<u>Millennium Development Goals: Reality and Prospects</u>

(transcript)

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Let me thank you very much first for inviting me back to this wonderful country. I am also very thankful for your kind invitation of life membership in your Association, which was bestowed yesterday. This trip has given me a chance to spend some time this morning with you brainstorming about the challenges posed by the Millennium Development Goals, not just to Bangladesh, but also to low income countries all over the world.

The reality is that the Millennium Development Goals are not being met. Fortunately, however, the prospects are not completely bleak. Bangladesh and other low income countries can meet these goals, but we require a significant change from business as usual, both in low income countries, as well as in the behavior of rich countries and the international institutions. Only true international partnership will propel the Millennium Development Goals beyond rhetoric and into effect. While this partnership started auspiciously at the beginning of the decade, it has gone off track as the world has grown enmeshed in conflict.

In September 2000, at a special assembly at the United Nations, 147 world leaders signed the Millennium Declaration articulating the aspirations for the new century and new millennium. The Declaration touched on a broad range of issues, ranging from the environment to poverty, disease, human rights, and security. It also laid out the intentions, objectives, and hopes for economic development, and that portion was extracted from the Millennium Declaration to form the Millennium Development Goals (MDGs). There are eight goals that set specific time tables for reducing extreme poverty, chronic hunger, the proportion of the population without access to safe drinking water (half of people in Bangladesh lacks access to safe water due to the arsenic crisis), and the rate of child and maternal mortality. The MDGs aim to combat AIDS, TB, malaria and other major infectious diseases, and to improve the quality of life of slum dwellers. Furthermore, the Goals recommend doing this in an environmentally sustainable manner. The MDGs have specific timeframes running until targets are met by 2015. By and large, the Goals seek certain rates of progress, such as reducing child mortality by two thirds compared to the 1990 benchmark. The eighth Goal is the goal of partnership. It was the commitment by the leaders of the rich countries to work as partners with the poor countries towards actually accomplishing these Goals.

The Millennium Declaration is a stirring document, but one must recall that many of these goals were set years ago for earlier target dates, but were not achieved. The Millennium Development Goals are stirring, yet they are warnings that the international system too often fails to follow through on its commitments. The goal of having all children complete primary education was set for the year 2000, then moved to 2005, and now to 2015. In 1977, at a famous meeting in

Almaty, “health for all” was promised by the year 2000, yet in 2000 we faced the AIDS pandemic—perhaps the greatest in human history—and hundreds of millions of impoverished people still left with no access to proper health services.

The Millennium Development Goals were born in a moment of hope, but against a backdrop of previous, unfulfilled efforts. Looking at trends since September 2000, I think we have some reasons for satisfaction, although we also have new and greater reasons to worry. The reasons for satisfaction are that, regardless of struggling international partnerships, there is progress in several parts of the world, including Bangladesh. We have seen significant decreases in the numbers of extreme poor throughout Asia during the last 20-25 years. China, with its economic growth rate averaging roughly 9% per year since the late 1970s, has had the biggest progress—hundreds of millions of people have risen out of extreme poverty. Bangladesh and India have achieved growth rates of roughly 4-6% per year in the past decade and notable improvements in many aspects of human environments and physical conditions, although major challenges loom. But even with that perspective, we cannot ignore parts of the world where the problem is not merely that progress is too slow, but that there is no progress at all.

Sub-Saharan Africa has emerged as the biggest disaster; there is no growth in per capita income. In fact, despite it seeming unthinkable, there has been on average an actual decline in per capita income, comparing 1980 to the present day. Given the extent of poverty in 1980, who would have imagined that production would actually decline over the following quarter century? AIDS and malaria ravage sub-Saharan Africa in ways unrivaled in other parts of the world. Food output per person has decreased in sub-Saharan African, a unique and deeply troubling phenomenon. In Latin America, where income levels a quarter century ago were much higher than those in most of Asia, growth has stagnated, though thankfully not declined. Meanwhile, parts of Asia have not achieved the same success as have their neighbors. Central Asia is not only engulfed in war, but its economic conditions have deteriorated over the past decade. So the picture is mixed.

