



**Dialogue on  
Globalization**

**BRIEFING PAPERS  
FES BERLIN**

## **Report of the UN Millennium Project „Investing in Development“**

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*The series „Global Reports 2005“, published by the Friedrich-Ebert Foundation in co-operation with the Global Policy Forum Europe, comments the most important reports on development and global governance which are released in preparation for the Millennium+5-Summit of the UN in September 2005.*

Following over two years of work the United Nations Millennium Project published its final report “Investing in Development” on 17 January 2005. The report, as its sub-title suggests, is „a practical plan to achieve the Millennium Development Goals“. Professor Jeffrey Sachs, special advisor to the United Nations Secretary General and head of the Earth Institute at New York’s Columbia University, was the lead author. The report is of vital importance to preparations for the UN Millennium+5 Summit to take place from 14 to 16 September 2005. Together with the report of the High-level Panel on Threats, Challenges and Change, it forms the key conceptual basis for the preparation process. The United Nations responded positively to the report. On the occasion of the report’s launch, Mark Malloch Brown, Kofi Annan’s Chef de Cabinet and still United Nations Development Programme administrator, stated enthusiastically that „the project team has provided us with the biggest intellectual contribution to the development debate from the UN system in at least 20 years“.

## 1 Background

In July 2002 UN Secretary General Kofi Annan appointed Jeffrey Sachs both as special advisor for the Millennium Development Goals (MDGs) and as director of the United Nations Millennium Project. The aim of the three-year research project was to consider what specific measures would be required in order to achieve the MDGs by 2015. Mr Sachs and his team were expected to demonstrate that the MDGs were achievable and to describe the appropriate policies and necessary financial resources in detail.

Kofi Annan took the initiative a few months after the UN conference on Financing for Development which took place in Monterrey in Mexico in March 2002. At this conference the World Bank presented the first estimates of what the MDGs would cost<sup>1</sup>. The World Bank requested a doubling of Official Development Assistance (ODA), i.e. an increase of at least 40-60 billion US dollars per annum in order to finance additional expenditure which was essential, among other things, to guarantee the stable provision of food, health, education and water. Governmental pledges given in Monterrey lagged well behind these requirements. A few months later, in his first report on implementation of the Millennium Declaration, the UN Secretary General therefore concluded: "In the remaining 13 years, progress must be made on a much broader front. Otherwise, the ringing words of the Declaration will serve only as grim reminders of human needs neglected and promises unmet."<sup>2</sup>

The Millennium Project was to provide academic proof for the urgent necessity of additional measures to combat poverty in order to increase pressure on governments to act. In a parallel move Kofi Annan appointed the former Dutch Minister for Development Evelyn Herfkens as coordinator of the Millennium Campaign, with the brief to mobilise the public worldwide to support the Millennium Development Goals ([www.millenniumcampaign.org](http://www.millenniumcampaign.org)). The concerted efforts of the United Nations contributed not inconsiderably to MDGs taking centre stage in the discourse on development politics during the past few years.

Following his appointment as head of the Millennium Project, Jeffrey Sachs established ten task forces which considered each of the eight MDGs as well as the 18 targets. A total of 265 development specialist from all over the world co-operated. The key positions of the task force

coordinators, though, were filled mainly with academics from US universities, particularly from Columbia University. The final report of the Millennium Project is based on the reports of these ten task forces. These are contained in a total of around 3000 pages. In quantitative terms at least, the outcome of the Millennium Project surpasses all development reports so far produced.

## 2 Core statements of the Sachs Report

The 350-page long Millennium Project Report consists of four parts:

- The first part states why the MDGs are important and explains the reasons for their non-achievement;
- Part 2 describes what has to be done in the developing countries themselves to achieve the MDGs;
- The third part lists proposals for action at international level to support the achievement of MDGs at national level;
- And, lastly, the fourth part contains an extensive cost-benefit analysis which describes in detail the additional financial resources required so that the MDGs can be attained by 2015 at the latest.

