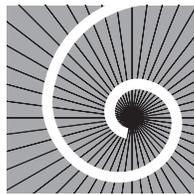


SUMMARY



HUMAN DEVELOPMENT REPORT 2003

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



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Foreword

This Report is about a simple idea whose time has come: the Millennium Development Goals.

Born of the historic Millennium Declaration adopted by 189 countries at the UN Millennium Summit in September 2000, these eight Goals—ranging from halving extreme poverty to halting the spread of HIV/AIDS to enrolling all boys and girls everywhere in primary school by 2015—are transforming development. Governments, aid agencies and civil society organizations everywhere are re-orienting their work around the Goals.

But despite these welcome commitments in principle to reducing poverty and advancing other areas of human development, in practice—as this Report makes very clear—the world is already falling short. For some of the Goals much of the world is on track. But when progress is broken down by region and country and within countries, it is clear that a huge amount of work remains. More than 50 nations grew poorer over the past decade. Many are seeing life expectancy plummet due to HIV/AIDS. Some of the worst performers—often torn by conflict—are seeing school enrolments shrink and access to basic health care fall. And nearly everywhere the environment is deteriorating.

The central part of this Report is devoted to assessing where the greatest problems are, analysing what needs to be done to reverse these setbacks and offering concrete proposals on how to accelerate progress everywhere towards achieving all the Goals. In doing so, it provides a persuasive argument for why, even in the poorest countries, there is still hope that the Goals can be met. But though the Goals provide a new framework for development that demands results and increases accountability, they are not a programmatic instrument. The political will and good policy ideas underpinning any attempt to meet the Goals can work only if they are translated into nationally owned, nationally driven development strategies guided by sound science, good economics and transparent, accountable governance.

That is why this Report also sets out a Millennium Development Compact. Building on the commitment that world leaders made at the 2002 Monterrey Conference on Financing for Development to forge a “new partnership between developed and developing countries”—a partnership aimed squarely at implementing the Millennium Declaration—the Compact provides a broad framework for how national development strategies and international support from donors, international agencies and others can be both better aligned and commensurate with the scale of the challenge of the Goals. And the Compact puts responsibilities squarely on both sides: requiring bold reforms from poor countries and obliging donor countries to step forward and support those efforts.

The aim is not to propose yet another new vision or one-size-fits-all solution to the problems of the developing world; the past 50 years have been littered with the skeletons of far too many of those. Rather, the Compact seeks to highlight the key areas of intervention—from democratic governance to economic stability to commitments to health and education—that should guide national efforts and international support for the Goals. In middle-income countries these interventions should be integrated with regular budget processes and long-term development strategies. In the poorest countries Poverty Reduction Strategy Papers will likely be the most appropriate instrument. The point is not to provide something new or place additional burdens on overstretched governments, but to offer concrete ideas on how to ensure that the fine words of the Millennium Declaration—elevating poverty to the top of the global agenda—are matched by real, country-owned action plans that make those words a reality.

There are good technocratic reasons for taking this approach. As this Report makes clear, the Goals not only support human development, they are also achievable with the right policies and sufficient resources. But the real power of the Goals is political. They are the first global development vision that

combines a global political endorsement with a clear focus on, and means to engage directly with, the world's poor people.

Poor people care about what happens to their income levels. Poor people care about whether their children get into school. Poor people care about whether their daughters are discriminated against in terms of access to education. Poor people care enormously about pandemics and about infectious diseases such as HIV/AIDS, which are devastating communities in Africa. And poor people care a lot about their environment, and whether they have access to clean water and sanitation. Now, with democracy spreading across the developing world, poor people can finally do more than care.

In a very real sense the Goals are a development manifesto for ordinary citizens around the world: time-bound, measurable, pocketbook issues that they can immediately understand—and more important, with adequate data, the Goals seek to hold their governments and the wider international community accountable for their achievement.

That is important. Because while the main focus of the Millennium Development Compact is the first seven Goals and how they apply to developing countries, it is no exaggeration to say that the overall success or failure of the new global partnership the world is trying to build will hinge on achieving the eighth Goal: the one that sets out the commitments of rich countries to help poor ones who are undertaking good faith economic, political and social reforms.

A key conclusion of this Report is that while reallocating and mobilizing more domestic resources towards targets related to the Goals, strengthening governance and institutions and adopting sound social and economic policies are all necessary to achieve the Goals, they are far from sufficient. The Report is full of examples of countries that are model reformers—but that have not achieved strong growth because geographic isolation, hostile environments or other handicaps mean that sustained external support at well above existing levels is critical to advance their development.

Long-term initiatives to halve hunger and poverty will fail without fundamental restructuring of the global trade system—particularly in agriculture—that

includes rich countries dismantling subsidies, lowering tariffs and levelling the playing field. The fight against HIV/AIDS, malaria and other diseases will be lost without effective supplies of affordable, essential drugs to poor countries. Stable, long-term fiscal planning will be impossible for some of the poorest countries without more systematic, sustained debt relief. And last but by no means least, it is important to remember that estimates of an additional \$50 billion a year in development assistance to meet the Goals are a minimum—and assume large-scale reallocations of and better access to domestic resources and other sources of finance.

If the fundamental vision of the Goals as a means of better managing globalization on behalf of poor people is to be met, the Goals need to be seen as an indivisible package. It is a package that holds unprecedented promise for improving human development around the world—and a promise that every country has pledged to keep. The challenge is to hold countries to their promises and help them reach the Goals.

Every Human Development Report is a collaborative effort that relies on the help and expertise of not only a dedicated core team but also a wide range of friends and advisers. This year that pool has been broader than usual because UNDP has been able to draw on the preliminary work of The Millennium Project—a network of more than 300 policy-makers, practitioners and experts from around the world who are providing their time, knowledge and energy to a three-year effort to map out exciting new strategies to help countries meet the Goals.

As with previous Reports, this is an independent analysis seeking to advance the debate on human development, not a formal statement of UN or UNDP policy. Nevertheless, as an outline of the central development obstacles and opportunities over the next decade, we believe that it helps frame an ambitious agenda for UNDP and our development partners in the months and years to come.



Mark Malloch Brown
Administrator, UNDP

The analysis and policy recommendations of this Report do not necessarily reflect the views of the United Nations Development Programme, its Executive Board or its Member States. The Report is an independent publication commissioned by UNDP. It is the fruit of a collaborative effort by a team of eminent consultants and advisers and the *Human Development Report* team. Sakiko Fukuda-Parr, Director of the Human Development Report Office, led the effort.

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The Millennium Development Goals, human development and human rights share a common motivation

Values guiding the UN Millennium Declaration and Millennium Development Goals

As articulated in the Millennium Declaration, the Millennium Development Goals are benchmarks for progress towards a vision of development, peace and human rights, guided by “certain fundamental values...essential to international relations in the twenty-first century. These include:

- *Freedom.* Men and women have the right to live their lives and raise their children in dignity, free from hunger and from the fear of violence, oppression or injustice. Democratic and participatory governance based on the will of the people best assures these rights.
- *Equality.* No individual and no nation must be denied the opportunity to benefit from development. The equal rights and opportunities of women and men must be assured.
- *Solidarity.* Global challenges must be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equity and social justice. Those who suffer or who benefit least deserve help from those who benefit most.
- *Tolerance.* Human beings must respect one another, in all their diversity of belief, culture and language. Differences within and between societies should be neither feared nor repressed, but cherished as a precious asset of humanity. A culture of peace and dialogue among all civilizations should be actively promoted.
- *Respect for nature.* Prudence must be shown in the management of all living species and natural resources, in accordance with the precepts of sustainable development. Only in this way can the immeasurable riches provided to us by nature be preserved and passed on to our descendants. The current unsustainable patterns of production and consumption must be changed in the interest of our future welfare and that of our descendants.
- *Shared responsibility.* Responsibility for managing worldwide economic and social development, as well as threats to international peace and security, must be shared among the nations of the world and should be exercised multilaterally. As the most universal and most representative organization in the world, the United Nations must play the central role.” (UN 2000, p. 2.)

The Goals—building blocks for human development...

Human development is about people, about expanding their choices to live full, creative lives with freedom and dignity. Economic growth, increased trade and investment, technological advance—all are very important. But they are means, not ends. Fundamental to expanding human choices is building human capabilities:

Source: UN 1966, 2000a; Marks 2003; UNDP 2000.

the range of things that people can be. The most basic capabilities for human development are living a long and healthy life, being educated, having a decent standard of living and enjoying political and civil freedoms to participate in the life of one’s community.

The first three of these are incorporated in this Report’s human development index (HDI). Though the Millennium Development Goals contribute to these capabilities, they do not reflect all the key dimensions of human development, which is a broader concept.

...and human rights

Achieving the Goals will advance human rights. Each Goal can be directly linked to economic, social and cultural rights enumerated in the Universal Declaration of Human Rights (articles 22, 24, 25, 26) and other human rights instruments.

Recognizing that the targets expressed in the Goals are not just development aspirations but also claimable rights has important implications.

- Viewing the Goals in this way means that taking action to achieve them is an obligation, not a form of charity. This approach creates a framework for holding various actors accountable, including governments, citizens, corporations and international organizations.
- Human rights carry counterpart obligations on the part of others—not just to refrain from violating them, but also to protect and promote their realization. Human rights conventions recognize the need for an international order that

ensures that these rights be secured (article 28 of the Universal Declaration of Human Rights, article 2 of the Covenant on Economic, Social and Cultural Rights) and that establishes the counterpart obligations of governments and other actors to contribute to their realization.

- Viewing the Goals through a human rights framework increases understanding of the policies and institutional reforms required to achieve them. Full realization of the human right to education, for example, requires more than achieving universal literacy and primary education. It also requires that people participate meaningfully in public decisions about education. And it requires that measures for achieving education-related goals be equitable—not disadvantaging vulnerable groups or entrenching gender discrimination.

The full realization of economic, social and cultural rights requires far more than achieving the Millennium Development Goals. But achieving the Goals is an important step towards that end. Because rights to education, health care and an adequate standard of living depend on long-term economic growth and institutional reform, these rights can be realized progressively. But the acceptable pace of “progressive realization” and the obligations to achieve it are rarely spelled out, left instead to each country to define and debate. The Millennium Development Goals more explicitly define what all countries agree can be demanded—benchmarks against which such commitments must be measured.

How do human development goals relate to the Millennium Development Goals?

Key capabilities for human development	Corresponding Millennium Development Goals
Living a long and healthy life	Goals 4, 5 and 6: reducing child mortality, improving maternal health and combating major diseases
Being educated	Goals 2 and 3: achieving universal primary education, promoting gender equality (especially in education) and empowering women
Having a decent standard of living	Goal 1: reducing poverty and hunger
Enjoying political and civil freedoms to participate in the life of one’s community	Not a Goal but an important global objective included in the Millennium Declaration
Essential conditions for human development	Corresponding Millennium Development Goals
Environmental sustainability	Goal 7: ensuring environmental sustainability
Equity—especially gender equity	Goal 3: promoting gender equality and empowering women
Enabling global economic environment	Goal 8: strengthening partnership between rich and poor countries



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

continued on next page

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

continued on next page

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

nationally and internationally)

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

Global policy attention needs to focus on countries facing the steepest development challenges

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

Unless countries adopt far more ambitious plans for development, they will not meet the Goals

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

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 (59%). 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

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

Governments in poor countries must rank health spending higher than other types of spending, such as defence

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

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

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.

* * *

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.

	Rich country responsibilities										
	Aid			Debt relief			Trade				
	Net official development assistance (ODA) disbursed			Bilateral pledges to the HIPC Trust Fund (US\$ millions) As of November 2002	Cancellation of bilateral debt (US\$ millions) 1990–2002	Average tariff and non-tariff barriers ^b (tariff-equivalents, %) 2000	Goods imports				
	Total (US\$ millions) 2001	As % of GNP 2001	Tied aid (% of total aid disbursements) ^a 2001				From developing countries		From least developed countries		
			Total (US\$ millions) 2001	Share of total imports (%) 2001	Total (US\$ millions) 2001	Share of total imports (%) 2001					
Australia	873	0.25	41	14	72	13.4	2,274	37.5	11	0.2	
Austria	533	0.29	..	44	202	21.8	616	9.4	16	0.3	
Belgium	867	0.37	10	45	544	22.1	2,275	12.7	254	1.4	
Canada	1,533	0.22	68	114	1,207	12.7	3,558	16.1	35	0.2	
Denmark	1,634	1.03	7	60	359	21.6	447	10.0	12	0.3	
Finland	389	0.32	13	38	156	21.3	338	10.2	16	0.5	
France	4,198	0.32	33	181	13,043	21.4	5,112	17.4	236	0.8	
Germany	4,990	0.27	15	226	4,996	21.4	7,488	15.2	218	0.4	
Greece	202	0.17	83	11	..	22.5	670	23.8	18	0.6	
Ireland	287	0.33	..	24	..	22.9	700	13.6	17	0.3	
Italy	1,627	0.15	92	153	1,156	20.1	4,323	18.3	98	0.4	
Japan	9,847	0.23	19	200	3,908	34.8	20,582	58.9	110	0.3	
Luxembourg	141	0.82	..	318	28	2.6	1	0.1	
Netherlands	3,172	0.82	9	199	1,575	19.9	3,860	23.5	73	0.4	
New Zealand	112	0.25	..	29	..	12.0	383	28.8	2	0.1	
Norway	1,346	0.83	1	300	237	61.1	405	12.3	12	0.4	
Portugal	268	0.25	42	27	460	20.5	556 ^c	13.9 ^c	29 ^c	0.7 ^c	
Spain	1,737	0.30	31	44	980	21.3	3,373	21.8	136	0.9	
Sweden	1,666	0.81	14	189	121	20.5	580	9.8	10	0.2	
Switzerland	908	0.34	4	127	311	37.1	694	8.3	9	0.1	
United Kingdom	4,579	0.32	6	77	1,886	20.9	6,535	18.9	132	0.4	
United States	11,429	0.11	..	40	8,062	9.7	54,798	46.4	982	0.8	

Note: This table presents data for members of the OECD Development Assistance Committee.

a. Refers to tied and partially tied aid as a percentage of total aid, excluding technical cooperation. b. This is an aggregate measure of trade barriers towards developing countries. It measures not only monetary barriers (tariffs) but also non-monetary ones, such as import quotas and the effect of domestic subsidies. c. Data refer to 2000.

