



Millennium Development Goals: A compact among nations to end human poverty

The new century opened with an unprecedented declaration of solidarity and determination to rid the world of poverty. In 2000 the UN Millennium Declaration, adopted at the largest-ever gathering of heads of state, committed countries—rich and poor—to doing all they can to eradicate poverty, promote human dignity and equality and achieve peace, democracy and environmental sustainability. World leaders promised to work together to meet concrete targets for advancing development and reducing poverty by 2015 or earlier.

Emanating from the Millennium Declaration, the Millennium Development Goals bind countries to do more in the attack on inadequate incomes, widespread hunger, gender inequality, environmental deterioration and lack of education, health care and clean water (box 1). They also include actions to reduce debt and increase aid, trade and technology transfers to poor countries. The March 2002 Monterrey Consensus—reaffirmed in the September 2002 Johannesburg Declaration on Sustainable Development and the Johannesburg Plan of Implementation—provides a framework for this partnership between rich and poor countries.

It is hard to think of a more propitious time to mobilize support for such a global partnership. In 2003 the world has seen even more violent conflict, accompanied by heightened international tension and fear of terrorism. Some might argue that the war on poverty must take a backseat until the war on terrorism has been won. But they would be wrong. The need to eradicate poverty does not compete with the need to make the world more secure. On the contrary, eradicating poverty should contribute to a safer world—the vision of the Millennium Declaration.

Addressing poverty requires understanding its causes. This Report adds to that understanding by analysing the root causes of failed development. During the 1990s debates about

development focused on three sets of issues. The first was the need for economic reforms to establish macroeconomic stability. The second was the need for strong institutions and governance—to enforce the rule of law and control corruption. The third was the need for social justice and involving people in decisions that affect them and their communities and countries—an issue that this Report continues to champion.

These issues are all crucial for sustainable human development, and they continue to deserve priority attention in policy-making. But they overlook a fourth factor, explored here: the structural constraints that impede economic growth and human development. The Millennium Development Compact presented in this Report proposes a policy approach to achieving the Millennium Development Goals that starts by addressing these constraints.

National ownership—by governments and communities—is key to achieving the Millennium Development Goals. Indeed, the Goals can foster democratic debate, and leaders are more likely to take the actions required for the Goals when there is pressure from engaged populations

The Goals will succeed only if they mean something to the billions of individuals for whom they are intended. The Goals must become a national reality, embraced by their main stakeholders—people and governments. They are a set of benchmarks for assessing progress—and for enabling poor people to hold political leaders accountable. They help people fight for the kinds of policies and actions that will create decent jobs, improve access to schools and root out corruption. They are also commitments by national leaders, who must be held accountable for their fulfilment by their electorates.

BOX 1

Millennium Development Goals and targets

Goal 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day

Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Goal 2: Achieve universal primary education

Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Goal 3: Promote gender equality and empower women

Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education no later than 2015

Goal 4: Reduce child mortality

Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

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BOX 1 (continued)

Millennium Development Goals and targets

Goal 5: Improve maternal health

Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

Goal 6: Combat HIV/AIDS, malaria and other diseases

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7: Ensure environmental sustainability

Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

Target 10: Halve by 2015 the proportion of people without sustainable access to safe drinking water

Target 11: Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers

Goal 8: Develop a global partnership for development

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction—both

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When adopted by communities, the Goals can spur democratic debates about government performance, especially when impartial data are made available—posted on the door of every village hall. They can also become campaign platforms for politicians, as with Brazilian President Luis Inacio “Lula” da Silva’s Fome Zero (Zero Hunger) campaign to eliminate hunger, part of the manifesto for his presidential bid.

Civil society groups—from community organizations to professional associations to women’s groups to networks of non-governmental organizations (NGOs)—have an important role in helping to implement and monitor progress towards the Goals. But the Goals also require capable, effective states able to deliver on their development commitments. And they require popular mobilization to sustain the political will for achieving them. This popular mobilization requires open, participatory political cultures.

Political reforms, such as decentralizing budgets and responsibilities for the delivery of basic services, put decision-making closer to the people and reinforce popular pressure for implementing the Goals. Where decentralization has worked—as in parts of Brazil, Jordan, Mozambique and the Indian states of Kerala, Madhya Pradesh and West Bengal—it has brought significant improvements. It can lead to government services that respond faster to people’s needs, expose corruption and reduce absenteeism.

But decentralization is difficult. To succeed, it requires a capable central authority, committed and financially empowered local authorities and engaged citizens in a well-organized civil society. In Mozambique committed local authorities with financing authority increased vaccination coverage and prenatal consultations by 80%, overcoming capacity constraints by contracting NGOs and private providers at the municipal level.

Recent experiences have also shown how social movements can lead to more participatory decision-making, as in the public monitoring of local budgets. In Porto Alegre, Brazil, public monitoring of local budgets has brought huge improvements in services. In 1989 just under half of city residents had access to safe water. Seven years later, nearly all did. Primary school enrolments also doubled during that time, and public transportation expanded to outlying areas.