### The costs of achieving the Millennium Development Goals

A considerable part of the Sachs Report addresses the costs of achieving the MDGs. These are based on calculations of capital requirements at country level. The Millennium Project team developed an extensive methodology for needs assessment which was tested in five pilot countries: Bangladesh, Cambodia, Ghana, Tanzania, and Uganda.

As a first step it ascertained the total investment capital needed to attain the MDGs in each country. Following on from this it estimated how much could be raised in the country itself and how much external support in the form of ODA is required. On the basis of these figures from the five pilot countries the Sachs team then projected how much official development assistance would be needed to finance MDGs on a global level. The conclusion reached was that ODA must increase to 135 billion US dollars in 2006. This means doubling previous ODA sums. By 2015 the volume of ODA would have to treble to make 195 billion US dollars. This means that ODA must increase from currently 0.25 per cent of the Gross National Income (GNI) of donor countries to 0.44 per cent in 2006 and 0.54 per cent in 2015.

<sup>1</sup> World Bank: The Costs of Attaining the Millennium Development Goals. Washington, D.C., 2002.

<sup>2</sup> UN Doc. A/57/270 of 31 July 2002, para. 113..

## Estimated Needs for Official Development Assistance to Attain the Millennium Development Goals

	Estimated ODA in 2002	Projected for 2006	Projected for 2010	Projected for 2015
Baseline ODA for the MDGs in 2002	28	28	28	28
Incremental MDG investment needs	na	94	115	161
Adjustment for nonqualifying countries due to inadequate governance	na	-21	-23	-25
Reprogramming of existing ODA	na	-6	-7	-9
Emergency and distress relief	4	4	5	6
Other ODA <sup>a</sup>	34	36	34	35
<b>Total indicative ODA needs for the MDGs<sup>b</sup></b>	<b>65</b>	<b>135</b>	<b>152</b>	<b>195</b>
<b>Share of OECD-DAC countries' GNI (percent)</b>	<b>0.23</b>	<b>0.44</b>	<b>0.46</b>	<b>0.54</b>
ODA to Least Developed Countries (% of OECD-DAC countries' GNI)	0.06	0.12	0.15	0.22
Absolute increase in ODA required (compared with 2002)	na	70	87	130
<b>Difference between total ODA needs and existing commitments</b>	<b>na</b>	<b>48</b>	<b>50</b>	<b>74</b>

2003 US\$ billions  
na Not applicable.  
Note: Numbers in table may not sum to totals because of rounding.  
a. Includes assistance that does not contribute directly to the Goals and operating expenditures of donor agencies.  
b. Does not include several important official development assistance needs, such as responding to crises of geopolitical importance (such as in Afghanistan or Iraq), mitigating the impact of climate change, protecting biodiversity and conserving global fisheries, and so on.  
Source: 2002 data based on OECD-DAC 2004. Projections for 2006-15 are authors' calculations.

In the light of publicly announced (but so far unrealised) governmental pledges, the Sachs Report calculated a shortfall of 48 billion US dollars for 2006. The United States accounts for the bulk of this shortfall in funding as it owes 32.2 billion, followed by Japan with 10.4 billion and Germany with 3.2 billion US dollars.

According to the Sachs team, Japan and Germany bear a special responsibility in view of the current debate on the reform of the United Nations. With reference to the report of the High-level Panel on Threats, Challenges and Change<sup>3</sup> of December 2004 they state:

*„As the High-Level Panel recommends, countries that aspire to global leadership through permanent membership on the UN Security Council have a special responsibility to promote the Goals and to fulfill international commitments to official development assistance and other kinds of support vital for achieving them. We endorse the Panel's recommended criterion of 0.7 percent of GNP in official development assistance for developed countries aspiring to permanent membership.“ (p.9)*

<sup>3</sup> A more secure world: Our shared responsibility. Report of the High-level Panel on Threats, Challenges and Change. New York: United Nations, 2004.