Source: Columns 1 and 2: OECD, Development Assistance Committee 2003c. Column 3: Human Development Report Office calculations based on data on tied and partially tied aid from OECD, Development Assistance Committee 2003c. Column 4: Geithner and Nankani 2002. Column 5: Human Development Report Office calculations based on data on debt cancellation from OECD, Development Assistance Committee 2003c. Column 6: Birdsall and Roodman 2003. Columns 7-10: UN 2003a.

Struggling to meet the Goals—defining top priority and high priority countries

Priority countries for each Goal

This Report identifies top priority and high priority countries for each Millennium Development Goal (see feature 2.1). The aim is to identify countries where urgent action is needed to meet a Goal (top priority countries) and countries where the situation is less desperate but still demands significant improvements in progress (high priority countries; see technical note 2).

In top priority countries entrenched human poverty is combined with failing or even reversing progress (see matrix). These are the countries that are in crisis for each Goal, and these are the countries where the world's attention and resources must be focused.

In high priority countries the situation is less desperate—but great needs remain. These countries are either at medium starting levels but

facing failed or reversing progress, or they are suffering from extreme human poverty yet making moderate progress—but still moving far too slowly to meet the Goal.

Priority countries across the Goals

There are 31 top priority countries across the Goals, meaning that they are top priority countries for at least three Goals or for at least half of the Goals for which they have data, with a minimum of three data points. If data are available for only two Goals, they are top priority in both.

There are 28 high priority countries across the Goals. These countries do not fall into the top priority category but are top or high priority for at least three Goals, are top priority for two Goals, or are top or high priority for at least half of the Goals for which they have data, with a minimum of three data points. If data are available for only two Goals, they are top or high priority in both.

Another 78 countries have sufficient data to be assessed and do not fall into the top priority or high priority categories. And for 32 other countries there are not sufficient data to make reliable assessments.

Grouping countries into top priority, high priority and other categories is useful, but such efforts should be viewed with caution. The classifications point out that the countries most at risk of failing to meet the Goals are in Sub-Saharan Africa and Central Asia. But the underlying data for individual Goals are often

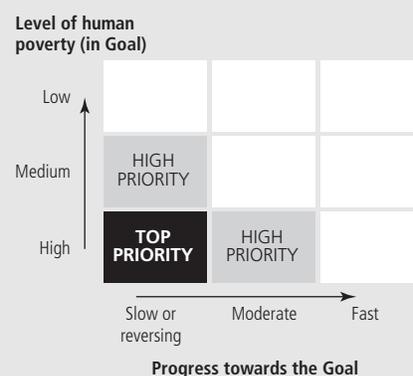
measured imprecisely, and some country classifications will change as data improve. Moreover, many countries are missing too much data for individual Goals to be given proper overall classifications. Thus some of the 32 countries in the “other” category would probably be top or high priority countries if the underlying data were more complete. (Examples include Kyrgyzstan and Pakistan.)

In addition, the classification criteria used here are plausible but only one among many reasonable choices. Some countries are on the border between categories, and would shift if slightly different classification criteria were used. Finally, many countries that are not top or high priority are often falling behind on one or more Goals and need considerable international attention and help.

Top and high priority countries

	Top priority countries	High priority countries
<i>Sub-Saharan Africa</i>	25	13
<i>East Asia & the Pacific</i>	0	4
<i>South Asia</i>	1	1
<i>Arab States</i>	3	3
<i>Latin America & the Caribbean</i>	1	3
<i>Eastern Europe & the CIS</i>	1	4

Source: Human Development Report Office based on feature 2.1.





The Millennium Development Compact

In September 2000 the world's leaders adopted the UN Millennium Declaration, committing their nations to stronger global efforts to reduce poverty, improve health and promote peace, human rights and environmental sustainability. The Millennium Development Goals that emerged from the Declaration are specific, measurable targets, including the one for reducing—by 2015—the extreme poverty that still grips more than 1 billion of the world's people. These Goals, and the commitments of rich and poor countries to achieve them, were affirmed in the Monterrey Consensus that emerged from the March 2002 UN Financing for Development conference, the September 2002 World Summit on Sustainable Development and the launch of the Doha Round on international trade.

World leaders from countries rich and poor described the Monterrey conference as marking a compact between them in support of shared development goals. That commitment forms the basis for the Millennium Development Compact proposed here—a Compact through which the world community can work together to help poor countries achieve the Millennium Development Goals. This Compact calls on all stakeholders to orient their efforts towards ensuring the success of the Goals, in a system of shared responsibilities. Poor countries can insist on increased donor assistance and better market access from rich countries. Poor people can hold their politicians accountable for achieving the poverty reduction targets within the specified timetable. And donors can insist on better governance in poor countries and greater accountability in the use of donor assistance.

Yet despite the admirable commitments at the Millennium Assembly and more recent international gatherings, dozens of countries are considered priority cases (differentiated as “top priority” and “high priority” in this Report)

because they are perilously off track to meet the Goals, making the Compact more crucial than ever. Global forces for development—expanding markets, advancing technology, spreading democracy—are benefiting large parts of the world. But they are also bypassing hundreds of millions of the world's poorest people. The target date for the Goals is just a dozen years away. And good governance and effective institutions in the poorest countries, though vital for success, will not be enough. Rich countries need to provide far more financing and better rules for the international system, as they have promised, to make the Goals attainable in the poorest countries.

Meeting the Goals should start with the recognition that each country must pursue a development strategy that meets its specific needs. National strategies should be based on solid evidence, good science and proper monitoring and evaluation. Within those bounds, poor countries require freedom of manoeuvre with donors to design locally appropriate policies. Without true ownership, national programmes will be neither appropriate to local conditions nor politically sustainable. National programmes must also respect human rights, support the rule of law and commit to honest and effective implementation. When these conditions are met, poor countries should be able to count on much more assistance from rich countries, both in finance and in fairer rules of the game for trade, finance and science and technology.

GIVING PRIORITY TO COUNTRIES LEFT BEHIND

The Millennium Development Compact must first focus on priority countries that face the greatest hurdles in achieving the Goals—countries with the lowest human development and that have made the least progress over the past decade (see chapter 2). For them, domestic policy reforms and far more development assistance are vital.

The Millennium Development Compact is a collaborative product of the Human Development Report team and The Millennium Project Task Force coordinators, with contributions from other Millennium Project participants.

But just as globalization has systematically benefited some of the world's regions, it has bypassed others as well as many groups within countries

In the 1980s and much of the 1990s many development efforts by international financial institutions and major donor countries were guided by the belief that market forces would lift all poor countries onto a path of self-sustaining economic growth. Globalization was seen as the great new motor of worldwide economic progress. Poor countries were assumed to be able to achieve economic growth as long as they pursued good economic governance, based on the precepts of macroeconomic stability, liberalization of markets and privatization of economic activity. Economic growth, in turn, was expected to bring widespread improvements in health, education, nutrition, housing and access to basic infrastructure, such as water and sanitation—enabling countries to break free of poverty.

Though this optimistic vision has proven hugely inadequate for hundreds of millions of poor people, it still has considerable merit for much of the world. Despite protests against globalization in recent years, world market forces have contributed to economic growth—and poverty reduction—in China, India and dozens of other developing countries. Billions of people are enjoying higher living standards and longer lives as a result of global market forces and national policies that help harness those forces.

But just as globalization has systematically benefited some of the world's regions, it has bypassed others as well as many groups within countries. In the 1990s most of East and South Asia saw living standards improve dramatically. But large parts of Sub-Saharan Africa, parts of Eastern Europe and the Commonwealth of Independent States (CIS) and many countries in Latin America and the Middle East did not. In addition, epidemic diseases, most dramatically HIV/AIDS, prey disproportionately on those left behind and push them back even further—trapping poor people in a vicious cycle of poverty and disease.

Even large and growing economies—Brazil, China, India, Mexico—contain regions of intense poverty relieved little by overall national growth. Economic and social progress often also bypasses ethnic and racial minorities, even majorities—especially girls and women, who suffer gender bias in access to schooling, public services, employment opportunities and private property.

Thus, despite the higher living standards that globalization (backed by good economic governance) has delivered in large parts of the world, hundreds of millions of people have experienced economic reversals rather than advances. And more than 1 billion fight for daily survival from the scourges of hunger and poor health.

There are many reasons economic development continues to bypass many of the world's poorest people and places. One common reason is poor governance. When governments are corrupt, incompetent or unaccountable to their citizens, national economies falter. When income inequality is very high, rich people often control the political system and simply neglect poor people, forestalling broadly based development. Similarly, if governments fail to invest adequately in the health and education of their people, economic growth will eventually peter out because of an insufficient number of healthy, skilled workers. Without sound governance—in terms of economic policies, human rights, well-functioning institutions and democratic political participation—no country with low human development can expect long-term success in its development efforts or expanded support from donor countries.

Though many observers would simply lecture poor people to do better on their own, most poor countries face severe structural problems far beyond their control. These problems often involve the international trade system—as when rich countries block agricultural exports from poor countries or heavily subsidize their own farmers, depressing world prices of these products. Poor countries also face trade barriers when exporting textiles and apparel, processed foods and beverages and other products in which they might be competitive. In addition, many governments are hamstrung by insurmountable external debts inherited from past administrations—while efforts at debt relief have been too little, too late.

Geography provides another important explanation for failed economic development. Many poor countries are simply too small and geographically isolated to attract investors, domestic or foreign. Landlocked Mali, with 11 million people and an annual per capita income of \$240 (\$800 when measured in purchasing power parity terms), is of little interest to most

potential foreign investors. With a GNP of \$2.6 billion, its economy is about that of a small city in a rich country where, say, 85,000 people live on an average of \$30,000 a year. Facing very high transport costs, and with almost no interest from international firms to invest in production for small domestic markets, such countries are bypassed by globalization.

Poor, remote countries like Mali generally connect to the world economy by producing a few traditional primary commodities. But slow world market growth, unchanging technologies and often volatile and declining world prices for these commodities offer much too narrow a base for economic advance. Continued heavy dependence on a handful of primary commodity exports provides no chance for long-term success. This unfortunate situation afflicts much of Sub-Saharan Africa, the Andean region and Central Asia.

Exacerbating these structural problems is rapid population growth, which tends to be fastest in countries with the lowest human development. These challenges can seriously hinder the availability of farmland and increase environmental degradation (deforestation, soil degradation, fisheries depletion, reduced freshwater).

Moreover, geographic barriers, commodity dependence and demographic pressures are often compounded by a heavy burden of diseases such as HIV/AIDS, tuberculosis and malaria—or by biophysical constraints such as depleted soils and degraded ecosystems. Rich countries, and the economic institutions they control, may focus on good governance when determining aid allocations. But far too often they are oblivious to the other challenges facing many of the poorest countries—especially since rich countries have not experienced the onslaught of endemic tropical diseases such as malaria. Too many policy-makers in rich countries believe that poor countries are simply not trying hard enough to develop, failing to understand the deeper structural forces at work.

CRITICAL THRESHOLDS FOR ESCAPING POVERTY TRAPS

These structural impediments leave countries stuck in poverty traps. But even in such dire

conditions there is reason for hope. Widespread disease, geographic isolation, fragile ecologies, overdependence on primary commodity exports and rapid population growth are amenable to practical, proven solutions. Those include policy changes by rich countries and much larger investments in infrastructure, disease control and environmental sustainability by poor countries, backed by more financial assistance from donor governments. Thus the need for the Millennium Development Compact: without it, poor countries will remain trapped in poverty, with low or negative economic growth.

Sustained economic growth helps break the shackles of poverty in two ways. First, it directly increases average household incomes. When households below the poverty line share in the average rise in national income, the extent of extreme income poverty (that is, the share of people surviving on \$1 a day) is directly reduced. Economic growth has a powerful record of pulling poor people above the income poverty line.

But such gains are not automatic. They can be dissipated if income inequality widens and poor people do not share adequately in growth—a phenomenon observed in many countries in recent years. So, the Compact emphasizes actions to ensure that poor people share in overall growth, with a focus on expanding their access to critical assets—including by providing secure land tenure, making it easier to start small businesses, supporting labour-intensive exports and broadening access to microfinance. Note that economic growth reduces income poverty most when initial income inequality is narrow.

Economic growth also works indirectly, reducing non-income poverty by raising government revenues and enabling increased public investments in education, basic infrastructure, disease control and health (particularly maternal and child health). In addition to reducing non-income poverty, these investments expedite economic growth by raising worker skills and productivity—and thus poor people's market incomes.