Unfortunately, the eighth Goal—that of international cooperation—has, in my opinion, been the most frustrating aspect of the international scene since the pronouncement of the Millennium Development Goals in September 2000. The attacks of September 11th damaged the United States one year after the Millennium Declaration. Those attacks diverted the attention of the United States and several other countries, which chose to pursue a misguided strategy of trying to fight instability and unrest by exclusively military means. We know now, following a costly incursion into Iraq, that the United States spent over one hundred billion dollars in the last two years, and that such expenditures could have produced magnificent reductions in poverty. Unfortunately, we have stirred up a hornets’ nest without properly addressing the deeper problems, of which terrorism is one symptom. Since September 2001, the world has too often addressed its problems in terms of conflict, open war, and the rhetoric of militarism, rather than with a commitment to development. This becomes worrisome when considering the prospects for meeting the Millennium Development Goals between now and 2015.

As a special advisor to the UN Secretary-General Kofi Annan, I work with hundreds of colleagues on the UN Millennium Project, an analytical effort to examine MDG-oriented progress and to diagnose why certain countries are not meeting the goals. I want to share the results of that analysis with you and then turn to the specific challenges facing Bangladesh.

Throughout the world, we find varied results. Some countries, fortunately those with some of the largest populations, are making progress. However, it is hard to immediately understand all the causes of success and failure. It is hard to understand why China has achieved its phenomenal growth rates while Bangladesh has achieved only moderate and inconsistent rates of growth and while Africa remains in a desperate situation. We do find distinct causes of varying performances, but there is no single explanation. There are at least three different economic factors that affect performance. Obviously, the policy choices made by countries are tremendously important. In some countries, we witness ingenious policies that incite industrial development and increase agricultural productivity; in other countries, especially those vulnerable to tremendous mismanagement, the policies are inadequate to what the country needs for economic growth. Secondly, we see that governance does make a difference. Proper governance leads to good policies in the social sector, and less corruption speeds the development of infrastructure and new industries. This is important, since the state plays an essential role in delivering services and infrastructure to a large proportion of the population.

The third point I must stress is that even beyond the policies and governance, countries face profound structural challenges that must be addressed to achieve the MDGs. Regions and countries do not face equal obstacles; almost all have distinct geographical, ecological, demographic, and geopolitical constraints that make it harder for some place to prosper than for others. These constraints are an important part of our diagnosis, as we assess which investments can overcome barriers standing between a country and the Millennium Development Goals. One obvious barrier is extreme poverty itself, because extremely poor countries have low national saving rates and collect little tax revenue. With so little margin for survival, extremely poor countries simply cannot generate the surplus required for investment and public spending programs necessary to achieve the Millennium Development Goals. When we properly measure the saving rates in Africa, we find that they are often negative. By taking into account not only depreciating capital, but also the depreciation of the physical environment, degradation of soils, deforestation, water pollution, and over fishing, this more sophisticated measurement of savings rates reveals barely positive—or even negative—values. This leaves countries unable to either generate a positive surplus for investment or handle population growth, preventing them from making a major attack on extreme poverty. Additionally, as Bangladesh knows, geography can constrain growth. Vulnerability to natural hazards is an important indicator. Bangladesh is both flood-prone and consistently vulnerable to drought. Furthermore, long-term climate change already underway will only intensify the environmental risks facing Bangladesh. Sub-Saharan Africa serves as another example of vulnerabilities that stem from ecology and geography rather than from poor governance or imprudent policy. Chronic droughts cause massive suffering and prevent Africa from enjoying the benefits of the Green Revolution that Bangladesh and much of Asia have enjoyed.

Demographics also play a huge role. High population density in urban areas is probably a competitive advantage when establishing new industrial sectors like the ready-made garment sector in Dhaka. Yet in rural areas, high population density is surely an adverse factor in economic development, because farms are tiny and income levels are low. Farms in many developing countries produce low yields, due to small average farm size of just 0.5 hectare, or 0.1 hectare per farmer. This makes it difficult for an impoverished rural household to grow enough to make a livable income.

In addition, a country's access to sea-based trade and energy resources can play a role. Fortunately, if its port is managed more efficiently, Bangladesh has the possibility to be a major exporting country. Many parts of the impoverished world—particularly landlocked countries—face challenges that are much greater than those faced by coastal economies. Energy resource endowments are also critical. Countries without primary energy resources tend to have a much harder time stimulating economic development. At the same time, countries with rich reserves of natural resources must deploy them in ways conducive to long-term economic development.

