UNFINISHED BUSINESS:

MOBILIZING NEW EFFORTS TO ACHIEVE THE 2015 MILLENNIUM DEVELOPMENT GOALS

September 2010

Background paper prepared by the staff of the World Bank Group for the United Nations' Millennium Development Goals Summit, New York, September 20-22, 2010. The findings, interpretations, and conclusions expressed in this paper do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The data cited in this report come from the *World Development Indicators* and other official sources. However, readers are advised to refer to original sources or to *data.worldbank.org* for updated information and additional data.

How the World Bank Contributes to Achieving the MDGs With its Fund for the World's Poorest (IDA)

Over the last decade, IDA has worked with the 79 poorest countries to achieve….

- **More than 3 million teachers recruited and/or trained**
- **Over 2 million classrooms built or rehabilitated benefitting over 105 million children per year**
- **Around 300 million textbooks purchased and/or distributed**
- **More than 47 million people provided with access to basic health, nutrition, or population services**
- **2.5 million pregnant women provided with antenatal care**
- **310 million children immunized**
- **98 million children have improved nutrition**
- **About 2 million adults and children with HIV received antiretroviral therapies**
- **813 million condoms purchased and/or distributed for prevention of HIV/STD**
- **23,000 health facilities constructed, renovated, and/or equipped, and 1.8 million health personnel trained to improve quality of health services delivered**
- **About 33 million mosquito nets purchased and/or distributed to prevent malaria**
- **Over 118,000 km of roads constructed or rehabilitated; over 134,000 km of roads maintained**
- **Almost 1,700 km of railroads constructed or rehabilitated**
- **Over 1,600 bridges built or rehabilitated**
- **26 million people provided with access to an all-season road**
- **Over 113 million people given access to an improved water source**
- **Almost 500,000 improved community water points constructed or rehabilitated**
- **Over 1.5 million piped household water connections constructed or rehabilitated**
- **5.8 million people provided with access to almost 600,000 improved sanitation facilities**

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2. The global food, fuel and economic crises have set back progress to the MDGs. An estimated 64 million more people are living on less than $1.25/day than there would have been without the crisis.

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3. Achieving the MDGs requires a vibrant global economy, powered by strong, sustainable, multi-polar growth, underpinned by sound policies and reform at the country level.

4. Improving access for the poor–to health, education, affordable food, trade, finance, and basic infrastructure—is key to accelerating progress to the MDGs.
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5. Developing countries need to continue to strengthen resilience to global volatility in order to protect gains and sustain progress toward the MDGs.

6. The international community must renew its commitment to reach the "bottom billion", particularly those in fragile and conflict-affected countries.

7. Global support for a comprehensive development agenda—including through the G20 process—is critical.

How the World Bank Group is Helping

8. The World Bank Group is using the full range of its financial and knowledge services to help create economic opportunities and improve the living conditions of millions of poor people in middle-income and low income countries, including through a more than doubling of IBRD and IDA lending to US$106 billion in FY09-10.

Moving Forward on the MDGs

9. In the wake of recent global crises, and with the 2015 deadline approaching, business as usual is not enough to meet the MDGs. We need to do more, and do it better. With the commitment of donors to help mobilize the required resources, we will. IDA is critical to the achievement of the MDGs and a strong replenishment is needed to match a high level of ambition going forward.

Acronyms

AGI	Adolescent Girls Initiative
CASs	Country Assistance Strategies
CRW	Crisis Response Window
DAC	Development Assistance Committee
DFQF	duty-free and quota-free
DPO	Development Policy Operations
FCCs	fragile and conflict-affected countries
FTI	Fast Track Initiative
FY	fiscal year
GAC	governance and anti-corruption
GAVI	Global Alliance for Vaccines and Immunizations
GDP	gross domestic product
GFRP	Global Food Crisis Response Program
GNI	gross national income
HIPC	Heavily-Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
ICT	information and communication technologies
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labor Organization
IMF	International Monetary Fund
INFRA	Infrastructure Recovery and Assets
LICs	low-income countries
LAC	Latin America and the Caribbean
LDCs	least-developed countries
MICs	Middle-income countries
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MW	megawatts
ODA	official development assistance
OECD	Organization for Economic Co-operation and Development
SMEs	small and medium-sized enterprises
SSA	Sub-Saharan Africa
WDR	World Development Report
WBG	World Bank Group
WTO	World Trade Organization

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In September 2000, world leaders came together under the auspices of the United Nations to adopt the Millennium Declaration, committing to reduce extreme poverty and setting out a series of time-bound targets—the Millennium Development Goals (MDGs). Ten years later, the international community is meeting for a last major review of progress and prospects for the MDGs before the 2015 deadline.

