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***SEEP Presents:  
A Conversation with Dr. Jeffrey Sachs, Director of the  
UN Millennium Project and the Earth Institute at Columbia University***

The following is a transcript of a speech by Dr. Jeffrey Sachs at the SEEP Network's Annual General Meeting on October 26, 2005.

Let me plan to speak for twenty or twenty-five minutes and then have the rest of the time for discussion if we might. First I want to congratulate SEEP for its anniversary meeting and for all the work that you do, which is enormously important.

Microfinance surely plays a very significant role in all aspects of poverty reduction and economic development and I'm delighted to be able to be part of today's gathering and today's brainstorming. Maybe it is a good place to start with health for all by the year 2000 a goal that was set in Alma-Ata in 1978 and indeed a goal that when we arrived at 2000 not only was there not health for all there were major global pandemic diseases – AIDS, malaria, TB – that were killing millions, that were not being addressed. And if anything, fragile health systems were collapsing in some of the poorest countries. I indeed took on the assignment of helping to think through the millennium development goals very much with that experience in mind that previous objectives had fallen by the wayside and had certainly not been fulfilled, and there's every

possibility that the same happens with the millennium development goals.

These are not my goals, they're not your goals, they're not the UN's goals, they're not the Secretary General's goals, they are the goals that were adopted by the world, especially by the political leaders of the world in September 2000, and they were reconfirmed by 160 world leaders in the UN World Summit, September 14-16. They are, I think, the only shared goals that we have in the world regarding economic development, so they are not some imposed idea rather they are a challenge for us. How can these goals actually be fulfilled? Now to tell you the truth, I believe we could have fulfilled health for all by the year 2000. I certainly believe that we can fulfill the millennium development goals. I go farther in my book to say that not only could we achieve the millennium development goals; we could actually end extreme poverty by the year 2025. I say our generation could be the one in fact to end extreme poverty because the tools exist to do that. But that is not a forecast that we're going to achieve the

millennium development goals or that we're going to end extreme poverty, any more than Health for All was a forecast rather than a normative but achievable proposition for what could be accomplished by the year 2000.

We didn't take Health For All By The Year 2000 as anything more than a slogan. It was not made operational it was not really part of national or international development strategies. One thing that was crucial was that the major donor countries did not embrace health for all by the year 2000, asked what it would take to achieve it and then work backward from 2000 back to 1978 to see what kind of time pattern of investments and strategy would be sufficient to reach 2000 with the goals achieved. While we're not on a trajectory to achieve the millennium development goals either, they will be missed by dozens of countries unless they're taken more seriously, but specifically more operationally than they're being taken right now. Right now they're quoted as nice goals. We believe in them. The UN, the World Bank, the IMF, the donor agencies say that well, yes, we should achieve cutting income poverty by half. Having universal education at the primary school level, cutting maternal mortality by three-fourths, cutting child mortality by two-thirds, cutting those who lack access to safe drinking water and sanitation by half – sure, why not, they're nice goals, everyone can subscribe to them but we are off track to meet them because they are not made part of the operational plans of any of those organizations that I just cited. Not the IMF, the World Bank, nor the donor agencies nor per force, the plans of the low-income countries themselves, in particular their governments at local provincial and national level.

Why do I talk about plans? It sounds so archaic and anti-market. Because we need plans for public investments to achieve these goals. These are not goals that will be achieved by market forces alone. Market forces will play a role because market forces are part of the overall process of economic development. But the goal of reducing maternal mortality will be achieved by investing in public health, not in private health. The goal of reducing child mortality by two-thirds will be achieved by investing in public health not private health, primarily. The whole goal of escaping from extreme poverty will be possible, in fact, only if there are increased levels of public investment in basic health, basic education, vital infrastructure, roads, powers, telecoms, port facilities as well as in the physical environment as well. So I believe that we have to get our mindset correct to realize that successful economic development is a complimentary activity where private investment and public investment are complimentary, that public investment builds a platform for private investment, including for microfinance, and therefore there is an important public function and yes, a planning function for scaling up the public capital – physical, environmental, human – that is necessary to complement investments in the private sector.