Such collective action improves basic services and helps spur and sustain political will. Ordinary citizens have pressured their leaders to deliver on their political commitments. And the Goals provide citizens with a tool to hold their governments accountable.

Because the Millennium Development Goals will not be realized with a business as usual approach, the pace of progress must be dramatically accelerated

The past 30 years saw dramatic improvements in the developing world. Life expectancy increased by eight years. Illiteracy was cut nearly in half, to 25%. And in East Asia the number of people surviving on less than \$1 a day was almost halved just in the 1990s.

Still, human development is proceeding too slowly. For many countries the 1990s were a decade of despair. Some 54 countries are poorer now than in 1990. In 21 a larger proportion of people is going hungry. In 14, more children are dying before age five. In 12, primary school enrolments are shrinking. In 34, life expectancy has fallen. Such reversals in survival were previously rare.

A further sign of a development crisis is the decline in 21 countries in the human development index (HDI, a summary measure of three dimensions of human development—living a long and healthy life, being educated and having a decent standard of living). This too was rare until the late 1980s, because the capabilities captured by the HDI are not easily lost.

If global progress continues at the same pace as in the 1990s, only the Millennium Development Goals of halving income poverty and halving the proportion of people without access to safe water stand a realistic chance of being met, thanks mainly to China and India. Regionally, at the current pace Sub-Saharan Africa would not reach the Goals for poverty until 2147 and for child mortality until 2165. And for HIV/AIDS and hunger, trends in the region are heading up—not down.

That so many countries around the world will fall far short of the Millennium Development Goals in the 12 years to 2015 points to an urgent

need to change course. But past development successes show what is possible even in very poor countries. Sri Lanka managed to increase life expectancy by 12 years between 1945 and 1953. Botswana provides another inspiring example: gross enrolments in primary school jumped from 40% in 1960 to almost 91% in 1980.

Today's world has greater resources and know-how than ever before to tackle the challenges of infectious disease, low productivity, lack of clean energy and transport and lack of basic services such as clean water, sanitation, schools and health care. The issue is how best to apply these resources and know-how to benefit the poorest people.

Two groups of countries require urgent changes in course. First are countries that combine low human development and poor performance towards the Goals—the top priority and high priority countries. Second are countries progressing well towards the Goals but with deep pockets of poor people being left behind

There are 59 top priority and high priority countries, where failed progress and terribly low starting levels undermine many of the Goals. It is on these countries that the world's attention and resources must be focused.

In the 1990s these countries faced many types of crises:

- *Income poverty*: poverty rates, already high, increased in 37 of 67 countries with data.
- *Hunger*: in 19 countries more than one person in four is going hungry, and the situation is failing to improve or getting worse. In 21 countries the hunger rate has increased.
- *Survival*: in 14 countries under-five mortality rates increased in the 1990s, and in 7 countries almost one in four children will not see their fifth birthdays.
- *Water*: in 9 countries more than one person in four does not have access to safe water, and the situation is failing to improve or getting worse.
- *Sanitation*: in 15 countries more than one person in four does not have access to adequate sanitation, and the situation is failing to improve or getting worse.

Underlying all these crises is an economic crisis. Not only are these countries already extremely poor, but their growth rates are appallingly slow as well.

In the 1990s average per capita income growth was less than 3% in 125 developing and transition countries, and in 54 of them average per capita income fell. Of the 54 countries with declining incomes, 20 are from Sub-Saharan Africa, 17 from Eastern Europe and the Commonwealth of Independent States (CIS), 6 from Latin America and the Caribbean, 6 from East Asia and the Pacific and 5 from the Arab States. They include many priority countries but also some countries with medium human development.

Countries less often in the public eye are those progressing well but excluding or leaving behind certain groups and areas. All countries should address significant disparities between groups—between men and women, between ethnic groups, between races and between urban and rural areas. Doing so requires looking behind country averages.

Many countries with national averages indicating adequate progress towards the Goals by the target dates have deep pockets of entrenched poverty. China's spectacular achievement of lifting 150 million people out of income poverty in the 1990s was concentrated in coastal regions. Elsewhere, deep pockets of poverty persist. In some inland regions economic progress has been much slower than in the rest of the country.

In a number of countries the Goals could be met more easily simply by improving the circumstances of people already better off. Evidence suggests that this is happening in health. But while this approach may fit the letter of the Goals, it does not fit their spirit. Women, rural inhabitants, ethnic minorities and other poor people are typically progressing slower than national averages—or showing no progress—even where countries as a whole are moving towards the Goals.

