

# A GLOBAL PLAN TO ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS

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**Draft presented by**

## **The UN Millennium Project**

**An independent advisory body to the UN Secretary-General**

[www.unmillenniumproject.org](http://www.unmillenniumproject.org)

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Not for Quotation

This document is a preliminary draft of the UN Millennium Project's final report. It is meant as a basis for consultation and is not for citation or attribution. It has been produced by the Project's Task Force Coordinators and has not yet been reviewed by the members of the Millennium Project Task Forces. References to Task Force recommendations refer to the evolving and not yet final work of the Task Forces. The final version of this report is scheduled for submission to the UN Secretary-General in January 2005. Comments are encouraged and should be sent to [comments@unmillenniumproject.org](mailto:comments@unmillenniumproject.org). We ask that all comments be submitted by November 1, 2004.

As an independent advisory body, the UN Millennium Project is commissioned by the Secretary-General and supported by the United Nations Development Programme (UNDP) Administrator in his capacity as chair of the United Nations Development Group (UNDG). This publication does not necessarily reflect the views of the United Nations Development Programme, its Executive Board, or its Member States.

The Millennium Project is an independent advisory body to the United Nations Secretary-General Kofi Annan commissioned with recommending, by June 2005, the best strategies for meeting the Millennium Development Goals (MDGs). This includes reviewing current innovative practices, prioritizing policy reforms, identifying frameworks for policy implementation, and evaluating financing options. The Project's ultimate objective is to help ensure that all developing countries meet the MDGs.

The Millennium Project is supported by the United Nations Development Programme (UNDP) Administrator Mark Malloch Brown in his capacity as chair of the United Nations Development Group (UNDG). Professor Jeffrey Sachs directs the Project, which brings together the best expertise of more than 250 world-class scholars and practitioners in both developed and developing countries, United Nations agencies, and public, non-governmental, and private-sector institutions. Ten Task Forces carry out the bulk of the Millennium Project's analytical work with support from a small secretariat based at UNDP headquarters in New York. The Task Forces and their Coordinators are listed below.

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## EXECUTIVE SUMMARY

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### **I. The MDGs: Development for All**

In September 2000 the world's leaders adopted the Millennium Declaration, committing their nations to a global partnership to reduce poverty, improve health and promote peace, human rights and environmental sustainability. The leaders noted that "the central challenge" facing the world is "to ensure that globalization becomes a positive force for all the world's people." Unless that is accomplished, not only will needless suffering continue, but the battles against terrorism, instability, and violence also cannot be won.

The Millennium Declaration generated the Millennium Development Goals (MDGs), a series of quantified targets for ending extreme poverty by 2015. The MDGs aim to cut poverty in its many dimensions: low income, hunger, lack of education, gender inequality, disease, environmental degradation, insecurity of shelter, and lack of access to safe water and sanitation. The UN Millennium Project was commissioned in 2002 by UN Secretary-General Kofi Annan as an independent advisory project to recommend an action plan to achieve the MDGs in each low-income country that is ready to make the effort.

The Project has been working with low-income governments around the world. We find that civil society, governments, and the thousands of people that we have met in the cities and villages of low-income countries are ready, indeed desperate, to achieve the MDGs. They are more ready, it seems, than many of their counterparts in the rich world, who have made promises of help that are still undelivered. Moreover, in detailed studies of the problems of poverty, hunger, disease, environmental management, and infrastructure, the Project has found that the MDGs can be met in every country, but not if the world continues to take a business-as-usual path. A major global policy breakthrough is needed in 2005 to get the world's poorest countries on track to meeting the Goals. The Millennium Project's "Global Plan to Achieve the Millennium Development Goals" presents a framework for this policy shift detailing a series of recommendations for rich and poor countries alike.

#### ***Who is On Track and Off Track to Meeting the MDGs?***

Economic development is proceeding rapidly in much of the developing world, most notably in China, India, and other parts of Asia. Large parts of the developing world, however, and most importantly sub-Saharan Africa, are not reaping the benefits of globalization, but are instead suffering from its ills: brain drain; unrelieved debt burdens; transnational terrorism; adverse climate trends; and, a chronic lack of adequate financial assistance from the rich countries. Even where economic growth is rapid, many of the MDGs are falling by the wayside, especially those relating to gender equality, maternal mortality, and environmental sustainability. Virtually the entire developing world remains vulnerable to pandemic diseases, especially HIV/AIDS, malaria, and TB.

Three regions of the developing world, East Asia, South Asia, and sub-Saharan Africa, are home to 93 percent of the world's extreme poor, according to estimates by the World Bank. By these estimates approximately 1,089 million people lived in extreme income poverty in 2001, of whom 271 million (25%) lived in East Asia, 431 million (40%) lived in South Asia, and 313 million (29%) lived in sub-Saharan Africa.

In East Asia, the number and proportion of people living in extreme poverty have been falling sharply. In South Asia, the proportion has also been falling quickly, though the absolute number has been declining only gradually. In sub-Saharan Africa, both the proportion and absolute number of people in extreme income poverty have been rising sharply. In other regions, the numbers and proportion of the extreme poor are much lower, but there has also been much less progress than in East and South Asia in reducing those proportions.

Additionally, some specific regional trends were identified by the Project:

- Even in the fast growing economies of East Asia, progress is lagging in several dimensions of poverty reduction: health, gender equality, basic infrastructure, and environmental sustainability.
- In Latin America, the extent of extreme poverty is much lower than in Asia, but progress in reducing extreme poverty has been much more limited, and environmental challenges remain serious.
- In West Asia, poverty levels are increasing, with progress towards gender equality slow, and with threats of resurgent malaria as well as HIV/AIDS.
- In South Asia, gender disparities are severe and persistent, education levels remain too low, and health outcomes, especially maternal mortality, remain impediments to meeting the MDGs.
- In sub-Saharan Africa, most countries are off track to achieve most of the Goals. The region is stuck in a profound poverty trap that constitutes the epicenter of the world's development crisis.

