PUBLIC LECTURE
POVERTY REDUCTION IN THE ISLAMIC WORLD — LESSONS FROM THE UN MILLENNIUM PROJECT

*** TRANSCRIPT ***

Professor Jeffrey D. Sachs
Director, The Earth Institute at Columbia University
Director, The UN Millennium Project

Kuala Lumpur
8 March 2005

Minister Mustapa Mohamed, ladies and gentlemen, it is an enormous pleasure for me to be here. My first visit to Putrajaya has been amazing. It proves how much can be accomplished in a short period of time when the right commitments are made. I have visited Malaysia many times during the last two decades, and it has been an inspiration and education for me to witness the disappearance of extreme poverty before my own eyes. I have no doubt that Malaysia will eliminate extreme poverty within the next decade.

Experiences such as those of Malaysia have inspired the central tenet of my newest book *The End of Poverty* — that our generation can eliminate extreme poverty on the planet. It may seem too bold of an idea, but we actually have the wherewithal and knowledge to do it by 2025, within our generation. Of course, it is not a forecast – it is simply a frank assessment of our capabilities. It is far from a forecast, because we are off track in our efforts to accomplish that goal in many parts of the world.

The Millennium Development Goals are the midway to ending extreme poverty. The MDGs were set after the Millennium Assembly in September 2000 when 147 world leaders assembled at the United Nations and committed to cutting extreme poverty by half by the year 2015. The MDGs address poverty in all its dimensions, not just in terms of income. Poverty is not easy to measure, and it also has many faces. People often think of "extreme poverty" as having income of less than $1 per day, but that standard is imprecise and poorly measured. So the Millennium Development Goals deal with many dimensions of poverty and commit to specific, time-bound, quantified reductions across several dimensions of poverty—generally by the year 2015:

- To halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day;
- To halve, between 1990 and 2015, the proportion of people who suffer from hunger;
- To reduce by two-thirds, between 1990 and 2015, the under-five mortality rate (the child mortality rate is the number of children that die before their fifth birthday out of 1,000 that are born alive);
- To reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio (maternal mortality is the number of women dying in childbirth per 100,000 births). This indicator is particularly troublesome, since the rates are horrendously high in poor countries—often several hundred per 100,000 live births compared to less than one hundred in high-income countries;
- To stop and reverse the spread of the three main pandemic diseases (HIV/AIDS, TB, and malaria) and to ensure that there is access to essential medicines for all who need them;
- To halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation;
- To have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers. We must curb the growth of slums—there are more than 1 billion people that live in slums. That figure could rise to as high as 2 billion people by 2020 if we do not take corrective action. Rapid urbanization has outstripped infrastructure development.
- To integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. In general, there is almost no place in the world that is achieving the goal of environmental sustainability. Even in developed countries, the benefits of economic growth have rarely being invested properly for sustainability. Long term climate change shows that the planet as a whole is not on a sustainable course.
- The eighth Millennium Development Goal may be the most elusive of all. It is the goal of international partnership. In a world that is fractured by violence, suspicion, ethnic tensions, religion, nationalism, and

language, international partnership may be the hardest Goal to achieve, although it should be the simplest. Unfortunately, arranging the necessary cooperation may prove especially challenging.

Several years ago, UN Secretary-General Kofi Annan asked me to help him mobilize a network of scholars and practitioners from around the world, which included Dato Lee Yee-Cheong. It was clear that the time had arrived to move from words to action. This past January, the UN Millennium Project issued its 2,700-page report, split into 13 volumes. These are impressive syntheses of innovative ideas in areas of health, education, food production, science and technology, water and sanitation, and many other areas. The UN Millennium Project's main report is titled *Investing in Development: A Practical Plan for Achieving the Millennium Development Goals*. Practical investments are the essence of the matter. Instead of developing complicated theories, the report outlines practical measures that can beneficially change the course of those people struggling to stay alive right now.

I would like to offer a quick overview of where the world stands and what the UN Millennium Project's recommendations are, and then turn to the topic at hand, which is poverty in the Islamic world. One cannot briefly summarize trends in global poverty. Globalization has important benefits, but it has certainly not worked for everyone on the planet, so we must refrain from simplistic judgments. While some regions have made rapid progress in recent decades, others have fallen even farther behind. Even in the fast-growing regions, certain targets are not being achieved. Simultaneously, even some of the slowest-growing regions are on-track to meet some of the Millennium Development Goals. So the picture is very varied.

