

## **FIRST MAX HAVELAAR LECTURE: DEVELOPMENT IS A PRACTICAL CHALLENGE**

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It is a tremendous honour to be with you at Erasmus University today, and I thank you very much for hosting the Max Havelaar lectures and taking on the challenge of involving business in poverty alleviation. Poverty alleviation is a great challenge for business in general and I am thrilled that you in particular ask for the role to be played by business schools. So, I will try to give some very practical answers in this respect as well.

### **The Millennium Development Goals are specific**

I first want to talk about the Millennium Development Goals (MDGs) and how to achieve them. I should start by explaining what they are and a bit about what my own role is. In September 2000, about 150 leaders assembled at the United Nations and adopted the Millennium Declaration from which the eight Millennium Development Goals were taken. The Millennium Development Goals are international goals that were adopted by all the world's governments. About a year later UN Secretary-General Kofi Annan asked me to help organize a sustained effort to design and recommend practical approaches to achieving the Millennium Development Goals. The key here is to make them operational.

The Millennium Development Goals indeed present specific time-bound, quantified objectives, which in my view make them extremely important. By the year 2015 we are to reduce by half the rate of extreme income poverty compared to the 1990 baseline – that is the so-called dollar-a-day poverty, measured as a share of the population of each country. Similarly, we measure hunger generally by three indicators: low height for age, low weight for age and low weight for height, which is an extreme form of hunger wasting. By 2015, the goal is to reduce by half the proportion of children that suffer from chronic hunger, compared to the 1990 baseline. By 2015 all children are to be completing primary education. It is shocking that around 200 million children that ought to be in primary school are out of school, and they will be condemned to a lifetime of poverty as a result, unless we do something about it now.

Many of the MDGs relate specifically to health. The mortality rate of children under five (which is the number of children who die before their fifth birthday out of every thousand that are born) is to come down by two thirds by the year 2015. And maternal mortality, which is mothers dying in childbirth, should be reduced by three quarters by 2015. At the same time AIDS, tuberculosis and malaria should be brought under control, and the proportion of people deprived of basic sanitary conditions and safe drinking water should be reduced by half by the year 2015. The eighth goal is the goal of international partnership. It states that the rich countries should barter with the poor countries to achieve these goals.

There is some criticism of these goals. Some people say they cannot be met, or that they are a distraction. Some people say they will be met automatically, so why care? This is a profound misunderstanding – these goals will not be met just by themselves or by global market forces. For example, mothers will die in childbirth – even in countries achieving economic

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<sup>1</sup> This is the transcript of a lecture Jeffrey Sachs, Director of the Earth Institute at Columbia University, delivered on October 31, 2007

development – unless public sector efforts are made to ensure that there are emergency surgical rooms available for complicated deliveries. For those who say the goals will automatically be met, and are then shown the trends that this is not the case, it is also false to say that these goals cannot be achieved. Even now in 2007, halfway to the 2015 target, many people just write off the goals. They state that Africa cannot meet them. What they are doing is taking a pencil and extrapolating the current trend and saying that we are off the trend to achieve the goals and therefore we should be more realistic. Their definition of realism is: let children die; let mothers die, let people go hungry. But that is not realism at all, it is ignorance. It is also very convenient – especially in the United States – to say ‘Oh, there’s nothing that can be done’. This is a position of great moral irresponsibility and also of great practical ignorance. Unfortunately my country, especially in Washington, abounds in that right now, and this is a major problem. They seem to know how to spend a lot of money on the military, but not very much goes towards the problems of keeping children alive or addressing hunger or addressing the other targets of the Millennium Development Goals.

### **Practical pathways and a concrete challenge: Africa**

On behalf of Secretary-General Kofi Annan, and now on behalf of Secretary-General Ban Ki-moon, I have been leading an effort to amplify the fact that there are actually extremely practical pathways to success. This is more a specific question: how do we get measles immunizations to poor rural areas; how do we get improved seed varieties to help farmers have higher yields; how do we get anti-malaria bed nets for poor people so that the children are not dying of malaria by the millions. It is a great challenge for a business school because it is so practical and it is so bottom-line. There is no mysticism about it once you have delved into the timelines, the practicalities and the quantitative targets. In fact there is a great deal of progress being made towards achieving these goals. Many parts of the world will actually achieve the Millennium Development Goals. Children are already nearly 100 per cent enrolled in school in Latin America and in most of Asia. In China poverty rates have plummeted because of the dramatically swift economic growth. Poverty rates in India are now coming down very sharply, even though there are still very large numbers of very poor people.