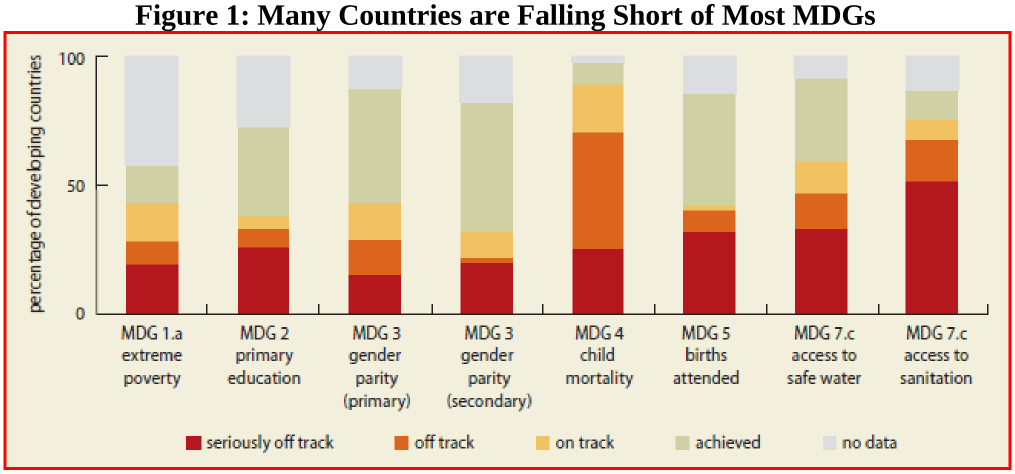
With only five years remaining before the target date, the need is urgent to intensify efforts to achieve the MDGs. This is especially the case for poverty reduction in Sub-Saharan Africa (SSA), where 38 percent of the population, or 366 million people, are likely be living on less than $1.25 a day in 2015. Girls and women in this region remain at particular risk in the wake of the economic crisis. The situation is especially troubling for maternal health; for every 100,000 live births in West Africa, 629 mothers die, compared to only seven in Western Europe. In southern Africa, the maternal mortality ratio *increased* from 171 in 1990 to 381 in 2008.

II. PROGRESS TO DATE

1. ***Backed by sound economic policies and until the global crisis, a buoyant global economy, many developing countries made significant movement toward achieving the MDGs. But even before the global economic crisis, progress in achieving some MDGs was lagging***.

Before the crisis, good progress was being made in a number of areas, including in Sub-Saharan Africa (SSA). This was particularly the case for poverty reduction, gender parity in primary and secondary education, and reliable access to safe water**.** Progress was less encouraging on other targets for the empowerment of women. Of greatest concern were the MDGs on human development —especially child and maternal mortality, primary school completion, hunger, and sanitation (figure 1).[i]

Figure 1: Many Countries are Falling Short of Most MDGs



Source: Global Monitoring Report 2010.

The global picture masks considerable variation across income groups, regions, and countries. Of the 84 developing countries with available data, 45 have already achieved or are on schedule to meet the poverty reduction target; the rest are off track. SSA continues to lag the farthest behind on the poverty reduction MDG, despite very rapid growth and impressive reductions in poverty in a number of countries since the mid-1990s.[ii] South Asia, which is on track to achieve the MDGs on poverty, universal primary education and eliminating gender disparity in primary and secondary education, is off track on most other MDGs. Reflecting the predominance of middle-income countries (MICs), East Asia, Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa, as a group, are on track to achieve the target for poverty reduction. But despite this progress, there are still concentrations of poverty in some countries and MICs remain home to a majority of the world's poor people. Many MICs continue to face major challenges in achieving the other human development goals, such as those related to health and education.