Broadly speaking, East Asia, South Asia and Southeast Asia have made substantial progress in reducing poverty, both as a share of the population and in absolute numbers. Sub-Saharan Africa, meanwhile, is falling farther behind, both as a share of the population and in absolute numbers. In other regions of the world—Latin America, for example—rates of extreme poverty are modest by comparison but have unfortunately stagnated in the past two decades, with very little progress. Examining Asia more closely reveals intriguing patterns. For example, even during the rapid growth in South Asia in the last 10 to 20 years, the rate of undernutrition has scarcely improved. There is still massive undernutrition of children; hunger remains a very serious problem. There are often social reasons as well as biophysical reasons for this, and it demonstrates challenges facing even those countries with high growth rates. Child mortality remains very high in many fast-growing countries. Environmental degradation remains pervasive and almost entirely unaddressed.

In my eyes, Malaysia is emblematic of what success means in the fight against poverty. I have watched Malaysia closely for the last 20 years. Malaysia took several crucial steps that characterize successfully developing regions:

1) First, Malaysia participated in the Asian Green Revolution that began roughly 40 years ago. Farm productivity rose significantly with improved technology, inputs, and rural infrastructure investments.

2) The second great breakthrough for Malaysia occurred roughly 25 years ago during the transition from rural agriculture and primary commodity-based production to manufacturing and services, and especially urban-based manufacturing.

3) Third, Malaysia made massive, targeted investments in public health, literacy, nutrition, maternal survival, family planning, and other areas.

When we boil those kinds of lessons down, we see that the essence of escaping a poverty trap is investment in three areas: investments in people (health, education, nutrition, family planning); investment in the environment (soils, land, water) to raise agricultural productivity and protect ecosystems; investment in infrastructure (roads, power, telecommunications, port services, and so forth) which is the basis for rising productivity in the business sector, particularly for manufacturing and export-led growth.

In general, the reason why some places are thriving and other places are not comes down to investment. In the booming areas, one sees massive investments in people, infrastructure, and rural productivity. In regions that are falling behind, there are few or no investments. Why is that the case? There are four general reasons that explain these differences of investment performance:

1) First, of course, is governance. Poor governance, especially in conflict-torn states, renders large-scale investment impossible. Geopolitical conflicts hamper investment, and wars destroy investments. Horrible corruption prevents any investments from ever reaching the ground. Yet we must keep in mind that there are dozens of low-income countries with a profound lack of investment, where the obstacle is not poor governance but a lack of resources.

2) Second is a poverty trap. There are places on the planet that are so poor that they cannot muster a surplus out of their own resources. This may seem unusual when compared to the Malaysian experience, but it is important to keep in mind that there are regions even poorer than Malaysia was 30 years ago. Malaysia managed high savings rates that led to successful investments, but much of sub-Saharan Africa is too poor to have any savings at all. The reasons often used to blame the poor for their poverty—immorality, tyranny, and corruption—do not correctly explain poverty traps. Careful analysis shows that the physical circumstances in which the most impoverished people in the world live are more difficult than in other places on the planet. Malaysia benefited from being on one of the world's main trade routes—that was certainly enormously helpful for Kuala Lampur and Penang Island as they became successful manufacturing zones. Having a high level of natural resources per capita was very helpful. Favourable ecological conditions meant that Malaysia faced a dramatically lower malaria burden. Rather than facing extended periods of drought, Malaysia has plentiful fresh water resources. In contrast, much of the sub-Saharan African population lives not on the coast, but in the interior of the continent. They do so because the higher elevations generally have more water and better soils. Unfortunately, once you are 1,000 kilometres in the interior, you are removed from international trade, and in a sense, trapped. Second, 96 per cent of Africa's agriculture is rain-fed, not irrigated. Sub-Saharan Africa is mostly sub-humid or arid, with highly unpredictable and declining rainfall that is due in part to long-term climate change. Third, the burden of disease is extremely high. The malaria burden in Africa is unlike the burden any place else in the world by nature of the region's ecology, the species of mosquito and its biting patterns, breeding sites and temperature, and so forth. In terms of transportation, ecological vulnerability, and disease burden, sub-Saharan Africa has all the elements in place for a poverty trap. Countries stuck in poverty traps find themselves so bereft of resources that investment becomes impossible.

