

More Aid, Pro-Poor Trade Reform and Peace-Building Vital to Ending Extreme Poverty

World leaders presented ^{The} new UNDP *Human Development Report* in advance of World Summit at UN next week

United Nations, 7 September 2005—World leaders today received a stark assessment of the human costs of missing agreed global targets for lifting people out of extreme poverty—costs which would include many millions of preventable deaths over the next 10 years, according to UNDP's 2005 *Human Development Report*

Presented to heads of state and government one week before they meet in New York for a crucial UN summit to review progress towards the Millennium Development Goals (MDGs), the *2005 Human Development Report* shows that while there has been substantial overall progress globally, many individual countries are actually falling further behind.

The Report calls for swift and dramatic changes in global aid, trade and security policies to fulfil the promises made by the international community when world leaders gathered here to address these problems five years ago. “The world has the knowledge, resources and technology to end extreme poverty, but time is running out,” said UNDP Administrator Kemal Dervis.

UN Secretary-General Kofi Annan said that the *2005 Human Development Report* spells out what is at stake in the September 14-16 World Summit. “I urge member states to heed this timely message, and to use next week’s Summit to launch us on a global effort to make this vision a reality. And I commend the ideas and analysis in this report to all citizens, civic organizations, Governments, parliaments and international bodies who are working to achieve the Millennium Development Goals,” Annan said.

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The Report was delivered to world leaders today through the missions of the 191 member states of the United Nations in preparation for the 2005 World Summit, which will be the largest-ever gathering of heads of state and government. The Summit will be assessing progress and recommending further action toward achieving the MDGs, which originated in the Millennium Declaration, unanimously adopted by world leaders at the Millennium Summit at the UN in 2000. The MDGs include pledges to halve extreme poverty, reduce child deaths by two-thirds, and achieve universal primary education by 2015.

In London, UK Prime Minister Tony Blair welcomed the report as a powerful and timely reminder of the scale of the challenge the world is facing and of the human costs of failure: “With 10 years to go to the 2015 Millennium Development Goals target date, we need to make the next decade a decade for development, a decade in which we deliver on the promise made in the Millennium Declaration. I commend the Human Development Report for providing us with a compelling vision for the future.”

The report says that under current trends the promises of the Millennium Declaration will not be kept.

“The Millennium Declaration was a solemn pledge to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty,” notes Kevin Watkins, the Report’s lead author and Director of UNDP’s Human Development Report Office. “The MDGs are a Promissory Note, written by 189 governments to the world’s poor people. That note falls due in less than 10 years time, and without the required investment and political will, it will come back stamped ‘insufficient funds.’”

The human development record of the 1990s

PROGRESS	DOWNSIDE
<i>130 million people lifted out of extreme poverty</i>	<i>2.5 billion still live on less than \$2 a day; poverty reduction slowed in the 1990s</i>
<i>2 million fewer child deaths a year</i>	<i>10 million preventable child deaths every year</i>
<i>30 million more children in school</i>	<i>115 million children still out of school</i>
<i>1.2 billion people gained access to clean water</i>	<i>More than one billion people still have no access to safe water; 2.6 billion lack access to sanitation</i>

Using the latest country-level data, the Report shows that human development is improving but too slowly to achieve the MDGs. Among the key findings:

- **Fifty countries** with a combined population of almost 900 million are falling backwards on at least one of the Goals. Twenty-four of these countries are in sub-Saharan Africa.
- **Another 65 countries** with a combined population of 1.2 billion risk failing to meet at least one MDG until after 2040. In other words, they may miss the target by an entire generation.
- **Goal to cut poverty:** In 2015, on current trends, there would be 827 million people living in extreme poverty—380 million more than if the internationally agreed target were reached. Another 1.7 billion people would be living on US\$2 a day.
- **Goal to reduce child deaths by two thirds:** On current trends, the goal to reduce the deaths of children under five years of age would be met in 2045, not 2015—30 years late. Over the next

decade, the cumulative human cost of missing the target would translate into 41 million more child deaths.

- **Goal of universal primary education:** In 2015, 47 million children would still be out of school, 19 million of them in sub-Saharan Africa.
- **Goal to improve access to clean water and sanitation:** Instead of halving the ranks of the one billion people who lack access to fresh drinking water, on current trends the world in 2015 would still be 210 million people short of this goal. More than two billion would still lack proper sanitation in 2015, mostly in sub-Saharan Africa.

Progress on aid, trade and security must be linked

“This *Human Development Report* presents us with a clear warning. We know that the MDGs are attainable, but if we continue with business as usual, the promise of the Millennium Declaration will be broken,” said UNDP Administrator Kemal Dervis. “That would be a tragedy above all for the world’s poor—but rich countries would not be immune to the consequences of failure. In an interdependent world our shared prosperity and collective security depend critically on success in the war against poverty.”

The authors emphasize that development is ultimately up to the governments of developing countries—to tackle inequalities, respect human rights, encourage investment and root out corruption. But the Report focuses on the role richer countries must play to defeat poverty, in three vital areas—aid, trade and security.

“Failure in any one area will undermine the foundations for future progress,” warned Watkins. “More effective rules in international trade will count for little in countries where violent conflict undermines opportunities to participate in trade. Increased aid without fairer trade rules will deliver sub-optimal results. And peace will remain a fragile entity without the prospects for improved human welfare and poverty reduction that can be provided through aid and trade.”

Extreme inequality slows progress

The *2005 Human Development Report* argues that extreme inequality is a brake on progress towards the MDGs and wider human development goals. The Report spotlights the scale of the international wealth divide: The poorest 40 percent of the world’s population—2.5 billion people, living on less than \$2 a day—account for just five percent of all global income.