I have mentioned these many factors because I want to point out something that is absolutely crucial: when thinking about the barriers to development, we must consider more than policy choices. Geography, demography, disease, hydrology, transport conditions, and energy are all critical inputs to successful economic growth and poverty reduction. During the "structural adjustment" period of the past 20 years, it was thought that better policies alone would jumpstart development, and policymakers ignored the fact that increased resources were needed to build an infrastructure of public health, education, and transportation and to overcome natural hazards like droughts and floods. Consequently, the Millennium Project has been stressing, in detailed fashion, the investments needed. Furthermore, the Project devotes its attention to underlying conditions of agriculture, transportation, energy, and so forth. Without that sort of detailed needs assessment, it would be impossible to take the Millennium Development Goals seriously. And, since the world has repeatedly promised to take them seriously, each country should study the physical and social investments that it will need make in addition to improvements of policy and governance.

We have reviewed dozens of Poverty Reduction Strategy Papers drawn up by low-income countries. Unfortunately, we have concluded that many of them, including the PRSP of Bangladesh, are inadequate. While full of sound analysis of policy choices, they contain weak needs assessments of the investments necessary to meet the MDGs. Proper, rigorous needs assessments should make a diagnosis and recommend practical investments. Throughout the world, we see poverty reduction strategies that fail to make the connection between diagnostics and the public sector investments required to achieve the MDGs. Too often in countries riddled with disease and inadequate social services and infrastructure, the strategy has been to cut the size of government. Bangladesh's national strategy for economic growth makes this mistake – it calls for a freeze on the size of the civil service and the public sector. Yet this is incorrect for a country requiring significant investments in disaster control, health care, education, hydrology, agricultural productivity, and research and development. A staunch and absolute statement, such as one freezing the size of the government, goes against the conclusions of a serious needs assessment. Unfortunately, international donor agencies often prescribe limiting government services and "belt-tightening." What is needed, of course, are the proper investments in the right sectors.

As a part of our work for Secretary-General Kofi Annan, we at the Millennium Project have been making such needs assessments with a number of governments, and we hope that we can make a similar effort with Bangladesh. In many countries where we have worked, we have found that the proposals and programs of these countries fall short of the ambition necessary to achieve the Millennium Development Goals. For example, an adequate way to address health crises in many countries would generally require public spending on the order of 40 dollars per person per year, rather than the 5 dollars per person per year often allocated to public health. The figure of 40 dollars is a sound needs assessment – an analysis of actual costs of primary health posts at the local level, the doctors, nurses, and medicines necessary for emergency and other care. Current public health budgets are too low, especially considering the lack of medical services and personnel in rural areas.

Another example we should consider is power. In some cases, nearly 80% of the country lacks access to electricity. When villages lack electricity, their residents cannot rise above basic subsistence. Regions of rural Bangladesh that use dung and fuelwood have little hope of achieving the Millennium Development Goals. It will cost tremendous amounts of money to build the power infrastructure that can extend electricity to rural areas of this country. Once again, accurate needs assessments must account for the expenses of health care, power and transportation infrastructure, and clean water.

The water crisis deserves special consideration here in Bangladesh due to the incidence of arsenic. Perhaps one-third to one-half of the population is being slowly poisoned by ingesting the water. Despite having known this for a decade, the international community has yet to work seriously with the Bangladeshi government or the NGO community to reach adequate solutions. As we talk, people are drinking arsenic-laced water. We know that solving this problem will probably require hundreds of millions of dollars of investment.

So, when we perform proper needs analysis, we find that in low-income countries the costs may be on the order of 100 dollars per capita per year to enable the public sector, NGOs, and other delivery mechanisms to create and deliver the basic infrastructure and investment necessary to achieve the Millennium Development Goals. But think about that: for countries like Bangladesh, with gross national income (GNI) per capita of roughly 400 dollars, 100 dollars per year represents about a fourth of GNI. Furthermore, that fourth of GNI is largely public expenditure for a country with government revenues on the order of 10% of GNI. Unfortunately, the financing gap for the MDGs is roughly 15% of the gross national income. That is the kind of circumstance that we have repeatedly witnessed in the poor countries of Africa.