Given the present fiscal constraints of donor countries the Sachs Report obviously regards it as unrealistic that the required increase of ODA can be financed solely from national budgets. It is for this reason that the report calls on all donor countries to support the British proposal for an International Finance Facility (IFF). Such a fund, financed by the issue of bonds, could be established by 2006.

### “Fast track” – “Quick win”

The Sachs Report recommends that in 2005 at least 12 countries with low income, good governance and a high capacity to absorb foreign capital be identified and declared as MDG Fast Track Countries in order to speed-up the attainment of MDGs. The ODA for these countries should be significantly increased with immediate effect. The report cites as criteria for the choice of countries, among others, the conditions of the United States Millennium Challenge Corporation (MCC). The MCC's funding criteria include „economic freedom“, associated with the primacy of free markets and pro-business trade policies. The Index of Economic Freedom of the right-wing Heritage Foundation serves as indicator for the evaluation of trade policy. This approach, however, is in marked contrast to the Sachs Report's other messages on trade and economic policies.

In addition, Jeffrey Sachs's team recommended a number of what they call „quick win“ initiatives which could be launched in 2005 and would immediately improve the living conditions of millions of people. These include the universal abolition of school fees for primary education and charges for basic health services, the free provision of school meals in regions where food is scarce and the distribution of mosquito nets to all children in regions where malaria is rife.

### The vital significance of the MDGs

The MDGs are the starting point for the Millennium Projects and its report. For Jeffrey Sachs and his team they represent the most extensive set of quantitative and fixed-term core goals up to now about which there has been a global consensus since September 2000. This has made them the „fulcrum of international development policy“, of vital significance for national and international security and stability. And they are attainable. The optimistic message of the report is that although the world is far from attaining the MDGs, if the necessary political measures are introduced immediately, these goals can be met.

Millennium Development Goals	
Goal 1:	Eradicate extreme poverty and hunger
Goal 2:	Achieve universal primary education
Goal 3:	Promote gender equality and empower women
Goal 4:	Reduce child mortality
Goal 5:	Improve maternal health
Goal 6:	Combat HIV/AIDS, malaria und other diseases
Goal 7:	Ensure environmental sustainability
Goal 8:	Develop a Global Partnership for Development

According to the indicators for MDG attainment, there has been progress in many areas since 1990. The number of people living on less than a dollar a day has decreased throughout the world. Literacy rates and the indicators for gender equality and empowerment of women have also improved in many regions of the world. But here, already, we note a fundamental flaw in the

general MDG approach, which is not solved by the Sachs Report. The goals and targets are unambitious and an inadequate reflection of the more complex problems of poverty and social exclusion. School entrants, literacy rates for girls and boys and the proportion of female MPs are taken as indicators for gender equality. According to these, progress has been made on gender equality in almost all regions of the world, and many regions are "on track" towards achieving Goal 3. But, this message is completely misleading, as it can hardly be said, that gender equality and the *empowerment* of women have been achieved.

There is a similar problem with the crucial MDG 1, i.e. to reduce by half the proportion of people who live on less than a dollar a day. Taken to its logical conclusion, this static goal suggests that the problems of extreme poverty would be solved once the income of all the poor rose to US\$1.10 per day. At least, the Sachs Report does define the MDGs specifically as targets for each country and not just as global goals to be achieved by 2015. It would be wrong, according to the report, to declare victory over poverty just because the economic situation has improved in parts of China and India, while in a dozen other countries hundreds of millions of people continue to live in extreme poverty. Primarily sub-Saharan African countries and numerous countries in Asia will not meet the MDGs by 2015 if present development trends continue.