The epicentre of the challenge is sub-Saharan Africa. In other parts of the world there are certainly big challenges. In India many mothers still die in childbirth because of a lack of access to emergency obstetrical care, and too many children are undernourished in South Asia. Those places are also on a rapid economic growth path, and if they invest their resources wisely they will make great progress. However, it is in Africa where the biggest challenge lies. Economic growth has been, in some places, meagre or even negative and yet the burden is by far the highest. In Africa it is still the case that for every thousand children that are born, 150 die before their fifth birthday. It is still the case that two thirds of the world’s AIDS sufferers are in Africa. It is still the case that millions die of malaria and half a billion people in Africa are afflicted with malaria every year. These are huge challenges. There could be tremendous progress if we get our act together – in a very practical way. There is a role for business, a role for civil society, a role for government to achieve the MDGs, and there is a very important role for business schools as well. So let me do what I hope can be helpful, and first give you a diagnosis, secondly a prescription and then a sense of the relative roles of the different stakeholders in achieving or carrying out the prescription.

### **Diagnosis and prescription**

The problem is that Africa remains a highly rural society and its economies are rural. About 70 to 75 per cent of the population live in villages. More than 90 per cent of African villages still have no electricity, no graded roads; they do not have functioning clinics; often no schools.

These are conditions that are almost unimaginable for us in the Netherlands or the United States. Until I began to work in African villages a dozen years ago I had no conception of the extreme nature of the poverty. It sounds impossible to do anything, but the fact is there are tremendous things that can be done, and from one year to the next. What is needed most of all is investment that is targeted in particular areas to empower the villages, the communities or the individuals themselves.

*First there needs to be investments in agriculture*, and this is an area that has been neglected by the donor community for twenty years. I visited a former Minister of Co-operation of the Netherlands a few years back and when I made the point about investing in agriculture I was told 'I'm sorry, we don't do agriculture in this country, we don't do agriculture as part of our aid effort'. That was quite a standard attitude in European donor agencies until recently. Now if you look at this year's World Bank World Development Report you will see that Africa is back on the agenda. In an internal evaluation of the World Bank's agriculture programme, the World Bank itself admitted twenty-five years of failure, because they failed to invest in agriculture. World Bank staff had argued that the markets would do it, so they left it to the markets. But markets will not solve the low productivity of agriculture in villages without roads and power, and with impoverished people. So the first investment needs to help very poor farmers get the inputs that they need to raise their productivity. African farmers are achieving about 1 ton per hectare of farm output, but with a bag of fertilizer and high-yield seed they can achieve 3 tons per hectare. The difference is starvation or chronic hunger, on the one hand, and food surplus and an income on the other. In the Netherlands the yields are 6, 7 or 8 tons per hectare, sometimes 10 tons per hectare. The difference is the lack of inputs into African agriculture and the inability of the poor to pay for those improved inputs on their own.

The second investment is in the *health sector*. We need clinics staffed by community health workers – not necessarily doctors – to address the major killer afflictions, which are malaria, diarrhoeal disease, respiratory infection, vaccine-preventable diseases, worms and micro-nutrient deficiencies. Ten million children die every year before their fifth birthday. Virtually every one of those deaths is easily preventable. These children are dying of poverty because they lack access to the basic inputs of antibiotics, bed nets, immunizations and micronutrients such as zinc and vitamin A. It is all known, quite straightforward, and very inexpensive.

The third investment is in *schools and classrooms*. We need classrooms with materials, teachers, electricity, and we need school feeding programmes that bring children to school and help them learn.

The fourth investment we need is *basic infrastructure* – for example paved roads, a power supply, whether off-grid with wind and solar energy, or on-grid, but powered electricity in villages for pumps, illumination, for refrigeration and immunizations, for income generation, bakeries and metalworking shops, furniture making and everything else that we need electricity for.