The global MDG of cutting the poverty rate in half appears well within reach–by 2015, the global income poverty rate is projected to be 15 percent, well below the target of 21 percent. Much of the progress is attributable to smallholder agricultural productivity growth in China where the poverty rate declined from 60 to 16 percent[iii] as the absolute number of extreme poor people fell from 683 million to 208 million. Excluding China, the drop in poverty is less dramatic, but still impressive, from 35.2 percent in 1990 to 18.2 percent in 2015. In some cases, progress has been tempered by population growth: resurgent growth saw poverty in SSA fall from 58 percent in 1990 to 51 percent in 2005, but population growth meant that the absolute number of poor rose from 296 million to 388 million. Likewise, poverty incidence in India fell from 51 to 42 percent over a decade, although the number of poor people rose from 436 million to 456 million.

Progress on meeting the MDG of halving the proportion of people who suffer from hunger was almost completely reversed in 2008 with the food price spike. In 1990, the share of hungry people was 20 percent; by 2005, this share had dropped to 16 percent, but it rose to an estimated 19 percent in 2009. Before the global food price crisis, 63 developing countries (out of 117 with available data) were on track to halve the prevalence of underweight children under five by 2015. However, in 34 countries progress is insufficient; 20 countries, most of them in Africa, have made no progress toward this target. Many of the countries most hurt by the food crisis were those with high preexisting levels of malnutrition. Although international prices were somewhat close to their pre-crisis level by the end of 2009, the price of staples in domestic markets continued to increase throughout 2009, and volatility is expected to remain high. Moreover, any relief from the decline in food prices was more than offset by the global economic crisis.

Progress on the other MDGs (MDGs 2 to 7) has been uneven. Almost two-thirds of developing countries reached gender parity at the primary school level by 2005, and the target of achieving gender parity in primary and secondary education looks likely to be met by 2015. SSA is making progress but remains far behind.

Prospects for the MDGs relating to health are not promising (box 1). The under-five mortality rate in developing countries declined from 101 deaths per 1,000 live births to 73 between 1990 and 2008. This is insufficient to meet MDG 4 of reducing under-five mortality by two-thirds. In 2008, 8.5 million children under the age of five died from preventable diseases, down from 13 million in 1990. Deaths from diarrhea remain extremely high–more than 1.8 million per year. These deaths are closely linked to inadequate sanitation and poor hygiene practices, and are mainly among children under 5 years old living in the world's poorest countries. The HIV/AIDS epidemic and civil conflicts have impeded SSA's progress. In 2008, the region's under-five mortality rate was still 144 deaths per 1,000 live births, although down from 185 in 1990. SSA has 20 percent of the world's children under age five but 50 percent of all child deaths in this age group.

Despite a significant worldwide drop in maternal mortality, progress toward this MDG has fallen short. Overall, maternal deaths for every 100,000 live births decreased from 320 in 1990 to 251 in 2008. In SSA, central and eastern regions have shown some improvement since 1990, but southern and western regions have deteriorated because of the significant number of pregnant women who died from HIV infection. In southern Africa, the maternal mortality ratio *increased* from 171 in 1990 to 381 in 2008. Globally, more than half of all maternal deaths were concentrated in six countries—Afghanistan, the Democratic Republic of Congo, Ethiopia, India, Nigeria, and Pakistan.

Box 1: Maternal and Child Health

Inadequate progress has been made on reducing maternal mortality (MDG 5). Worldwide, the average maternal mortality ratio, which measures the risk of dying once a woman becomes pregnant, declined at less than 1 percent per year between 1990 and 2005. New findings show that while maternal deaths declined from 526,000 in 1990 to 343,000 in 2008, progress is fragile and uneven across countries, especially in Sub-Saharan Africa, and it is far from the global target of a 75 percent reduction by 2015. Slow progress is linked to high fertility rates, low per capita income, low educational attainment among women, and the adverse impact of HIV/AIDs.

Globally, an estimated 10 to 20 million women develop disabilities every year as a result of poor access to quality obstetric care for complicated pregnancies and deliveries. Reproductive health-related mortality and morbidity account for almost one-third of the global burden of disease among women of reproductive age and one-fifth of the overall disease burden.

