

The Business Community and the Millennium Development Goals

(transcript)

Speech at the International Policy Forum
Berlin, Germany
February 10th, 2005

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Economic development requires a massive cooperative effort. Markets are competitive and extremely important, but alone they are insufficient for economic life and for human life. Cooperation must accompany competition.

When it comes to helping the poorest of the poor, I believe that balancing cooperation and competition can help solve the problems of those overlooked and left behind by competitive markets. Populations living in extreme poverty do not create market demand. We hope that markets will eventually play a large role for the extremely poor, but simply telling them to participate in markets is not the solution. We must help integrate those who are ignored, and help those who are too poor to survive get the first foot on the ladder of economic development.

I want to encourage business people to consider the measures necessary to do business in extremely poor countries. Business opportunities could exist, but only if cooperation makes it possible. Businesses cannot thrive without basic public services such as energy and telecommunication networks, functioning ports, and the security provided by an effective policy force. Business alone cannot solve the crushing burdens of extreme poverty, hostile geographic conditions, geopolitical conflicts, and natural resource crises. While business people focus on developing opportunities, we must all think creatively to develop cooperative solutions.

In January 2005, the UN Millennium Project released its report, titled *Investing in Development*. The report is based on more than 2700 pages of expert analysis and advisory statements. The reports are the most comprehensive poverty reduction plan ever compiled. They cover, in detail, a wide range of issues, from soil nutrients in East Africa to the mechanisms of long-lasting disease treatments for malaria, Directly Observed Treatment, Short Course (DOTS) strategy for tuberculosis, and the anti-retroviral therapy for AIDS. This detailed analysis examines sectoral investments that are most vital right now to help the poorest of the poor. The reports seek to answer, first and foremost, how the world's poorest can escape chronic hunger and stay alive; secondly, how can they become productive enough to enter the business community and markets and to become both producers and targets of investment.

The poorest places in the world, home to over 2 billion people, are not part of the global economy right now, because they lack roads and electrical power, not to mention access to international markets. I am convinced that globalization works, and that it raises the destitute out of their poverty. I am a strong believer in the market economy. I spent a

great deal of time and effort instituting reforms in Poland and other parts of Eastern Europe to make those markets work. Unfortunately, the areas stuck in extreme poverty cannot simply institute structural reforms or jumpstart their markets. Many of the problems are geographic: villages in mountains and rural, inland areas stranded hundreds or thousands of kilometres from ports. In isolated villages where there is no electricity, poor farmers produce approximately just one metric ton of food—maize, for example—per hectare, which is not enough to feed a family, and certainly leaves no surplus to be sold on the market. So the UN Millennium Project has targeted those extremely poor 1.2 billion people living on less than \$1 per day, the “Bottom Billion,” as I call them. In addition to those extremely poor people, there are another 1.5 billion earning between \$1 and \$2 per day. That makes a total of over 2.5 billion people, out of 6.4 billion people on the planet, who live in unnecessary and awful poverty. While one could try to believe that these 2.5 billion people should simply pick themselves up and start working, they cannot pick themselves up, because they cannot afford to do so. By widespread professional estimate, perhaps eight to ten million people die each year as the world does too little to help them stay alive.

Paradoxically enough, those poverty-stricken areas are the sites of excessive population growth, because where people are dying in large numbers, there is no demographic transition. Where children are reliably staying alive, families choose to have fewer children. In areas besieged by child mortality rates so high that nearly 200 out of 1000 children die before their fifth birthday, and where total fertility rates reach five or even six children per impoverished household, we witness massive population growth, massive suffering, decline in available natural resources and arable land, and an actual decline in GDP per capita over time.

This is what economists call a poverty trap, and the *Investing in Development* report explains how to break poverty traps. It also includes several key propositions:

We cannot simply close our eyes and hope that Africa’s problems will resolve themselves, because they will grow steadily worse if we continue to ignore them. That is not good for anybody, neither for Africans, nor for rich countries. Right now, Africa has 900 people, most of them impoverished, but in one generation, that number will exceed 1.5 billion people struggling against disease, instability, hunger, and violence. So the problem will not go away on its own; we must help solve it.

