERTY MEASURES: FIGHTING CORRUPTION AND ADVANCING LOCAL MARKETS

Our modern age brought many positive changes to the way people live, but it also came with many challenges the international community has to face, one of them being the question of wealth distribution. As living standards improved for many already, it would seem as if poverty eradication isn't a matter of utopic political theory anymore. Yet according to World Bank data, in 2011 over one billion people lived on less than \$1.25 a day.

The global community has developed a number of mechanisms to ensure support for countries in need and although the quality of those could always be debated, the efficiency of (mainly financial) subventions shows to be limited by other factors (such as corruption) that make support mechanisms impossible to function properly. So yet another task arose – a task to ensure that once a donation finds its address it is then used for its true purpose.

### **The main mechanisms adopted so far:**

#### **United Nations Millennium Declaration**

In 2000, the General Assembly adopted the Millennium Declaration which requires that all member states cooperate closely in order to eradicate poverty and ensure minimum living standards are achieved in the 3<sup>rd</sup> World countries, taking collective responsibility by stating goals that should be dealt with preferably.

#### **Millennium Development Goals (MDGs)**

1. Eradicate Extreme Hunger and Poverty
2. Achieve Universal Primary Education
3. Promote Gender Equality and Empower Women
4. Reduce Child Mortality
5. Improve Maternal Health
6. Combat HIV/AIDS, Malaria and other diseases
7. Ensure Environmental Sustainability

## 8. Develop a Global Partnership for Development

The MDGs have since been acknowledged in resolutions addressing indebtedness of developing countries as a sort of “constitution” that has been followed when finding new approaches to global problems.

### **Heavily Indebted Poor Countries Initiative (HIPC)**

The HIPC Initiative, which is meant to prevent poor countries from unmanageable debt, was introduced by the International Monetary Fund and the World Bank in 1996. In 2005, the Multilateral Debt Relief Initiative (proposed by G-8) was launched as a sub-section of HIPC, providing these countries with debt relief needed in order to meet the MDGs.

A country needs to qualify for support not only by facing unsustainable debt, but also needs to show some determination to solve its situation by measures implemented in the past. Once a country is found eligible, it then receives an interim debt relief. The country then proves its liability by reaching a certain level of debt sustainability. If it reaches this point and implements certain measures given by the Executive Boards of the IMF and World Bank, the country is then provided with a full debt relief. This enables countries to maintain their debts at manageable levels, but also to invest more into health, education and other vital public services, eradicating poverty and helping to fulfill the MDGs.

Countries that had received debt relief in full extent by 2012 were Afghanistan, Central African Republic, Republic of Congo, Ghana, Haiti and 27 others. Seven other countries were still in the process of reaching the so called “completion point”.

### **The Paris Club**

The Paris Club gathers together 19 of the world’s most economically developed countries. These countries as creditors are ad-hoc reducing or renegotiating official debt owed to them by a developing country. If an indebted country wants to renegotiate a debt owed to commercial banks, they turn to the London Club instead.

### **The joint Debt Sustainability Framework of the IMF and the World Bank**

This framework provides the low-income countries with guidance when evaluating borrowing strategies.

### **Official development assistance**

The Development Assistance Committee (under OECD) gathers states and institutions that are significant donors to the developing countries. It counts 29 members including EU (acting as 1 member), The World Bank, the IMF and other states and institutions. The term Official development assistance was adopted by the DAC to demonstrate international aid flow.

### **Question of effectiveness**

As stated above, there are not only external factors that can contribute to debt sustainability and it is vital for governments to embrace effective policies to help maintain debt sustainability and improve living standards in the long run.

### **Domestic debt**

Considering the overall debt sustainability, domestic public debt should also be taken into account. A case in which a borrowing government simply switches from increasing external debt to increasing domestic debt cannot be seen as desirable. The HIPC Initiative had been criticized for not taking domestic debt into consideration.

### **Stable macroeconomic framework**

In order to boost economic growth, it is important to establish a realistic framework. A policy framework should provide a government with future investment plans regarding health, education, energy, agriculture, justice and other sectors. Heavily indebted countries produce these Poverty Reduction Strategy Papers in order to qualify for the HIPC Initiative support.

### **Corruption, transparency and accountable public financing**

When it comes to corruption, developing countries seem to be very vulnerable. The most common faulty practices are caused by concentration of power in hands of corrupted government officials. Those are the ones who get to decide upon investments and taxes. It is also common that citizens are forced to pay for exercising their civil rights and although it might seem unacceptable to those who live in countries that provide certain level of legal

security, citizens in countries with little legal tradition are not informed properly and therefore find acts of bribery relatively normal.

On December 9<sup>th</sup> 2013, on the International Anti-Corruption Day, the joint UN Office on Drugs and Crime and United Nations Development Programme launched a campaign called Zero Corruption - 100% Development. This title speaks for itself. For example, according to the Director of Economic Commission for Africa's sub-regional office in Central Africa, Mr. Emile Ahohe, following acts of corruption occur across the continent: bribery, influence peddling, the siphoning of resources, fraudulent management, illegal amassing of wealth, favoritism, illegal profit making, the misuse of public goods and money laundering.

*"Corruption is a barrier to achieving the Millennium Development Goals and needs to be taken into account in defining and implementing a robust post-2015 development agenda"*

- The UN Secretary General, Ban Ki-moon

David McNair, ONE's (an organization campaigning for poverty eradication) transparency and accountability policy director says *"In developing countries, corruption is a killer... Up to 3.6 million lives could be saved if we end the web of secrecy that helps the criminal and corrupt. When governments are deprived of their own resources to invest in the essentials – like nurses and teachers – the human cost is devastating."*

In 2013, the World Bank Group President Jim Yong Kim described corruption as a *"Public enemy number one in developing countries"* further stating that *"Every dollar that a corrupt official or a corrupt business person puts in their pocket is a dollar stolen from a pregnant woman who needs health care; or from a girl or a boy who deserves an education; or from communities that need water, roads, and schools. Every dollar is critical if we are to reach our goals to end extreme poverty by 2030 and to boost shared prosperity."*

Kim emphasized the importance of providing information both to the governments on how to govern and to citizens on how to hold their governments accountable. He also said that private sector is an important part of the solution as more companies are willing to disclose their contracts with governments.

## **Preserving peace and stability**

It is important to prevent conflict and armed violence as sustainable peace is needed when reaching sustainable development. Yet this topic sometimes seems to be overlooked. Maintaining peaceful environment means creating predictable investment climate and attracting new investors and increasing employment rates. The struggle of post-conflict countries to recover can be seen on an example of Afghanistan - one of the countries where, according to Transparency International, corruption is seriously widespread.

## **Conclusion**

Many observations show that it's no longer solely the lack of aid resources preventing poverty to be successfully eradicated. It is the effectiveness of anti-poverty measures that can make a crucial difference. Corruption combined with the lack of governing experience in developing countries represents a major problem that is being discussed now more than ever. So what is the right attitude for the international community to adopt in order to cope with this problem?

## **Additional sources**

<http://www.un.org/en/development/>

<http://www.transparency.org/>

<http://www.un.org/millennium/declaration/ares552e.htm>

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<http://www.un.org/millenniumgoals/bkgd.shtml>

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