Although economic growth is not an automatic remedy for non-income poverty, it makes a powerful contribution—as long as public policies ensure that its dividends reach poor people. Some poor countries have achieved impressive

Thus the need for the Millennium Development Compact: without it, poor countries will remain trapped in poverty, with low or negative economic growth

Public investments in poor people spur economic growth, while economic growth sustains such investments

gains in education and health by making them high priorities. But only growth can sustain such gains, because sooner or later government budget deficits get the upper hand in a stagnant economy. In sum: public investments in poor people spur economic growth, while economic growth sustains such investments.

Gender equality plays a central role in all these areas. The powerful links between productivity and girls' and maternal health—including reproductive health—and girls' education are too often stymied by women's lack of empowerment. Better-educated girls marry later. They have fewer, better-educated, healthier children. And they earn higher incomes in the workforce. If girls are kept out of school or educated women are not allowed to fully participate in the labour market, these potential gains are squandered. If public investments in basic infrastructure (such as safe water) ignore women's needs, women may be condemned to spend hours a day fetching water when they could be participating more productively in society. When women have no say in household decision-making, the synergies between productivity, health and education are hobbled. Gender equality is thus more than social justice—it promotes development.

For countries stuck in poverty traps, growth will not come on its own, and domestic investments in human development will be inadequate. To break out of poverty traps, countries require greatly expanded donor financing to invest much more heavily in health, education, agriculture, water and sanitation and other key infrastructure even before economic growth occurs. Such investments are vital to create the conditions for sustained economic growth.

The message is simple: escaping poverty traps requires countries to reach certain critical thresholds—of health, education, infrastructure and governance—that will permit them to achieve takeoff to sustained economic growth. Dozens of poor countries fall below those thresholds, often through no fault of their own and for reasons utterly beyond their control. Here is where the Compact between rich and poor countries must come in. If a country pursues the right policies and commits to good governance

in implementing those policies, the world community—international agencies, bilateral donors, private actors, civil society organizations—must help the country reach the critical thresholds through increased assistance.

POLICY CLUSTERS FOR ESCAPING POVERTY TRAPS

Breaking out of poverty traps requires a multifaceted approach—one that goes beyond the usual sound commandments of good economic and political governance. For countries trapped in poverty, six policy clusters are crucial:

- Investing in human development—nutrition, health (including reproductive health), education, water and sanitation—to foster a productive labour force that can participate effectively in the world economy.
- Helping small farmers increase productivity and break out of subsistence farming and chronic hunger—especially in countries with predominantly rural populations.
- Investing in infrastructure—power, roads, ports, communications—to attract new investments in non-traditional areas.
- Developing industrial development policies that bolster non-traditional private sector activities, with special attention to small and medium-size enterprises. Such policies might include export processing zones, tax incentives and other initiatives to promote investment and public spending on research and development.
- Emphasizing human rights and social equity to promote the well-being of all people and to ensure that poor and marginalized people—including girls and women—have the freedom and voice to influence decisions that affect their lives.
- Promoting environmental sustainability and improving urban management. All countries, but especially the very poorest, need to protect the biodiversity and ecosystems that support life (clean water and air, soil nutrients, forests, fisheries, other key ecosystems) and ensure that their cities are well managed to provide livelihoods and safe environments.

The first cluster—investing in human development—needs to be bolstered by much larger donor contributions even before economic growth takes hold. Indeed, because better health

and education are both goals of human development and precursors to sustained growth, investments in these areas are important for a later takeoff in private activities. Supported by additional donor resources, public investments can make major progress in health, population, nutrition, education and water and sanitation. The needed technologies are well known and well proven. Thus big gains in health and education can—and should—be achieved well before per capita incomes rise substantially.

The second cluster for breaking out of poverty traps involves raising the productivity of small poor farmers. Agricultural productivity can be raised by introducing improved technologies, including better seeds, tillage and crop rotation systems and pest and soil management. It can also be raised by improving rural infrastructure such as irrigation systems, storage and transport facilities and roads connecting villages to larger market centres. To raise long-term productivity, security in landholding can protect the rights of farmers and give them incentives to invest in land improvements. These steps require public-private partnerships to promote rural development, including through crucial investments in agricultural science and technology.

The third policy cluster involves achieving an adequate threshold of key infrastructure to support economic diversification. This will be easier in some locations, such as coastal port cities. But it will be much harder elsewhere, such as landlocked or mountainous countries facing high transport costs. Again, donor assistance will be pivotal in enabling poor countries to reach the takeoff threshold for infrastructure. Without outside help, countries will remain trapped—too poor to invest in infrastructure and too lacking in infrastructure to become internationally competitive in new exports.

The fourth policy cluster involves the use of special industrial development policies—including promoting science and technology—to create a sound investment environment for non-traditional business activities. Many development success stories, such as East Asia's tiger economies, have supported the development of non-traditional activities through tax holidays, export processing zones, special economic zones,

science parks, investment tax credits, targeted funding for research and development and public grants of infrastructure and land. Without such special inducements it is difficult for small poor countries to gain a foothold in non-traditional areas of the world economy. As a result, few succeed. Here microfinance institutions can help, providing special incentives at a much smaller scale to promote employment and income generation in micro, small and medium-size enterprises. As with rural landholdings, secure housing tenure for poor urban residents can enhance their productive investments.

The fifth policy cluster involves promoting human rights and empowering poor people through democratic governance. In dozens of countries poor people, ethnic minorities, women and other groups still lack access to public services and private opportunities—and so will not benefit even when growth begins to take off. Political institutions must allow poor people to participate in decisions that affect their lives and protect them from arbitrary, unaccountable decisions by governments and other forces.

National strategies for the Millennium Development Goals must include a commitment to women's rights to education, reproductive health services, property ownership, secure tenure and labour force participation. They must also address other forms of discrimination—by race, ethnicity or region—that can marginalize poor people within countries. Deepening democracy through reforms of governance structures, such as decentralization, can enhance poor people's voice in decision-making.

The sixth policy cluster calls for better environmental and urban management, especially to protect poor people. Not coincidentally, many of the world's poorest places suffer from enormous climatic variability and vulnerability—requiring sound ecological management. These include tropical and subtropical regions vulnerable to El Niño-driven fluctuations in rainfall and temperature. Such regions are also feeling the effects of long-term climate change. In addition, rapid population growth and indiscriminate business activities have stressed ecosystems in many countries with low incomes and low human development. These pressures are leading to loss of habitat through deforestation and encroachment

National strategies for the Millennium Development Goals must include a commitment to women's rights to education, reproductive health services, property ownership, secure tenure and labour force participation

*The Millennium
Development Compact is
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major stakeholders*

by roads, cities and farmland—and to depletion of scarce resources such as freshwater aquifers and coastal fisheries. A related challenge involves managing rapid urbanization to safeguard public health and access to basic amenities such as land, housing, transportation, safe drinking water, sanitation and other infrastructure. Such efforts require careful urban planning and considerable public investments.

In sum, to achieve the Goals the poorest countries must escape their poverty traps. To do so, they must reach minimum thresholds in health, education, infrastructure and governance. They also need agricultural policies that enhance productivity, as well as industrial development policies that build a base for long-term economic growth led by the private sector. Finally, these policies should be implemented with respect for social equity, human rights and environmental sustainability. Increased donor financing is critical for the poorest countries to reach these thresholds—financing that must be matched by better governance and resource use. Over a generation or so, sustained economic growth will enable these countries to take over from donors the financing of basic public services and infrastructure.

**IMPLEMENTING THE MILLENNIUM
DEVELOPMENT COMPACT**

The Millennium Development Compact is based on shared responsibilities among major stakeholders. It requires many combined and complementary efforts from rich and poor countries, international agencies, local authorities, private actors and civil society organizations. Some actions will occur at the level of governments and some at the level of the international system—such as international agreements to change the rules of the game for trade, for financing and for developing and managing science and technology.

*COUNTRIES WITH LOW HUMAN
DEVELOPMENT—ERADICATING POVERTY
AND ADDRESSING BASIC NEEDS*

Without question, countries with low human development—particularly those stuck in poverty

traps—have the most pressing needs. These countries must construct coherent strategies for achieving the Millennium Development Goals, building on the six policy clusters described above.

As part of these overall development strategies, the Monterrey Consensus (see above) emphasizes the importance of nationally owned strategies for reducing poverty. To that end more than two dozen poor countries have prepared Poverty Reduction Strategy Papers (PRSPs), which provide frameworks for financing, implementing and monitoring such strategies. The papers describe macroeconomic, structural and social policies and programmes to promote growth, reduce poverty and make progress in areas such as education and health, indicating external financing requirements. PRSPs are prepared by governments but emerge from participatory processes involving civil society and external partners, including the World Bank and International Monetary Fund (IMF).

Though far from perfect, PRSPs move poverty reduction closer to the centre of development strategies. They also provide a framework for donor coordination based on national priorities. But they do not yet adequately support the Millennium Development Goals. Though PRSPs increasingly mention the Goals, they should provide a basis for assessing country policies more systematically—and indicate the scale of needed donor assistance. When preparing PRSPs, governments are advised to be realistic. What that tends to mean is that they should accept existing levels of donor assistance and assume various constraints on economic growth (such as lack of access to foreign markets). As a result PRSPs fall short of identifying the resources required to meet the Goals.

For example, IMF and World Bank guidelines for preparing the papers—the *PRSP Sourcebook*—recommend a method for setting targets in the face of fiscal and technical constraints. The guidelines do not stress that such constraints can and should be eased (for example, through increased donor assistance) so that countries can achieve the Goals. Consider Malawi's PRSP, which does not aim high enough to achieve the Goals. In a joint staff assessment of the paper, the IMF and World Bank said that

“while most indicators are in line with the Millennium Development Goals (MDG), the PRSP’s targets are less ambitious. Further work is required to develop longer-term targets that relate directly to the 2015 goals. However, extrapolating the targets set in the PRSP for 2005 suggests that Malawi will fall short of meeting the 2015 [Goals]. The staffs believe that these PRSP targets are more realistic and reflect Malawi’s current socioeconomic conditions” (pp. 3–4, 23 August 2002, <http://www.imf.org>).

The IMF and World Bank’s assessment of Malawi’s PRSP risks undermining the Goals and the commitments made at the Monterrey conference. Malawi requires far more donor assistance—as do many other countries in similar circumstances. Rather than being told to lower their sights, they should be aided in achieving the Goals, with the IMF and World Bank helping to mobilize the needed additional assistance. The Millennium Development Compact provides the framework for that kind of international help.

Every national development strategy, including every PRSP, should ask two questions. First, what national policies—including mobilizing and reallocating domestic resources and focusing spending on reforms that increase efficiency and equity—are needed to achieve the Goals? Second, what international policies—including increased donor assistance, expanded market access, swifter debt relief and greater technology transfers—are needed?

The Compact calls on every developing country to align its development strategy (including its PRSP, if it has one) with the Millennium Development Goals, in the context of its national priorities and needs. Every national strategy should clearly define efforts within the country’s reach—and those requiring more international support, such as increased debt relief, expanded donor assistance and better access to foreign markets. National strategies should also estimate medium-term budget needs for all critical sectors—health, education, infrastructure, environmental management. And they should specify the parts of budgets that can be covered by domestic resources and the parts to be covered by increased development assistance.

This process will highlight the gap between current official development assistance and the

levels needed to achieve the Goals. Poor countries and their development partners can then work together, in good faith, to ensure that national strategies are backed by sound policies and adequate financing.

COUNTRIES WITH MEDIUM HUMAN DEVELOPMENT—ATTACKING POCKETS OF DEEP POVERTY

Most countries at medium levels of human development should be able to finance most or all of their development needs through domestic resources or non-concessional foreign resources (including private flows and official loans from multilateral development banks and bilateral agencies). Many are on track to achieve most of the Goals. But several still contain pockets of deep poverty. Thus they still require key forms of support from rich countries—especially better market access for exports and better international rules of the game for finance and technology transfers. They also need to mitigate domestic structural inequalities—targeting policy interventions at groups most vulnerable or marginalized, whether due to gender, ethnicity, religion or geography.

These countries can also help the top and high priority countries define objectives and determine the resources required to achieve the Goals. Countries with medium levels of human development are diverse—ranging from Brazil to Malaysia, from Mauritius to Mexico—and provide important lessons for countries still trapped in poverty because they have grappled with (and often still face) many of the same ecological, health and other challenges. Many middle-income countries have recently started to provide development advice and even financial assistance, a heartening trend that should be strongly encouraged.

INTERNATIONAL FINANCIAL INSTITUTIONS—PUTTING THE GOALS AT THE CENTRE OF COUNTRY STRATEGIES

International financial institutions should put the Millennium Development Goals at the centre of their analytical, advisory and financing efforts for every developing country. For each PRSP,

International financial institutions should put the Millennium Development Goals at the centre of their analytical, advisory and financing efforts for every developing country

Because most donors have agreed to align their programmes with Poverty Reduction Strategy Papers, it is even more important that these documents highlight the support needed to achieve the Goals

for example, joint assessments by the IMF and World Bank should indicate whether the proposed strategy is likely to achieve the Goals—and if not, what changes are needed to do so. The PRSPs would then provide an occasion for these institutions to consider not only the domestic policy reforms needed to strengthen institutions, improve economic governance and increase government support, but also the steps needed from the international community: increased donor assistance (including more extensive debt relief), better access to foreign markets for the country's exports, greater technology transfers and related actions pursued in partnership with the country.