Of 24 developing countries with subnational data on child mortality between the mid-1980s and the mid-1990s, only 3 have narrowed the gap in under-five mortality rates between the richest and poorest groups. Similar patterns can be found in immunization coverage and school

BOX 1 (continued)

Millennium Development Goals and targets

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Target 13: Address the special needs of the least developed countries (includes tariff- and quota-free access for exports, enhanced program of debt relief for and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)

Target 14: Address the special needs of land-locked countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)

Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies

enrolment and completion rates, where urban-rural gaps and ethnic gaps appear to be persisting or worsening. Women in poor areas also tend to be excluded from overall progress towards the Goals.

The Millennium Development Compact is a plan of action aimed primarily at the top priority and high priority countries most in need of support

Global policy attention needs to focus on countries facing the steepest development challenges. Without an immediate change in course, they will certainly not meet the Goals. With that in mind, this Report offers a new plan of action aimed primarily at these countries: the Millennium Development Compact.

To achieve sustainable growth, countries must attain basic thresholds in several key areas: governance, health, education, infrastructure and access to markets. If a country falls below the threshold in any of these areas, it can fall into a “poverty trap”.

Most of the top and high priority countries are trying to attain these basic thresholds. Yet they face deep-seated structural obstacles that will be difficult to overcome on their own. The obstacles include barriers to international markets and high debt levels—well over what they can service given their limited export capacity. Another important obstacle is a country’s size and location. Other structural constraints linked to a country’s geography include low soil fertility, vulnerability to climatic shocks or natural disasters and rampant diseases such as malaria. But geography is not destiny. With proper policies, these challenges can be overcome. Better roads and communications and deeper integration with neighbouring countries can increase access to markets. Prevention and treatment policies can greatly mitigate the impact of pandemic diseases.

The same structural conditions that contribute to an entire country’s poverty trap can also affect large population groups in countries that are otherwise relatively prosperous. China’s remote inland regions, for instance, face much longer distances to ports, much poorer infra-

structure and much tougher biophysical conditions than the country’s coastal regions—which in recent years have enjoyed the fastest economic growth in history. Reducing poverty in poorer regions requires national policies that reallocate resources to them. The top policy priority here is increasing equity, not just economic growth.

Policy responses to structural constraints require simultaneous interventions on several fronts—along with stepped-up external support. Six policy clusters can help countries break out of their poverty traps:

- Invest early and ambitiously in basic education and health while fostering gender equity. These are preconditions to sustained economic growth. Growth, in turn, can generate employment and raise incomes—feeding back into further gains in education and health gains.
- Increase the productivity of small farmers in unfavourable environments—that is, the majority of the world’s hungry people. A reliable estimate is that 70% of the world’s poorest people live in rural areas and depend on agriculture.
- Improve basic infrastructure—such as ports, roads, power and communications—to reduce the costs of doing business and overcome geographic barriers.
- Develop an industrial development policy that nurtures entrepreneurial activity and helps diversify the economy away from dependence on primary commodity exports—with an active role for small and medium-size enterprises.
- Promote democratic governance and human rights to remove discrimination, secure social justice and promote the well-being of all people.
- Ensure environmental sustainability and sound urban management so that development improvements are long term.

The thinking behind these policies is that for economies to function better, other things must fall into place first. It is impossible to reduce dependence on primary commodity exports, for instance, if the workforce cannot move into manufacturing because of low skills.

The job facing top and high priority countries is too big for them to do alone—especially the poorest countries, which face uncommonly high hurdles with very limited resources. In this

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the Millennium Development Compact is unapologetic. The poorest countries require significant external resources to achieve essential levels of human development. But this is not a demand for open-ended financing from rich countries—because the Compact is also unapologetic on the need for poor countries to mobilize domestic resources, strengthen policies and institutions, combat corruption and improve governance, essential steps on the path to sustainable development.

Unless countries adopt far more ambitious plans for development, they will not meet the Goals. Here the Compact argues that a new principle should apply. Governments of poor and rich countries, as well as international institutions, should start by asking what resources are needed to meet the Goals, rather than allowing the pace of development to be set by the limited resources currently allocated.

Every country—especially the top and high priority ones—needs to systematically diagnose what it will take to achieve the Goals. This diagnosis should include initiatives that governments of poor countries can take, such as mobilizing domestic fiscal resources, reallocating spending towards basic services, drawing on private financing and expertise and introducing reforms to economic governance. All this will still leave a large resource gap, which governments should identify. Filling this gap will require additional financial and technical cooperation from rich countries, including financing for recurrent costs, more extensive debt relief, better market access and increased technology transfers.

There is broad consensus on the need for a single framework to coordinate development efforts, based on country-owned development strategies and public investment programmes. For low-income countries this framework occurs through Poverty Reduction Strategy Papers, in place in some two dozen countries and under way in two dozen more. Poverty Reduction Strategy Papers, in taking on the challenges of the Millennium Development Goals in a more systematic way, need to start asking what it will take to achieve them—and assess the resource gaps and policy reforms that need to be addressed.

