

The year of development

Jeffrey D Sachs

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These villagers in Phulpur, like millions of others in Bangladesh, live in extreme poverty – they endure chronic malnutrition, a literacy rate of only 20% and repeated destruction from floods and cyclones.

THIS YEAR MARKS A PIVOTAL

moment in international efforts to fight extreme poverty. Following the United Nations Millennium Summit in 2000, 189 countries adopted the Millennium Development Goals to address extreme poverty in its many dimensions – income poverty, hunger, disease, lack of adequate shelter, and exclusion – while promoting education, gender equality and environmental sustainability, with quantitative targets set for the year 2015. We are now at the five-year juncture with a stark realisation: many of the poorest regions of the world, most notably in sub-Saharan Africa, are far off-track to achieve the Goals. Yet the MDGs are still achievable. The lives of hundreds of millions of people could be dramatically improved and millions could be saved every year, but only if the world takes bold steps in 2005.

In impoverished countries where governance is adequate, and there are dozens of such countries, the key to

achieving the MDGs is a scaling-up of investments in targeted sectors and regions. The key lesson from the UN Millennium Project task forces is that sound, proven, cost-effective interventions indeed exist that can ameliorate, and often eliminate, the underlying causes of extreme poverty. Some real breakthroughs are possible, if these proven technologies can be implemented at scale in the poorest parts of the world. Good science and practical experience have identified core technologies that can deliver increased food production, disease control, and access to basic infrastructure such as safe drinking water.

Scale-up at country level

When these basic investments are in place, people's health, nutrition and skills improve and allow them to raise their productivity and income. By raising income levels above subsistence levels, households begin to save for the future, and thereby further increase in their incomes. Of

course, the increased public investments need to be accompanied by sound policies. Scaling up education systems, for example, requires significant investments in schools, teachers and supplies, but it also needs management systems that allow greater transparency to track budgets, policies that encourage parental involvement and oversight, and more decentralised school-based management. Similarly, investments for gender equality need to go hand-in-hand with legislation to guarantee property and inheritance rights for women and girls and to protect them from violence.

In some aspects of the MDGs, there are potentially huge Quick Wins in which simple interventions can make a profound difference to survival and quality of life, even before breakthroughs in public management, major expansions of professionals, or infrastructure. Increased coverage of immunisations, replenishment of soil nutrients with chemical or organic fertilisers, the mass distribution of insecticide-treated bed nets to fight malaria, and expansion of locally-produced school meals programmes to improve school attendance and performance, all can be accomplished rapidly and on a very large scale. The UN Millennium Project urges a rapid scale-up and financing of such Quick Wins in many sectors. In many instances, non-governmental organisations will be best-placed to deliver rapid scale-up.

The UN Millennium Project's core operational recommendation is that every developing country with extreme poverty should adopt and implement a national development strategy that is ambitious enough to achieve the MDGs. The country's international development partners – bi-lateral donors, UN agencies, regional development banks, and the

Bretton Woods institutions – should give all the technical and financial support needed to implement the country's strategy. In particular, official development assistance should be adequate to pay for the financing needs – assuming that governance limitations are not the binding constraint and that the receiving countries are making their own reasonable efforts at domestic resource mobilisation.

Most national strategies have not been ambitious enough to meet the MDGs

An existing successful instrument is the Poverty Reduction Strategy Paper (PRSP), which has focused the development efforts of governments and is the main country-level framework used by the international development agencies. However, as the central strategy document at the country level, the PRSP must be aligned with the MDGs. So far, most national strategies have not been



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ambitious enough to meet the MDGs, especially in low-income countries, and have instead planned around modest incremental expansions of social services and infrastructure on the basis of existing budgets and amounts of donor aid. Instead, MDG-based poverty reduction strategies should present a bold, 10-year framework aimed at achieving the quantitative target set in the MDGs. They should spell out a financial plan for making the necessary investments, then show what domestic resources can afford and how much will be needed from the donors. Although poverty reduction is mainly the responsibility of developing countries themselves, achievement of the MDGs in the poorest countries will require substantial increases in official development assistance.

The core challenge of the MDGs is in the financing and implementation of the interventions at scale – for two reasons. One is the sheer range of interventions needed to reach the Goals. The second is the need for national scaling-up to bring essential MDG-based investments to most of the population by 2015. Scale-up needs to be carefully planned and overseen; the planning is much more complex than for any one project and requires a working partnership between government, the private sector, non-governmental organisations and civil society. Previously, scaling-up has been immensely successful when governments are committed, communities participate in the process, and long-term, predictable financing has been available.