Now my own view, and the view of the UN Millennium Project, is that the levels of public investment are woefully too low, in most of the very poorest countries, in order to achieve these goals. And I'm focusing a lot, not exclusively, but a lot on sub-Sahara in Africa in recent years, where the poverty is most extreme and where the lack of economic development is most pervasive. And I'm finding that even in relatively well-governed impoverished countries, places like Ghana or Senegal or Mali or Malawi or Rwanda, where you have extreme poverty

that is not being resolved but you have adequate governance, that a huge part of the problem is the lack of an adequate rate of investment in critical sectors: primary education, public health clinics, public roads, power supply and other kinds of investments also environmental capital. What we recommended in the UN Millennium Project, and what I recommend to these governments, is that they think operationally about how to get from here to 2015 with the goals achieved. How would you reduce child mortality rates by two-thirds?

Well, fortunately there a lot of specific protocols that are understood about that. The excess disease burden that leads to these very high child mortality rates are well known. They include diarrhea disease, acute respiratory infection, malaria, helminthes parasites, micronutrient deficiencies, lack of immunization coverage, and we know a lot about how to address to those problems through structured programs of immunization campaigns, distribution of anti-malaria bed nets, provision for community-based treatment of common infectious diseases and the like. But the problem is that in these very poor countries, the levels of spending on these areas is a small fraction of what's needed. You take a country of \$200 per capita for a year, maybe it can muster three or four percent of GNP for the health sector, that comes out to \$6-\$8 per person per year. That's enough to begin to mount a reasonable public health response to the big challenges that are leading to child mortality rates of 200 for every 1,000 births. It's certainly not enough money to have emergency obstetrical care available in a sub-district or district hospital. It's not enough to have a road, in fact, from villages to a regional city or to have ambulance service or to have anything else that would

be part and parcel of a basic primary health response.

And it has not been enough to have any scaled treatment of people dying of HIV/AIDS and therefore up until the last year and a half or so just about any applicant that was sick and in an advanced stage of HIV disease would be dead in a short period of time because anti-retroviral medicines were not available in the public health facilities which in fact barely existed. What I've seen and what we have tried to analyze is what the best ways of public and private capital accumulation, as compliments, would be especially in rural areas that are struggling in extreme poverty, disease and hunger right now. And for me the principal guidepost is the successful, though incomplete, development experience of South and East Asia from the 1960's onward. I believe that what we see in the Asian development experience is basically a two-phase process. First, the green revolution, which was a revolution of farm productivity commencing in the mid-1960's that allowed roughly a tripling of crop yields per hectare and that helped to lift the high proportion of the population stuck in extreme world poverty out of extreme poverty and into commercial agriculture. Asia had a green revolution; Africa has not had a green revolution yet. The second phase of Asia's development success is once people were freed, in some proportion, from this tempestuous and dangerous life as a subsistence farm household, there was ability to work in the non-agricultural sector or first to diversify agriculture from staple crop production into dairy products, into apiary, into tree crops, fruit trees, other cash crops, horticulture. And so the green revolution was followed by a dairy revolution, the so-called white revolution, by a tree crop revolution, and so forth.

None of this has happened in Africa yet; food yields are almost as low as they were thirty years ago, mainly because farmers do not have the ability to access basic inputs of fertilizer and improved seed and small scale water management. The ecological conditions are more difficult and the poverty prevents them from making upfront investments in these areas safely and the result is agriculture without modern inputs, and therefore, agriculture well below the basic poverty line. The second thing that Asia had was manufacturing and service sector export-led growth-based in the major urban centers of the region and a lot of this started in industrial parks, export processing zones, free trade zones and so forth, that enabled foreign investors to come in and make benefit of low wage, relatively unskilled labor to carry out processing of basic technology commodities – especially apparel, electronics assembly and some other similar kinds of production lines. Again, Africa has not had that and the main reasons seem to be the levels of disease, the lack of infrastructure in the main urban areas, ports that don't work adequately, electricity that is unreliable if available, transport conditions that hamper investment and so on, but in my view, a mix of regulatory governance and physical infrastructure problems.