3) The third kind of problem resembles country-wide poverty traps, but occurs at a sub-national scale—what we call pockets of poverty. Some countries that enjoy good overall conditions retain intense pockets of poverty, typically because of geography. Brazil is a middle-income country with a sophisticated economy, but its arid northeast regions remain very poor. India's dynamic economy is blossoming, but the Gangetic valley, far removed from the coastal trade routes, is stuck in poverty. Consequently, within India, the state of Uttar Pradesh lags far behind the states of Tamil Nadu and Maharashtra right now. Similarly, western, inland parts of China lag far behind the coastal regions because of lack of access to cheap transport.

4) The fourth reason is policy neglect. While an economy may be growing robustly, policy-makers often focus on the wrong issues. For example, I found that all over the world, policy leaders in general do not know how many women are dying in childbirth. Throughout the world, women suffer from underinvestment in safe childbirth techniques and facilities. Doctors are not trained, surgical units are unavailable, and often no ambulances exist to transport mothers in labour to a hospital. As a result, more than half a million mothers die each year during childbirth. One sees examples like this all over the world—that there is an underinvestment in vital areas, even in countries that have reached middle-income status.

The UN Millennium Project recommends concrete, location-specific analysis. In other words, effective development would begin by analyzing the symptoms, and then applying proven, practical investments. In my view, when the problem is a government that is not interested in development or extraordinarily corrupt, there is little that the outside world can do. I do not believe that overturning governments would actually improve governance. I would rather set an example by helping well-governed countries achieve economic growth. That is the course that a responsible international community ought to follow.

In the cases of poverty traps, even magnificent governance cannot lift a population out of extreme poverty, and the international community should help. Rich countries need to help the poorest countries escape poverty traps through practical, targeted investments. The UN Millennium Project task forces have identified those investments in great detail. They include investments in primary health, primary education, feeder roads for rural villages to main trunk roads, port facilities, and power generation (whether it is on a grid or whether it is a diesel generator or some other approach). Other investments include basic soil nutrients to restore depleted soils with nitrogen, phosphorus and potassium, and water management, water harvesting techniques, and drip and micro-irrigation. Basic, practical steps can free regions trapped in extreme poverty. If it is a question of pockets of poverty, then you generally need regional development strategies to help in those places. It is probably impossible to equalize disadvantaged regions with more favourable parts of the country, but basic investments in infrastructure and human capital are nevertheless necessary to eliminate extreme poverty in these pockets. Furthermore, countries need to prepare for expected migration from remote, rural areas to prosperous urban areas. Finally, if policy neglect is the cause of lingering poverty, the international community should bring it to the attention of policy-makers.

It is clear that if this straightforward approach is taken seriously and professionally, and if rich countries follow through on the promises that they made to help poor countries, the Millennium Development Goals could actually be achieved everywhere. There is still time to do it—a decade remains until 2015. The necessary investments cost about 0.5 per cent of the GNP of the rich world. If the rich world gave about 50 cents out of every 100 dollars of its income each year for the next 10 years, that would provide the means for countries to escape poverty traps. Unfortunately, the rich world gives much less than that—only 0.25 per cent. The United States, the richest country in the world, gives the least, just 0.15 per cent.

Should it escape its poverty traps, Africa could experience the same economic development enjoyed in Southeast Asia. To do that, Africa needs, essentially, three things—the same three things that Malaysia had when it emerged from extreme poverty. Africa needs a Green Revolution, which is scientifically possible but costs resources. Africa needs improved infrastructure so that it can become export-oriented in light manufacturers, assembly operations, and so forth. Africa needs more investments in primary health, primary education, nutrition, and family planning so that the human capital can be raised as well. The costs of doing these are not very high, but they are beyond what Africa itself can afford right now, given its extreme poverty.

Now I must turn my attention to poverty in the Islamic world. Of course I have been implicitly talking about a part of the Islamic world this whole time, because the Islamic world is enormous—over one billion people, stretching over 10,000 miles, roughly from Senegal to the Philippines. The conditions vary enormously through these regions, and I would immediately divide the Islamic world into six regions: North Africa (that is, the southern littoral of the Mediterranean), Sub-Saharan Africa (of which much is Islamic), the Middle East, Central Asia, South Asia, and Southeast Asia.