Nearly all regions of the world are off track to meet several of the MDGs, showing widespread policy neglect and under-investment. Gender inequalities are pervasive, measured both by lagging education and literacy levels of girls and young women and the lack of women's political representation in national parliaments. Child mortality is falling too slowly in most regions while maternal mortality remains alarmingly high in all regions. The pandemic infectious diseases of HIV/AIDS, tuberculosis and malaria continue to pose deep and unmet threats across afflicted regions. And while access to safe drinking water and sanitation has improved in urban areas in most regions, access to safe drinking water and especially to sanitation in rural areas continues to progress much too slowly to achieve the MDGs.

***The MDGs are not another handout, but rather a ladder out of extreme poverty.***

In most low-income countries, meeting the Millennium Development Goals will require a significant increase of investment spending, especially in areas of infrastructure and

human capital (health, education, nutrition). These investments will, in turn, spur much greater investments in the private sector leading to overall economic growth. The increased investments in infrastructure and human capital will require good governance on the part of the low-income countries and much greater official development assistance in the short term from the rich countries. But this increased assistance will be well spent. Rather than creating yet more dependency on aid, front-loading the investments on infrastructure, health, and education will enable countries to generate the economic growth needed to break free of the dependency on aid and humanitarian support. By increasing aid in the short term, donor countries will reduce aid dependency in the longer term.

The rich countries have promised the increase in aid needed for this effort and have reconfirmed their commitment to the target of 0.7 percent of their GNP in official development assistance. They have not yet followed through. Indeed, all of the promises needed to achieve the MDGs have already been made, in the Millennium Declaration, the Monterrey Consensus, and the Johannesburg Plan of Implementation. The poor countries have agreed to good governance, and the rich countries have agreed to more aid, more open trade, and greater technology transfer. What remains is to fulfill these promises. This report shows that if commitments are honored, the Goals can be met. The report describes in detail the specific steps needed to achieve the MDGs, in line with the promises already made.

## **II. Translating the MDGs from Aspiration to Reality**

In developing countries, the most important step to achieving the MDGs is much higher investment rates, both public and private. The poorest countries lack the basic infrastructure (roads, ports, airports, telecoms, power, water and sanitation), environmental management, and human capital (health, education, nutrition, and family planning) needed to attract private investment. Without adequate infrastructure and a healthy and educated population, these countries fail to benefit from private-sector led growth. At the core of a national strategy to achieve the MDGs, therefore, should be a strategy for greatly increased investments in infrastructure, human capital, and the private sector. This requires good governance, a strategy to scale up investments, and increased financing—largely donor financing—for public investments in the poorest countries.

The international community should ensure that each developing country has the technical, financial, and organizational support needed to implement a national poverty reduction strategy, and most urgently an investment strategy, sufficiently bold to achieve the MDGs at the country level. We stress that the goals should be interpreted as applying to each developing country, not to the world as a whole.

Today, the international financial institutions and donor community encourage low-income countries to ask the question: “What is the best that can be accomplished with the given amount of aid that is coming from abroad?” In the next 10 years, development agencies and low-income countries need to ask three very different questions: “How

much aid is needed at the country level to achieve the MDGs? How should that aid be shared among donors? How should the aid be dispersed over time?” All development partners need to ask the question of how to finance the required increases in investment spending that are at the heart of achieving the MDGs. If this new framework is introduced, the MDGs can still likely be achieved in every country. Ten years is enough time, but only just enough.

Following is a synopsis of the policy recommendations for both donor and developing countries contained in the “Global Plan to Achieve the Millennium Development Goals.”

### **III. Policy Recommendations and Analysis for Donor Countries:**

The MDGs are a cost-effective investment strategy for the donor countries. They will save money in the long term by breaking the poverty trap in the poor countries. Today, a modest amount of “life support” aid goes to the poorest countries, often not even enough to keep the people alive. This aid is needed year in, year out. The countries do not achieve economic growth, and the conditions do not improve. The costs of humanitarian assistance multiply, as do population rates, disease, and environmental degradation. The indirect costs also multiply, as impoverished states succumb to violence, become bases for terror, and spark mass refugee movements.

Rather than continuing on the drip-drip-drip of life support, achieving the MDGs would enable poor countries to achieve real economic health, and for the rich countries to build stable trade partnerships with today’s low-income countries rather than relationships based on continual humanitarian emergencies. By increasing aid today for the investments that count, the donors would help the poorest countries to develop new industries, improve education standards, slow their population growth, and restrain the environmental degradation that is threatening their health and economic future. This is what could be accomplished by front-loading a much greater amount of official development assistance (ODA) during the period 2005-2015. It is too much to say that aid dependency would end in all countries by 2015, but the prospects for the poorest countries’ graduation from aid will be vastly brighter if increased investments are made in interventions recommended in this report over the coming decade.

There are three major benefits of front-loading aid:

- (1) Early increments of the ODA, by financing new investments, will raise the rates of national saving and foreign investment, and thereby lower the need for ODA in later years
- (2) Early ODA will help to speed the demographic transition, thereby speeding per capita economic growth and reducing the overall costs of ODA in later years
- (3) Early ODA will raise economic and social wellbeing during the time period until self-sustaining growth is reached.