So I do believe that the basic strategy for the regions stuck in extreme poverty in general is a complimentary strategy of publicly planned investment and private market-based investment where the public investment is creating a platform both in rural and urban areas for faster economic development and for targeted sectoral scaling-up in health, in food production, in education, in water and sanitation. We've seen that where these investments are not made, progress tends to be very fragile and incomplete and often stymied. So while

microfinance in my understanding has been highly successful in much of Asia and in parts of Central and South America, its success rate in much of Africa has been much lower, particularly in rural, more dispersed very poor areas. There have been successes but not the kind of breakthroughs that are needed and my view is that it's because the public investment side is not adequate to be complimentary to the private investment needs of small business, which is looking for a power supply, a road, transport, something of these basic supported services, to be able to be effective.

Therefore, what we're trying to do in the UN Millennium Project, what we're advising and what I'm trying to do with my colleagues in specific on-the-ground field work, in what we call the Millennium Villages Project, is to help unleash market forces by building this public investment platform which is a low-cost but vital platform. In the village in Kenya where we're working with a village group, cluster of villages, we found that the community was too poor to grow enough food, it was too poor to be able to afford transport and communications, it was too poor to be able to fight disease. And at about \$50 per capita coming from the outside from private donors, in other words, about \$250,000 a year for a village of 5,000 people, that platform for the private development is getting started. In one growing season, by direct provision of fertilizer and seed, by helping to bring a doctor or pay a salary for a medical doctor and nurse and help the community to build a clinic, by helping the schools with school meals program and other kinds of investments like that., we have seen in one year a more than tripling of food production. We've seen universal attendance of children in school to take advantage of a new big school meals

program, we've seen big improvement of the health situation by investing in the basic public health in the community and because the farmers got extra cash – actually this year they got cash for the first time. Last year they didn't grow enough food to take to market, this year they had a surplus so they were able to take it to market, earn cash and microfinance enterprises were able to start with them for the first time and we're seeing the complementarity of the microfinance side with the public investment side and I think that's likely only to intensify in the coming years.

Let me conclude by just stating some of the basic boundary conditions that we're seeing. We're seeing that about sixty countries or so will not meet the millennium development goals on the current trajectory and by and large, though with some exceptions, these countries are too poor to be able to afford the investments, either publicly or privately, that would be needed. Saving is too low, poverty is too extreme, lack of ability to mobilize government financing is too low to be able to make effective use of either to... meet I should say the kinds of sequence increases of public and private investment that would be needed to achieve the MDG's. But, the amount of investment gap – what needs to be helped in these places – is quite modest. Fifty to seventy dollars per person, per year, right now, would put these countries on an investment trajectory to achieve the millennium development goals. This will require, by our estimate, a little bit more than a doubling of aid, but a much better allocation of aid, away from mainly aid for workshops and talking, and rather aid that directly reaches the villages. To build roads or grade roads, to build clinics, to provide anti-retroviral medicines, to provide free anti-malaria bed nets, to help farmers grow with improved seed and fertilizer – and that is complimentary to that comes in

the microfinance, especially when the communities get out of the most extreme poverty.

If that \$50-\$70 per capita were actually delivered, because of that, even worldwide, for all of the poor countries not meeting the millennium development goals, would be quite modest about one-half of 1% of the Gross National Product of the rich countries. So we're not talking about a lot of money we're actually not talking about more aid than has been promised by the donors but not delivered. We're simply talking about the need for the rich countries to fulfill their commitment to 0.7%, in official development assistance. To use that ODA to build the basic infrastructure, roads, power, safe water and sanitation, clinics, convenient schools, bed nets, other kinds of medicines in the dispensary, basic telecommunications and Internet connectivity for the village, for example. By doing these things it would cost less than the 0.7% and it would unleash the private investment, the green revolution investment, the ability to turn to urban-based investment – it would do all of those things at an extremely low cost. The European Union has promised to fulfill that 0.7 commitment, though in what kind of aid it hasn't made clear. The United States, unfortunately, is right back at the bottom of the list – the smaller giver of aid as a fraction of the Gross National Product – and the US leaves a gaping hole in meeting the basic investment needs. I think that's extremely dangerous and unwise of US policy because after all, as some US experts said a few days ago, as avian flu comes to East Africa, there is no health system, no surveillance system to address it. We will be a peril once again because of something happening far away, in another part of the very poor world. It's a huge mistake not to understand the interconnection that we face.