Islamic Sub-Saharan Africa is stuck in the same poverty trap as almost all of Sub-Saharan Africa, so it is no different in that regard and it desperately needs help. It needs greater resources to make basic investments, especially in the areas of agricultural productivity, urban industrial development, and human capital.

The five North African countries—Morocco, Tunisia, Algeria, Libya and Egypt—have a great advantage. They enjoy easy transport. They also have a somewhat more benign, temperate climate. These countries have great opportunities to integrate themselves with other European and Mediterranean basin economies.

The Middle East is a third and very complicated area. When we consider pervasive governance problems in the Middle East, we should understand the legacy of religious warfare and imperialism. A millennium of war between Christians and Muslims has wreaked havoc on the region, and imperialism and foreign involvement in oil exportation has significantly affected governance in the region. Too frequently, these countries have been viewed as objects of interest by powerful countries rather than as independent subjects of development. The discussions about good governance require an acknowledgment and understanding of external geopolitics as well as internal affairs. I do not have the time to properly discuss this complicated region. Nevertheless, even in oil-rich countries, development is overlooked.

Central Asia is distinguished by being the most landlocked part of the world. When considering Tajikistan, Uzbekistan, Kazakhstan, Turkmenistan, and Kyrgyzstan, one must consider the implications of being the most distant from ports. Until 1498, the Silk Road made this region one of the most cosmopolitan trading zones. However, Vasco da Gama's arrival in India in 1498 demonstrated the advantages of sea-based trade. The last 500 years since then have been difficult, needless to say. These five countries need substantial improvements in transportation and communication. While Afghanistan struggles with immediate challenges, such as the recent war, and the legacies of the Soviet invasion, we often lose sight of the largest problem that started five centuries ago: extreme economic isolation due to huge transport costs. Only commodities with extremely high value per unit weight can justify these high costs—such as poppy and heroin. Access to trading routes by means of improved infrastructure would stimulate development and restructure the range of goods produced. This is a major problem of economic development in the region—it is a challenge of geography, and has to be overcome with transportation infrastructure investment.

South Asia has entered the transition to rapid economic growth. Pakistan will benefit from increasing political stability. India has entered a period of booming growth, and it will positively affect nearby countries like Malaysia. I think we are going to see a dynamic Indian Ocean economy, as was the case several centuries ago. Unfortunately, South Asia is still extremely poor, with intense pockets of poverty. India needs to make core investments in rural infrastructure, primarily in health, primary education, irrigation facilities, and so forth. I have suggested to Prime Minister Manmohan Singh and his colleagues in recent months that India could see the eradication of its extreme poverty in the next 10 years. It may seem unbelievable, but properly-targeted investments could have that effect.

Finally, we must consider the Southeast Asian countries. Malaysia and Singapore have shown that extreme poverty can be eradicated. Malaysia will do it within a few years. I think the economic model here for the last 40 years has worked well: massive investments in human capital and physical infrastructure have integrated Malaysia into the global trading system, and the country has also embraced technological development. Malaysia's key step right now is to really move to a fully science-based, technology-based economy. When per capita income reaches a few thousand dollars per capita, progress will come less from commodities and more from an economy of technology and innovation. But a knowledge-based economy requires mass tertiary education. In addition to higher enrolment rates, the government must make larger commitments to science, research and development. That will spell the difference, as evidenced by South Korea and Taiwan. 25 years ago, their per capita income levels resembled those currently found in Malaysia. Massive investments in science led to the breakthroughs. Another illustration of this comes from Brazil, which stood roughly even with South Korea 25 years ago. In the crucial period of the late 1970s, Brazil did not invest in technology; South Korea did. Only recently, nearly three decades later, Brazil has started to make those investments. This is important for Southeast Asia at this point. To achieve high-income status, Malaysia will need a truly science-based and knowledge-based economy in the coming generation. There is every reason to think that this can be accomplished. Indeed, given what Malaysia has accomplished, it lets me believe that we can achieve the Millennium Development Goals by 2015 and fully eradicate extreme poverty by 2025.

Thank you very much.