The IMF and World Bank should work with countries to agree on macroeconomic frameworks consistent with meeting the Goals, including adequate external financing. They can then help countries mobilize the needed increases in official development assistance—as well as help them accommodate those flows in macroeconomic terms. In some countries large increases in official development assistance will cause the real exchange rate to appreciate. But the net result will be beneficial—if the currency appreciation occurs in the context of an appropriate medium-term macroeconomic framework and if the donor assistance is invested in human capital, physical infrastructure and other development needs. Thus the IMF and World Bank should help countries—and their donors—use increased official development assistance most effectively in support of the Goals.

Regional development banks also have a major role in putting the Goals at the centre of their country strategies and in streamlining their lending operations and technical cooperation efforts. They are in a unique position to finance regional public goods and encourage regional integration and cooperation. The Inter-American Development Bank has started to move in this direction, but it and other regional banks need to do much more.

BILATERAL DONORS—REVISING APPROACHES AND SETTING NEW TARGETS

Bilateral development assistance must take a new approach. The guiding question should

no longer be, “What progress can be made towards the Goals within the bounds of current bilateral assistance?” Instead it should be, “What levels and types of donor assistance are needed to achieve the Goals, and will countries make effective use of that assistance?”

Bilateral donors know that they need to improve how they deliver official development assistance—especially as amounts of assistance increase. These improvements should be based on the following principles:

- Countries should design and own their strategies for meeting the Goals.
- Assistance should be results-oriented, based on expert reviews of country proposals and careful monitoring, evaluation and auditing of programmes.
- Bilateral donors should coordinate their support for country strategies—for example, through sector-wide approaches that emphasize budget rather than project financing.
- Bilateral donors should finally eliminate the flawed distinction between assistance for capital costs and for recurrent costs. Both outlays need ample support.

Because most donors have agreed, in principle, to align their programmes with PRSPs, it is even more important that these documents highlight the support needed to achieve the Goals—the additional donor resources and debt relief, the increased access to markets and technology, and so on.

All rich countries should set targets for their repeated commitments to improving aid, trade and debt relief for poor countries. They should also be encouraged to prepare their own world poverty reduction assessments and strategies, setting bold targets in line with these commitments.

UN AGENCIES—PROVIDING EXPERT ASSISTANCE

UN agencies have a vital role in helping countries meet the Millennium Development Goals, especially through expert assistance in designing and implementing development programmes. The United Nations has extensive expertise in every focus area of the Goals, including education, health, development planning, technological development, the rule of

law, agriculture and many others. Each of the main UN agencies should develop a strategy for helping low-income, low-human-development countries—especially the priority ones—implement their national strategies.

The UN system also has a global role to play. It is mobilizing to:

- Monitor progress globally.
- Track progress nationally.
- Identify key obstacles to the Goals—and solutions.
- Engage broad segments of society around the world through the Millennium Campaign.

REGIONAL ORGANIZATIONS AND DEVELOPMENT INSTITUTIONS—FOSTERING REGIONAL INTEGRATION AND COOPERATION

For poor countries with small markets—whether because of small populations or geographic impediments to accessing global markets—regional integration must be a policy priority. Regional cooperation, including shared investments in critical infrastructure, can expand trading opportunities across small economies and thus provide a central platform for sustained economic growth. Regional integration is particularly needed in Africa, where many countries have small or inland populations. As the leading initiatives for intergovernmental cooperation in Africa, the New Partnership for African Development and the African Union have important roles in fostering economic integration and political partnerships.

THE DOHA ROUND AND OTHER INTERNATIONAL TRADE NEGOTIATIONS—OPENING MARKETS AND REDUCING SUBSIDIES

Even if national policies are appropriate and donor financing is increased, the Millennium Development Goals will not necessarily be achieved if poor countries' non-traditional exports continue to be blocked, or lose value in world markets, due to rich country protectionism. Poor countries also require much more international support for technology transfers.

The Monterrey Consensus and the Johannesburg Plan of Implementation (from the 2002 World Summit on Sustainable Development)

reiterate the trade facilitation commitments made by rich countries at the UN Millennium Summit. Rich countries have pledged to help poor countries reach the Goals—especially the least developed countries, small island states and landlocked developing countries—by granting them full access to their markets. Still, though the Doha Round—the next round of international trade negotiations—has been dubbed a “development round”, early attempts to put development at the fore have produced stalemate and frustration.

CIVIL SOCIETY—PLAYING A LARGER ROLE IN POLICIES AND POVERTY REDUCTION

One significant area of progress over the past decade has been the growing influence of local, national and global civil society organizations and networks in driving policy change, as with debt relief. Non-governmental organizations (NGOs), community organizations, professional associations and other civil society groups are regularly called on to help design and implement poverty reduction strategies. Their participation is also built into the efforts of the Global Fund to Fight AIDS, Tuberculosis and Malaria.

These new approaches reflect the three roles of civil society: as participants in the design of strategies, as service providers through community organizations and national NGOs and as watchdogs to ensure government fulfilment of commitments. But in many countries these roles are taking root only gradually, with governments continuing to dominate decision-making and implementation. By insisting on transparent processes to develop national strategies for the Millennium Development Goals, bilateral and multilateral institutions can help civil society gain a stronger foothold in policy-making and implementation.

PRIVATE ENTERPRISE—PARTICIPATING IN GLOBAL ACTION PLANS

The private sector plays a critical role in market-led growth, particularly in creating jobs and raising incomes. Private businesses, in addition to supporting anticorruption measures, should support the Millennium Development Goals in a variety of other ways: through corporate

Still, though the Doha Round has been dubbed a “development round”, early attempts to put development at the fore have produced stalemate and frustration

Many current technologies urgently need to be supplemented by technological breakthroughs, such as vaccines or new drugs for HIV/AIDS, tuberculosis and malaria

philanthropy, technology transfers, greater foreign investment in countries at the margins of the international system and differential pricing of goods and services for countries with low incomes and low human development.

Companies can be most effective when operating under global action plans—as with the growing willingness of pharmaceutical companies to discount the prices of essential AIDS medicines when called on to do so by the United Nations. There should be similar cooperation in other crucial areas, including agriculture, environmental management and information and communications technology. Moreover, corporations must demonstrate ethical behaviour: respecting human rights, refraining from corruption and abiding by basic proscriptions against forced and child labour and environmental destruction.

SCIENTIFIC COMMUNITY—ADDRESSING THE NEEDS OF POOR PEOPLE

Many current technologies urgently need to be supplemented by technological breakthroughs, such as vaccines or new drugs for HIV/AIDS, tuberculosis and malaria. Because most international scientific efforts bypass the needs of poor people, it is crucial that the world scientific community—led by national laboratories, national science funding agencies and private foundations—work with scientific groups in poor countries to identify priority targets for research and development and greatly expand funding.

For that reason the Millennium Development Compact recommends the creation of several international forums for technological innovation. Some such forums already exist, but they must be supported with greater resources—and others must be created. These forums will help set priorities for research and development to meet the technological needs of poor countries. They will bring together international research institutions and scientific academies, multilateral and bilateral donors, country representatives and leading academic and private sector representatives in such key areas as health, agriculture, infrastructure, information and communications technology, energy systems, environment management and mitigation of and adaptation to climate fluctuations and long-term climate change.

Identifying scientific priorities and agreeing on ways to fund needed research and development, including through public-private partnerships, the forums will recommend plans for technological advance in each of these areas for the donor community's review.

GLOBAL SYSTEM FOR IMPROVING BENCHMARKING AND EVALUATING PROGRESS

By adopting specific, time-limited, quantified goals, the Millennium Development Goals provide a firm basis for benchmarking and for evaluating progress. But sound monitoring and evaluation will require the international community to dramatically increase investments in surveys and data collection. For too many Goals in too many countries, data are insufficient for proper quantitative assessments. Because joint commitments lie at the centre of every national programme, the actions of poor countries and their rich country partners need to be monitored much more closely than in the past.

New initiatives should be encouraged to monitor the performance of both rich and poor countries in their commitments under the Compact. For example, the size and quality of donor flows must be carefully monitored to ensure that they are consistent with achieving the Goals. The Doha Round negotiations should be closely monitored to ensure that they indeed constitute a “development round”. Special care must also be taken to reduce corruption, and this too can and should be better monitored. The counterpart of greatly increased donor flows must be greatly increased transparency and accountability in their use.

CONCLUSION

The world has made tremendous progress in its knowledge and practice of development policies. The Millennium Development Compact aims to bring this knowledge and practice together in a coherent framework that recognizes the need for a multi-pronged approach to meeting the Millennium Development Goals, based on the promises of partnership in recent international declarations. The Compact provides a framework in which the poorest countries develop and

own national plans that draw on sustained external assistance to break out of poverty traps and improve the well-being of their poorest citizens. In essence, the Compact provides a Goal-oriented development process in which all the main stakeholders have clear responsibilities—as well as obligations to other actors.

Escaping poverty traps requires that countries reach certain critical thresholds—for health, education, infrastructure and governance—in order to achieve a takeoff to sustained economic growth and development. Dozens of poor countries fall below such thresholds, often through no fault of their own and for reasons beyond their control. This is the most important area where the Compact between rich and poor countries and actors must come in. If a coun-

try pursues the right policies and commits to good governance in implementing those policies, the world community—international agencies, bilateral donors, private actors, civil society organizations—must help the country reach the critical thresholds through increased assistance.

In adopting this Millennium Development Compact, all countries are called on to reaffirm their commitments to the Millennium Development Goals and their readiness to accept the responsibilities that accompany those commitments. Bilateral donors, international financial institutions, UN specialized agencies, private actors and civil society organizations should step forward with bold, specific commitments and actions to ensure success in reaching the Goals.

Timeline: when will the Millennium Development Goals be achieved if progress does not accelerate?

	Poverty	Hunger	Primary education	Gender equality	Child mortality	Access to water	Access to sanitation
ACHIEVED	Arab States ^a East Asia & the Pacific	Central & Eastern Europe & the CIS ^a	Latin America & the Caribbean ^a Central & Eastern Europe & the CIS ^a East Asia & the Pacific ^a	Latin America & the Caribbean		Central & Eastern Europe & the CIS ^a	
2000	World South Asia	East Asia & the Pacific			Latin America & the Caribbean	South Asia World Latin America & the Caribbean	
2015					East Asia & the Pacific	East Asia & the Pacific	South Asia World Latin America & the Caribbean East Asia & the Pacific
2020		Latin America & the Caribbean		East Asia & the Pacific Arab States South Asia	South Asia Arab States	Sub-Saharan Africa	
2050		World	South Asia	World			
2100		South Asia Sub-Saharan Africa	Sub-Saharan Africa		Sub-Saharan Africa		
2200					Central & Eastern Europe & the CIS		Sub-Saharan Africa
REVERSAL	Latin America & the Caribbean Sub-Saharan Africa Central & Eastern Europe & the CIS	Arab States					Sub-Saharan Africa

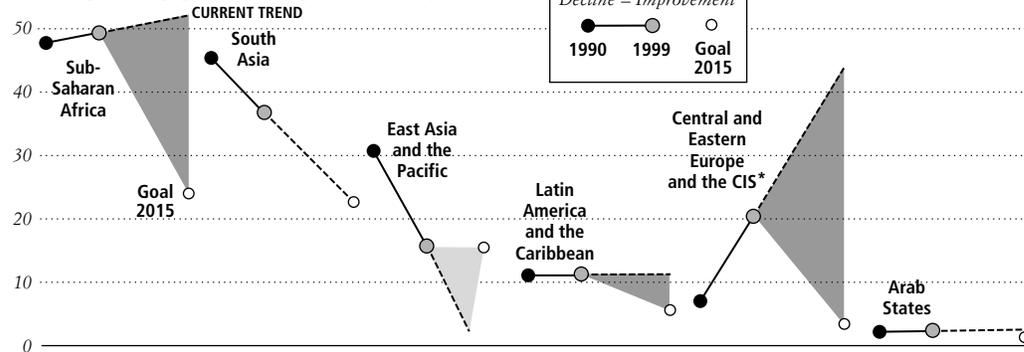
a. Region is considered to have achieved the Goal because it has low human poverty (below 10%) in the most recent year for the relevant Goal (see technical note 2).
Source: Human Development Report Office calculations based on feature 2.1.