Only about one-fourth of developing countries are on track to reach MDG 4: each year about 8 million children die before the age of five from largely preventable causes. Thirty-eight percent of these deaths occur in the first month of life due to infection, low birth weight (because of poor maternal nutrition), or birth asphyxia. Nearly 4 million of these deaths are from preventable and treatable illnesses such as pneumonia and diarrhea. The coverage of many key, cost-effective, child and neonatal interventions in many low-income countries (LICs) is extremely low. *The Lancet* has estimated that two-thirds of newborn and child deaths could be prevented with existing low-cost interventions such as low-cost sanitation and improved hygiene behavior..

Progress in halting the spread of major communicable diseases (MDG 6) has been mixed. The rapid spread of HIV and related deaths in the 1990s has been halted in the 2000s, and has even showed some signs of decline in recent years. However, an estimated 33 million people were living with HIV/AIDS in 2008, and there were an estimated 2.7 million new infections and about 2 million AIDS-related deaths. SSA remains the region most heavily affected, accounting for over two-thirds of all people living with HIV and nearly three-quarters of AIDS-related deaths in 2008. Women are most affected; they account for nearly 60 percent of those living with HIV in SSA; the infection rate is 1.1 percent for young men ages 15 to 24 and a shocking 3.2 percent for young women.[iv] While HIV prevalence in SSA has declined in recent years, it has risen in other regions, albeit from much lower levels. Although antiretroviral treatment now reaches almost one-third of people living with HIV/AIDS in developing countries, few countries will meet the target of universal access to treatment.

Efforts to expand access to safe drinking water are on track globally and in most regions. This is partly due to the rapid expansion of infrastructure. Progress on this aspect of MDG 7 remains vital for child survival and improvements in health. Between 1990 and 2008, more than 1.6 billion people in developing countries gained access to improved sources of drinking water, raising the proportion of population with access from 72 to 84 percent. As many as 76 developing countries are on track to attain the target but 23 others have made no progress and five have fallen back. Improving access to sanitation has been more difficult. Sanitation coverage in developing countries rose from 43 percent in 1990 to 54 percent in 2008. But the global target will be missed. In SSA, the proportion with access rose from 27 percent in 1990 to 31 percent in 2008, and in South Asia from 22 percent to 36 percent.

MDG 7 also calls for integrating sustainable development into country policies and programs and reversing environmental losses. Progress on this broader agenda is picking up as countries increase their focus on environmental sustainability and climate change (box 2).

Box 2: Climate Change and the MDGs

Climate change poses an enormous challenge to development and poverty reduction. The need to respond to climate change makes development even more urgent, since this is the most effective way to increase climate resilience. Yet climate change also makes development more costly, as investments need to adapt to climate uncertainties. As noted in the 2007 Report of the Intergovernmental Panel on Climate Change (IPCC), climate change will very likely impede countries' abilities to achieve sustainable development as measured by the MDGs. It will increase the difficulty of reaching the goals in 2015, but the largest effect will be on sustaining progress in the longer term.

The direct impacts on MDG goals will be mainly through the effects on sea level, water systems, agriculture and the frequency and severity of extreme weather events. The anticipated rise in sea level will affect coastal areas, with the poorest countries least able to cope. Freshwater availability will be widely disrupted, with the number of people living in stressed river basins more than doubling, putting pressure on food supplies. Higher water temperatures, with changes in precipitation and water flows, are likely to exacerbate many forms of water pollution, with impacts on human health. More severe and frequent extreme climate events will have significant impacts on food and fishery production, and increase food insecurity. Smallholder and subsistence farmers, pastoralists and artisanal fisherfolk will be least able to cope with the local consequences of climate change. Finally, climate change will make it much harder to achieve environmental sustainability as envisaged in MDG 7. The direct impacts of climate change will further impede countries' abilities to sustain all MDGs, through their indirect effects on education, child mortality, maternal health and women's empowerment.