### ***The Unfulfilled Commitments of Increased Donor Assistance***

Rich countries have promised a substantial increase in assistance but not have not followed through. Thirty-five years ago, rich countries agreed to commit a standard of 0.7% of their GNP to ODA. By 2002 the actual level of ODA was a mere 0.23% of donor GNP. That year, in the Monterrey Consensus, the target of 0.7% was reconfirmed. All signatories agreed “to urge all developed countries that have not done so to make concrete efforts towards the target 0.7% of Gross National Product.” In 2003, only 5 of the 22 donor countries in the OECD Development Assistance Committee (DAC) had honored the international target, though notably another five have announced specific plans to do so in the coming years.

The world’s largest economies, the U.S., Japan, and Germany, give among the smallest shares of their national income. In 2003, ODA totaled \$68 billion, or 0.25 percent of GNP<sup>1</sup>. Compared with 0.7 percent of donor GNP which would amount to \$190 billion, the world has an aid shortfall of over \$120 billion. Half of the shortfall was accounted for by the United States, and another 24% was accounted for by Japan and Germany.

Without much greater levels of donor assistance, even the best governed countries in sub-Saharan Africa and other very low-income regions cannot achieve the Millennium Development Goals.

### ***The Costs and Benefits of Achieving the MDGs***

The UN Millennium Project’s country level research shows that even if each low-income country government mobilizes an ambitious additional 4 percent of its own GNP each year to finance the necessary budget outlays for MDG investments, a major increase in ODA will still be needed. However, meeting the MDG financing needs at the country level will require an average of [\$84] billion annually from 2005 through 2007 (in 2005 \$US), added to other ODA flows of [\$72] billion – including [\$22 billion] for global and regional investment needs and [\$50 billion] for the continuation of other existing ODA flows – will, which will still leave total ODA at [\$156] billion, or less than 0.7 percent of donor GNP (specifically [0.53]%)<sup>2</sup>. The benefits of achieving the MDGs would be many times the additional costs. Economic growth is likely to rise by several percentage points per year in countries undertaking the increased investment spending. Poverty is likely to fall sharply. And along with poverty, so too will there be decisive reductions in hunger, disease, and lack of access to safe drinking water and sanitation. Tens of millions of lives can be saved in the next decade, and population growth will actually be slowed in the medium term with a faster voluntary transition to lower fertility rates. This can all be done in an environmentally sustainable manner if appropriate investments are also made in environmental conservation.

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<sup>1</sup> After accounting for debt relief, net flows in 2003 were approximately \$60 billion in 2003 US dollars, which can be adjusted to approximately \$62 billion in 2005 US dollars, as indicated in Table 1.

<sup>2</sup> Note that these figures are very preliminary and subject to refinement before November.

Achieving the MDGs would save far more lives *each year* than have been claimed by terrorism in the entire history of humanity, and would greatly reduce the threats of terrorism and war by enabling societies around the world to achieve hope and prosperity within a global society that values human life and well being for all, and that acts upon those values.

**To this end, for Donor Countries to meet their commitment to achieve the Millennium Development Goals, the Millennium Project finds that:**

- Total ODA flows should rise to an annual average of [\$156 billion] from 2005 through 2007 and [\$188 billion] from 2013 through 2015. While these absolute numbers are high, it is important to bear in mind that they correspond to roughly [0.53] and [0.54] per cent of rich countries' GNI, respectively.<sup>3</sup>
- These ODA flows represent an average annual increase over existing ODA flows of [\$94] billion from 2005 through 2007 and [\$126] billion from 2013 through 2015. This represents [0.32%] of donor GNP from 2005 through 2007 and [0.36%] from 2013 through 2015.
- An expanded role necessary for the UN system to support country-level planning for the MDGs will require an increase in funding to international organizations that will cost another [\$5 billion] on top of the [\$10 billion spent on it today].
- External finances for meeting the MDGs should be provided in the form of grants.

For an account of overall ODA needs see Table 1. Table 2 shows how the country level budget support is divided among the developing country regions.

#### **IV. Policy Recommendations and Analysis for Developing Countries**

The Millennium Project recommends that every developing country structure its short term poverty reduction strategy in the context of a 10 year MDG framework. While all countries face very specific challenges, and therefore need to tailor their national strategies to local conditions, there are some general points that tend to apply. Here is a typical profile of a country with a very high poverty rate.

- Most of the population lives in rural areas. Rural poverty is high, and the productivity of rural smallholder farmers is very low. The rural population is increasing rapidly, with some of the population moving to cities in search of jobs. Infrastructure is very poor, with a shortage of roads, power, water and sanitation. Women and girls bear much of the brunt of the poverty, with heavy labor in farming and in collecting fuel wood and water. Children are “economic assets” on the farm, and many, especially girls, do not attend school because they are home performing household labor.

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<sup>3</sup> Assuming a rich world's GNI of \$29 trillion in 2005 rising at 2 percent per year to reach \$35 trillion in 2015.

- Most of the urban population operates in the informal economy, without security of tenure and without registered employment. Cities are strongly divided into pockets of affluence, with public services, infrastructure, and quality housing, and large squatter settlements with precarious property rights and a lack of public services. Roads, power, and ports tend to be congested and poorly maintained. Power failures are rampant. Foreign direct investment tends to be scarce and hard to attract. Employment is heavily informal, in services and small workshops (e.g. bicycle and auto repairs), and in domestic food processing industries.
- The population is afflicted by low human capital. Life expectancy is around 55 years (as opposed to 78 years in high-income countries), and child mortality is 75 per 1,000 or higher. A significant proportion of children, especially girls, do not finish primary school. Fertility rates are high, and there is a considerable unmet demand for family planning and modern contraception. Infectious diseases are rife. Depending on climate, malaria may be year round or seasonal. Tuberculosis afflicts densely populated slum areas. HIV/AIDS is uncontrolled among high risk groups (migrant laborers, truck drivers, commercial sex workers, injecting drug users) and perhaps has spread to more of the population.