Progress towards the Millennium Development Goals

Millennium Development Goals regional summary

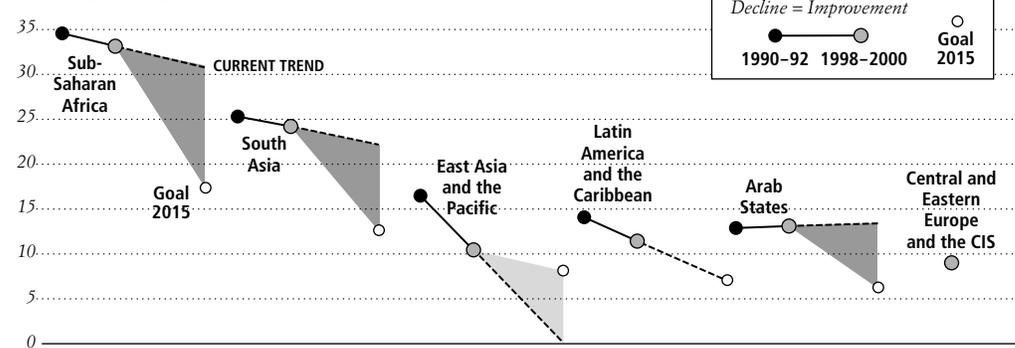
Poverty

Percentage of the population living below \$1 a day



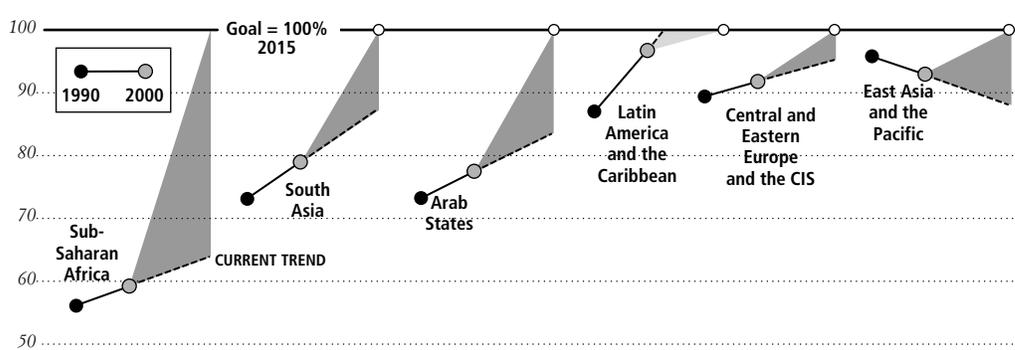
Hunger

Percentage of the population that is malnourished



Primary education

Net primary enrolment ratio (percent)

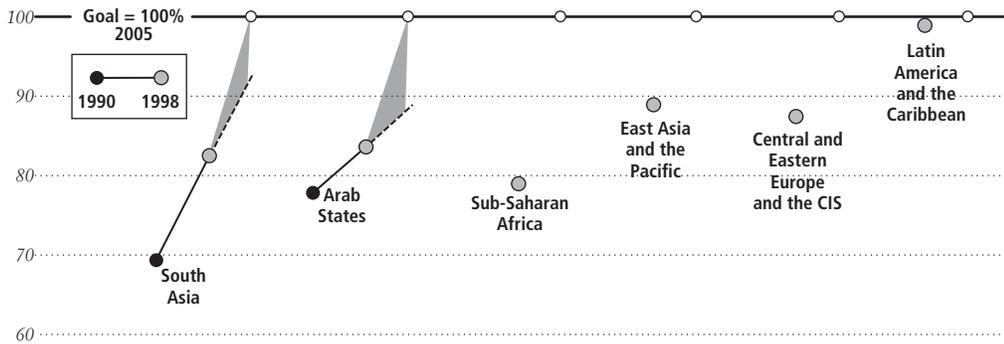


* refers to population living below \$2 a day.

Millennium Development Goals regional summary

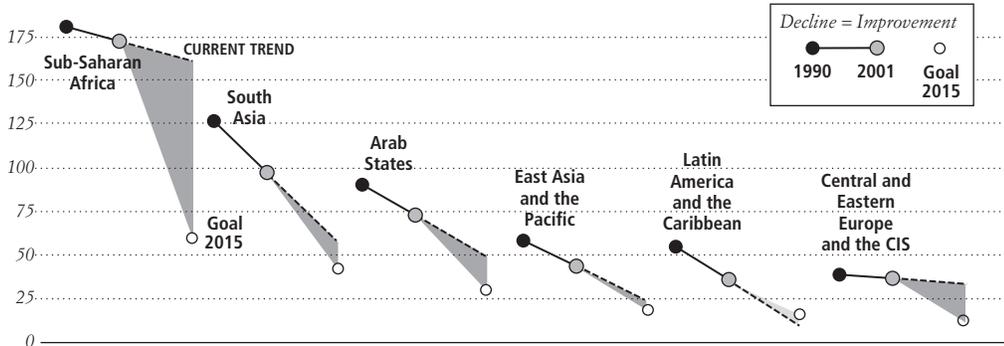
Gender equality

Ratio of girls to boys in primary and secondary education (percent)



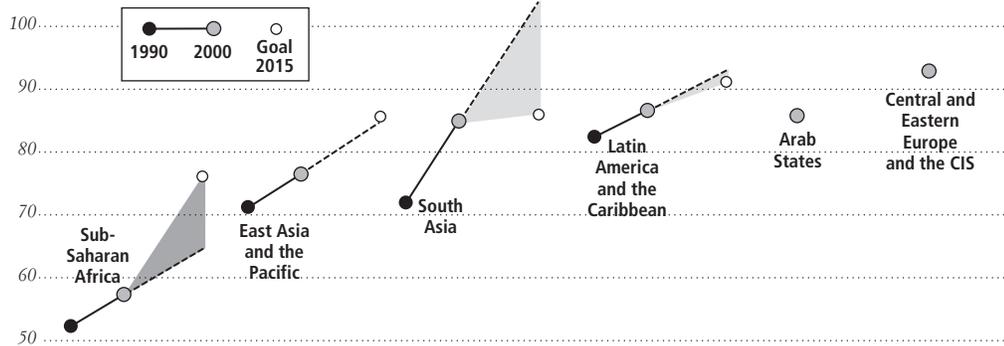
Child mortality

Under-five mortality rate per 1,000 live births



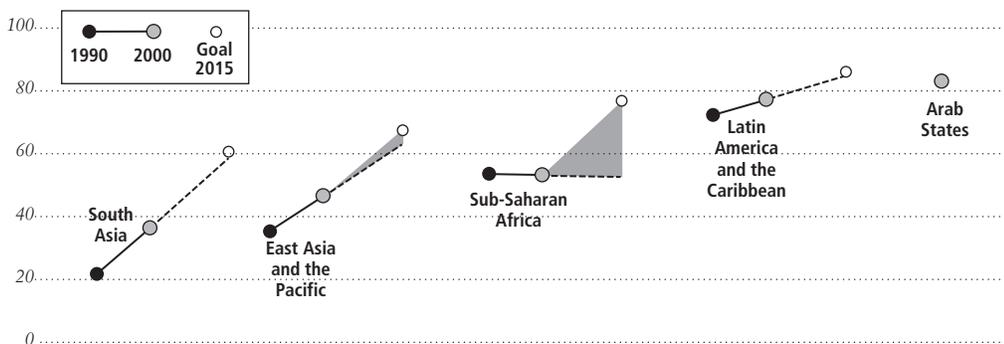
Access to water

Percentage of the population with access to safe drinking water



Access to sanitation

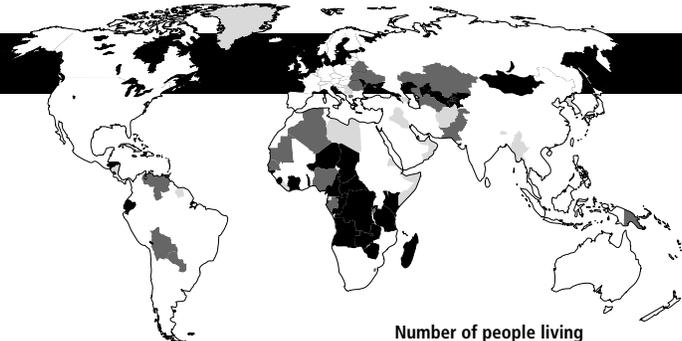
Percentage of the population with access to adequate sanitation



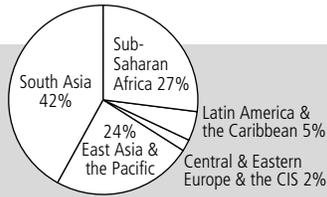
Income poverty

GDP per capita (PPP US\$ thousands)

Countries with 1990 income of \$10,000 or less



Regional distribution of people living on less than \$1 a day (PPP)



Global total—1,169 million in 1999

COUNTRY RANKING BY 1990 VALUE

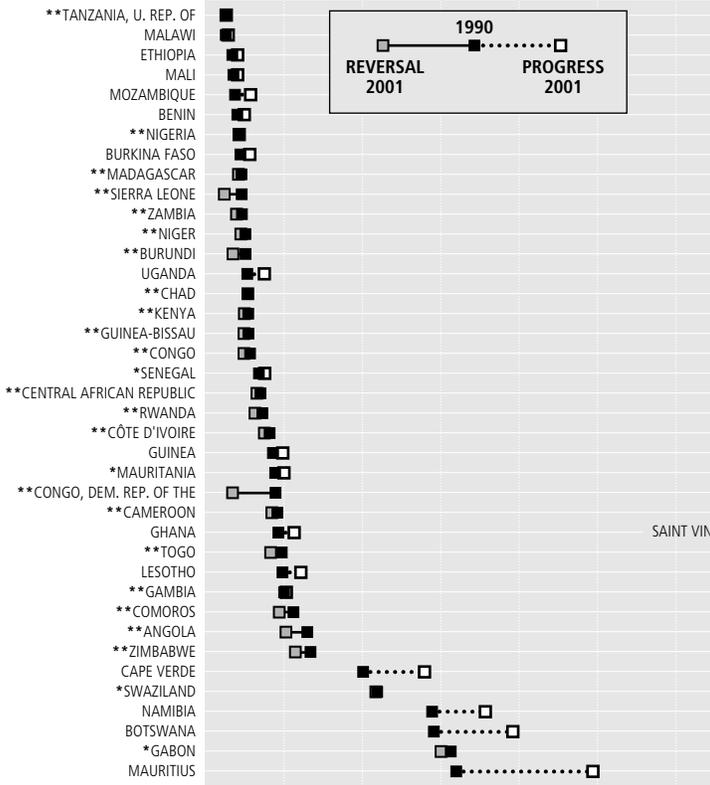
Number of people living on less than \$1 a day, 1999 (millions)

Sub-Saharan Africa	315
South Asia	488
East Asia & the Pacific	279
Arab States	6
Latin America & the Caribbean	57
Central & Eastern Europe & the CIS†	97

■ Top priority (countries marked **)
 ■ High priority (countries marked *)
 □ No data

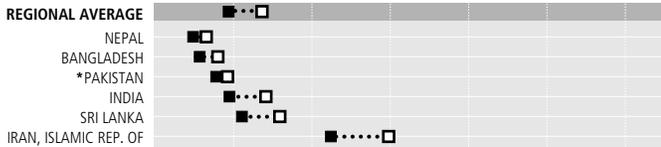
Sub-Saharan Africa

REGIONAL AVERAGE



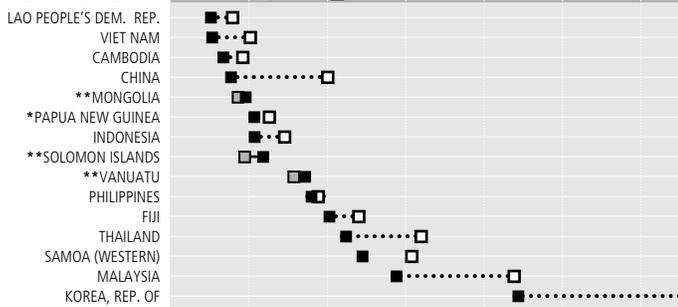
South Asia

REGIONAL AVERAGE



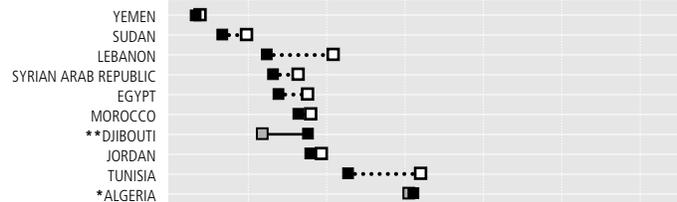
East Asia and the Pacific

REGIONAL AVERAGE



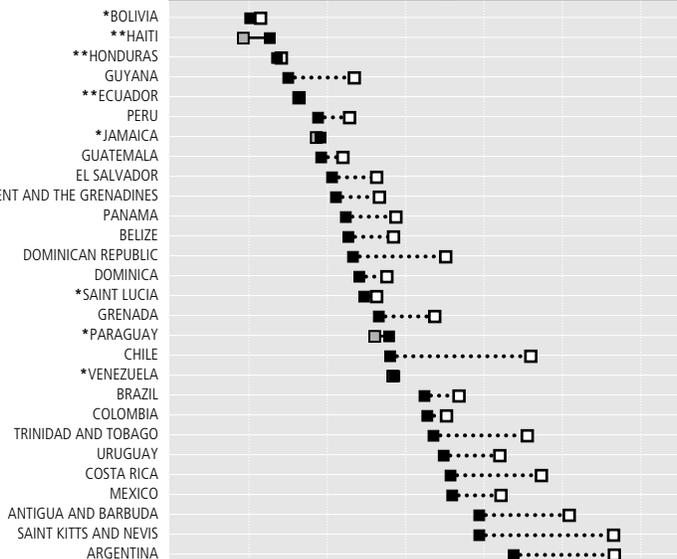
Arab States

REGIONAL AVERAGE



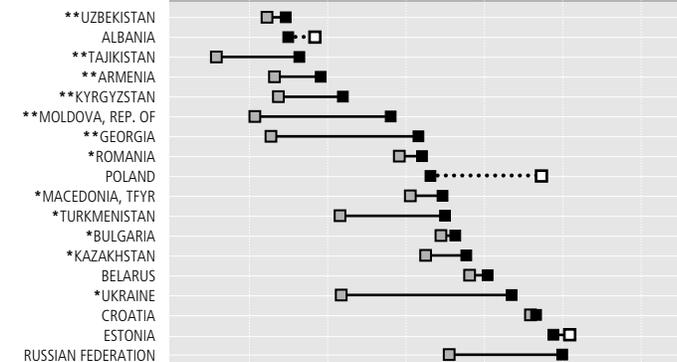
Latin America & the Caribbean

REGIONAL AVERAGE



Central and Eastern Europe and the CIS

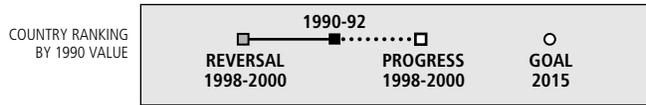
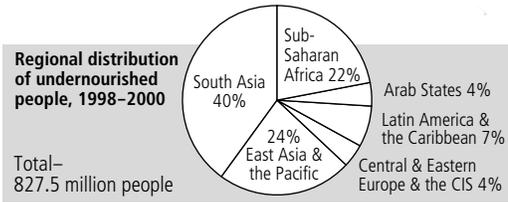
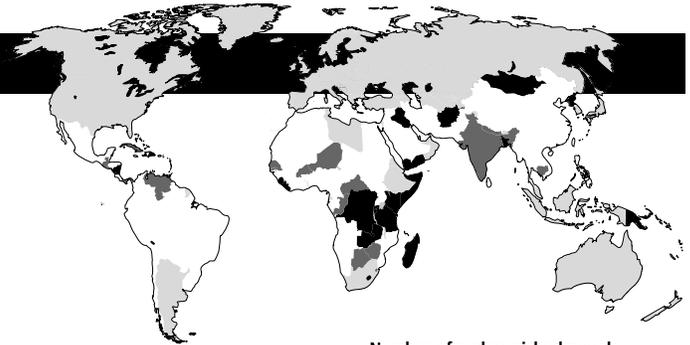
REGIONAL AVERAGE



† refers to the proportion of the population living below \$2 a day.