The World Bank has estimated the additional costs of adapting to climate change in developing countries at $70-100 billion per year.[/1] The largest costs will be to protect coastal zones against rising sea levels and storm surges – $30 billion per year for a medium sea level rise, and $45 billion for more extreme sea levels. Adaptation costs for water supply and flood protection will be up to $19 billion per year, while protection against extreme weather events will cost $7 billion. These are large numbers, in particular when compared with current ODA levels of $108 billion (2010). Nor will the burden fall equally among developing countries. The East Asia and Pacific region will account for the largest share of global costs (22 percent), but this will be only 0.1 to 0.2 percent of GDP. In contrast, the cost of adaptation for SSA will be between 0.5 and 0.7 percent of GDP, and small island states will need to spend at least 1 percent of their GDP just to protect against sea-level rise

[/1]The Cost to Developing Countries of Adapting to Climate Change", 2010, World Bank

More progress is needed to develop a global partnership for development. MDG 8 covers cooperation in aid, trade, debt relief, and access to technology and essential drugs. Aid from members of the Organization for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) rose by 0.7 percent in real terms in 2009 (to $119.6 billion)—well short of earlier commitments. At the G8 summit in Gleneagles, donors pledged to increase aid from approximately US$80 billion (in real terms) in 2004 to nearly US$130 billion in 2010. On the basis of 2010 budget proposals and latest gross national income (GNI) figures, the ODA level for 2010 is estimated at US$108 billion, with the ODA/GNI ratio rising to 0.32 percent. The shortfall relative to 2005 commitments particularly affects SSA, which is likely to receive less than half of the US$25 billion increase envisaged at Gleneagles. Despite repeated pledges to conclude the Doha Round, a new multilateral trade agreement that would contribute to creating a more vibrant global economy and opening markets to developing countries remains elusive. On the positive side, progress continues in reducing most poor countries' debt burdens and assistance from non-DAC donors as well as from private sources is rising fast.

Remarkable progress has been made toward enhancing access to the benefits of technology, MDG 8(f), particularly information and communications technology (ICT). Mobile telephone penetration in developing countries has risen from virtually zero in 1990 to 58 percent in 2009, and the proportion of the population living within range of mobile networks has increased from 29 to 69 percent between 1999 and 2009. Even LICs have made progress, with an overall mobile penetration rate of 28 percent in 2009**.** The average price of mobile calls has fallen consistently since the introduction of networks and the establishment of competitive markets. For example, in a group of nine LICs for which data are available,[v] the price of a mobile call fell by 15 percent per year on average between 2001 and 2009. Access to the internet has been slower to rise but by 2009, 18 percent of the population of developing countries were internet users, an increase of 131 percent in only four years.

III. IMPACT OF GLOBAL ECONOMIC CRISIS ON PROGRESS

2. The global food, fuel and economic crises have set back progress to the MDGs. An estimated 64 million more people are living on less than $1.25/day than there would have been without the crisis.

Weak demand in advanced economies, combined with more modest capital inflows and constrained ODA, has placed many developing countries under serious financial strain. Private capital flows to developing countries are forecast to recover from $454 billion (2.7 percent of GDP) in 2009 to $771 billion (3.2 percent of GDP) by 2012. As a result, the estimated external financing gap will halve to $180 billion from $352 billion in 2009. Increased borrowing by advanced countries, which already exceeded $2.5 trillion in 2009 (more than seven times the net capital flow to developing countries), could raise borrowing costs and crowd out developing country borrowers. Tighter financial conditions alone could lower growth in developing countries by up to 0.7 percentage points annually over the next five to seven years, and reduce potential output by up to 8 percent in the long run, compared with the pre-crisis trend.

Improvements in macroeconomic policies and progress on structural reforms in many developing countries generated greater resilience to economic shocks than in the past. But the global economic crisis has had a significant impact. While the impact has been varied among developing countries, growth fell from an average of about 7 percent in the five years preceding the crisis to 1.6 percent in 2009. The value of trade plunged by 12 percent in 2009 and—almost a year into the recovery—remains around 20 percent lower than its pre-crisis level; this is 40 percent lower than it would have been had world trade continued to grow at its 2002–08 trend rate.

Developing countries with fiscal space were able to at least partly offset the negative impact of the crisis with counter-cyclical macroeconomic policies backed by determined support from the international community. As a result, primary deficits in LICs increased significantly to an average of 2.1 percent of GDP in 2008-09 from an average of 0.58 percent of GDP over the previous five years. The ability of these countries to maintain spending in the face of a slow recovery is uncertain, as their stronger fiscal positions, ample reserves, and capacity to reprogram lower-priority spending have been eroded. While some emerging markets are regaining market access, others remain highly constrained and have had to finance about half of deficit increases domestically, mainly through bank borrowing and reserve draw downs. This has crowded out private-sector borrowing and raised sustainability concerns in a number of countries.