These problems are solvable. They require pragmatism. They require a focus on practical steps that can be taken. Malaria can be controlled with drugs—such as the efficacious artemisinin-based treatments, which have their root in Chinese herbal medicine—insecticide treated nets, indoor residual spraying, and other measures. Malariologists have demonstrated that such a package of tools could save more than a million children this year. Furthermore, it would not cost very much money—only about three dollars from each of us in the rich world. That’s all—just three dollars. It would save more than a million lives annually. Instead, the United States pours money into its military operations in Iraq rather than on saving lives in Africa. We are spending our

money poorly, because we have yet to recognize how many practical things could be done.

The cost of doing practical things is not very high. We need investments to tackle malaria, and for roads, power, clinics, schools, soil nutrients, water, and sanitation. These basic investments spell the difference between extreme suffering and a chance for economic development. We can afford these basic investments within the amount promised by the world—but not yet delivered—for over 35 years now. The famous 0.7% of rich-country GNP as official development assistance has stood as the international target, called for by the General Assembly, since 1975. We continue to agree to it and make pledges—when will we fulfill it? Yesterday, I spoke on the occasion of the tenth anniversary of the Copenhagen social development conference in 1995. I read the promise made on that occasion of 0.7% of GNP in development assistance. 0.7% is just 70 cents out of one hundred dollars of our income. At the Rio de Janeiro Environment Conference in 1992, those present reiterated the promise. Most recently, in Monterrey, Mexico in 2002, the leaders explicitly committed to that target. They did it again in Johannesburg later that year. Well, now it is 2005, and it is time for a breakthrough.

We are looking to Germany to make the breakthrough a reality. Fortunately, the Chancellor has recently made some very important statements that Germany will commit to 0.7% and establish a schedule for doing so. We believe that Germany can tip the balance when it joins other European countries that have recently committed, and those Scandinavian countries that have already achieved or surpassed the target of 0.7%. Belgium, Finland, France, Ireland, Spain and the United Kingdom have recently come on board as well. This means that nearly all of Europe will finally have set forth specific timetables to realize this breakthrough.

What role does the business community have in these issues? First of all, the private sector does business in developing countries—there is money to be made. That is good. However, there is not enough money to be made. That is bad. The levels of investment are inadequate, not because the business community is doing something wrong, but because the economic environment is inadequate for large scale operations outside the primary commodity sector in Africa. There are many reasons. Power is neither reliable nor fully available around the clock in the cities. Drinking water is not clean. The port facilities do not work properly. The roads cannot support vehicles. The result is prohibitive insurance costs and freight costs. The cost of doing business is too high, because the infrastructure is too poor. Businesses cannot fix this immediately, but they can immediately indicate the sort of improvements that must be made.

Additionally, there are several other areas that should involve businesses. Public-private partnerships are a promising new field, constantly evolving and improving. Businesses lend their expertise in technology and management expertise while the public sector provides the additional non-market financing that makes it feasible for business to operate in an environment otherwise unsuitable for commercial operations. Water sanitation is an example—the private and public sectors could work together in a city like Dakar. However, I must emphasize the importance of partnership. When the public

sector simply leaves it to the private sector, general citizens often grow nervous that they will no longer be able to afford the good. Nevertheless, these partnerships are ones that I hope the German private sector can adopt, not just because they are good business opportunities, but also because they are good challenges that require creative solutions and an appreciation for the concerns of the poor.

I must also mention that more needs to be done in the realm of corporate philanthropy. Almost every good business focuses on corporate philanthropy in its home market, as it should. These businesses generously support universities, cultural events, scientific research, and scholarships. They provide technology to worthy recipients by giving away computers, mobile phones, and software to school districts and so forth. These things also need to be done in the poorest countries of the world, especially where multinationals are doing business.

