



The Idealist

Jeffrey Sachs and the Quest to End Poverty

Nina Munk

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Rating

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Focus

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Sales & Marketing

Finance

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IT, Production & Logistics

Career & Self-Development

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Concepts & Trends

Take-Aways

- Jeffrey Sachs built his reputation as an economist by prescribing fiscal “shock therapy” for Bolivia and Poland.
- A World Health Organization report directed by Sachs concluded that poverty kills eight million people a year worldwide.
- Sachs believed Africa was poor because the world didn’t supply sufficient aid.
- His solution was to adopt “Millennium villages” in Kenya, Uganda and Tanzania.
- He raised donations to provide these villages with bed nets, schools and fertilizer.
- Against expert advice, Sachs persuaded Tanzania’s president Jakaya Mrisho Kikwete to push for a \$200 million grant to distribute 18 million mosquito nets.
- Dertu, Kenya, received aid for a school and other support, but never overcame its lack of water and electricity.
- The school fell into disrepair and damage; only one teacher remained for 392 students.
- Dertu residents received 5,000 tree seedlings for windbreaks, but no one planted them.
- In Southern Uganda, Sachs urged the planting of maize crops even though the local residents disliked the taste of corn.

Relevance

What You Will Learn

In this summary, you will learn: 1) How economist Jeffrey Sachs proposed to end poverty in Africa, 2) What challenges emerged and 3) Why the experiment didn't work as planned.

Review

By 2005, Jeffrey Sachs was a rock star as economists go. He had written a best-selling book – *The End of Poverty* – and his speeches drew sold-out crowds. Sachs spread the message that the way to end poverty in Africa was to invest in clean water, basic medical care, fertilizer and mosquito nets. He raised \$120 million from donors and directed the cash to several villages in Africa. Journalist Nina Munk chronicles his humanitarian experiment and reports from the ground in Kenya, Uganda and Tanzania. She finds Sachs's optimism unfounded and reports that African poverty is too complex to be fixed with well-meant donations. While cautioning that this is only one viewpoint about a saga that surely drew many different opinions, *getAbstract* recommends Munk's journalistic assessment to NGOs, investors, entrepreneurs and policymakers seeking a realistic overview of an optimistic and valiant, if doomed, effort.

Summary

Dr. Jeffrey Sachs "has convinced the developed world to consider his utopian thesis: that with enough focus, enough determination and enough money, we can 'end the suffering of those still trapped by poverty'."

"We have enough on the planet to make sure, easily, that people aren't dying of their poverty."

From "Shock Therapy" to Idealism

In 1985, Bolivia invited Harvard economist Jeffrey Sachs to help end its financial crisis. Bolivia had an "annualized inflation rate of 25,0000%," so neither the International Monetary Fund nor the World Bank were keen to help. Sachs prescribed austerity – widespread layoffs, less government spending and no price controls. Bolivia shifted to a market economy, and Sachs's economic shock therapy seemed to work.

After Sachs's similar program also succeeded in Poland in 1989, Boris Yeltsin asked him to work his magic on Russia's economy. Yet Russia proved too big, corrupt and unwieldy, and Sachs failed. World Bank chief economist Joseph Stiglitz derided Sachs's thinking as "excessively simplistic."

Sachs traveled to Zambia in 1995. He saw the misery and suffering that AIDS caused and found the calling that would consume him for a decade and a half. He spent two years overseeing the creation of a World Health Organization report on global poverty, finding that eight million impoverished people die each year from starvation, malaria, diarrhea, AIDS, TB and other ailments that don't kill people in rich countries. He concluded that spending \$66 billion a year could stop those deaths. The money wasn't charity; it was a wise, possibly profitable investment.

Sachs believed that sub-Saharan Africa was poor because the rest of the world didn't care enough to solve its problem. Yet, since the colonial era ended in the 1960s, Africa had received some \$700 billion in aid, gifts that the late US senator Jesse Helms derided as "money down a rat hole." Convinced that money could save lives, Sachs insisted that \$250 billion a year in foreign aid would end extreme poverty by 2025.

Sachs gave speeches, wrote opinion pieces, hosted news conferences, offered testimony in Congress and lobbied international leaders. Columbia University wooed Sachs away from Harvard. He befriended rock star Bono, who complimented Sachs by calling him an

"Taking over the rhetoric of corporate America, cunningly, Sachs's report managed to transform a health catastrophe into a business proposition: Saving lives can offer huge return to investors."

"It's his ability to synthesize, to turn ideas into bullet points, that has allowed him to move the issue of global poverty into the mainstream."

"Sachs had witnessed... the dramatic effect of handing out free bed nets: It stopped malaria in its tracks."

"With the Millennium Project's core interventions in place (medical supplies, classrooms, pit latrines) the people of Dertu were no longer just struggling to stay alive."

"irritant." A UN official described Sachs as "a bully." Sachs's book *The End of Poverty* – which prescribed fertilizer, wells and mosquito nets to help Africa – sold well. *Time* magazine named him to its list of influential world figures.