### The causes of failure to date

There are various reasons why many countries have not managed to solve the most pressing problems of poverty, and will not if „business as usual“ persists. The Sachs Report identifies four general causes of previous failings:

- *Governance failures.* Lack of rule of law and ill-suited economic policies have restricted economic development in many countries.
- *Poverty traps.* A low savings rate and lack of capital have prevented the development of an infrastructure (roads, schools, hospitals, etc.) and of a functioning public administration. These, however, are a prerequisite for self-sustaining economic growth which, in turn, would generate new resources. Problems are intensified by adverse geographic conditions.
- *Pockets of poverty:* Even in countries like China, Brazil and India sections of the popu-

lation and regions have been excluded from political and economic processes as a consequence of insufficient public investment.

- *Areas of specific policy neglect.* Some development goals have not been reached because politicians in the countries concerned either failed to recognise problems or chose to ignore them. This applies, among others, to environmental and gender-specific problems.

To sum up: People in developing countries are poor because their governments' policies are inappropriate and they lack the financial resources to manage „take off“ towards lasting economic growth under their own steam. Structural problems, such as the unequal distribution of income and wealth, ownership of land, and political power within these countries and between North and South, as well as global economic conditions remain largely neglected. In this respect, the report adopts an approach to development rooted in the modernisation theory of the 1950s and 1960s. Not surprisingly, it reaches similar conclusions, reminiscent even in style of development policy formulae mooted in bygone decades.

### Investment programmes to combat poverty

The core of the Sachs Report consists, in its own words, of „practical steps“ to direct national policies towards MDGs. Firstly, the report calls upon the governments of developing countries to formulate a national ten-year framework for attaining the MDGs. This should be augmented by detailed strategies for three to five years, listing the concrete political measures required in order to achieve the MDGs by 2015 („MDG-based poverty reduction strategies“). These strategies are to include costs and budget plans which should indicate the potential for mobilising domestic resources and the level of finance required from external sources in the form of ODA. They should be based on an extensive needs assessment to be carried out in every country. The Millennium Project has already completed needs assessments of this type in five pilot countries in order to quantify the global requirement for resources to attain the MDGs (cf. above).

Where Poverty Reduction Strategy Papers (PRSP) already exist, the countries concerned should bring them in line with the MDGs. Both civil society and the private sector should play an essen-

tial part in drawing up and implementing these development strategies.

The core of the respective strategies should be formed by an extensive public investment programme. Above all, it should serve to develop the necessary infrastructure and a well-functioning public administration. The key message of the report: The market alone cannot solve the most pressing problems of poverty. Public investment and subsidies are required to lay the initial foundations for a functioning market economy. Jeffrey Sachs's team calls explicitly for a greater role of the state and distances itself from pure neoliberal concepts of deregulation and privatisation, which Sachs himself still propagated some years ago.

In its recommendations, however, the report is contradictory. On the one hand, it pleads for increased mobilisation of domestic resources, especially in the form of taxes, while on the other, it calls for the establishment of special economic zones and tax holidays for foreign investors. While the report stresses the positive part the private sector can play in attaining the MDGs and argues in favour of Public-Private Partnerships (PPP), it also describes the limits of private sector commitment:

*„The fact that the private sector does not serve the poorest of the poor is not by itself a market failure, since markets are meant to orient their activity around high-return activities rather than around people with no money. Markets alone will not solve the short-term needs of the most impoverished communities. Instead, for the poorest and most isolated communities, public finance and subsidies will have to create the conditions for market-based economic activity to thrive.“ (p. 141)<sup>4</sup>*

Yet at the same time the report calls for greater corporate social responsibility. In this connection it makes explicit mention of the Global Compact and the Publish What You Pay Campaign and calls for a strengthening of the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights.

In most cases the financial resources which countries can raise themselves are insufficient to implement the enormous investments in infrastructure, primary education, health care, etc.

<sup>4</sup> Page references in this briefing paper refer to the unabridged English version of the Sachs Report.

required to achieve the MDGs within the next decade. External assistance is therefore urgently required to support these processes at the national level. In the third part, the Sachs Report logically deals with the contribution the international system must make to achieve the MDG.