I think in the end the US will recognize these. We will get more foreign assistance budget. US AID really needs, in my view, an augmentation and strengthening, to be a conceptual leader and a direct provider or financier of some of these critical health and education and soil and seed, investments which it's not doing right now. I believe that if we can get this process going and with Europe's backing at the G8 Summit and with what I still believe is a real possibility for increased US help, that will provide a framework in which your activities especially in microfinance can be dramatically strengthened, can be given a tremendous boost of leverage.

And I do believe that the combination of the private action and the public action can be so powerful as to indeed take those five dozen or so countries now off track, and not only get them on track to achieve the millennium development goals but actually help them to sail right through 2015 on the way to 2025, at which point we could really bring an end to this era of such extreme but such unnecessary suffering in the poorest parts of the world. Thank you very much again for the chance to share a few thoughts with you and thanks for what your wonderful organizations are doing.

Moderator: Thank you very much for that, Dr. Sachs, and thank you all for just staying here and taking a few questions now. By the way that was just a superb presentation – all extempore I can tell – you're living and breathing this every day. We have a number of questions that I think reflect perhaps a bit of the disappointment of the microfinance community that what they do really is not at the center of your eight point plan, so I hope you've got somewhat thick skin for some of these questions.

Moderator: Okay, good, good. All right, so here's one of those questions. You are dreaming. This is a utopian plan just more trickle down stuff. In the past, aid from governments has primarily been directed toward exactly the kind of big projects that you're talking about – funneled through the country governments. Of course, why are we not surprised in that the UN is an organization of countries. It is widely believed that most of the aid in the past has been wasted, either through inefficiency or through outright theft through corruption. Why do you persist in dreaming that advocacy of more of this type of aid is going to work this time?

Dr. Sachs: That must be for a different session that has absolutely nothing to do with what I'm recommending.

Moderator: Well you are recommending money flowing to the countries, where it will be subject to, well let me put it this way, how do you know that it won't disappear in corrupt practices and inefficiency yet again?

Dr. Sachs: Yeah, well, first what I'm recommending is very practical, very practical investments that are countable, monitor able and proven. Yesterday, in meeting with the head of the American Red Cross we discussed the Red Cross's wonderful project of giving out, for free, anti-malaria bed nets, together with measles immunizations, to several hundred thousand Togolese. That's the kind of aid program that works and it's the kind of aid program that I've been recommending for many years. Specific, targeted, based on the scientific evidence, reaching the poorest of the poor, countable and monitor able. That's not the kind of aid that we have right now almost at all, except in a few specific cases, each of which has been successful. That's what Rotary International is doing

when it's giving away polio immunizations. That's what the American Red Cross is doing when it's giving away measles immunizations and anti-malaria bed nets. That's what Glaxo-Smith-Kline is doing when it's giving away Albendazole for lymphatic filariasis, that's what Merck is doing when it's giving away Mectizan to fight onchocerciasis, that's what Pfizer is doing when it's giving away it's antibiotics for trachoma. And all of these, including smallpox eradication, which wasn't in a few places, it was in every place in the world, and let me add the green revolution itself, which was a aid-pioneered and aid-led effort, was crucial in producing practical results. So whoever said that completely misunderstands the proposition.