Halving the proportion of people in extreme poverty (Goal 1) will require far stronger economic growth in the top priority and high priority countries where growth has been failing. But growth alone will not be enough. Policies also need to strengthen the links between stronger growth and higher incomes in the poorest households

More than 1.2 billion people—one in every five on Earth—survive on less than \$1 a day. During the 1990s the share of people suffering from extreme income poverty fell from 30% to 23%. But with a growing world population, the number fell by just 123 million—a small fraction of the progress needed to eliminate poverty. And excluding China, the number of extremely poor people actually increased by 28 million.

South and East Asia contain the largest numbers of people in income poverty, though both regions have recently made impressive gains. As noted, in the 1990s China lifted 150 million people—12% of the population—out of poverty, halving its incidence. But in Latin America and the Caribbean, the Arab States, Central and Eastern Europe and Sub-Saharan Africa the number of people surviving on less than \$1 a day increased.

A lack of sustained poverty-reducing growth has been a major obstacle to reducing poverty. In the 1990s only 30 of 155 developing and transition countries with data—about one in five—achieved per capita income growth of more than 3% a year. As noted, in 54 of these countries average incomes actually fell.

But economic growth alone is not enough. Growth can be ruthless or it can be poverty reducing—depending on its pattern, on structural aspects of the economy and on public policies. Poverty has increased even in some countries that have achieved overall economic growth, and over the past two decades income inequality worsened in 33 of 66 developing countries with data. All countries—especially those doing well on average but with entrenched pockets of poverty—should implement policies that strengthen the links between economic growth and poverty reduction.

Growth is more likely to benefit poor people if it is broadly based rather than concentrated in

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a few sectors or regions, if it is labour intensive (as in agriculture or apparel) rather than capital intensive (as in oil) and if government revenues are invested in human development (as in basic health, education, nutrition and water and sanitation services). Growth is less likely to benefit poor people if it is narrowly based, if it neglects human development or if it discriminates in the provision of public services against rural areas, certain regions, ethnic groups or women.

Public policies that can strengthen the links between growth and poverty reduction include:

- Increasing the level, efficiency and equity of investments in basic health, education and water and sanitation.
- Expanding poor people's access to land, credit, skills and other economic assets.
- Increasing small farmers' productivity and diversification.
- Promoting labour-intensive industrial growth involving small and medium-size enterprises.

Halving the proportion of hungry people (Goal 1) presents two challenges: ensuring access to food now plentiful and increasing the productivity of farmers now hungry—especially in Africa

The number of hungry people fell by nearly 20 million in the 1990s. But excluding China, the number of hungry people increased. South Asia and Sub-Saharan Africa are home to the largest concentrations of hungry people. In South Asia the challenge is improving the distribution of plentifully available food. In Sub-Saharan Africa the challenge also involves increasing agricultural productivity.

Many public actions can be used to reduce hunger. Buffer stocks, especially at the local level, can release food into the market during food emergencies—reducing the volatility of prices. Many countries, such as China and India, have such systems. Food stocks can be particularly important for landlocked countries susceptible to droughts.

In addition, many hungry people are landless or lack secure tenure. Agrarian reform is needed to provide rural poor people with secure

access to land. Women produce much of the food in Sub-Saharan Africa and South Asia yet do not have secure access to land.

Low agricultural productivity also needs to be addressed, particularly in marginal ecological regions with poor soils and high climatic variability. The dramatic gains of the green revolution have bypassed these areas. A doubly green revolution is needed—one that increases productivity and improves environmental sustainability. Increased investments are needed to research and develop better technologies and disseminate them through extension services. So are investments in infrastructure, such as roads and storage systems. Yet public investments and donor support for agriculture have fallen in recent decades.

Import tariffs protect markets in rich countries and reduce incentives for farmers in poor countries to invest in agriculture, which would contribute to more sustainable food security. Enormous subsidies in rich countries also reduce incentives to invest in long-term food security and depress world market prices—though they can benefit net food importers.

Achieving universal primary education and eliminating gender disparities in primary and secondary education (Goals 2–3) require addressing efficiency, equity and resource levels as related problems

Across developing regions, more than 80% of children are enrolled in primary school. Yet some 115 million children do not attend primary school, and enrolments are woefully low in Sub-Saharan Africa (57%) and South Asia (84%). Once enrolled, there is a pitiful one in three chance that a child in Africa will complete primary school. In addition, one in six of the world's adults is illiterate. And gaping gender gaps remain: three-fifths of the 115 million children out of school are girls, and two-thirds of the 876 million illiterate adults are women.

Lack of education robs an individual of a full life. It also robs society of a foundation for sustainable development because education is critical to improving health, nutrition and productivity. The education Goal is thus central to meeting the other Goals.

In most poor countries the provision of basic education is highly inequitable, with the poorest 20% of people receiving much less than 20% of public spending—while the richest 20% capture much more. In addition, primary education receives much less financing per student than secondary and higher education. This pattern also discriminates against poor people because they benefit much more from basic education.