The crisis has slowed, and could potentially reverse, progress in attaining the MDGs. In 2010, an estimated 64 million more people will be living on less than $1.25 a day (76 million more on less than $2 a day) than would have been without the crises (table 1). Even by 2015, the number of additional poor people attributable to the global economic crisis is estimated to be 53 million (and 69 million based on $2 a day). The surge in food prices in 2008 drove an estimated 100 million more people into poverty.[vi] From

2009 to the end of 2015, an estimated 1.2 million additional deaths may occur among children under five due to crisis-related causes and 350,000 more students may not complete primary school in 2015 (figure 2). About 25 million fewer people may have access to safe water supplies in 2015 as a result of the crisis, depending on the magnitude and effectiveness of investments implemented in many developing countries.

Table 1: Outlook for Poverty in Developing Countries

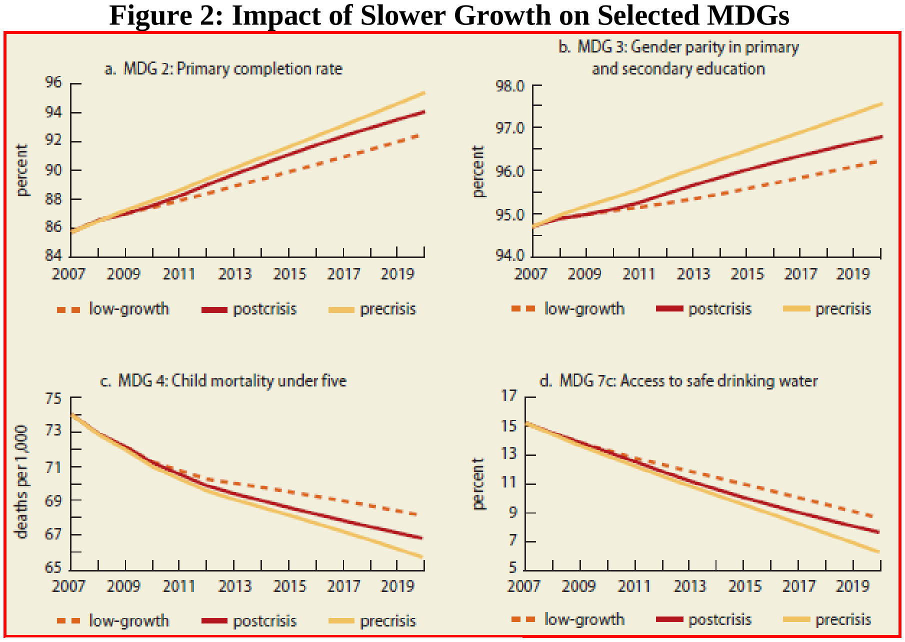
Table 1. Outlook for poverty in developing countries

Scenario	1990	2005	2015	2020
Global level				
Percentage of the population living on less than $1.25 a day				
Postcrisis	41.7	25.2	15.0	12.8
Precrisis	41.7	25.2	14.1	11.7
Low-growth	41.7	25.2	18.5	16.3
Number of people living on less than $1.25 a day (millions)				
Postcrisis	1,817	1,371	918	826
Precrisis	1,817	1,371	865	755
Low-growth	1,817	1,371	1132	1053

Source: World Bank staff calculations.

Higher unemployment and lower remittances have compounded the increase in poverty. The collapse in global demand has led to layoffs, particularly from export-oriented industries in many developing countries. The International Labor Organization (ILO) estimates that during 2007-09, unemployment increased globally by 34 million people, including 21 million people in developing countries. Higher food prices, lower remittances, and returning migrant workers have all placed additional burdens on poor households.

Figure 2: Impact of Slower Growth on Selected MDGs



Source: Global Monitoring Report 2010.

The recent financial crisis poses a particular threat to agriculture and infrastructure. External financing in the form of ODA and private participation in infrastructure have been significantly affected. Tighter commercial bank lending practices have led to higher interest rates on farmer and agribusiness borrowing and lowered investment in the sector. Experience from previous crises suggests that infrastructure investment and maintenance are highly vulnerable to public-sector budget cuts.