Why do these financing gaps arise? Too often, donor countries, while repeatedly committing to the Millennium Development Goals, instruct developing countries to make do with less money and "belt-tighten." The rich countries of the world have even firmly committed to efforts towards the ODA target of 0.7% of rich-country income. In the case of the United States, 0.7% of income goes toward the war efforts in Iraq, whereas only a fifth of that level, just 0.15% of U.S. GNI, supports development programs in all parts of the world.

Many countries, including Bangladesh, have made tremendous progress, but, in my view, not enough to have confidence of achieving the MDGs. There are simply too many unresolved variables. A rapidly growing population, although growing more slowly than in the past, still creates huge challenges in densely populated countries such as Bangladesh. Child mortality rates have dropped significantly, but at a much slower rate recently than in previous decades. Tremendous progress has occurred in agriculture, as high-yield varieties were successfully introduced in rice cultivation; unfortunately, there are no obvious places where productivity will continue to increase as rapidly in the future. Toxic soil nutrients threaten the environment, and intense overproduction is depleting soil nutrients and eroding soil. The Bangladeshi water crisis, as I mentioned, will require hundreds of millions of dollars of donor assistance.

When I read the Interim Poverty Reduction Strategy Paper of Bangladesh in March 2003, I considered it an extremely thoughtful document. It contains strong diagnosis, and it lays out ambitious goals. Unfortunately, it lacks a compelling plan of action to solve the water problem, to address the maternal mortality rate crisis, to make sure that the under 5 mortality rate continues to fall significantly, and to make a breakthrough in the undernutrition crisis. Furthermore, in addition to not laying out a plan, it actually calls for almost no increase in public investment. It somehow envisions almost no scaling up of the public sector in health or education or infrastructure. It suggests a freeze on the public sector. So all of the elements are here, in terms of what needs to be done, but the Strategy Paper suggests no means to pay for them. Therefore, there is no realistic vision of how to make the necessary investments between now and 2015.

This does not mean the task is impossible, quite the contrary. From the international perspective, a modest investment—well within the 0.7% donor promise—would enable Bangladesh and countries like it to massively scale up their investments in poverty reduction. Bangladesh needs to spend at least 25 dollars, rather than around 5 dollars, per person per year in the public health sector. What would an extra 20 dollars per capita entail? Domestic resources could not finance that; donors would need to provide 2.8 billion dollars: 20 dollars for roughly 140 million people. For a rich world with an income of 30 trillion dollars, that is actually a pretty small amount. Acting together, rich countries can certainly help Bangladesh scale up its public health system to save millions of lives.

As I see it, the needs of Bangladesh necessitate a realistic approach to financing them. Bangladesh would have to mobilize domestic resources to an increased extent, probably by several percentage points of gross domestic product in domestic tax collection. It would have to mobilize its natural resources far more effectively. Specifically, I believe that a part of the investments in natural gas should be made for domestic growth rather than exports, because the energy supply for this country is a vital input for its long-term development. Of course, there will be a financing gap since the government cannot cover the entire cost. There is no shame in appealing to the rich countries and reminding them that they agreed to development partnerships. Instead of the proposed 700 million dollars of actual disbursement this year, Bangladesh ought to receive an extra 5 billion dollars per year of development aid to achieve the Millennium Development Goals. I must stipulate that that figure is not exact, but it is similar to the order of magnitude of scaled-up development aid that we have calculated in our other studies. Realizing the Goals will usually require approximately 40 dollars per capita of aid rather than 7 dollars per capita. Under such a scenario, Bangladesh would have especially important responsibilities, far greater than those it now carries. Several billions of dollars a year can fund critical investments, and that sum demands real reforms. Good governance is imperative, and that means finally eradicating pervasive corruption that plagues so many sectors within Bangladesh. Businessmen unwilling to pay bribes often have to wait for months to move their goods out of the port of Chittagong. An efficient port is critical to the development of Bangladesh. The network of bribes to the port authorities, mafia, and government seems to extend forever.

We need heightened commitments from both rich countries and Bangladesh; we have to get out of the current stalemate. Globally, we are talking about the difference between life and death for hundreds of millions of people over the next decade. The Millennium Development Goals articulate the world's aspirations—they represent the difference between hope and despair, between security and violence. A combination of serious aid and serious reform can move Bangladesh and other low-income countries toward much-desired and needed success. Thank you very much for the opportunity to speak to you today.