**TABLE 1: VERY Preliminary Estimates of Annual Global ODA Needs (in 2005 US\$) (Referenced from Table 13.2) [Subject to refinement before November]**

	Average 2005-2007	Average 2013-2015
<b>I. Budget Support for National MDG Strategies</b>	<b>84</b>	<b>116</b>
<i>of which:</i>		
- ODA for MDG Budget Support in Low-Income Countries	93	122
- ODA for MDG Budget Support in Lower Middle-Income Countries	1	0
- Increased Bilateral ODA Management Support	5	9
<i>Minus:</i>		
- Allowance for non-qualifying countries due to inadequate governance	-15	-15
<b>II. Global and Regional Investment Needs</b>	<b>22</b>	<b>22</b>
ODA for Regional Infrastructure	5	5
<i>Global Research Costs</i>		
Funding for Global Public Health R&D	4	4
Funding for Global Agricultural R&D (e.g., CGIAR)	1	1
Funding for Global Energy R&D	1	1
Funding for Research on Long-Term Climate Change	1	1
Aid for Trade Fund	5	5
Increased technical assistance capacity of international organizations	5	5
<b>III. Continuation of Other ODA</b>	<b>50</b>	<b>50</b>
ODA for non-MDG Investments in Low-Income Countries	19	19
ODA for Middle-Income Countries	31	31
<b>TOTAL ODA needs,:</b>	<b>156</b>	<b>188</b>
<i>of which:</i>		
- Current net ODA flows	62	62
- ODA gap	94	126
<b>Total ODA needs as Percent of Rich World's GNI**</b>	<b>0.53%</b>	<b>0.54%</b>
<i>Additional ODA necessary to reach 0.7%</i>	<i>51</i>	<i>55</i>
<i>ODA at 0.7%</i>	<i>207</i>	<i>243</i>
<i>All cost estimates are scaled to 2005 US dollars</i>		
<i>** Assumes rich world GNI of \$29 trillion in 2005 grows at 2% annually to reach \$35 trillion in 2015</i>		
<i>NOTE: There will undoubtedly be other important needs for both low-income and middle-income countries. We have therefore simply assumed a constant absolute amount of non-MDG related ODA. Support for important issues such as democratization, environmental, and other challenges are not included here.</i>		

**TABLE 2: VERY Preliminary projection of annual budget support required to meet the MDGs by region (in 2005 US\$ billion) (Referenced from Table 13.3) [Subject to refinement before November]**

	Average 2005-2007	Average 2013-2015
<b>By geographical region</b>		
East Asia and Pacific	19	9
Europe & Central Asia	2	3
Latin America and Caribbean	1	1
Middle-East and North Africa	1	1
South Asia	30	31
Sub-Saharan Africa	41	77
Increased Bilateral ODA Management Support	5	9
<b>Minus:</b>		
Allowance for non-qualifying countries due to inadequate governance	-15	-15
<b>Total</b>	<b>84</b>	<b>116</b>

NOTE: This table only includes MDG-focused expenditures. It does not include government expenditures or ODA directed for additional purposes not directly related to the MDGs. All estimates are in 2005 US\$.

In these circumstances, it is possible to envision what a successful development strategy would entail. First, it would target a rise in rural productivity, a “green revolution” to raise food output. This would accomplish several things. It would enable farmers to feed their families. It would provide low-cost food for the rest of the economy. It would accelerate the transition to commercial agriculture and to urbanization (as fewer households are engaged in food production). Virtually every successful development experience has been based on a green revolution at an early stage. The green revolution would be environmentally sustainable and made possible by large scale investments at the farm level and village level, in soil health, water harvesting, improved seed varieties, feeder roads from farms to trunk roads, electrification, improved water sources and sanitation, and modern cooking fuels to replace fuel wood.

Second, and simultaneously, the strategy would help cities to foster internationally competitive industries and services, while meeting the basic needs of all urban residents. Industrial parks, export processing zones, special economic zones, science cities, and the like, would be developed as locations for internationally competitive urban industries, both in manufacturing and services. Port services, power, and roads would be upgraded to support private industry. Slum dwellers would be given security of tenure, and perhaps negotiated options for relocation on a voluntary basis. Increased investments in garbage collection, clean air, removal of toxics, and waste water treatment, would improve urban environmental health.

Third, these changes would be supported by massive investments in nutrition, health care, education and family planning. Human capital would rise over time. The adult labor force would become literate and healthy. Infectious diseases would be brought under control through targeted disease control programs linked to the overall health system.

Fourth, these investments in rural and urban productivity and human capital would be supported by three more overarching areas of investment. Public management systems would be upgraded, with training and retention of skilled managers and the greatly expanded use of information technology. Extensive capacity building at the local level would permit a process of effective decentralization of public investments, down to the village, town, and city levels. Scientific capacity would be expanded through investments in the major universities, national laboratories, and national science advisory units. Finally, cross-border investments with neighboring countries would improve linkages in roads, power, environmental management, rails, and telecommunications.

History has shown that investments in each of these areas can be scaled up very rapidly, in the course of a few years. Food production could double or even triple in Africa in a decade, if policy makers and donors invest in a 21<sup>st</sup> Century African Green Revolution. Urban labor-intensive sectors such as garments can develop very rapidly, as Bangladesh’s experience has shown. Health care investments can lead to dramatic reductions in child mortality rates in just a few years. Fertility rates can fall sharply in a decade if there is a coordinated national effort at voluntary family planning. In short, a massive scaling up of both public and private investments is possible.