Those four areas – agriculture, health, education and infrastructure – are the core investment areas. They have been studied repeatedly and assessments have been made of the costs of these investments. Here is the bottom line: if the donor world would do what it has promised – to give at least 0.7 per cent of the Gross National Product as official development aid – these core investments could be funded everywhere and thereby not only save millions of lives each year but also provide a base for market economic activity to take effect in agriculture and agro-processing, to help these economies achieve self-sustaining economic development. A figure of

0.7 per cent of GNP is easily achievable and the Netherlands has of course been achieving this goal for decades. So have Luxembourg, Denmark, Norway and Sweden, but the rest of Europe is not achieving this basic goal. Most donor countries – for example Germany, France, Italy, the United Kingdom, Ireland, Spain, Greece and Portugal – are not achieving this basic commitment. And the United States is the worst of all. The largest economy in the world is investing not 0.7 per cent but 0.17 per cent of GNP. That missing gap is \$70 billion a year of what the United States ought to be investing in development. It is being spent on the Iraq war instead – the most colossal, destructive waste of money on the planet. We are spending \$700 billion on the military in the United States and we are spending \$5 billion on Africa. We will not have peace if we are spending more than 100 times as much on the military as what we are spending on poverty in Africa.

I will mention one more basic point. There are 300 million sleeping sites in Africa that are in malaria transmission zones, and that need a bed net. As each net costs \$5 and lasts for five years, that is \$1.5 billion needed to protect every sleeping site in Africa for five years. We spend \$1.7 billion every day on the Pentagon, so one day's Pentagon spending would provide mosquito nets for five years for every sleeping site in Africa.

### **An investment plan**

We could invest in agriculture, health, education and infrastructure and achieve the above goals if all the countries would do what the Netherlands has done, which is to spend at least 0.7 per cent of the gross domestic product as aid. This would give us another \$140 billion a year, half of which could go to Africa. Now many people say that aid is a waste of money: aid goes down the drain, aid is stolen and so forth. I found out that many of my critics got a lot of aid themselves: they got scholarships for graduate school. These critics are, in my opinion, pretty much unaware of the truth and they are also hypocritical. But more to the point, there are actually so many cases of aid achieving spectacular results. For example, in the last couple of years some aid was finally given to Malawi to help smallholder farmers get seeds and fertilizer. Malawi went from being a country in extreme hunger to a food-surplus country in two years. The country went from producing 1.5 million metric tons in the 2005 growing season to 3.1 million metric tons this year. They doubled their production because of targeted support for smallholder farmers. Another example is where Kenya was helped to distribute five million mosquito nets. When the epidemiologists went back a few months ago to study the effects, malaria deaths had been reduced by 44 per cent in the districts where these nets were distributed. Now many other countries are having a similar success, but there is not yet enough money to provide comprehensive coverage. A third example is in Tanzania, where the debts were cancelled a few years ago – after many years of my complaining and many other people's complaints. Tanzania covered the costs of school fees in order to eliminate them. Millions of children, who had previously been excluded from school because of school fees, came to school.

So, when you are very specific and practical – by building clinics, hiring community health workers, giving immunizations, distributing anti-malaria bed nets, giving vouchers for high-yield seeds and fertilizers, implementing school feeding programmes, installing wells for safe drinking water – the results are spectacular. Why aren't the poor people doing this themselves? Because they cannot afford it. It is not that they do not know what to do, it is not that the poor are evil or corrupt or lazy or anything else. They are just poor. That is why we have to help just a little bit.

### **General roles**

So what can be done? What are the roles for everybody? For governments, first and foremost, it is to achieve the official development assistance target set in Monterey in 2002, and again agreed at Gleneagles, at the G8 summit, and promised by Europe that all of your countries will achieve 0.7 per cent by 2015. What we need is for Germany, France, the UK and every other country to achieve these targets on time and for Europe to say to the United States – get with it! The United States can afford 0.7 per cent, but we need to hear from Europe that it is time for the rich world to live up to its promises. That is the first thing that a government needs to do – honour its own word. Your Prince, Prince Willem-Alexander, has done an amazing job in directing attention worldwide to the water challenges and goals. But we do not have the funding to accomplish these goals. We need to go to the U.S. government, and others, and say we need the funding for water. It is very straightforward and to the point because it is business planning.