The proposition is to be practical, on the ground, investment-oriented, recognizing the major challenges, growing more food, fighting disease burden, having children in schools with school meals programs, getting small-scale water management, treadle pumps, irrigation and the like, improved seed varieties, safe drinking water, sanitation, graded roads, solar panels, diesel generators, other power supply for villages. This is not anything like what is done right now, which is a bunch of meetings and high priced consultants that take what little aid there is and have conferences, primarily. That's not what I'm recommending and I'm not recommending that it go through the United Nations. So this is just silliness, probably my own fault, I've tried to explain every time but I guess these are easy statements to make because this kind of bashing is not unusual. This is not a program for the UN. It's not a program for big government. It's not a program for trickle down. It's a program actually for bottom-up, real investments to provide the most basic infrastructure, public health, schooling for impoverished communities so

that they can partake and be part of a wider market economy. Ten million children will die this year for lack of access to the most basic health services. That can be solved because all of those excess disease conditions: diarrheal disease, vaccine-preventable disease, helminthic parasitic infections, malaria, AIDS, micronutrient insufficiencies are practical solvable with known proven health care and preventive health measures. But they cost more than an impoverished community on its own can manage. So if we're practical and targeted, both on the agriculture and the health side, a tremendous amount can be done. And don't take it on faith – that's a matter of proven record whenever these specific investments have indeed been made.

Moderator: A superb defense, thank you very much, Dr. Sachs, we're going to turn to our audience now with some questions spoken by the audience themselves. Who has the first microphone; yes go ahead.

Audience member: Thank you. This is a room of people, who work not just in the field of microfinance but also in the field of micro-enterprise development, and I wanted to, I don't think any of us would argue against the value of increased public investment in basic infrastructure. However, I think some of us may have reacted when we were hearing things like the treated bed nets and agricultural input supplies and so on because, in fact, in many of these communities even very poor communities, there are functioning markets for some of these things and, in fact, it's micro-entrepreneurs who are providing some of these things. And so, and I think it's partly a function of the fact that publicly-funded social services have not worked for so long that we've kind of gone, well, let's skip all of that, these will have to be private services if they're going to be

available. So I guess I'd ask you to speak a little bit to some of the assumptions maybe underlying about first you do public investment and then private investment will follow. And, you know, how can we really be developing some of these markets without unintended displacement happening of existing, you know, businesses, entrepreneurs, supply chains and so on. Even in the areas of health, education and supply of water and sanitation, there are increasingly private solutions commercial, enterprises that are in fact affordable to even pretty poor households.

Dr. Sachs: Thank you. I agree with the implication in some cases and not in other cases. Let me start with the place where I disagree. Let me make one thing perfectly plain, and that is private market operators, of course, should operate if they can and if they can make money doing it, but waiting for expecting them to solve some of these problems is, in my view, a huge mistake. I would never make the argument that immunization of children for measles or DPT or polio should be basically a micro-enterprise activity. I would say that for overwhelming reasons, both the need for universal coverage, the so-called spillover effects that are intrinsic in infectious disease or sometimes called the mass action effects, the fact that the poor can't pay for those things, the organizational requirements of cold chains and other things, all of them say to me that this is probably something that the Red Cross or the Ministry of Health or others should do – not a private market. Now I feel the same way about the provision of long-lasting insecticide-treated nets in poor villages. The producers of those nets there are only two right now in the world that produce long-lasting insecticide-treated nets and there will be probably three or four. They're major producers, Sumitomo Chemical, Vestiguard, Bayer but they're

products costs \$5-\$7 to produce. There's one major licensee you know in Arusia, A to Z Mills, but the poor cannot afford those, not the poorest of the poor certainly. And I'm working all over Africa where people know about the nets, where they're dying of malaria and they can't afford a \$5 bed net. The underlying logic of that to me is exactly the same as a smallpox vaccine. There is first of all an overwhelming reason to ensure coverage, second there are powerful spillover effects because if my neighbor is not sleeping under a bed net I'm in much greater danger than if my neighbor is sleeping under a bed net. The same way that I'm in much greater danger if my neighbor is not immunized, it's a classic mass action effect. The reason that there are private suppliers is you're right, there's no public system right now and the private suppliers are reaching some peri-urban areas and they're reaching a small part of the population in some rural areas and when the prices drop, through social marketing, down to fifty cents in anti-malarial clinics you reach an expanded amount but you don't ever reach mass coverage. And that's why Red Cross in its Togo campaign simply gave away the bed nets when the mothers came for immunizing their children against measles and to me that's absolutely the right approach.