The *Human Development Report* team argues that inequalities within countries also weaken the link between economic growth and poverty reduction, and that in very unequal societies, growth may have little impact on poverty. Economic growth alone will be insufficient to enable most countries to achieve the Goal of halving poverty, and far more attention should be paid to creating conditions under which the poor can increase their share of future national income gains, the authors argue.

“Anybody questioning whether income distribution matters might reflect on the fact that the poorest 10 percent of Brazilians are poorer than their counterparts in Viet Nam, a country with a far lower average income,” said Watkins.

The Report highlights the interaction between inequalities based on income, rural-urban divisions, ethnicity, and gender. In India, the death rate among children aged one to five is 50 percent higher for girls than boys. Along with inequalities among states, this gender gap is one of the major obstacles that needs to be overcome for India to convert economic success into human development success.

Aid pledges must be kept—and resources delivered quickly

The Report points to positive developments since the 2002 Monterrey conference on financing for development, culminating in the July 2005 G-8 Gleneagles pledge to increase aid by \$50 billion over last year's levels.

However, it warns against complacency. "Even a three-quarters full aid glass will not bring the Millennium Development Goals within reach, especially if resources do not come on-stream for several years," the authors warn.

Looking beyond aid quantity, the *Human Development Report* also calls for improvements in aid quality. The Report estimates the cost of tied aid—assistance that is linked to the purchase of goods and services from donor countries—at \$5-7 billion a year. The Report identifies excessive policy conditionality and weak donor coordination as additional problems.

"We hope that the G-8 promises to increase aid are kept and that the additional assistance is made available as quickly as possible and is targeted to do the most good," said Dervis.

"Perverse taxation" of poor by world trade policies

The *2005 Human Development Report* says donor countries have failed to act on their commitment to a 'development agenda' at the World Trade Organization (WTO). The authors say the Doha Round has so far delivered little of substance—and that a failure to reform trade rules at the ministerial meeting planned for December in Hong Kong would have grave consequences for the MDGs, and for the entire multilateral trading system.

The Report decries what it calls 'perverse taxation,' under which the world's poorest countries face the highest tariffs in rich countries, and examines the impact on the poor of agricultural subsidies and protectionism in wealthy industrialized nations. Donor countries, the Report shows, spend \$1 billion a year aiding agriculture in developing countries and \$1 billion a day on domestic subsidies that undermine the world's poorest farmers. At the same time, the report warns that the European Union and the US are restructuring their subsidy programmes to limit the effectiveness of WTO disciplines.

The overall effects of agricultural protectionist measures and subsidies in wealthy countries, the Report estimates, cost developing countries close to \$72 billion a year—an amount equivalent to all official aid flows in 2003.

The *2005 Human Development Report* also examines armed conflict as a critical development problem which must be addressed together with aid and trade reforms. The great majority of countries in the 'low' human development category—22 of 32, according to the Report—have experienced violent conflict since 1990. The Report stresses the critical importance of conflict prevention in the eradication of poverty, and the scope for international action to tackle the challenges posed by the global small arms trade and post-conflict reconstruction. "The interaction between poverty and conflict in many developing countries is destroying lives on an enormous scale," the Report states.

The authors strongly endorse Secretary-General Kofi Annan's proposal for a Peacebuilding Commission to assist post-conflict countries in the transition to reconstruction and long-term development.

18 countries show reversals in human development

The Report shows that 18 countries, with a total of 460 million people, have moved backwards on the Human Development Index (HDI)—a compendium of key indicators such as income, life expectancy and education—since 1990, when the first groundbreaking *Human Development Report* was published. Of the 18 countries, 12 are in sub-Saharan Africa. The other six countries were all in

the Commonwealth of Independent States, the nations of the former Soviet Union.

Southern Africa was hit hardest, in a downturn driven primarily by the HIV/AIDS pandemic. South Africa fell 35 places in the HDI; Zimbabwe, 23; and Botswana, 21. Tajikistan fell 21 places; Ukraine, 17; and the Russian Federation, 15. Declining life expectancy combined with economic disruption after the fall of the Soviet Union were the main factors. Russia's life expectancy ranking plunged 48 places since 1990.

There has been progress in many other nations, however. Over the past 15 years people in developing countries have on average become healthier, better educated, and less impoverished—and they are also far more likely to live in a multi-party democracy. Life expectancy in developing countries has increased by two years while two million fewer child deaths occur annually. Meanwhile, 30 million fewer children are out of school and more than 100 million people have escaped extreme poverty. Over the last decade, 1.2 billion people gained access to clean water, while literacy increased in developing countries from 70 percent to 76 percent in the past decade, according to the Report.

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ABOUT THIS REPORT: Every year since 1990, the UNDP has commissioned the *Human Development Report* by an independent team of experts to explore major issues of global concern. A worldwide advisory network of leaders in academia, government and civil society contribute data, ideas, and best practices to support the analysis and proposals published in the Report. The concept of Human Development looks beyond per capita income, human resource development, and basic needs as a measure of human progress and also assesses such factors as human freedom, dignity and human agency, that is, the role of people in development. *The Human Development Report 2005* argues that development is ultimately “a process of enlarging people's choices,” not just raising national incomes.

The *Human Development Report 2005* is published in English by Oxford University Press.

ABOUT UNDP: UNDP is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 166 countries, working with them on their own solutions to global and national development challenges. As they develop local capacity, they draw on the people of UNDP and our wide range of partners. For more info on UNDP: <http://www.undp.org>

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