***Understanding Why Some Countries Need Major Support to Achieve the MDGs***

Not all developing countries need ODA to achieve the MDGs. A significant number do not, including many of the largest. China, for example, has essentially graduated from the need for more foreign aid, and where it still needs foreign aid, it is just around the margins, to tackle specific pockets of poverty or specific challenges (e.g. HIV/AIDS). Most middle-income countries are in the same situation, in that they have the domestic resources to achieve the MDGs, and typically can borrow from abroad or attract foreign direct investments. Even for these countries there might still be a good case for aid in some circumstances – to help overcome a temporary crisis, to root out a particular stubborn economic difficulty, to combat an unexpected shock, to help stabilize a political crisis or consolidate a post-conflict peace agreement – but most of the middle-income world does not need ODA to achieve the MDGs.

The situation is quite different for low-income countries, and most urgent for the least developed countries. The world's poorest countries – mainly in sub-Saharan Africa and Asia, but in a few cases elsewhere – are trapped in poverty because they are too poor to save and invest at the rate necessary to keep ahead of adverse trends in population growth, environmental degradation, disease, brain drain and capital flight. In the many cases where governments are committed to broad-based development, public and private investment rates are low or even negative, because current income must be used merely to stay alive and because the economies offer too few investment prospects that can pay the “world rate of return.” There is not a sufficient surplus of domestic income above basic needs to save for roads, power, health, education, and other vital capital. Foreign saving through private markets is not available. Governments are burdened by debts and are not creditworthy. Private capital stays away because of the lack of infrastructure and human capital. Without domestic saving and lacking access to foreign saving, economic growth remains low or negative, population continues to rise, and human suffering remains unabated.

Adverse geography plays an important role in many of these poverty traps, especially in sub-Saharan Africa. Our findings highlight four main geographical problems associated with extreme poverty: a high burden of tropical disease, very high overland transport costs, an absence of domestic energy resources, and low agricultural productivity in rain-fed agriculture. In all four cases, targeted investments can break the chokehold of adverse geography. Tropical diseases can be prevented and treated; high transport costs can be reduced through improved roads, ports, and telecommunications; energy shortages can be met through hydroelectric power, geothermal power, or oil and gas pipelines; and food production can be raised significantly through better agronomic practices, including scientifically based investments in soil health, water harvesting, and improved seeds. Adverse geography is not destiny. Yet these solutions cost money, and the poorest countries do not have the necessary resources.

Increased official development assistance (ODA), if well targeted, can break the poverty trap stifling the growth of low-income countries. Increased ODA would finance

increased investments in farms, small and medium enterprises (SMEs), infrastructure, and human capital. With sufficient ODA, each country could reach a threshold level of capital stock sufficient to sustain economic growth on its own. The country would “graduate” from aid. As we’ve stressed, meeting the MDGs is therefore a way to end aid dependency, not a way to increase “handouts” to the poor. The MDGs call on the world to front-load their help so that all countries can build the infrastructure and human capital needed to join in the benefits of globalization.

Many low-income countries not in a poverty trap still suffer from “pockets of poverty,” where poverty is concentrated in certain regions, or among ethnic and racial minorities, or among girls and women (“the feminization of poverty”). Increased public and private investments targeted at relatively disadvantaged populations, combined with the fulfillment of human rights for these groups, could end these pockets of poverty. There is considerable evidence that such challenges remain even in the well-performing regions of the developing world.

### ***Best Practices in Eight Investment Clusters***

The UN Millennium Project has identified “best practices” in eight investment clusters that are key to achieving the MDGs. We describe them briefly here, and at greater length in the report. The UN Millennium Project has also produced an accompanying *Handbook of Best Practices to Meet the MDGs*<sup>4</sup>.

- **Rural investments to promote increased food output and food availability**  
Smallholder farmers and their families constitute perhaps half of the world’s extreme poor and hungry. The most important initial step in escaping from rural poverty in most low-income countries is raising the productivity of smallholder farmers through a package of rural interventions that collectively lead to a “green revolution”. This requires simultaneous investments in soil health through a combination of: chemical and organic fertilizers; improved varieties of crops and livestock breeds; small scale water management; community extension services; with a special focus on reaching women farmers; increased agricultural research; post-harvest storage; improved rural infrastructure in the form of roads; irrigation; power; and, communications and investments in restoring natural resources through conservation, improved land management, secure rights to land and natural assets, carbon sequestration and biodiversity protection. Investments are also needed to increase rural access to safe drinking water and access to sanitation services. They are likewise required to raise rural incomes through better access to credit and the development of networks of agro-dealers and farmer associations. Places at risk of drought and other natural disasters also require investments in early warning and response systems, social safety nets for victims and direct food aid in times of emergency.

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<sup>4</sup> Scheduled for publication in early 2005

- **Urban investments to promote jobs and slum improvements**

If a vital step out of extreme poverty is raising agricultural productivity, a crucial accompanying step, invariably, is ensuring a productive urban environment, improving the lives of slum dwellers, and preventing the spread of slums. In developing countries around the world, cities are struggling to work. Given the pressures imposed on cities by urbanization, preventing new slum formation and improving the lives of current slum dwellers, as called for in the Millennium Declaration, is an essential good in itself and necessary for raising urban productivity.<sup>5</sup> An *increased* focus on reducing urban poverty is warranted since official statistics tend to systematically underestimate the extent of urban poverty (Satterthwaite 2004). The package of investments for urban development should include: (1) security of tenure for slum dwellers; (2) community voice and active participation in systematic urban planning; (3) expansion and upgrading of urban infrastructure (water and sanitation, solid waste disposal, wastewater treatment, power, public transportation, footpaths and roads, ports); (4) the development of special investment sites (industrial and science parks, export process zones, special economic zones) with the adequate infrastructure and business services to attract internationally competitive domestic and foreign investments; (5) tax incentives for “pioneer” sectors; (6) environmental investments to reduce the pollution of water and air.