Hunger

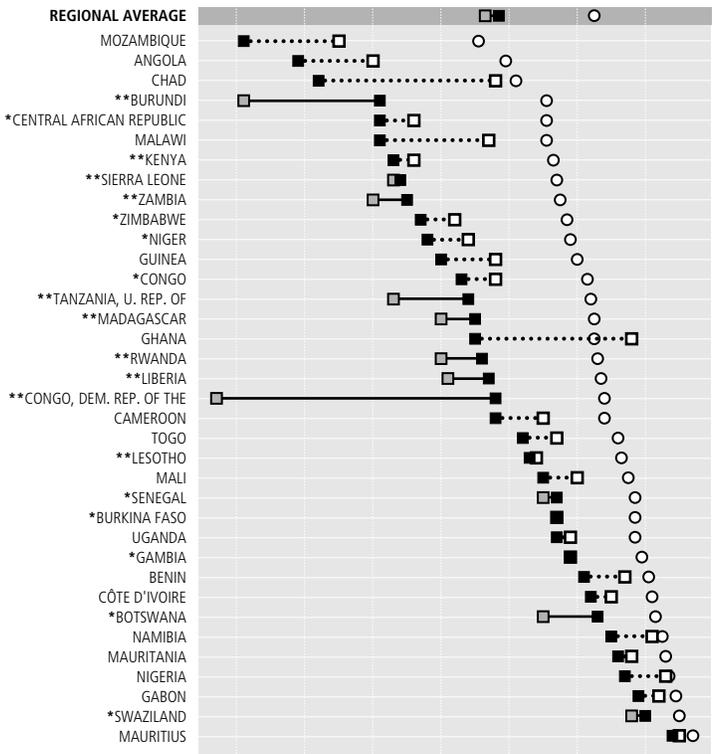
Undernourished people as a percentage of the total population



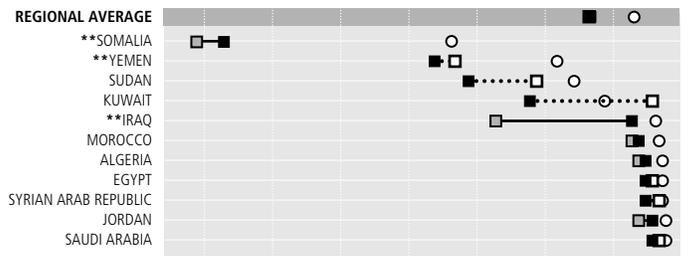
Number of malnourished people 1998-2000 (millions)

Sub-Saharan Africa	183.3
South Asia	333.6
East Asia & the Pacific	193.3
Arab States	32.2
Latin America & the Caribbean	54.9
Central & Eastern Europe & the CIS	30.2

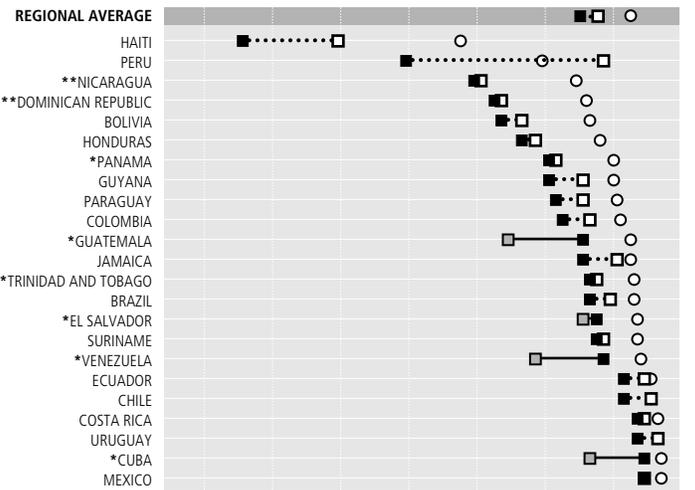
Sub-Saharan Africa



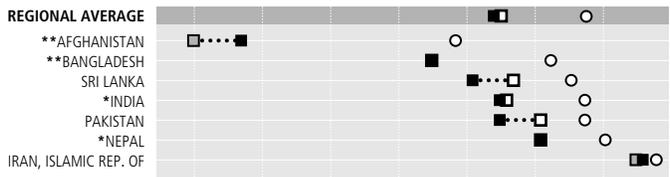
Arab States



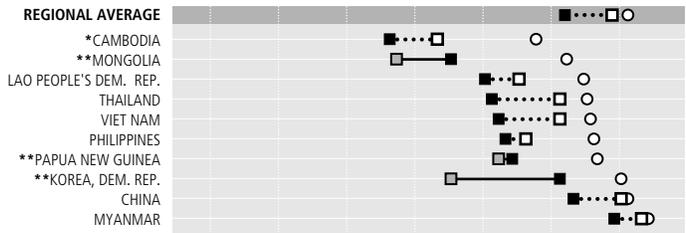
Latin America & the Caribbean



South Asia

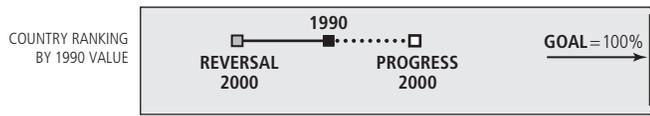
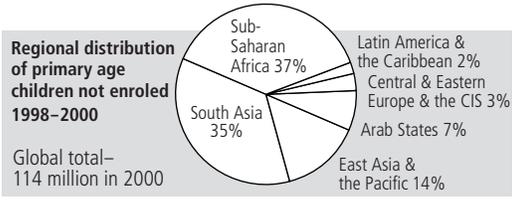
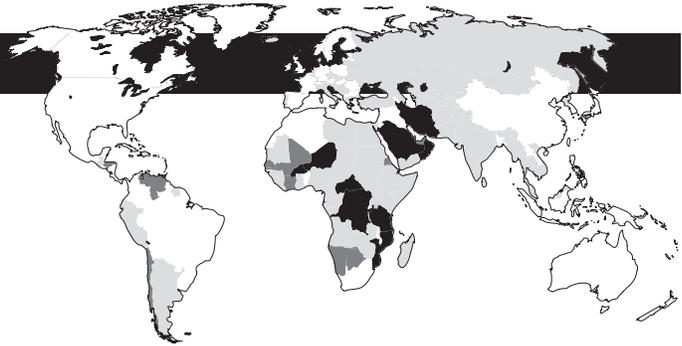


East Asia and the Pacific



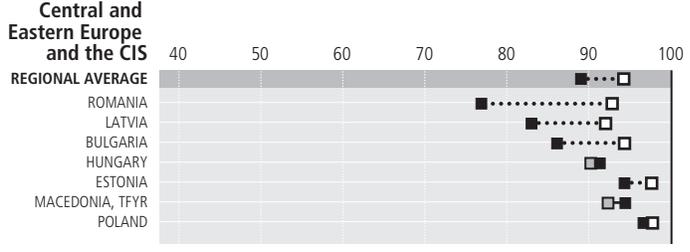
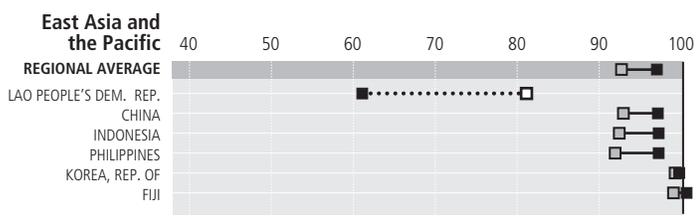
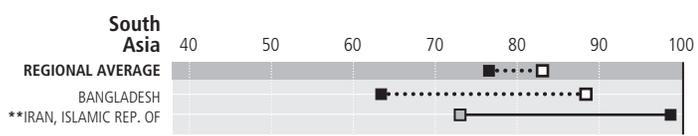
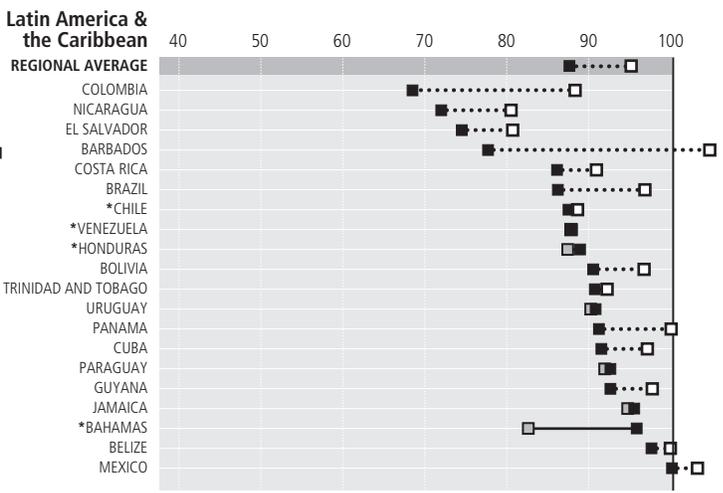
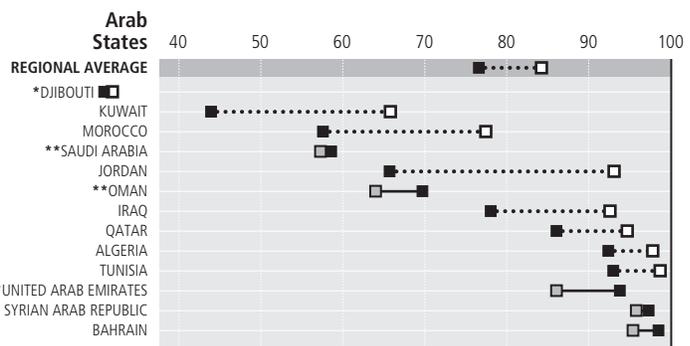
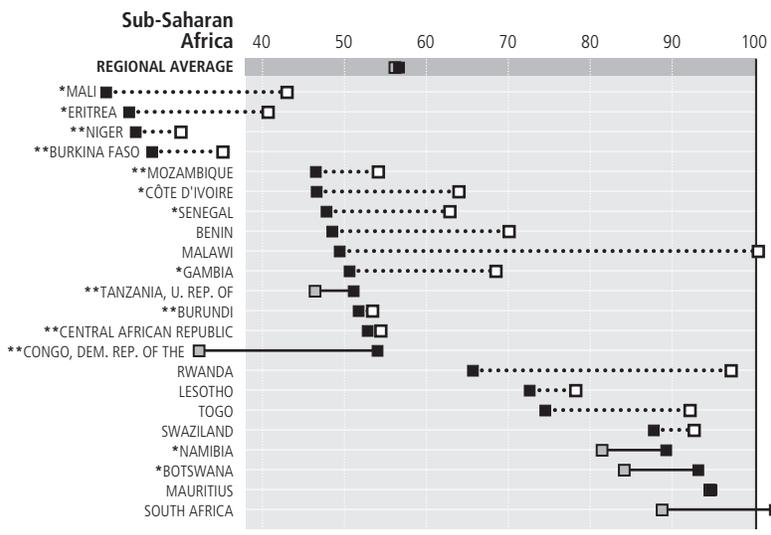
Primary education

Net primary enrolment ratio (percent)