The "Millennium Villages Project"

Sachs's high profile helped him raise money from donors such as cable billionaire Gerry Lenfest, who gave \$5 million. Sachs promised to adopt one or two villages in Africa. He vowed to deliver aid directly to the villagers and to bypass corrupt government officials.

Sachs adopted Sauri, a rural area in Kenya. Given high-yield seeds, its harvests soared. Mosquito nets caused malaria rates to plunge. Sachs appeared in an MTV documentary starring Angelina Jolie. In 2006, he persuaded billionaire George Soros to give \$50 million. Soros's board members regarded Sachs as egotistical, and Soros himself noted "a certain messianic quality." Still, Soros's huge donation enabled Sachs to put his theories into practice.

Sachs invested in Dertu, a town in Kenya's North Eastern Province, an arid zone populated by nomads with herds of cattle, camels, donkeys and sheep. The herdsmen trade livestock and sell camel milk. Dertu lacked roads, electricity, police, schools and hospitals. The town existed only because of a well that UNICEF had drilled. Once part of Somalia, Dertu appeared on no maps and had no official economy.

Sachs set up Dertu as a Millennium village. The village had just a few buildings, so Sachs's staff slept outside despite the lengthy drought broken by sudden, flooding deluges during the brief rainy season. Malaria and diarrhea followed the floods. Sachs hired Ahmed Maalim Mohamed, a Somali with a doctorate, to run the project. Mohamed gave out mosquito nets and vaccinated the livestock. The next task was to dig latrines to contain the waste that spread disease.

Most of the population was illiterate. Men had multiple wives who had many children. Women often died in childbirth, as did their infants. Mothers, resigned to their babies' low survival rates, believed God's will trumped medical care. Sachs saw high birth rates as a rational reaction to poverty; children provided free labor. Because many children died young, the decision to "overcompensate" by having many children made sense. Sachs believed that – with improved health care and education – the people of Dertu would have fewer children and everyone's living standards would rise. He worked to connect Dertu to the world. Sony donated laptops to the school, and Ericsson donated cellphones so herdsmen could check market prices for their cattle.

Soon, many Dertu residents owned phones. Ericsson's solar-powered chargers took a long time to recharge the phones, so a local entrepreneur bought a diesel generator and billed phone owners to plug into a power strip. Dertu eventually had a school with hundreds of students, but the town still lacked a self-supporting economy. Some Dertu residents lived in a nearby refugee camp so they could receive UN rations of cooking oil, porridge, rice and cornmeal. Dozens of Dertu's children received monthly UNICEF stipends of \$7 each. This led to what Mohamed saw as "refugee syndrome." How would the people of Dertu learn to fend for themselves if they could survive on the freebies offered through foreign aid?

Mohamed was realistic about the village's future prospects since Dertu was remote and isolated. It had no natural advantages, not even the basic supply of water needed to support agriculture or manufacturing. Mohamed explained, "If you say to me, 'One day you will

"From Sachs's perspective, \$250 billion a year is a bargain: At that rate, he claims, extreme poverty could be eradicated by 2025."

"It's never easy to disagree with Jeffrey Sachs. You might trigger an argument. You might ruffle his feathers. In all likelihood, he'll make you feel small."

"Broken water pumps, half-finished health care clinics, abandoned housing blocks, roads that lead nowhere... Africa is strewn with the remains of well-meaning development projects."

"Africa is not a laboratory; Africa is chaotic and messy and unpredictable."

grow crops,' I will ask you, 'From where will you get water?'" Still, the Millennium Project provided rudimentary health care and schooling in Dertu.

In the 1980s, an ill-fated irrigation project wasted \$100 million trying to bring reliable water to the North Eastern Province. Mohamed persuaded Sachs that Dertu's people possessed only one thing of value: animals. Locals could sell camel milk or sell their animals to slaughterhouses. However, Dertu's entrepreneurs were at a disadvantage. The nearest livestock market was 60 miles away in Garissa, at least a four-hour trip. Traders buying animals from the Dertu herdsman knew this and drove a hard bargain. A goat might fetch \$15 in Dertu, but \$25 in Garissa and \$50 at the slaughterhouse in Nairobi. Without trucks and trailers, the local herdsman had no way to travel to markets where they could earn more for their animals.

Ignoring the geography that hampered Dertu's herdsman, Sachs recommended opening a livestock market. Mohamed invested \$12,000 and months of toil in building a facility with fences, scales, water troughs and an auction stand. When Sachs visited in 2007, he gave an inspirational speech touting the "wonderful school" and predicting that the cattle market would make Dertu an economic center. "People will come from many, many kilometers away to your market!" Sachs told a roaring crowd. "It will be the most important market in the region." He suggested outlandish ideas: building a plant to pasteurize camel milk, touting tourism to foreigners who wanted to see camels and antelope, and pursuing rich investors in the United Arab Emirates. Others looked at this dusty outpost and saw illiterate people, a lack of natural resources and no infrastructure.