- **Health system to ensure universal access to essential health services**

A healthy population is a goal in its own right since health contributes directly and fundamentally to human well-being. Health is also a key input to economic development because it raises the productivity of the workforce and increases the attractiveness of the economy for domestic and foreign investors. While many preventive and curative interventions to improve health could be delivered through disease-specific vertical programs – and this may be the most efficient solution in some circumstances – in most cases they are best provided through an *integrated district health system centered on primary care and first level referral hospitals*. Health systems in most developing countries are chronically underfunded and understaffed, and increasingly burdened by brain drain. New investments and supportive policies are needed to enable health systems to deliver essential health service investments at scale. Investments include providing an adequate supply of essential drugs, building clinic and laboratory facilities, and, most importantly, attracting and training competent, motivated health workers. The last requires high quality, relevant training curricula and adequate salaries. Additional investments will be needed to reduce barriers to access and to improve quality of care. These include maintaining health infrastructure, improving roads, communication and transportation.

Policies will be required to complement these investments. At the national level, human resource policies are needed that align the nation’s health needs with the training, deployment, supervision and empowerment of specific cadres of health

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<sup>5</sup> The forthcoming report of Task Force 8 on Improving the Lives of Slum Dwellers discusses the dynamics of urbanization in greater detail.

workers. Other important policy levers are strengthening health system management – including planning, program implementation, financial management—and improving utilization through the elimination of user fees for basic health services, culturally sensitive health education, and involving communities in decision making.

- **Education system to ensure universal access to primary education**

The government has a crucial role in ensuring that every child in the society, boy or girl, completes basic schooling, and that a substantial proportion also complete secondary education by the year 2015. Among all levels of education, secondary education has been shown to have the greatest pay-off for women’s empowerment. This implies that investments in primary education are also needed to create a pipeline for secondary education. Achieving the goal of universal primary completion will require policies and actions that are dramatically different from those of the past –*transformational* rather than evolutionary and incremental strategies. The main public investments in education include the following: (1) universal access to primary education, with adequate standards for teachers, classroom facilities and curricula; (2) partial enrolment in secondary education (up to grade12); (3) school meals programs in all low-income regions, using locally produced foods; (4) special incentives for vulnerable children (extremely impoverished households, orphans, girls) to promote school attendance at both the primary and secondary levels; and (5) national program to increase the enrolments and capacities of universities and other tertiary education facilities. In addition to these basic investments, close attention needs to be paid to *what* is to be taught in the schools and *who* is to be taught. Curriculum quality and relevance need to be ensured, as do strategies to reach the most underprivileged children through appropriate incentive systems.

- **Investments to overcome pervasive gender bias**

In many societies, women suffer systematic and deep social and legal discrimination and exclusion. All of these forms of inequality are costly to society. A key policy step for all societies, therefore, is to ensure that the benefits of public investments – in health, education, infrastructure, environmental management – benefit women as well as men. As a first step, interventions to address gender inequality should be an intrinsic part of the strategies in each of the investment packages outlined in this chapter. Secondly, they should address systemic challenges not dealt with elsewhere. These include access to reproductive health rights and services, equal access of women and men to economic assets such as land and credit, labor market opportunities, and political participation, security against violence against women; and collection of gender-disaggregated data. In many countries, an appropriate policy framework is equally important. To improve women’s economic opportunities, governments need to provide effective and independent land rights to women, both in law and in practice. Other strategies include improving women’s access to employment by offering job training, improving pay and working conditions, providing child care and social protection for informal women workers. Meanwhile, women’s representation in political bodies can be enhanced by statutory or voluntary gender quotas and reservation policies.

- **Cross-border infrastructure with neighboring countries**

A country's immediate neighbors tend to be among its most important trading partners. And when an economy has a small population, is landlocked, or is dependent on neighbors for vital resources such as food, water, or energy, cooperation with the neighboring countries is usually essential for economic growth and poverty reduction. The need is heightened for countries with very small populations, which must rely on regional rather than national markets to enjoy the benefits of economies of scale in industry, research and development, and public administration. Many environmental challenges, such as the management of trans-boundary watersheds, desertification, and biodiversity protection can only be addressed through regional strategies. Investments in cross-border cooperation and regional infrastructure for transport, energy, and telecommunication need much greater attention in an MDG framework. The package of public investments in cross-border cooperation should therefore include: (1) roads and transport facilities, electricity pools and other energy infrastructure, and telecommunication infrastructure; (2) promotion of trade liberalization; (3) environmental conservation and joint management of trans-boundary ecosystems; (4) regional regulatory and peer-review mechanisms.

- **Capacities in science and technology**

The long-term driving force of modern economic growth has been science-based technological advance. The poor countries by and large have been spectators, or at best users, of the technological advances produced in the high-income world. The recommended investments to promote science and technology, and to strengthen national systems of innovation include: (1) creation of science advisory bodies to the national government, which can advise on science-related public policy issues; (2) expansion of science and engineering faculties in universities and strengthening of science curricula; and (3) public support for a massive expansion of facilities for information—and-communication technologies (computerization, e-governance, e-schooling)

- **Public institutional capital to improve governance**

The quality of public-sector governance depends in part on the level of investments in public-sector management systems. Even when political elites show a strong disposition towards good governance, public management in poor countries tends to suffer mightily from a lack of trained managers, poor information systems, rigid civil service procedures, and lack of budgets to address the concerns. Hiring freezes on the civil service, or across-the-board reductions in force and budgets, lead to even more catastrophic problems in improving public management processes. Governance problems tend to get worse as one moves from the national government through provinces to districts to towns and villages. The UN Millennium Project strongly urges that investments in public management should go hand in hand with scaled-up investments in health, education, infrastructure, and other key sectors. Investment priorities include: (1) salary increases and upgrading of senior managers; (2) capacity building at the local level for district officers, in the implementation of MDG scale-up investment plans; (3) IT-based public management systems, to put government

processes on-line; (4) a commitment to e-governance, especially on-line programs for issuing licenses, birth certificates, work permits, and other data retrieval operations of the public sector; (5) on-line, transparent procurement processes; (6) systematic publication of budgetary expenditures and transfers to local governments; (7) collection and management of census and other survey data; and (8) results-based budgeting.