Creative business practices, such as differential pricing, have proven to be very important within specific sectors. In the last five years, I worked successfully with the pharmaceutical industry, encouraging them and helping them find ways to provide life-saving medicines at production cost in the poorest countries. Those in poor countries simply cannot afford to stay alive when medicines are sold at patent-protected prices found in rich countries. Selling at production price has become one of the breakthroughs that has allowed AIDS patients in the developing world to be treated with anti-retrovirals. In the United States, these drugs, protected by patents, cost nearly \$10,000 per year per patient, because they are marked up roughly 70 times from the actual production cost of below \$140 per year. The solution, of course, is differential pricing—we need companies to make their drugs available at cost to the poorest people. Many argue that patent protection and the ensuing high market prices are necessary to justify the research and development spending. That is indeed the case in the rich countries, but I believe that the circumstances of the poor world require differential pricing. If a drug costs roughly \$140 per person per year, and it is life-saving and necessary, it should be rendered affordable to the poorest of the poor. Fortunately, we have seen a lot of progress on this issue in recent years thanks to the differential pricing model.

There are other critical areas where businesses can get involved. They can advise poor governments on matters on which they have expertise. I have recently been asking major accounting firms to work with the United Nations to help governments improve their accounting. Improved accounting will make developing countries more reliable partners and worthy of considerable increases in development assistance. Receiving money and spending it properly are two different matters. I want to be understood clearly on this: more money is absolutely essential—it is a necessary condition for saving lives. However, money alone is insufficient, because it can all be wasted. I am fully aware of that. I often focus on the necessity side, because it is the first step, and because without the money there is nothing to do. People will die unless they have the clinics, nurses, doctors, medical supplies, and safe drinking water. That requires money. It is time to move beyond the silly rebuttal that poor countries should attempt this without new money. They simply cannot, and years of analysis have definitively proven that. Nevertheless, money has to be used properly. Several large accounting and consulting

firms have recently illustrated the important role that businesses can play by stepping up and helping governments properly manage an increased flow of money for needs assessments, diagnostics, reporting systems, compliant systems, and accounting systems. Poor countries need the help, and rich countries need the peace of mind to know that an extra \$40-50 billion per year will be effectively used. Non-governmental organizations (NGOs) also play an important role. One great example is Transparency International, headed by Peter Eigen, which plays a watchdog role and helps the public ensure that money is spent well. This is another example of advisory assistance that businesses and NGOs can offer.

Some credit card companies have recently offered to help establish payments mechanisms for free, along with providing pro bono work, smart cards, and subsidized credit card systems, all of which are electronically recorded. Mobile phone companies are exploring ways that mobile phone networks can help report statistics about certain diseases and logistics of drugs in pharmacies. Dozens of very poor countries have mobile phone coverage throughout most of their territory, which means that in remote areas, health workers can use mobile technology to report a shortage of supplies or an outbreak of disease, for example.

The last category we should consider is capacity building. Development requires a massive increase in skills to achieve the kind of breakthrough that we are considering. Just to give you one concrete example: today, in the poorest parts of Africa, health care, farming, and any transition away from extreme poverty will occur at a village level. We need skills at the village level. That means community health workers. It means community agricultural extension experts that can test soils and advise farmers about fertilizers and inputs during each planting season and harvest. It means infrastructure experts at the level at least of an electrician or someone who can fix a water pump or install a checked dam or irrigation system at the small scale level. In its report, the UN Millennium Project has called for a massive increase of training at the village level of community health workers, community agricultural extension workers, and community infrastructure workers. The business community has great expertise in many of these fields, and it could provide tremendous help. However, we need to find new mechanisms for training. I am thinking of training people for six months or a year rather than for four to six years, or even eight years for a medical degree. This is the kind of scaling up that I think could be very important. The business community could also provide vital training in public management.

Obviously the point that I am stressing is that we must work cooperatively to help the bottom billion on our planet. We cannot wish the problems away. We are talking about places that are too sick, too poor, too hungry, too remote, too isolated, and too burdened to pull themselves out of poverty traps. Thank goodness that the rich world has promised to do more! Thank goodness that the public enthusiastically wants to help! The outpouring of support in the aftermath of the tsunami demonstrated that. We have an opportunity to act, and I would ask you, the business community interested in doing more, to please be in touch with the United Nations Millennium Project. There are so many wonderful, critical life saving actions to take. Thank you very much.