What is the role of civil society? I think that there are at least three different areas. The first is government accountability: hold governments accountable for their promises. The second is service delivery. So many wonderful NGOs actually deliver practical things on the ground – this is very important. The third is innovative systems of delivery: better school feeding programmes, off-grid safe drinking water and energy supplies to the villages, new uses of mobile telephony and IT systems to improve productivity in the countryside. Those are critical roles for civil society.

### **Role of the business sector**

Now what about the business sector? Every business should do something meaningful to support and promote the Millennium Development Goals. Now here is what I would recommend. First, I think every business – on its website and to its employees in its newsletter and so forth – should explain the Millennium Development Goals. As they are global commitments, they involve all of us, and businesses should help everybody to understand these goals. Second, take on the challenge as a business. I am much less interested in the business's money or philanthropy than I am in the business's technology. Businesses add value, and they add value typically because they have good technology and good internal management. After all, the key to development is technology. So every business should ask itself what it can do and how it could use its expertise to forward the Millennium Goals. I will give you an example of a great company in the Netherlands: TNT, the logistics company, which has partnered with the World Food Programme in recent years to help with the logistics of humanitarian relief and disaster relief. As I heard Peter Bakker the CEO once say, we used to put heat cowl on stockcars as our main activity, now we are using our logistics expertise to save lives. It is a core example of putting the expertise to good use. Unilever does the same thing by getting into the very core communities and sourcing agricultural production from them. And especially if they do it the *Max Havelaar* way: on a fair-trade, high quality standard then you are really bringing jobs, income, technology, and you are bringing a value chain, and that is what Unilever can do best. General Electric is working with us on providing hospital equipment, another company is providing mosquito nets, and Yara in Norway is providing fertilizers. Ericsson is providing cellphone coverage. They have just opened up cellphone and wireless Internet coverage in villages where we are working in Rwanda. Ericsson also sent a representative just a couple of days ago to a camel-herding community in the far North East of Kenya, an extremely arid desert environment next to the Somali border. They are putting in cell power there so that there is going to be cellphone coverage for the camel herders. This is phenomenal as it is bringing pastoralism into the twenty-first century. It will save lives, create incomes, help with education, and so many other positive things. So my main message to business is: examine your core technologies and deploy them for the sake of the Millennium

Development Goals in communities or countries where you work. And if you are not working in the poorest places, take that extra step; they are your customers in the future. I do not believe that businesses are big charities; I believe that they can invest for the future by making their technologies applicable and available for the long term. And that is a win-win proposition.

### **A research agenda for business schools**

What can business schools do? I believe that we need to be activists on these goals because universities are unique repositories of knowledge, they take a long-term view, they are in my opinion unbiased, and they are not out for the immediate result of the foreign policy angle. We can be in the business of helping to apply knowledge. And that is a vital component of this challenge of achieving the Millennium Development Goals. One of the things Columbia University did was to start working in villages across Africa to help the villages achieve the Millennium Development Goals, and have called it the Millennium Village Project. You can find information at [www.millenniumvillages.org](http://www.millenniumvillages.org). It is a project in twelve ecological zones in ten countries in Africa: Senegal, Mali, Ghana, Nigeria, Ethiopia, Uganda, Kenya, Rwanda, Tanzania and Malawi. For half a million people in these Millennium Villages we have shown that by investing in agriculture, health, education and infrastructure you can tremendously increase wellbeing, reduce mortality and you can help these communities get onto a self-sustaining growth pattern. This is a university initiative because it pulls together our school of public health, medicine, our economics and development thinking, our engineering school, mechanical engineering, our agronomists and our climatologists. We work together in partnership with these communities. They do the work, and we help them with advice and bring them some money for this, and the results are spectacular. The business school can also work with businesses so the businesses come to the schools and ask "What can we do"? The business school can help them design a meaningful way in. I think this would be extraordinarily valuable.

My bottom line is that the Millennium Development Goals are achievable. It is really business planning, and linking funding with targeted investment so that impoverished parts of the world can become productive and join a modern world economy. If we do this, the improvements will mean millions of lives saved every year and there will be a vastly fairer and safer world for everybody.