Frankly, I'm living in the only country in the developed world that would think you want to privately market anti-malaria bed nets because we're the United States is the only country that doesn't view that as a public health issue. To me it's an utter obvious public basic public health issue and we ought to treat it that way, and especially it's been years of failure to get scale-up on malaria with all these attempts because I visit all sorts of villages where USAID and others are doing things but it doesn't reach very large numbers because people can't

afford even the socially marketed nets until they're dropped down to sixty cents a net. And then, it's the transactions cost of doing it through social marketing are much higher than actually just distributing the nets en masse. So that's my answer. I don't see the point of it in that case. I see the point of it when it's not a public function.

Now on the fertilizer and seed, twenty years ago the World Bank said the reason that farmers aren't getting fertilizer and improved seed in Africa is the distortions of the pari-statal system. And a whole theory was elaborated that if we could take the state out, the markets would come in. But I know – I just spent a summer visiting more than a dozen countries and villages all over Africa but it's not just that, I've just been saying that I just saw it with my own eyes, but also the data are absolutely clear, African farmers are not fertilizer on staple food production right now. They can't afford it, the systems don't exist and twenty years after the World Bank seminal paper on making rural agricultural markets, we're still not getting them. And that's why the food yields are so low in so many places in Africa, and why we have massive crop failures because the soils are so nutrient depleted. We're not getting a proper crop right now in Malawi, in Rwanda, in Mali, in Niger. It's all over the continent where we see the same syndrome – in Ethiopia, in Kenya. So I believe that we should do what happened in the Asian green revolution, which was to begin with subsidy and gradually take it off as the investments in the rural areas enabled a market economy to take hold, but not to do what we've done for the past twenty years which is to say that a market economy can solve the problem. It hasn't and it won't because the people are too poor, too weak, their soils are too depleted of nutrients, they need help right now much more than we're giving it.

And this can be done on a ground up basis actually it's an under the ground basis but on a community basis, it's not a complicated process – it actually is the Asian experience of the 1960s, 70s and in some places into the 1980s. You can do it in a market friendly way. You can give vouchers to small farmers, which they can claim at private distributors. So there are clever ways to do this. You can support private market development no one's saying that the state should produce fertilizer. No one's saying that the state should produce bed nets. It's a question of how it reaches the very poor – that's my point. And so you can use techniques like vouchers to actually get the job done, but start with the target of the vital coverage. Understand the reality, I say, of how poor these dying poor are because this is the most extreme poverty on the planet and we ought to attend to it in a serious way. And then, sure, in some areas like fertilizer, I don't think that's a public function for the long-term by any means, and so do it through voucher systems, smart cards that go to private dealers. But for the bed nets, I have to say I'm not impressed by the argument about prodding out because even in ten years, I would say in rural Africa the bed nets mass use is a public health function that's vital to be done on a comprehensive basis and should be viewed in the same trajectory as an immunization campaign. And all over the world immunizations are free with the limited exception of this country.

Audience member: Hi Dr. Sachs, you mention that the woeful level that the US government is giving towards this cause and I'm going to make to the assumption that politicians get pressured by the general public, those of us in this room here are pretty familiar with the millennium development goals and USAID, but when I

talk to my friends over in the private side, they have no idea of USAID and very little about the millennium development goals. You know, Live Aid brought a little bit of attention to that but it hasn't sustained. How do you see, which efforts do you see helping maintain this in the public's attention – that short attention span – so that they can pressure the government to give them money that you see that's needed?

Dr. Sachs: It's very hard in our country I don't know quite why it's so hard. We are 22<sup>nd</sup> out of 22 countries once again in the share of aid that we're giving to officials. The share of GNP that we're giving to official development assistance – we're at .016%. Europe has now set a timetable to reach .7%. Of course, Europe as a whole is almost at .4% right now. It can't be a general theory of parliamentary democracies, it's something specific about the United States feeling, the public feeling very far removed from this or feeling that the poor deserve what they get, or feeling that the problem's really one of corruption, like the first question, or why should we give aid we all tried it before we've done all of that it's all been stolen. That kind of stereotype is very prevalent; It's completely wrong, utterly wrong, because it doesn't realize how little aid the US has given to Africa for so long. You know, what is our aid this year, by the way, to Africa? It's .03% of GNP, .03. It's a little over \$3 billion of which one billion, \$1.2 billion or thereabouts, is emergency food aid. It's not even development assistance. It's just emergency food aid half of which is transport costs, by the way.