These eight investment clusters are all interconnected. Each depends on the others. To achieve any particular development goal it is not enough to invest merely in the corresponding sector. For instance, many interventions outside of the health sector are needed to achieve health outcomes like reductions in child mortality.<sup>6</sup> Reducing child mortality requires better treatment of diarrhea and pneumonia as well as improved access to clean water and adequate sanitation and reproductive services to improve birth spacing. Conversely, most interventions have effects on several goals. Ready access to clean water is essential not just for achieving the water MDG and illness prevention, but also for ensuring that clinics and hospitals function, girls have time to attend school, and so forth. Likewise education contributes directly to a range of outcomes, including income poverty, hunger, child mortality and maternal mortality. Additional concerns, like gender equality and reproductive health, are essential for poverty reduction, women's empowerment, child and maternal health and HIV/AIDS prevention; and impact progress in all areas.

### ***The Challenge of Scaling Up***

The biggest challenge – and the key novelty in our recommendations – is a rapid scaling up of these investments, in the face of low incomes, weak governance, and major capacity constraints that need to be overcome. Scaling up these investments is a complicated challenge for several reasons. It relies on external funding, involves not one sector at a time but a combination of sectors, and it is rapid. In the poorest countries, scaling up interventions at a pace sufficient to achieve the MDGs will require unprecedented effort, and a deep focus on building the management systems needed to implement large-scale programs.

It is crucial to recognize that many of the interventions will focus specifically on *building* capacity over the long term. Many donors view capacity constraints as barriers to scaling up. This is an incorrect view. Capacity constraints are areas that require investments in order to achieve scaling up. Capacity for service delivery can be increased through investments in *human resources, physical infrastructure* and *management systems*.<sup>7</sup> In the medium-to-long-term, people can be trained, infrastructure can be built, and new management systems – consisting of effective processes and structures for service

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<sup>6</sup> Language often fosters confusion in distinguishing between inputs and outcomes. “Health,” for instance, describes both a sector (or ministry) and an outcome resulting from a complex set of inputs across sectors. “Education” is similar. “Hunger,” on the other hand, is a complex outcome but not a sector or ministry.

<sup>7</sup> Note that all these issues are distinct from the macroeconomic issues of “absorptive capacity” that economists often discuss when considering a country’s ability to manage additional resource inflows.

delivery – can be put in place to enable a country to plan, deliver and manage the services at the scale required for meeting the MDGs.

Successful scaling up will require:

1. Political leadership from the highest levels of government to make the MDGs the centerpiece of the national agenda.
2. Concrete objectives and work plans to spell out in detail the activities required to meet the MDGs over the next ten years and to make clear lines of responsibility.
3. Long-term predictable funding from donors for the ten year period until 2015 and beyond. Aid quality also needs urgent improvement to reduce transaction costs for overburdened governments.
4. Building system capacity including management and financial systems, infrastructure and human resources for management and service delivery. Decentralization of investment decision-making and implementation to local governments can be an extremely effective strategy and requires appropriate investment in management systems at the district level. Human resources are often one of the main constraints to scale-up. Countries can accelerate scale-up by training cadres of skilled workers at village level, as “community health workers,” “community agriculture extension workers,” and “community infrastructure workers” (explained in the report).
5. Replicable and locally-appropriate delivery mechanisms relying as much as possible on algorithms and best practice guidelines.
6. Community participation in planning, delivering and monitoring the roll-out of MDG services. Transparency in budgetary allocations will allow local communities to monitor effectiveness of spending at the local level
7. Monitoring and feedback to ensure real-time learning and course correction. This will require significant investment in new information and communication technologies.

### ***Investing in Good Governance***

These investments in infrastructure, the social sectors, and public management can be made only when government has the will to undertake them. We therefore distinguish between three very different kinds of “poor governance.” The first kind, which is most common, is the case in which a low-income government wants to carry out reforms but lacks the resources to do so. The public management systems are consequently very weak. Police, judges, and other public officials are under-paid, under-staffed, and often easily corrupted. The problem may look like one of bad will, but more deeply, the problem is the lack of adequate public sector resources sufficient to train, retain, and property compensate public officials. In these circumstances, weak governance can be addressed as an “investment problem,” requiring several years of investment in improved public management and administration.

A second, very different kind of bad governance is volitional. In these cases, the national leaders don’t want to reform. They are corrupt, autocratic, or representing a narrow

group in society. This situation is much harder to fix. Conditionality from the outside can rarely make a difference. Increased development aid might easily be diverted rather than properly invested. There is little that large-scale aid can accomplish. It is most likely that aid will have to remain at a low scale, with much of the aid channeled through non-governmental organizations.

The third situation involves conflict. Some countries teeter on the edge of a violent explosion; some are in the midst of conflict; and others are just emerging from conflict, often with a very precarious peace which can collapse into resumed violence. Conflict situations require their own approach by international donors. Money can be a salve to help overcome warfare (e.g. by helping to decommission combatants and to re-establish a normal economic life). But timeliness and sensitivity to the allocation of funds is especially critical. Some of the key principles are described in the report.