Trying to Fix Ruhiira, Uganda

Sachs named Ruhiira, Uganda, as a Millennium village in 2006. It lacked water, electricity and roads. Despite malaria and TB epidemics, and high infant-mortality, Uganda spent less than \$2 per person per year on health care in Ruhiira. The nearest hospital, hours away, had 28 beds for 125,000 people, and no water or power. Rendering modern medical care was nearly impossible.

Sachs tapped David Siriri, a Ugandan with a PhD in agroforestry, to run the Millennium Project in Ruhiira. Siriri liked Sachs's vision, but felt "the project was not well-defined." Sachs and his New York staff decided Ruhiira's subsistence farmers should grow corn, even though Southern Ugandans dislike its taste. Siriri distributed \$300,000 worth of fertilizer, maize seed and kidney-bean seed. The results seemed incredible. Yields doubled with the 2007 crop. What could villagers do with all that corn? Ruhiira had no storage facilities to keep the excess maize "safe from vermin, pests and disease." Soon rats moved in. Farmers sold their crops at a loss, glutting the market. Siriri worked with the World Food Program to buy Ruhiira's kidney beans. Prices soared after the contract was signed, leaving farmers locked into unfavorable returns. Angry growers smashed a window at Siriri's office and stole a truck. Sachs's grand plan to grow pineapple foundered because shipping the fruit to markets in Europe proved too expensive. Spices grew well, but markets rejected them because they weren't organic, due to fertilizer runoff.

Next Stop: Tanzania

Passionate about fighting malaria, Sachs turned his efforts to Tanzania, the coastal nation at the epicenter of Africa's malaria epidemic. Foreign donors and workers there wanted to set up a sustainable business. They converted textile operations into bed-net factories, put merchants into the business of selling nets and gave poor people vouchers to bring bed-net costs down to \$1.50 each – perhaps affordable in a nation with an average annual income

“Advising world leaders, shaping a nation’s economic policy, changing the course of history – that was intoxicating.”

“Between his extraordinary command of historical facts and his combativeness, Sachs can flatten almost any opponent.”

Sachs is “‘an irritant,’ confirms his friend Bono, not without respect. ‘He’s the squeaky wheel that roars’.”

of \$1,510. Sachs found these efforts insufficiently ambitious or not aggressive enough. He proposed a \$75 million blitz to give free bed nets to everyone in Tanzania.

Aid workers disagreed. What would happen in a few years when the nets wore out? How did a mass giveaway translate to economic development? One World Bank official labeled Sachs “a televangelist.” Sachs hated being criticized, and he responded with long emails belittling his critics. Swiss parasitologist Christian Lengeler stood up for the aid workers. In return, Sachs sent mass emails attacking Lengeler.

Sachs’s proselytizing swayed no one. During one meeting in Tanzania, a US Agency for International Development (USAID) official said, “I don’t want to disagree with you, Jeff, because I don’t want to be called ignorant or unprofessional.” Sachs alienated foreign-aid workers in Tanzania, but he’d never considered them his audience. He met with Tanzanian president Jakaya Mrisho Kikwete and pushed hard for free mosquito nets for everyone. Kikwete cautioned that he didn’t want to snub foreign donors, but Sachs kept hammering his point through and he got his way. Tanzania soon had a \$200 million grant to distribute 18 million mosquito nets.

Lackluster Results

In late 2008 and 2009, with poverty proving stubborn, Sachs provided low-interest loans to every farmer in certain villages in Kenya, Tanzania, Mali and elsewhere. In the Sauri, Kenya, only a third of borrowers repaid their loans. In the Mbola, Tanzania, no one repaid. Some borrowers lied and said their crops had failed. Others just spent the money. Repayment rates were better in Mali.

The 2008 drought proved disastrous for Dertu. The pumps in its borehole wells broke down, and Mohamed learned that a new pump would cost \$5,000 to \$6,000. His bosses in Nairobi resisted buying a new pump. The Millennium Village Project already had paid \$23,000 for shallow wells and rainwater storage systems. What became of that money? No one knew, but the boreholes remained Dertu’s only source of water.

Ahmed paid \$1,500 for a truck to deliver 9,000 liters [2,377.5 gallons] of water to Dertu, but that was not enough for thousands of people. Tensions ran high. Students and teachers abandoned the school, leaving only one teacher for 392 pupils. A swarm of “locust birds” decimated Mohamed’s sorghum crop. The program gave away 5,000 tree seedlings to provide windbreaks, but no one planted them. And, the livestock market failed.

By 2010, the Millennium plan had pumped \$2.5 million into Dertu. The village showed little for the effort. The program fired Mohamed amid questions about the aid money. The graffiti-covered school had broken windows. The Sony computers were long gone. The town still had no water or electricity. Sachs had visited only a few times and then only for two or three hours. By 2011, the radical Islamist group Al Shabab was fighting battles in the North Eastern Province. Sachs moved on to other interests while insisting he never claimed he could solve poverty.

About the Author

Nina Munk, a *Vanity Fair* contributing editor, also wrote *Fools Rush In: Steve Case, Jerry Levin and the Unmaking of AOL Time Warner*. She wrote for *Fortune* and was an editor at *Forbes*.