Then you get the next billion, what's the next billion? More than a billion is actually American consultant salaries. That's okay if we were doing twenty billion of things but not when it's a third of the total. And then

less than a billion is actually the supply of bed nets, anti-retroviral medicines, support for agricultural growth rather than emergency food aid. It's really unbelievable to me how little we do and I think it serves our country very badly I have to say. I think it's a danger for national security. In many ways – in the political instability but also as a story said in *The New York Times* a few days ago, they said, you know, avian flu is now coming to East Africa and lo and behold there's no public health system, there's no surveillance system, there's going to be no ability to cull the fowl that will be infected and that possibly can, of course, create a new zoonosis with a human population and mutation that spreads human to human and creates the pandemic we're all terrified about. Of course there's no public health system, we haven't been building it, and these places are too impoverished to do it, and the private sector's not going to build a public health system. In no place, but not in a place that is already not even with enough income to feed itself much less to have a health system.

So the truth is that for decades American investment in Africa has been a pittance and it's been mostly food aid and mostly consultants' fees and very, very little actual investment delivery. Now when Americans find that out they're quite surprised. They resist at first then you show them the data – it's all online you can find it all in great detail – but they're absolutely stunned actually when you finally get to it, they're not happy about it then it creates another backlash against government. I'm not trying to create a backlash against USAID, I believe in USAID. I would like it to do a proper job and be empowered to do a proper job of actually getting the real investment needs for these communities. And the stereotypes that Americans have that aid doesn't work, boy, is that pervasive but

when you look at disease after disease that I mention, smallpox, polio, measles, DPT, African river blindness, leprosy, lymphatic filariasis, African guinea worm, everyone of these has been reduced sharply when direct interventions have been made. We know how to do that. I shouldn't say we the public health community in these countries and internationally knows how to do that. And they've done it successfully but they've been so disempowered that they get pennies on the dollar of what's needed.

Malaria will kill 3,000,000 children this year, by the way, or thereabouts, and yet for \$3 billion total this disease could be brought down dramatically, not eliminated but brought down dramatically, through the mass provision of anti-malaria long-lasting insecticide-treated nets, through the mass provision of Artemisinin and combination therapies, through training community health workers, through local diagnostic capacity and the whole bill is \$3 billion. That's less than two days' Pentagon budget. It makes no sense for the US expanded program now which I'm glad they've expanded it, its \$1.2 billion over five years. Why so little? Because if you do the arithmetic you find out that just doesn't go very far. So I don't know what to do about the American public opinion exactly, I found that when these issues are explained there's a huge reservoir of good will in America, huge. I personally get dozens of e-mails – hundreds a week – I want to do this, how can I contribute, what should be done? I don't find any malice. I find skepticism, understandable given what people hear. I find an overestimation of what we're actually doing by a factor of twenty or thirty or forty and I don't find in Washington in the political structures either in Congress or the White House an adequate response to this. And USAID's budget is completely inadequate in my view to be able to address

the real challenge in Africa so it's a good question we have to each figure out ways to do what we can but I do believe that more leadership could make a big difference quickly simply by informing the American people. What is possible, what are we actually doing, how could we do more because I think there'd be strong support for it.

Audience member: I'm an independent consultant. What is your current view on structural adjustment policies, their contribution to the poverty that developing nations are facing today, their relevance? Related to this is, are there certain macroeconomic and/or democracy in governance standards that countries should be expected to meet before they're expected, and before we're expected to handle over huge sums of money to deliver these public services?