### **Severe criticism of development aid practices**

Reviewing the state of the present system of development aid, the report comes up with an extremely critical diagnosis:

*„The international system is ill equipped to provide [international support] because of a shortage of supportive rules, effective institutional arrangements, and above all resolve to translate commitments to action.“ (p. 193).*

The report summarises its criticism of the present system in ten points:

- At international level, “the system lacks a coherent MDG-based approach to reduce poverty”. The Bretton Woods institutions in particular, and especially the IMF, have failed to give systematic consideration to MDGs in their policy deliberations.
- “Support strategies are inadequately differentiated by country needs.” Apart from this, insufficient attention is paid to differences in the governance of recipient countries.
- “Development is a long-term process, but short-run processes dominate.”
- “Technical support is not adequate for scaling up to the MDGs.” The relevant international organisations such as FAO, WHO, IFAD, UNICEF und UNIDO usually focus on small pilot projects and are ill-prepared to support national programmes.
- “Multilateral agencies are inadequately coordinated” at national level.
- “Development finance is not needs-based or set to meet the MDGs.”
- “Debt relief is not aligned with the MDGs.” The criteria of debt sustainability have so far failed to take MDGs into account.
- “Development finance is of very poor quality.” It is often unpredictable, tied to specific suppliers, and serves the particular interests of the donor countries rather than the development strategies of the recipient countries. In the low-income countries only 24

per cent of the recent bilateral development aid is benefiting projects directly targeted at MDGs, in middle-income countries the rate is just nine per cent.

- “Major MDG priorities are systematically overlooked.” This applies to, for example, investments in regional integration, management of the environment, and the promotion of gender equality.
- “Donor countries show a persistent lack of coherence in their policies.” For instance, governments will give development aid to support agricultural production for export, but then erect trade barriers to deny access to their markets for these products.

### **„To do“ list to enhance development co-operation**

As a mirror image of the problems it highlights, the Millennium Project Report also includes a „to do“ list with concrete proposals for enhancing development co-operation. The following recommendations take centre stage:

- The MDGs should become the basis of all development strategies and of any related international funding programmes. This applies explicitly to the Bretton Woods institutions.
- The coordinating role of the United Nations should be strengthened at both international and national level. At the international level this concerns the UN Development Group, at national level the UN Country Teams. National representatives of the IMF and the World Bank should co-operate closely with the UN Country Teams.
- The level of ODA should be based on an extensive needs-based assessment and drastically increased. To achieve the MDGs ODA must be doubled with immediate effect by 2006 and trebled by 2015 (cf. above).
- The extent of debt relief should be extended significantly. Many of the poorest countries must be granted 100-per-cent debt relief, and the debts of middle-income and poorer countries not on the HIPC list, such as Nigeria, must be reduced considerably. There is a need for new debt sustainability criteria which take account of MDG implementation. As a corollary ODA should be given to poor countries not as repayable loans but in the form of grants.

- Donor countries should radically simplify their development aid and continue to harmonise it. The Report advocates increased support for sectoral approaches and direct budgetary assistance instead of small-scale project assistance. It also demands stronger multilateral development co-operation as *„multilateral official development assistance is typically of much higher quality than bilateral assistance“*. (p.208)
- Donor countries should regularly monitor whether or not their policies on development, foreign affairs, and finance are coherent, i.e. in accord with the MDGs. In addition to government „Goal-8-Reports“ there should be independent coherence reports, and these should be publicly accessible and verifiable.

Aside from these development policy recommendations, the Sachs Report calls upon the governments of the industrialized countries to make concessions in international trade policy. The Report notes explicitly that the present world trade system mainly serves the interests of a few industrialized countries and is therefore unbalanced from the perspective of developing countries. Although the Report advocates complete liberalisation of world trade by 2025, it explains at the same time that the equation „Trade not Aid“ is misleading. In order to reconcile international trade policy with the MDGs, trade conditions for developing countries must be significantly improved. In particular, this means opening markets in industrialized countries to exports from developing countries, a definitive end to all export subsidies for agricultural produce, and supply-side improvements in the competitiveness of developing countries, especially through investment in infrastructure (roads, ports, energy supply, etc.). In order to compensate for the adjustment costs of liberalisation after the Doha Round, the report proposes establishing a temporary Aid for Trade Fund.