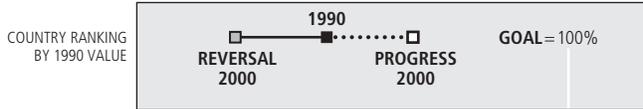
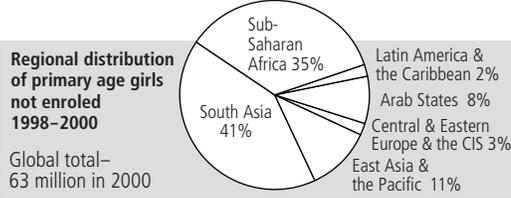
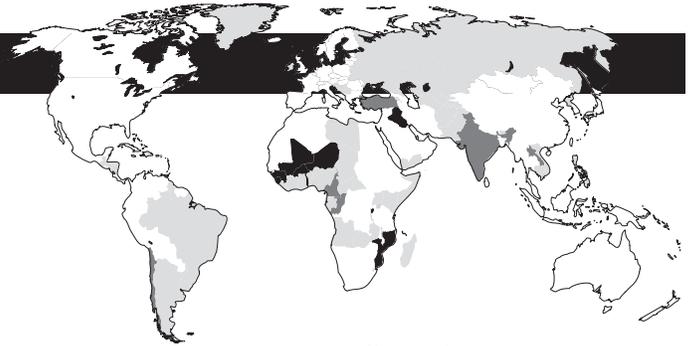
Net primary enrolment, 2000 (millions)

Sub-Saharan Africa	42.5
South Asia	39.9
East Asia & the Pacific	15.4
Arab States	8.1
Latin America & the Caribbean	2.2
Central & Eastern Europe & the CIS	3.6



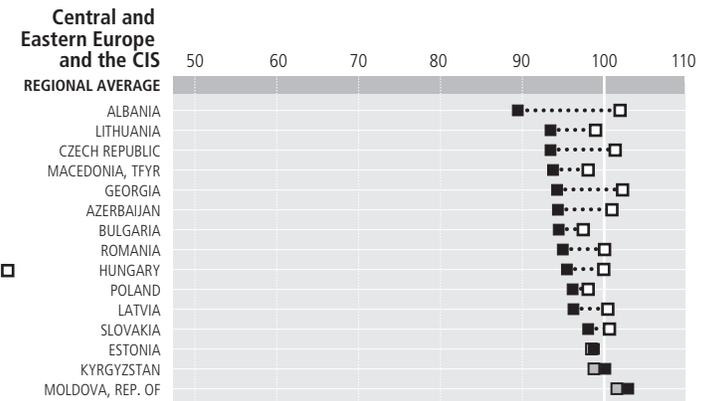
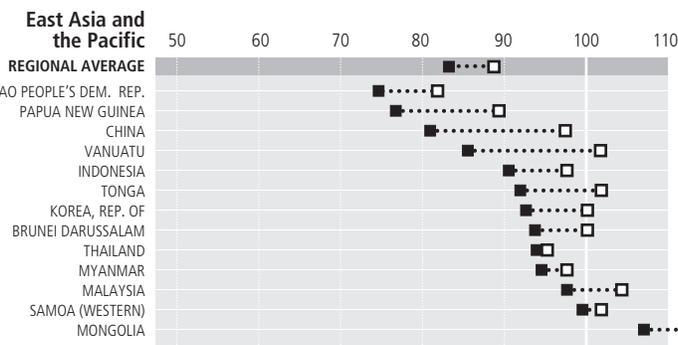
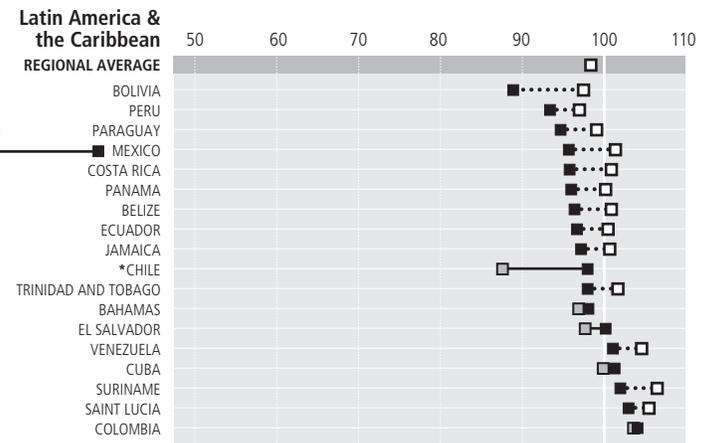
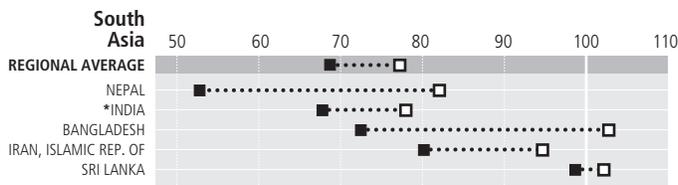
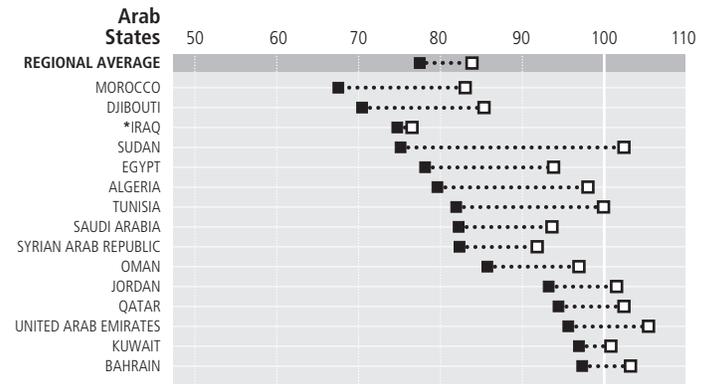
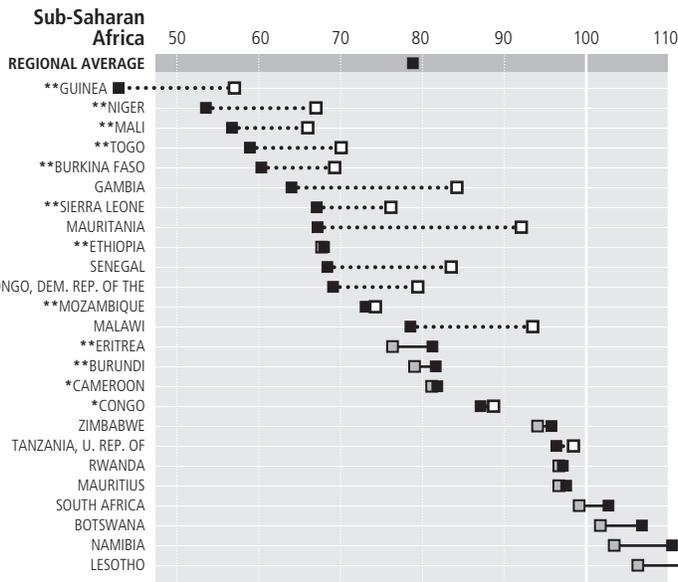
Gender equality

Ratio of girls to boys in primary and secondary education (percent)



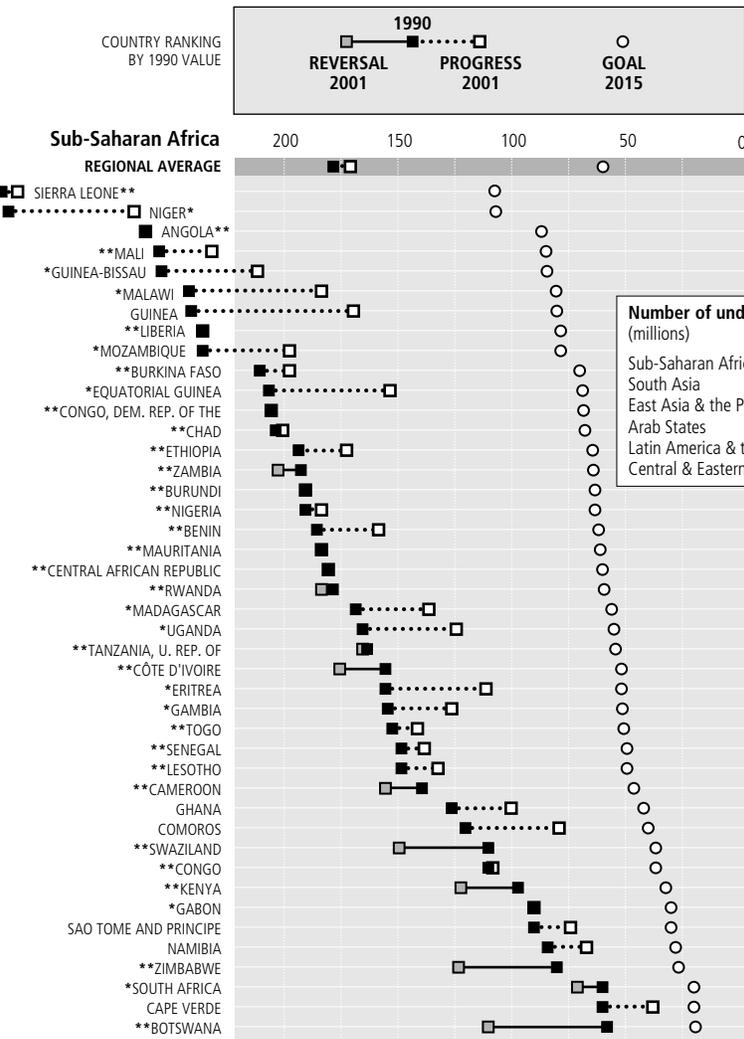
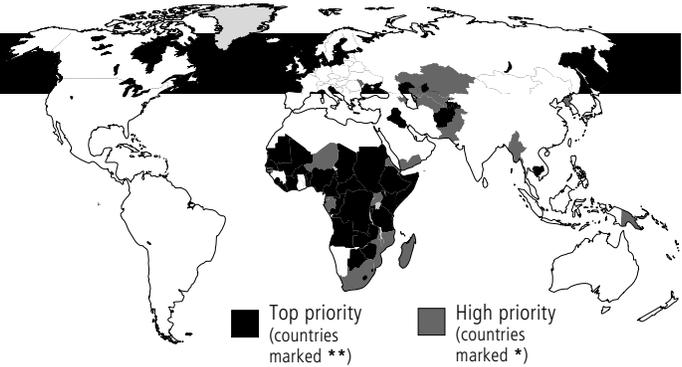
Number of primary age girls not enrolled 2000 (millions)

Sub-Saharan Africa	22.1
South Asia	26.1
East Asia & the Pacific	6.9
Arab States	4.8
Latin America & the Caribbean	1.2
Central & Eastern Europe & the CIS	1.9



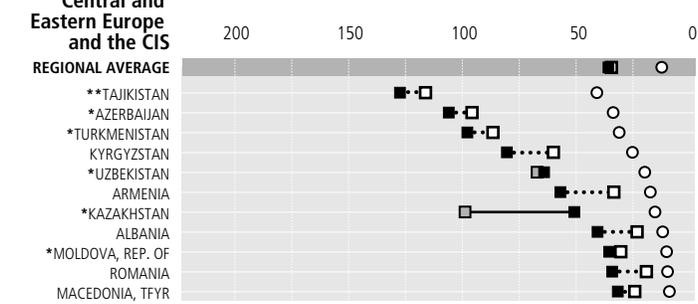
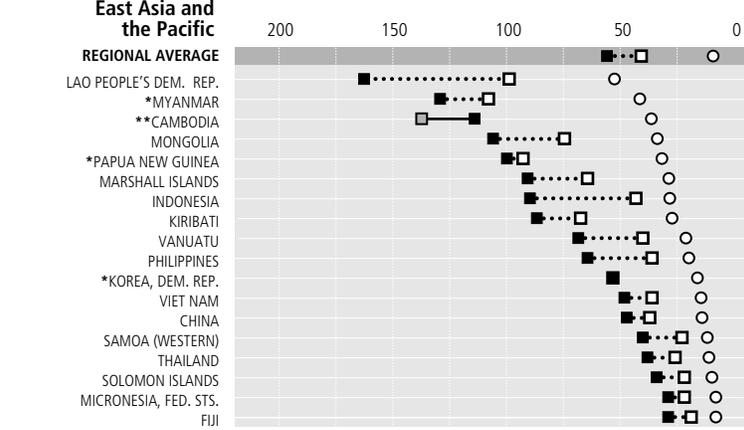
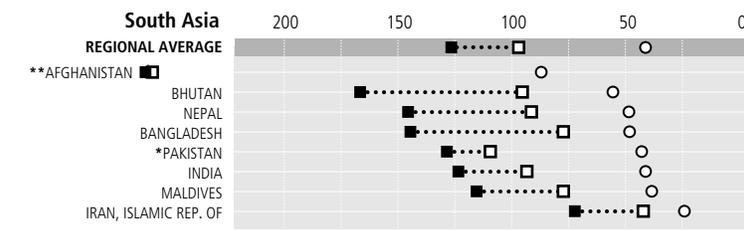
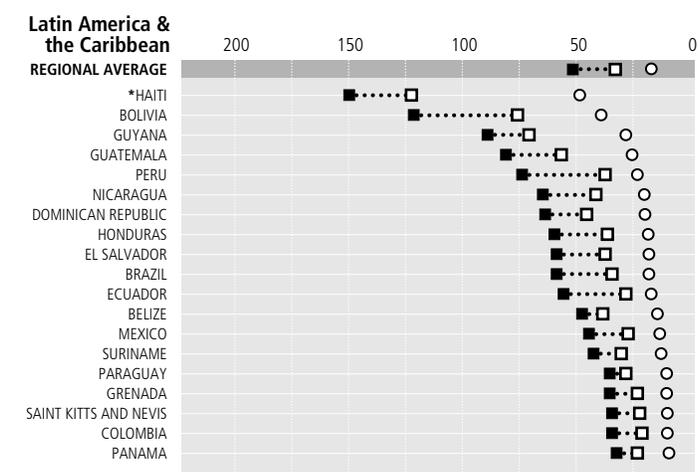
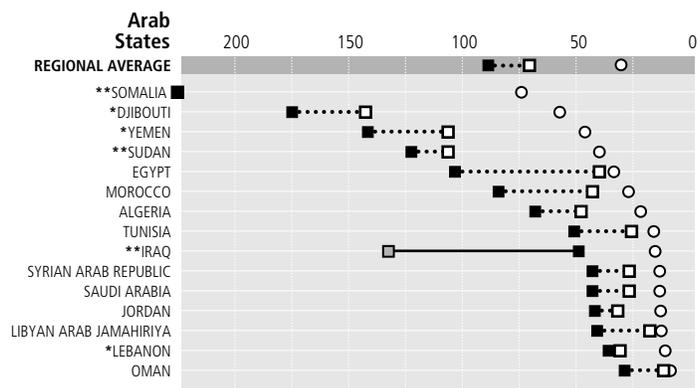
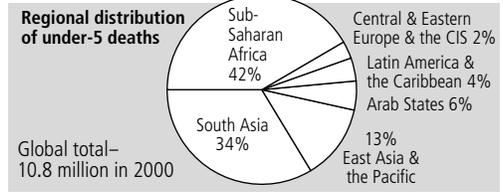
Child mortality