### ***Promoting the Private-Sector***

The private sector, we have already stressed, should play the central role in promoting the economic growth necessary for reducing income poverty. Alongside their central role in delivering public services, governments also have an important role to play in providing the foundations for a healthy and dynamic private sector. This includes a macroeconomic, regulatory and legal framework that allows local businesses to operate unhindered and gives confidence to foreign investors; provides basic infrastructure such as power, roads, telecommunications and ports; and permits access to markets for products and inputs. In most low-income countries, promoting the domestic private sector means supporting agriculture and rural productivity. For farmers, the public sector can support basic investments in improving soil health, small-scale water management, improved inputs, and other key areas outlined above. Governments can also expand access to credit, in particular through micro-finance programs. They can also promote public-private partnerships for service delivery, with the government providing financing and firms providing delivery. Governments can also play an extremely important role in promoting foreign direct investment, through special measures such as special economic zones and tax incentives.

Private firms themselves can also play an important role in promoting the MDGs. They can advocate for key investments in infrastructure; undertake specific philanthropic activities that will contribute to MDG achievement; provide essential goods and services, like medicines, at marginal cost; and commit to transparency when engaged in extractive industries. We recommend that all members of the Global Compact sign on to these activities, publishing an annual MDG Scorecard of their contributions to MDG achievement.

### **For Developing Countries to achieve the Millennium Development Goals, the Millennium Project recommends that:**

- Every developing country should prepare and implement a national, MDG-based poverty reduction strategy set in the context of a ten-year MDG framework.

- Backed by good governance, developing country governments should scale-up investments in infrastructure, the social sectors, and public management
- Government support for the private sector's role in promoting the economic growth necessary to reduce poverty should include macroeconomic, regulatory and legal frameworks to allow local businesses to operate unhindered and give confidence to foreign investors.
- A rapid and systematic scale-up of the eight investment clusters outlined in the report.
- Investments in rural and urban productivity and human capital should be supported by: public management systems, decentralization of public investments to the local level; and, the expansion of scientific capacity.

## **V. Recommendations for Making the International System Work**

Even though the MDGs have, in principle, been guiding objectives of the international community for the past five years, they have not properly been made operational in the actual practices of the IMF, World Bank, and most bilateral donor agencies. The Millennium Project has found that the international system is still misaligned with the MDGs in several ways:

- The World Bank's Poverty Reduction Strategy Papers (PRSPs) suffer from a shortfall of donor support and are rarely ambitious enough to achieve the MDGs
- Donor-recipient relations are almost everywhere fraught with high tensions in which donors accuse recipients of mismanagement and recipients accuse donors of failing to honor long-standing commitments to increase aid.
- There are only weak procedural and financial links between the MDGs, the national budgets, and the levels of ODA
- The PRSPs are still too much "top down" from national governments. Villages and cities have yet to be empowered to implement much of the scaled up investments.

In short, the politics and processes between developing country governments and their development partners need to be fixed.

- All low-income countries should be encouraged to prepare MDG based poverty reduction strategies that are embedded in a long term MDG framework that is truly ambitious enough to achieve the goals
- Donor aid should be greatly increased on a sustained and reliable basis wherever recipient countries are honoring their side of the global bargain with good governance and effective poverty reduction strategies.

- Aid to the national government should be channeled in part directly to the cities and villages, so that localities are empowered to implement the expansion of infrastructure and public services.
- NGOs should also be encouraged to participate in the planning and delivery of local services, particularly in the most difficult settings: remote rural areas and urban slums.
- Regional (supra-national) organizations like the African Union, NEPAD, ASEAN, the Andean Pact, and the Shanghai Cooperation Organization (for Central Asia), should play a larger role in at least three areas: as a political voice vis-à-vis the donor countries; as implementers of region-wide investments in infrastructure (roads, ports, telecoms, etc., that cross national boundaries); and as monitors of the political performance of member governments, through informal and formal peer review processes.
- Donors should dramatically increase the coordination and harmonization of their financial support mechanisms.
- Within the UN Country Teams, the multilateral technical agencies should provide technical support to governments as they prepare MDG-based strategies. Where possible, support should be integrated across sectors (including areas like science and engineering, where needed), such as the approach of regional technical support centers being supported by UNIDO, UNDP and other multilateral agencies.
- Support for sector strategies should be adequately reflected in donor strategies and national budgets.

Trade liberalization is also needed to contribute to economic growth and poverty reduction and it should be coordinated with other policies at both the national and international levels. At the national level, policy coherence means the adoption of sound complementary policies by national governments, where necessary, to manage liberalization, as well as ensuring that trade policy-making is appropriately informed by expertise across a range of policy areas. At the international level, coherence calls for a significant ramping up of “aid for trade” by the development community (to negotiate, assess and implement WTO agreements and to design and implement adjustment policies) and for a clear and realistic view on the WTO’s role in technical assistance. Trade, though critical, cannot be a substitute for aid as a means to achieve the Millennium Development Goals.

In short, the international system can be made to work if the MDGs are “mainstreamed” as the central objective of development policy and practice.

## **VI. Putting the World on Track to Achieve the MDGs**

The UN Millennium Project recommends that the world community adopt a Ten-Year Plan to Achieve the MDGs. The Plan would call for putting an MDG framework at the center of each low-income country’s efforts to achieve the MDGs. Bilateral and

multilateral donors would agree to increase their ODA significantly and to link the increased ODA directly to the country-level 3-5 year MDG-based poverty reduction strategies. National governments, working together with NGOs and local governments, would take the steps needed to support a dramatic rise in investment spending. They would outline and implement reforms in public management in order to decentralize the delivery of public investments and public services. Regional organizations, development banks and inter-governmental initiatives such as the African Union, the African Development Bank, and the New Partnership for Africa's Development (NEPAD) would be entrusted with increased donor support to finance bolder efforts on regional infrastructure and improved political processes within each region. The UN Secretary-General would have the responsibility for coordinating the activities of the United Nations system in support of the MDGs, and for reporting annually to the world community. And the world as a whole, through the General Assembly, would come together to fulfill the great hope and realistic promise of ending extreme poverty in our time.