Household costs for education, such as user fees and uniforms, also discourage enrolment—especially from the poorest families. Enrolments increased sharply when uniforms and fees were eliminated in Kenya, Malawi and Uganda. An equitable system also leads to better outcomes: countries that perform well in education tend to spend more on the poorest households and more on primary education.

Countries that have eliminated gender disparities in education show how parents can be encouraged to send their daughters to school: locating schools close to home, minimizing out-of-pocket costs, scheduling school hours to accommodate household chores and recruiting female teachers (giving parents a sense of security). High-achieving countries that have eliminated gender disparities have shares of female teachers much larger than regional averages.

Many school systems suffer from operational inefficiencies, with too many children repeating classes and dropping out of school. In countries where several languages are spoken, teaching in the mother tongue in the early years dramatically improves the learning experience. School feeding programmes also help bring children to school and keep them there; hungry children cannot learn. Early childhood programmes help prepare children entering school, especially children from the first generation of learners in their families.

A daunting challenge in countries with low enrolments is managing recurrent costs to strike a better balance between teacher wage bills—which typically eat up 90% or more of recurrent spending—and other costs, such as textbooks. Low spending hurts poor people in particular because elites and powerful groups tend to capture disproportionate shares of small budgets. Small budgets also make it difficult to implement

reforms. Increasing equity or efficiency is easier when education resources are growing.

Compounding the resource problem is the decline in donor support for education. In the 1990s such support fell 30% in real terms, to \$4.7 billion—with just \$1.5 billion for basic education. Donors also typically fund equipment and other capital costs rather than textbooks, teacher salaries and other operating costs. But that is where the real bottlenecks lie.

In both provision and finance, the private sector must do more in secondary and tertiary education. Governments need to encourage NGOs and the private sector to expand supply while maintaining control over standards and centralizing data on the number and quality of private schools. In resource-constrained environments, equity and efficiency require that public subsidies for private primary schooling not be at the expense of basic education for poor people.

Countries can usually spend more on education as their economies grow. But the poorest countries need to spend more on education to escape their poverty traps—and do not have enough resources to make such basic investments.

Promoting gender equality and empowering women (Goal 3), valuable in themselves, are also central to achieving all the other Goals

Promoting gender equality and women's empowerment in its broader scope is a key objective of the Millennium Declaration, though eliminating disparities in primary and secondary education is the only quantitative target set. Education contributes to better health, and better education and health increase the productivity that leads to economic growth. Growth then generates resources that finance improvements in people's health and education, further raising productivity. Gender equality is central in these synergies because women are agents of development.

Women are the primary caregivers in almost all societies. Thus their education contributes more to the health and education of the next generation than does that of men—even more so when women also have a strong say in family decisions. As they get older, educated girls

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have fewer and healthier children, hastening the transition to lower fertility rates. Better-educated, healthier women also contribute to higher productivity—for example, by adopting farming innovations—and thus to higher household incomes. In addition, such women often work outside the home and earn independent incomes, enhancing their autonomy. These beneficial processes have more force when women have a voice in household decisions. And when women can take collective action to demand more rights—to education, health care, equal employment—these positive synergies are even more likely.

Reducing child mortality, improving maternal health and combating HIV/AIDS, malaria and other diseases (Goals 4–6) require a dramatic increase in access to health care

Every year more than 10 million children die of preventable illnesses—30,000 a day. More than 500,000 women a year die in pregnancy and childbirth, with such deaths 100 times more likely in Sub-Saharan Africa than in high-income OECD countries. Around the world 42 million people are living with HIV/AIDS, 39 million of them in developing countries. Tuberculosis remains (along with AIDS) the leading infectious killer of adults, causing up to 2 million deaths a year. Malaria deaths, now 1 million a year, could double in the next 20 years.

Without much faster progress, the Millennium Development Goals in these areas (Goals 4–6) will not be met. Even for the child mortality Goal, where progress has been steady, at the current pace Sub-Saharan Africa will not reduce child mortality by two-thirds until 150 years later than the date set by the Goal.

Such statistics are shameful given that many of these deaths could be avoided with more widespread use of bednets, midwives, affordable antibiotics, basic hygiene and the treatment approach known as DOTS (Directly Observed Therapy Short Course) to combat tuberculosis—none a high-tech solution, yet together they could save millions of lives. But for too many countries they remain out of reach. Why? For broad systemic reasons. As with education,

there is a lack of resources for health systems (especially for basic health), a lack of equity in what systems provide and a lack of efficiency in how services are provided.

Health systems in poor countries are severely underfunded for meeting the Goals. No high-income OECD country spends less than 5% of GDP on public health services. But developing countries rarely exceed this share—most spend 2–3%. In 1997 average public spending on health was a mere \$6 per capita in the least developed countries and \$13 in other low-income countries—compared with \$125 in upper-middle-income countries and \$1,356 in high-income countries. The World Health Organization (WHO) estimates that \$35–40 per capita is the bare minimum for basic health services. In poor countries it is basically impossible to pay international prices for life-saving medicines—and almost criminal to expect poor people to do so.

