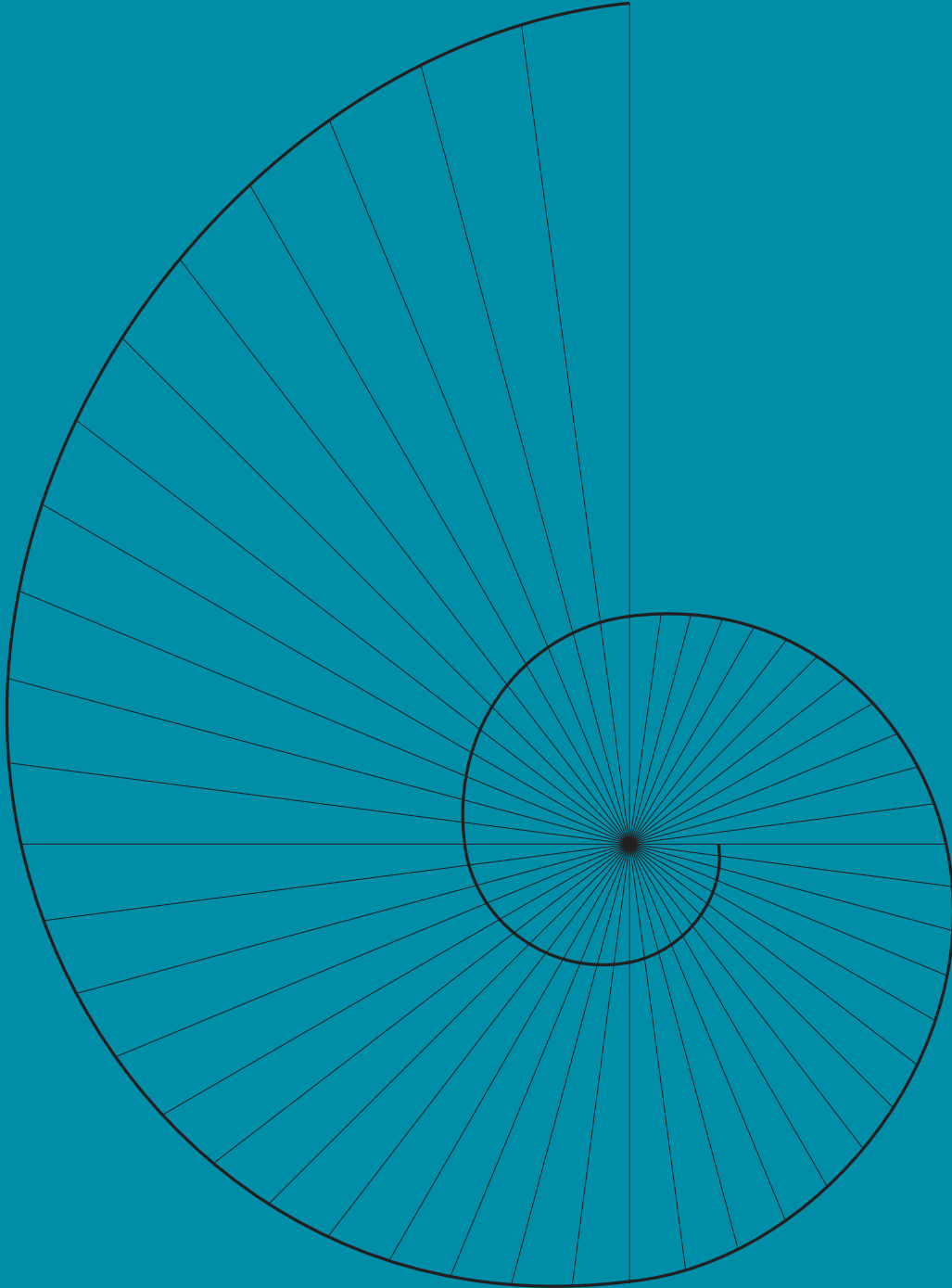


MILLENNIUM DEVELOPMENT COMPACT



The Millennium Project

At the United Nations Millennium Summit in September 2000 world leaders placed development at the heart of the global agenda by adopting the Millennium Development Goals. The Goals set clear targets for reducing poverty, hunger, illiteracy, disease, discrimination against women and environmental degradation by 2015.

In support of these Goals, UN Secretary-General Kofi Annan and UN Development Programme (UNDP) Administrator Mark Malloch Brown, in his capacity as chair of the UN Development Group, have launched the Millennium Project to recommend the best strategies for achieving the Goals. Over a period of three years, from 2002 through 2005, the Millennium Project is working to recommend a plan of implementation that will allow all developing countries to meet the Goals and thereby substantially improve the human condition by 2015. While this is a bold ambition, it is both necessary and achievable.

The Millennium Project's research focuses on identifying the operational priorities, organizational means of implementation and financing structures necessary to achieve the Goals. The Project is directed by Prof. Jeffrey Sachs, Special Adviser to the Secretary-General on the Millennium Development Goals. Ten thematically oriented

Task Forces perform the bulk of the research. They comprise representatives from academia, the public and private sectors, civil society organizations and UN agencies, with the majority of participants coming from outside the UN system. The members of each Task Force are all global leaders in their area, selected on the basis of their technical expertise and practical experience.

As an advisory body to the UN, the Millennium Project will report its findings directly to the UN Secretary-General and the UNDP Administrator. More information on the Millennium Project is available at www.unmillenniumproject.org.