Under-five mortality rate (per 1,000 live births)



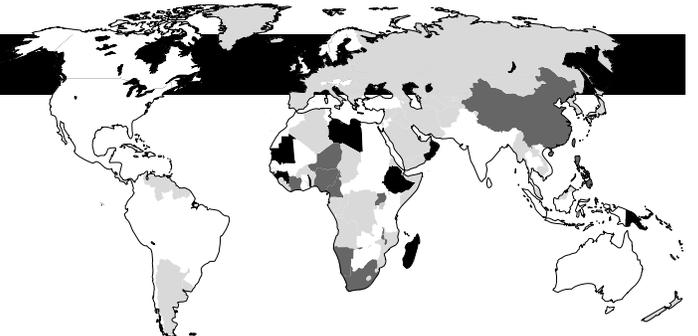
Number of under-5 deaths, 2000 (millions)

Sub-Saharan Africa	4.5
South Asia	3.6
East Asia & the Pacific	1.4
Arab States	0.6
Latin America & the Caribbean	0.4
Central & Eastern Europe & the CIS	0.2



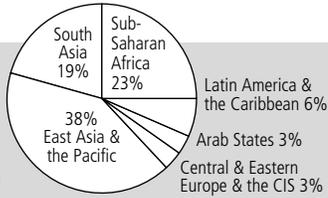
Access to water

People with access to improved water sources (percent of the population)

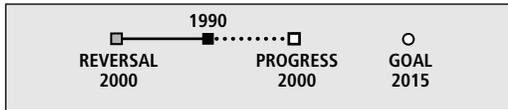


Regional distribution of people without access to improved water sources, 2000

Global total—
1,160 million in 2000

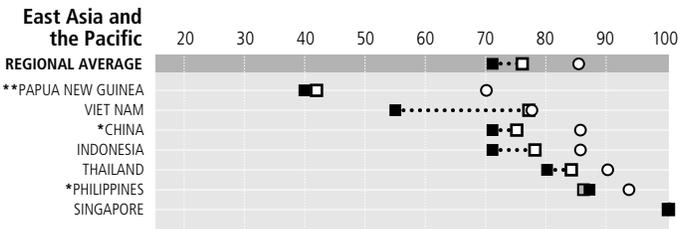
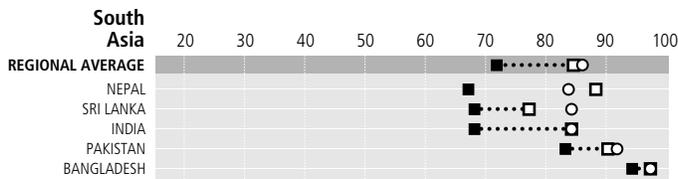
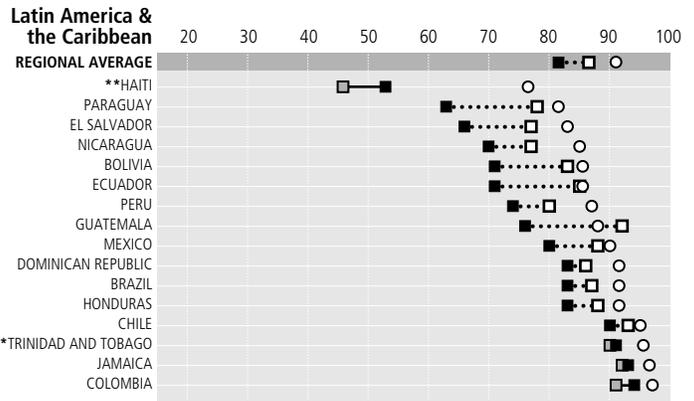
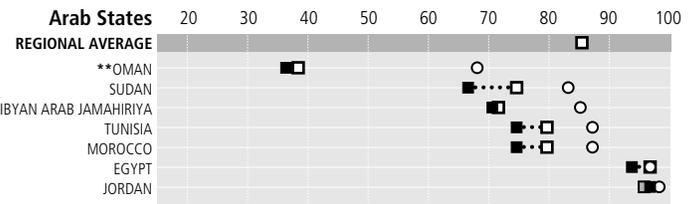
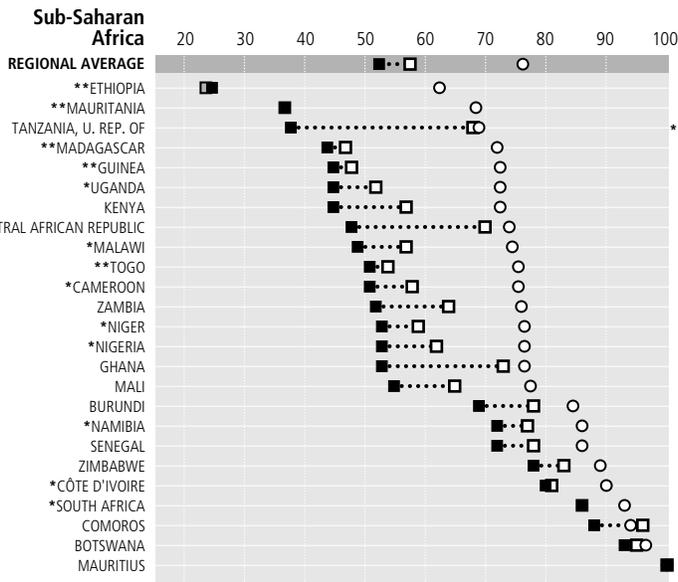


COUNTRY RANKING
BY 1990 VALUE



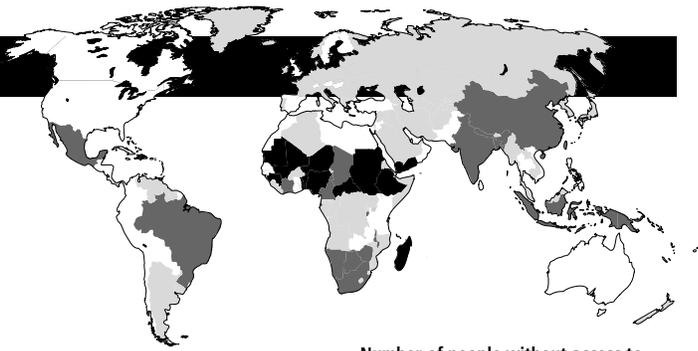
Number of people without access to improved water sources, 2000 (millions)

Sub-Saharan Africa	264.5
South Asia	215.8
East Asia & the Pacific	440.3
Arab States	39.6
Latin America & the Caribbean	69.4
Central & Eastern Europe & the CIS	29.6

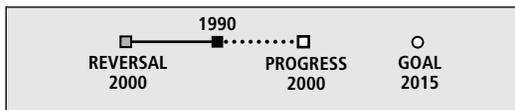


Access to sanitation

People with access to adequate sanitation (percentage of the population)



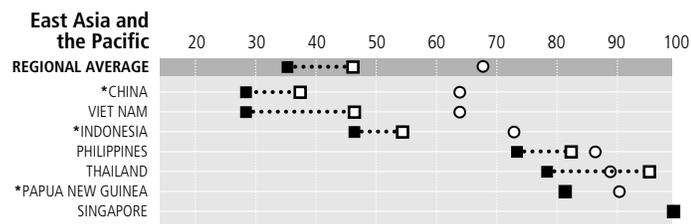
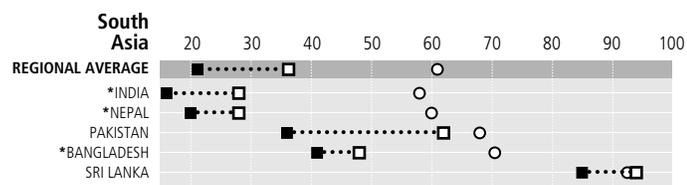
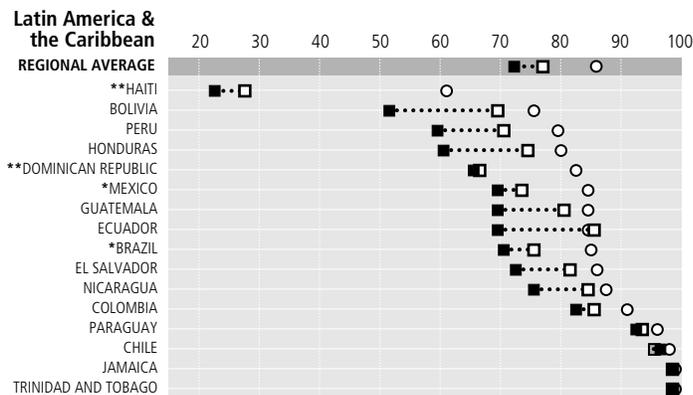
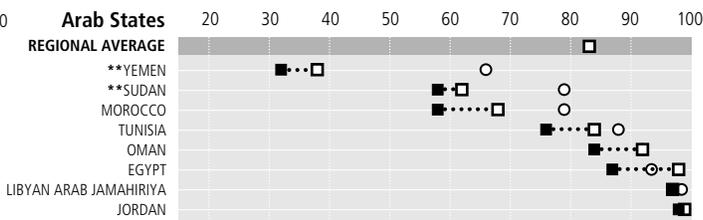
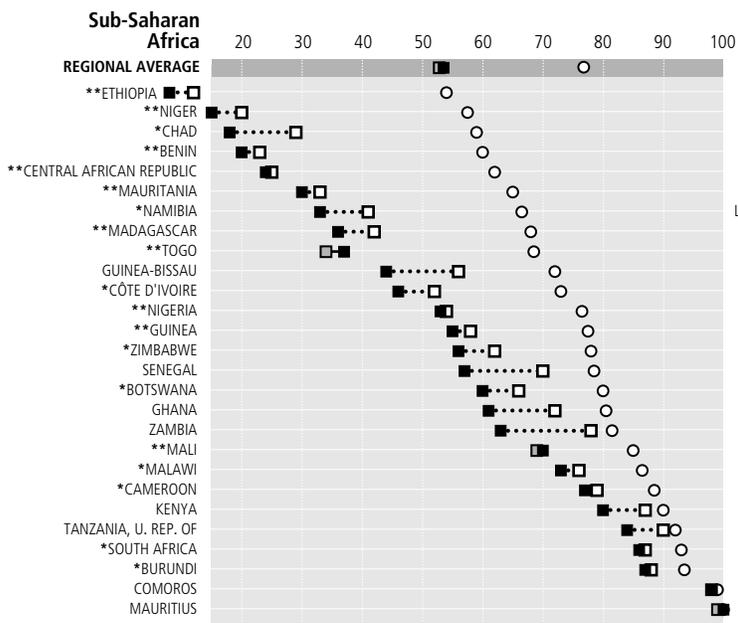
COUNTRY RANKING BY 1990 VALUE



■ Top priority (countries marked *)
 ■ High priority (countries marked **)
 □ No data

Number of people without access to adequate sanitation, 2000 (millions)

Sub-Saharan Africa	281.9
South Asia	907.1
East Asia & the Pacific	995.3
Arab States	44.8
Latin America & the Caribbean	108.8
Central & Eastern Europe & the CIS	16.5



Source: Income: Human Development Report Office calculations based on data on GDP at market prices (constant 1995 US\$), population and GDP per capita (PPP US\$) from World Bank 2003i; World Bank 2002f. Hunger: MDG indicator table 1; FAO 2002b. Primary education: MDG indicator table 1; UNESCO 2002a. Gender equality: World Bank 2003j; aggregates calculated for the Human Development Report Office by the World Bank; UNESCO 2002a. Child mortality: World Bank 2003j; UNICEF 2003b. Access to water: UN 2003c; aggregates calculated for the Human Development Report Office by the World Bank; Human Development Report Office calculations based on UN 2003c, 2003h. Access to sanitation: UN 2003c; aggregates calculated for the Human Development Report Office by the World Bank; Human Development Report Office calculations based on UN 2003c, 2003h.