With small and inadequate budgets, poor people lose out. In most countries the poorest 20% of households benefit from much less than 20% of health spending. Yet more equitable spending leads to better outcomes: countries with higher allocations to poorer households have lower child mortality rates. Rural-urban disparities are another example of unfair spending. Rural areas usually get much less. In Cambodia 85% of people live in rural areas, but only 13% of government health workers are located there. In Angola 65% of people live in rural areas, but only 15% of health professionals work there.

The lack of resources has a corrosive effect on health systems because shortcomings in one area feed into others. When clinics have no drugs, patients are discouraged from going to them for treatment. That leads to high absenteeism among staff, further eroding effectiveness. Because the community is unlikely to find health services worthwhile, it does not monitor the system, and services becomes less (rather than more) responsive to their needs.

Public policy needs to respond to the issues of resource levels, equity and efficiency:

- *Mobilizing resources.* Governments in poor countries must rank health spending higher than other types of spending, such as defence. And within health budgets, priority must be

given to basic health. But in low-income countries this is unlikely to be enough.

- *Increasing external resources.* This includes aid, but debt relief, drug donations and price discounts from pharmaceutical companies would also help.
- *Achieving greater equity.* Governments must redress imbalances by focusing on rural areas, poor communities, women and children. But focusing on primary care alone will not help; public hospitals overwhelmed by AIDS or tuberculosis patients cannot cope with any other patients.
- *Making health systems work better.* Cash-strapped governments face a dilemma when setting priorities. The first priority is to maintain an integrated system. Vertical programmes focused on specific diseases have become popular, but they cannot be effective or sustainable without basic health infrastructure. Such programmes should be integrated with the overall health structure. Maternal and reproductive health care also cry out for integration. Many countries focus on family planning to the exclusion of child and maternal health. Focusing on essential interventions is not enough; equal focus is needed to ensure that every primary health centre has essential drugs.

Because private health care providers are the first port of call for many poor people, governments must bring them into the public domain through better regulation. Many measures can help: consumer protection legislation, accreditation to signal to consumers which providers are registered, having practitioners agree to restrict their practices to essential medicines. But where higher-level services have been privatized through the use of managed care services, as in many Latin American countries, the experience has been less than positive for the poorest people.

Halving the proportion of people without access to safe drinking water and improved sanitation (Goal 7) requires an integrated approach. Without sanitation and hygiene, safe water is much less useful for health

More than 1.0 billion people in developing countries—one person in five—lack access to

safe water. And 2.4 billion lack access to improved sanitation. Both can be life and death issues. Diarrhoea is a major killer of young children: in the 1990s it killed more children than all the people lost to armed conflict since the Second World War. Most affected are poor people in rural areas and slums.

And as with the other health Goals, low-cost technical solutions for community access are well known: protected dug wells, public standpipes, protected springs, pour-flush latrines, simple pit latrines, ventilated pit latrines and connections to septic tanks or covered public sewers. Yet several factors undermine the effectiveness of these solutions. In addition, they are not fully adequate:

Water without sanitation. Access to safe water is far less useful without improved sanitation and better hygiene. Better health care is wasted on treating water-borne diseases that could have been prevented by safe water, improved sanitation and better hygiene. But while the demand for safe water is evident, the demand for safe sanitation depends far more on hygiene education. Poor households generally must take the initiative to install sanitation systems in their homes, and often have to finance the costs themselves. If not convinced that such investment is necessary, they are unlikely to pursue it.

Lack of resources to finance high-cost infrastructure. In urban and peri-urban areas, water supply requires source development, bulk transmission to the community to be served and a local distribution network. Sanitation requires public sewage collection and treatment systems. These investments entail significant costs far beyond the means of most local authorities. Even in middle-income countries such elements must be provided by national governments. The most expensive component of water and sanitation infrastructure is wastewater treatment to prevent raw sewage from entering rivers and contaminating groundwater. This also requires improved technologies. But municipal authorities lack the resources to invest in basic sanitation.

High charges and poor maintenance. Governments must ensure that poor people's access to water and sanitation services is not undermined by unfair charges that subsidize non-poor people. The well-off must shoulder more

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Policies that promote environmental sustainability should stress the importance of involving local people in the solutions and altering policies in rich countries

of the financial costs of maintaining the infrastructure for these services. Spending on high-cost systems for the better-off parts of towns leave few resources for low-cost schemes—and often leave slums and peri-urban areas with no services. Moreover, water systems tend to be poorly maintained in rural and peri-urban areas. Community involvement has proven key to improving services in such areas.

Experiences with multinational private participation in water and sanitation have been mixed. There have been some private sector successes with increased water services for poor communities in large cities (such as Buenos Aires, Argentina, and metropolitan Manila, the Philippines). But these successes have sometimes been offset by large-scale corruption and backtracking on agreements with governments. Local entrepreneurship has to be promoted in the sector, with national development banks providing the finance.