THE MILLENNIUM DEVELOPMENT COMPACT

The Millennium Development Compact is a collaborative product of the Human Development Report team, led by Sakiko Fukuda-Parr, and the Millennium Project Task Force Coordinators, with contributions from other Millennium Project participants. It is published in *Human Development Report 2003: Millennium Development Goals—A Compact among Nations to End Human Poverty*. This offprint has been produced by the Millennium Project with the permission of the Human Development Report Office.

The Millennium Project

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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,” see page 3)

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 that have made the least progress over the past decade. For them, domestic policy reforms and far more development assistance are vital.

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—or even majorities—as well as 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

STRUGGLING TO MEET THE GOALS—DEFINING TOP PRIORITY AND HIGH PRIORITY COUNTRIES

Priority countries for each Goal

The *Human Development Report 2003* identifies top priority and high priority countries for each Millennium Development Goal. 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).

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

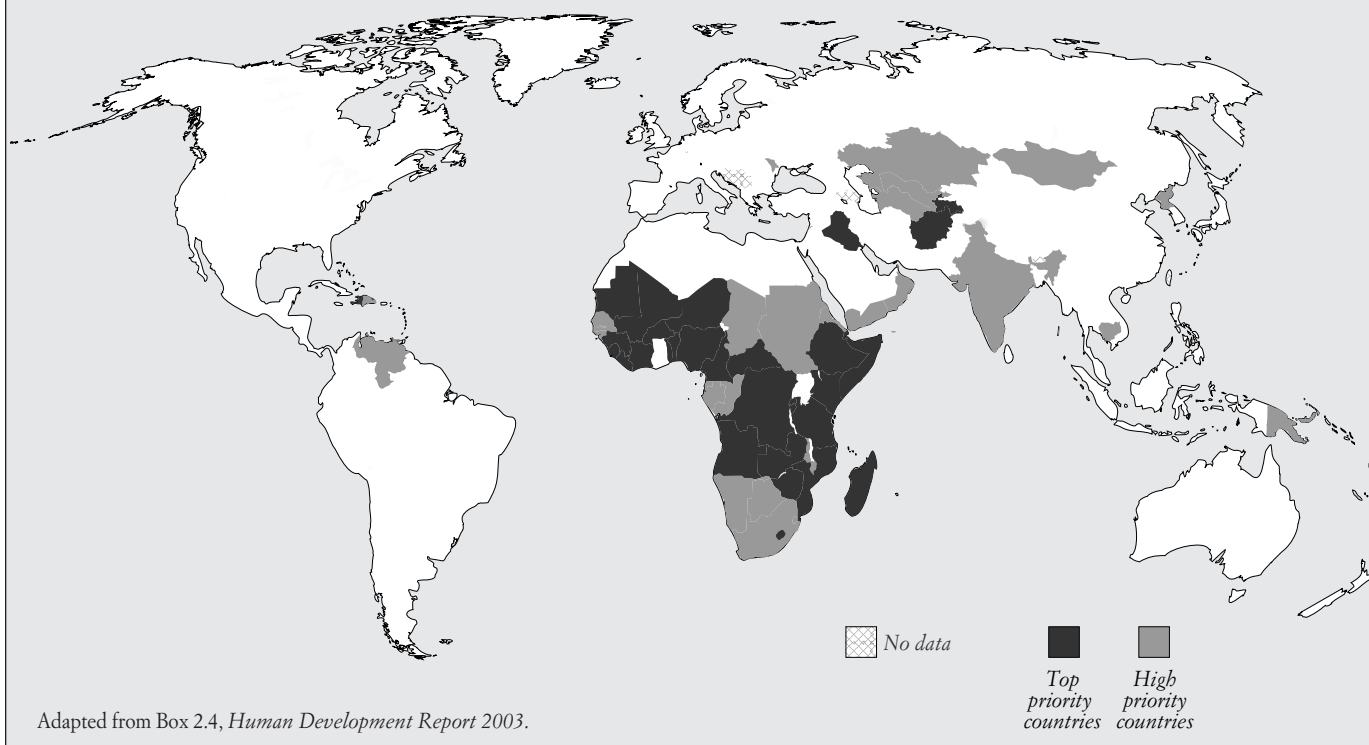
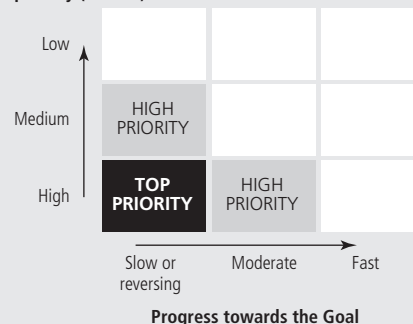
measured imprecisely, and some country classifications will change as data improve. Moreover, many countries are missing too much data for individual Goals to be given proper overall classifications. Thus some of the 32 countries in the “other” category would probably be top or high priority countries 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
Sub-Saharan Africa	25	13
East Asia & the Pacific	0	4
South Asia	1	1
Arab States	3	3
Latin America & the Caribbean	1	3
Eastern Europe & the CIS	1	4

Level of human poverty (in Goal)



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

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 (e.g., 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 the provision of secure land tenure; reducing burdens to starting small businesses; supporting labor-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

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

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

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

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

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

The Millennium Development Compact is based on shared responsibilities among major stakeholders

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

“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,

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

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

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

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

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 targets, 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

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

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 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.

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.



Millennium Development Goals

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

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 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 landlocked 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



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