### 3 Conclusions

The Millennium Project Report is a dramatic appeal to governments not to persist with their „business as usual“ approach in the face of world-wide poverty. At the same time it endeavours to foster optimism and demonstrates that the Millennium Development Goals are not yet a

lost cause, but can be attained by means of a „practical plan“. The downside of this pragmatic method is its technocratic approach, i.e. it seeks to resolve global problems mainly through new development plans, more money and better technologies. In part, its quick-win proposals, such as supplying mosquito nets to the poor, seem unintentionally naïve in the face of the magnitude of global poverty.

The Sachs Report largely restricts itself to the superficial alleviation of the symptoms of poverty. The structural causes of poverty and social injustice remain largely neglected. This weakness is a mirror image of the problem underlying the MDG strategy. The populist reduction of development to a few quantitative goals and targets and the focus on „extreme“ poverty bear within them the danger of taking political leave from more far-reaching approaches to development, particularly from concepts of environmentally sustainable and socially just development. Structural aspects of distributive justice, as well as the global economic conditions and power policies that influence development, are hardly touched by the goals.

Nevertheless, the Millennium Project report is an important reference document as it clusters the knowledge and experience of 265 development experts and thus reflects an essential extract of mainstream discourse on the politics of development.

At the same time, the report is of vital significance as a basis for Kofi Annan's report on the implementation of the Millennium Declaration to be published in March 2005. The Sachs Report's pragmatic approach surely goes some way towards the purpose of this document: the formulation of politically feasible recommendations for the UN Summit in September 2005.

The Sachs Report contains helpful arguments in support of demands for a reform of development co-operation, for the cancellation of debt, and for a substantial increase in ODA. The G7/8 Summit in July and the Millennium+5 Summit in September 2005 will show whether or not the heads of state and government have been convinced by these arguments.

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## Links, further reading

*The Report of the Millennium Project, its executive summary, all the Task Force reports and further background material can be accessed online at: <http://www.unmillenniumproject.org>*

- UN Millennium Project 2005. Investing in Development. A Practical Plan to Achieve the Millennium Development Goals. New York.

### Reports of the Millennium Project Task Forces

- Task Force on Hunger: Halving hunger: it can be done.
- Task Force on Education and Gender Equality: Toward universal primary education: investments, incentives, and institutions.
- Task Force on Education and Gender Equality: Taking action: achieving gender equality and empowering women.
- Task Force on Child Health and Maternal Health: Who's got the power? Transforming health systems for women and children.
- Task Force on HIV/AIDS, Malaria, TB, and Access to Essential Medicines, Working Group on HIV/AIDS: Combating AIDS in the developing world.
- Task Force on HIV/AIDS, Malaria, TB, and Access to Essential Medicines, Working Group on Malaria: Coming to grips with malaria in the new millennium.
- Task Force on HIV/AIDS, Malaria, TB, and Access to Essential Medicines, Working Group on TB: Investing in strategies to reverse the global incidence of TB.
- Task Force on HIV/AIDS, Malaria, TB, and Access to Essential Medicines, Working Group on Access to Essential Medicines: Prescription for healthy development: increasing access to medicines.
- Task Force on Environmental Sustainability: Environment and human well-being: a practical strategy.
- Task Force on Water and Sanitation: Health, dignity, and development: what will it take?
- Task Force on Improving the Lives of Slum Dwellers: A home in the city.
- Task Force on Trade: Trade for development.
- Task Force on Science, Technology, and Innovation: Innovation: applying knowledge in development.

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