The finance gap

According to our estimates, the total donor cost of supporting the MDG financing gap for every low-income and middle-income country would be US\$73 billion in 2006, rising to \$135 billion in 2015. In addition to these direct investments in the Goals, there are added national and international costs: in emergency and humanitarian assistance, outlays for science and technology, enhanced debt relief, increased technical capacity of bilateral and multi-lateral agencies, and other categories of official development assistance.

The increased aid required to meet MDGs has been promised, though not yet delivered. In March 2002, governments world-wide adopted the Monterrey Consensus at the International Conference on Financing for Development, which strengthened the global partnership needed to achieve MDGs. The international community recognised the need for a new partnership of rich and poor countries based on good governance and expanded trade, aid, and debt relief. Donor countries re-affirmed their pledge to reach 0.7% of their income in official development assistance, compared with the current developed-world average of about 0.25% of gross national product (GNP). With the combined donor-country GNP at roughly US\$31 trillion, 0.7% of GNP would be about \$220 billion per year – compared with present aid flows at about \$80 billion per year. The UN Millennium Project's findings show that ramping up additional aid to an extra \$130 billion per year by 2015 would be more than enough to scale up the critical interventions needed to achieve the MDGs in well-governed developing countries.

Since Monterrey, the drama has been whether the rich world would finally meet the 0.7% target

Since the Monterrey Consensus in 2002, the great drama has been whether the rich world would finally meet the long-standing 0.7% target, to enable the poorest countries to break out of the poverty trap and thereby achieve the MDGs. Until recently, only six countries had declared a timetable to reach 0.7% of GNP by the year 2015: Belgium, Finland, France, Ireland, Spain and the United Kingdom. Adding these six to the five countries (Denmark, Luxembourg, Netherlands, Norway and Sweden) that have a long-standing success in achieving 0.7% brought the total of committed countries to 11 – exactly half of the 22 donor countries that are members of the rich world's "donor club" known as the Development Assistance Committee.

In early April this year, Germany took a step of great international leadership by announcing a timetable for increasing its ODA to 0.7% by 2014. That brings the total number of countries on a timetable for 0.7% to 12, or more than half of the 22 donor countries. And of course, now that Europe's biggest economy is on track to reach 0.7%, it is very likely that all 15 of the European Union donor countries will soon announce a timetable to achieve 0.7% of GNP. The 15 EU donor countries as a group, indeed, are likely to set a shared timetable to reach 0.5% of their combined GNP by around 2009 and 0.7% by 2014.

Germany deserves special congratulations for honouring its international commitments at a moment of tremendous fiscal strain. Germany still bears the heavy fiscal costs of unification, as well as the mounting pension costs of an ageing population. The government has been working hard to keep budget deficits under control. Yet Germany's leadership has recognised something of fundamental importance: increased aid is not merely a matter of convenience for the world's poor, but a matter of life and death. And by choosing to help the poorest of the poor, Germany has chosen to help ensure global stability as well, since extreme poverty is one of the major risk factors in causing political upheavals and violence. The other countries around the world that have not set a timetable to reach 0.7%, including Australia, would do well to follow Germany's example.

Breakthrough now critical

This year, 2005, must bring a major increase in effort. Fortunately, two world leaders, the UK's Tony Blair and France's Jacques Chirac, building on a far-thinking plan of Gordon Brown, the British Chancellor, have promised exactly that. They have pledged to make 2005 a breakthrough year. To lay the groundwork, President Chirac commissioned Jean-Pierre Landau to report on innovative financing mechanisms for development. Prime Minister Blair similarly appointed a high-level Commission for Africa, which issued its report in March and identified an immediate African



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The lives of hundred of millions of people can be improved through the successful implementation of the Millennium Development Goals.

absorptive capacity of at least \$25 billion per year.

A successful G8 summit in Scotland in July will see developed countries commit to at least doubling official development assistance in the next few years, reaching 0.5% of GNP by 2010 and 0.7% by 2015. This would provide the backdrop for world leaders at the UN General Assembly in September 2005 to commit to a series of specific actions to lay the foundation for a decade of rapid growth and social improvements in the most impoverished places on the planet.

In 2005, the world needs desperately to follow through on its commitments, taking practical steps at scale before the Goals become impossible to achieve. The credibility of the international system is at stake.

Without a breakthrough in 2005, well-governed poor countries will not be effectively supported in pursuing an MDG-oriented strategy, and the already-dwindling faith in international commitments to reduce poverty will probably vanish. If we do not act now, the world will live without development goals, and it will be a very long way to the next Millennium Summit in the year 3000. ■

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