Ensuring environmental sustainability (Goal 7) will require managing ecosystems so that they can provide services that sustain human livelihoods. It will also be an important part of reaching the other Goals

Soil degradation affects nearly 2 billion hectares, damaging the livelihoods of up to 1 billion people living on drylands. Around 70% of commercial fisheries are either fully or over-exploited, and 1.7 billion people—a third of the developing world's population—live in countries facing water stress.

There is an uneven geography of consumption, environmental damage and human impact. Rich countries generate most of the world's environmental pollution and deplete many of its natural resources. Key examples include depletion of the world's fisheries and emissions of greenhouse gases that cause climate change, both of which are tied to unsustainable consumption patterns by rich people and countries. In rich countries per capita carbon dioxide emissions are 12.4 tonnes—while in middle-income countries they are 3.2 tonnes and in low-income countries, 1.0 tonne. Poor people are most vulnerable to environmental shocks and stresses such as the anticipated impacts of global climate change.

Reversing these negative trends is an end in itself. But it would also contribute to the other Goals because the health, incomes and opportunities of poor people are heavily influenced by the depletion of natural resources. Some 900 million poor people living in rural areas depend on natural products for much of their livelihoods. Up to a fifth of the disease burden in poor countries may be linked to environmental risk factors. Climate change could damage agricultural productivity in poor countries and increase the risks, exposing them to such shocks as floods. These are just a few examples of the interactions between the environmental Goal and the other Goals.

Policies that promote environmental sustainability should stress the importance of involving local people in the solutions. They should also stress the importance of policy changes in rich countries. Among the policy priorities:

- *Improving institutions and governance.* Clearly define property and user rights, improve monitoring and compliance with environmental standards and involve communities in managing their environmental resources.
- *Addressing environmental protection and management* in each country's sector policies and other development strategies.
- *Improving the functioning of markets.* Remove subsidies, especially in rich countries, that damage the environment (such as subsidies for fossil fuels or large-scale commercial fishing fleets), and reflect environmental costs through pollution charges.
- *Strengthening international mechanisms.* Improve international management of global issues such as protecting international watersheds and reversing climate change, together with mechanisms to share these burdens equitably.
- *Investing in science and technology.* Invest more in renewable energy technologies and create an observatory to monitor the functioning and state of major ecosystems.
- *Conserving critical ecosystems.* Create protected areas with the involvement of local people.

A new partnership is needed between rich and poor countries for these policies to take root and bear fruit. For a fair division of responsibilities, large countries need to contribute more to mitigating environmental degradation

and apply more resources to reversing it. In this, as in the other Goals, there is an urgent need to rectify some glaring imbalances.

Policy changes in rich countries for aid, debt, trade and technology transfers (Goal 8) are essential to achieving the Goals

It is hard to imagine the poorest countries achieving Goals 1–7 without the policy changes required in rich countries to achieve Goal 8. Poor countries cannot on their own tackle the structural constraints that keep them in poverty traps, including rich country tariffs and subsidies that restrict market access for their exports, patents that restrict access to technology that can save lives and unsustainable debt owed to rich country governments and multilateral institutions.

The poorest countries do not have the resources to finance the investments required to reach critical thresholds in infrastructure, education and health. They do not have the resources to invest in agriculture and small-scale manufacturing to improve worker productivity. These investments lay the groundwork for getting out of poverty traps—and cannot wait for economic growth to generate resources. Children cannot wait for growth to generate resources when they are faced with death from preventable causes.

The partnership framework of the Millennium Declaration and the Monterrey Consensus makes clear that the primary responsibility for achieving Goals 1–7 lies with developing countries. It commits those countries to mobilizing domestic resources to finance ambitious programmes, to implementing policy reforms to strengthen economic governance, to giving poor people a say in decision-making and to promoting democracy, human rights and social justice. But the consensus is also a compact that commits rich countries to doing more—though on the basis of performance rather than entitlement. The Millennium Development Compact makes clear the critical role of rich countries, as reflected in Goal 8.

Rich countries have pledged action on a number of fronts, not only at the Millennium

Summit but also at the Monterrey International Conference on Financing for Development in March 2002 and at the Johannesburg World Summit on Sustainable Development in September 2002. And in Doha, Qatar, in November 2001, trade ministers pledged to make the interests of poor countries central to their future work on the multilateral trade system. Now is the time for rich countries to deliver on these promises.

The top priority countries are in greatest need of actions by rich countries. Having the farthest to go to achieve the Goals, economic growth has stagnated for a decade or more, leading to an accumulation of unsustainable debt levels. These countries depend on exports of primary commodities whose prices have steadily fallen. Aid also fell in the 1990s—by nearly a third on a per capita basis in Sub-Saharan Africa—and falls far short of what is needed to achieve the Goals.