Dr. Sachs: Yes, there are. We should not give over aid to countries where we can't monitor, evaluate and reliably confirm that the money is being used for the purposes for which it's intended. That would not be possible in a place like Zimbabwe right now, couldn't be done – can't trace anything. It is an autocratic, corrupt, non-transparent country that could not be relied upon to handle an effective aid program. It is not the norm of Africa, it is one of the extreme cases and I do believe we need to deal country-by-country. Ghana is nothing like that. Malawi is nothing like that. Rwanda is nothing like that. Mali is nothing like that. Niger is nothing like that. Senegal is nothing like that. Yet we also don't help those other countries that I mentioned. So I believe in differentiating and I liked the concept of the Millennium Challenge Corporation when I thought it was actually going to do something. But it turned out that three and a half years later it hasn't been

able to figure out how to get started. It's a huge disappointment, a lack of adequate attention and experience in practical development management. But the idea that you would take note of could your aid be used reliably is crucial. I am not calling for trust, I'm calling for delivery. And I'm not calling for a blank check. I'm calling for specifics. Actually, I'm not even calling for a check. I'm calling for commodities, for bed nets, for soil nutrient replenishment both chemical and organic, for improved seed varieties, for anti-retroviral medicines, for micronutrient supplements and many other practical things. And those are measurable monitorable things, that's why the Red Cross can have a Togo campaign where it gives out measles immunizations and bed nets, but this needs to be done throughout the continent in places where you can do it.

Audience member: Excuse me, because we're out of time what about macroeconomic policies and your views on structural adjustment now?

Dr. Sachs: Yeah so macroeconomic stability and open trade, in my view, are important, but there's a basic flaw in the structural adjustment program or concept. The current way that structural adjustment works is that the IMF calls around to the donors and says, "So what do you got for Ghana?" and you add it up and then the IMF goes in to the Finance Minister and says here's what you have for aid. Now you have to live within these constraints because we don't want to see inflation here in macroeconomic instability. Fair enough, in the sense that nobody should be asking for open domestic credit expansion that is inflationary that makes no sense. But the difference of what I'm saying and what the IMF is saying is that I'm saying instead of calling around to the donors and asking so what do you got, one should do a serious

analysis so what do you need? What do you need in terms of malaria bed nets, Artemisinin and combination drugs and all the rest? What would be a serious public investment approach to achieve the public investment side of the millennium development goals? What's the gap? What can Ghana realistically afford? What can Ghanaian households realistically afford? What can the Ghanaian government budget realistically mobilize? If you do that seriously you'll find a financing gap in countries that have per capita incomes of under \$400-\$500. They can't do these investments out of domestic resources. Even up to \$600 or \$700 in some places can't be done. And when you're at \$200 like Malawi or \$100 like Ethiopia, you need help because there's no way these investments can otherwise be made.

Now, my view is that you do that analysis what we call an MDG needs assessment, you then look at what the financing realities are, then there's a gap. Then the IMF instead of staying to the country, sorry you can achieve the MDG's should be looking to the donors and saying you committed up to 0.7% of Gross National Product, you said you would make concrete efforts towards the target of 0.7%. Well, this country needs more help. Then you have to ask the question could it be properly used, what's the delivery mechanism, how would you implement it, what's the plan? That's actually doable. That's what Red Cross or Rotary or many other programs do all the time.

So you think about how to do a national scale program. If it all checks out, then what the IMF should be doing is mobilizing the increased financing. What's wrong with structural adjustment is it's all a donor driven process. It's not a needs driven process. It is you adjust to what you have

not to how much we promise to help you achieve certain goals, and in my view, that's the wrong idea. The right idea is we're all in this together to achieve the millennium development goals, the rich countries have promised to make concrete efforts towards 0.7, the poor countries have committed to good governance and responsible MDG-based programming. Let's get serious together and mobilize the resources and the implementation strategies to get the job done.

Structural adjustment models do not do this at all right now. They are not goal-oriented needs based, they are here's what you have take it and do the best with it and the best has not proven to be good enough.

Moderator: Dr. Sachs, thank you very much indeed you've, you know, it's very apparent that you're speaking from the heart as well as from the head, and I know that the microfinance community listening to you here today has been very impressed. We've learned a lot and I think you've made a lot of friends.

Dr. Sachs: Thank you. I hope I have some friends there even before.

Moderator: Believe me you do. Dr. Jeffrey Sachs.

Dr. Sachs: Thank you very much.

Moderator: Bravo.