More aid—and more effective aid. The tide of declining aid was turned with the pledges made at the Monterrey conference, promising some \$16 billion a year in additional aid by 2006. Yet this increase would bring total official development assistance to just 0.26% of the gross national incomes of the 22 members of the OECD's Development Assistance Committee, falling far short of the 0.7% towards which rich countries promised to work in Monterrey and Johannesburg. It also falls short of the estimated need, for which the conservative low order of magnitude is about \$100 billion a year—a doubling of aid that would come to about 0.5% of the gross national incomes of the Development Assistance Committee countries.

But more aid is not enough: it also has to be more effective. The Monterrey Consensus includes a commitment from donors to help only if developing countries make concerted efforts to improve economic and democratic governance and implement policies for effective poverty reduction. The Consensus also requires donors to improve their practices, especially to respect development priorities in recipient countries, to untie aid, to harmonize their practices and reduce administrative burdens for recipient countries and to decentralize.

It is hard to imagine the poorest countries achieving Goals 1–7 without the policy changes required in rich countries to achieve Goal 8

Trade policies in rich countries remain highly discriminatory against developing country exports

These important commitments were reiterated in the Rome Declaration on Harmonization, adopted by heads of multilateral and bilateral development institutions that gathered in Rome in February 2003.

New approaches to debt relief. Twenty-six countries have benefited from debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, with eight of them having reached the completion point—meaning that they have had some debt cancelled. But much more needs to be done: not only for more countries to benefit, but also to ensure that countries' debt burdens are really sustainable. Uganda, for example, recently suffered from collapsing coffee prices and shrinking export earnings, so its debt levels have once again become unsustainable.

Expanding market access to help countries diversify and expand trade. Trade policies in rich countries remain highly discriminatory against developing country exports. Average OECD tariffs on manufactured goods from developing countries are more than four times those on manufactured goods from other OECD countries. Moreover, agricultural subsidies in rich countries lead to unfair competition. Cotton farmers in Benin, Burkina Faso, Chad, Mali and Togo have improved productivity and achieved lower production costs than their rich country competitors. Still, they can barely compete. Rich country agricultural subsidies total more than \$300 billion a year—nearly six times official development assistance.

Better access to global technological progress. In recent decades technological breakthroughs have dramatically increased technology's potential to improve people's lives. There is enormous scope for rich countries to channel technological innovations in ways that advance human development, reversing the neglect of poor people's needs. Today, for example, only 10% of global spending on medical research and development is directed at the diseases of the poorest 90% of the world's people.

Rich countries can also help ensure that the World Trade Organization (WTO) agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) protects the interests of developing countries. The agreement does not

adequately protect the rights of indigenous communities to traditional knowledge sometimes patented by outsiders. And though the agreement contains provisions for technology transfers, the wording is vague—so no means of implementation are in place. The 2001 WTO ministerial conference in Doha, Qatar, reaffirmed that the TRIPS agreement should not prevent poor countries from making essential medicines accessible to their people. The conference resolved to reach an agreement by December 2002 on how countries without adequate manufacturing capacity could access medicines. But that deadline has come and gone, with no resolution in sight.

Following through on commitments—and setting new targets. Rich countries have made many commitments, but most without time-bound, quantitative targets. If developing countries are to achieve Goals 1–7 by 2015, rich countries need to make progress in some critical areas before then—with deadlines, so that progress can be monitored. This Report proposes that rich countries set targets to:

- Increase official development assistance to fill financing gaps (estimated to be at least \$50 billion).
- Develop concrete measures for implementing the Rome Declaration on Harmonization.
- Remove tariffs and quotas on agricultural products, textiles and clothing exported by developing countries.
- Remove subsidies on agricultural exports from developing countries.
- Agree and finance, for HIPCs, a compensatory financing facility for external shocks—including collapses in commodity prices.
- Agree and finance deeper debt reduction for HIPCs having reached their completion points, to ensure sustainability.
- Introduce protection and remuneration of traditional knowledge in the TRIPS agreement.
- Agree on what countries without sufficient manufacturing capacity can do to protect public health under the TRIPS agreement.

Just as people can monitor actions by their governments to live up to their commitments, rich countries should monitor their progress in delivering on their commitments. They should prepare progress reports—contributing to a

global poverty reduction strategy—that set out their priorities for action.

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The Millennium Development Goals present the world with daunting challenges. Unless there is radical improvement, too many countries will miss the targets—with disastrous consequences for the poorest and most vulnerable of their citizens. Yet today the world has an unprecedented opportunity to deliver on the commitment to eradicating poverty. For the first

time there is genuine consensus among rich and poor countries that poverty is the world's problem. And it is together that the world must fight it. As this Report explains, many of the solutions to hunger, disease, poverty and lack of education are well known. What is needed is for efforts to be properly resourced, and for services to be distributed more fairly and efficiently. None of this will happen unless every country, rich and poor, assumes its responsibilities to the billions of poor people around the world.