Governments, looking to cut deficits, may pursue near-term savings at the expense of longer-term growth. Yet these savings can be illusory: every dollar spent on maintenance of roads, for example, saves four dollars to the economy.[vii] For LICs, maintaining growth-enhancing investment in agriculture, infrastructure, and human capital will be particularly challenging in the face of lower tax revenues and potential reductions in aid (more than 20 percent of GDP for some countries).

IV. THE CHALLENGES AHEAD

3. *Achieving the MDGs requires a vibrant global economy, powered by strong, sustainable, multi-polar growth, underpinned by sound policies and reform at the country level.*

Global economic recovery is critical for achieving the MDGs. As the Toronto G20 Summit Declaration states, increasing global growth on a sustainable basis is the most important step to improving the lives of all citizens, including those in the poorest countries. The International Monetary Fund and World Bank estimate that with a more ambitious path of reform in the major economies, global output would be higher by almost US$4 trillion, creating tens of millions of jobs and lifting even more people out of poverty.

Growth in developing countries increasingly matters for global growth. Led by the fast-growing emerging markets, developing countries now contribute about half of global growth and are leading the recovery in world trade, with their import demand rising at twice the rate of high-income countries. Linkages among developing countries also are becoming more important, with South-South trade having risen to approximately one-third of global trade.

Developing countries offer abundant opportunities for investments with high returns and high growth potential. Many, however, face binding financing constraints. Promoting growth in these countries through more support for investment that removes bottlenecks would be a global win-win. Underpinned by sound domestic macroeconomic policies and improvements in the environment for private-sector activity, investment in developing countries would support development and contribute to stronger and more balanced global growth.

Urbanization is closely linked to growth but requires strong local governments. No country has grown to middle income status without industrializing and urbanizing. The world is now more than half urban, with over 90 percent of urban growth occurring in the developing world. Nearly two billion people will become urban residents in the next 20 years; urban populations are expected to double in SSA and South Asia. This demographic trend raises important points about managing urbanization and delivery mechanisms for development assistance and links to a number of the MDGs. In particular, if urbanization is to be harnessed for its potential to deliver growth and improve livelihoods, cities and local governments need to be strengthened to leverage that potential.

Agriculture can be a source of dynamic and inclusive growth for developing countries. It is the major source of employment in most LICs and a prime driver of agriculture-related industries and demand for the products of the nonfarm economy. Three out of every four poor people in developing countries live in rural areas, and most of these people depend on agriculture for their livelihoods. Developing countries produce two-thirds of the world's agricultural value added.

4. *Improving access for the poor–to health, education, affordable food, trade, finance, and basic infrastructure—is key to accelerating progress to the MDGs.*

Efforts to mobilize adequate and sustainable financing to support MDG initiatives must be complemented by actions to improve access to, and the quality of, services. This is essential if poor populations are able to take advantage of emerging economic opportunities. Expanding access in a sustainable way demands a focus on building systems that work and that include incentives and accountability for results. This requires concerted and harmonized efforts by all development partners, working across sectors, in support of country-specific and country–led development strategies. From health, education, basic infrastructure and food security, to trade and financial inclusion, finding new ways to enhance access to better goods and services across all countries and groups lies at the heart of achieving the MDGs.

Expanding access to better quality health and education services

Achieving the MDGs requires adequate standards of quality in delivery of health and education services and accountability for meeting those standards. Health clinics must be adequately staffed, basic inputs must be made available at the point of service delivery, and doctors and nurses must have the necessary protocols and supportive services—as well as the incentives to deliver services. Teachers must be trained classrooms equipped with learning materials and the environment conducive to learning. Well functioning schools and clinics are built by strong underlying systems that focus on measuring and achieving results. Clear accountability for performance and results is central to improving services for the poor.

Even when progress is good, certain groups―such as the extremely poor―continue to face particularly limited access to health and education services. In the Philippines, for example, there is a five-fold difference in health service use among children between the richest and poorest quintiles. An infant from the poorest quintile is twice as likely to die before the first birthday as one from the richest quintile, and a child from the poorest quintile is three times more likely to suffer from severe stunting. The effect of low income is exacerbated by belonging to a minority ethno-linguistic group and by being female. In the Lao People's Democratic Republic, the average completed schooling of males from minority groups has almost caught up with that of Lao-Tai men, but females from the same groups in rural areas have remained far behind.

Innovations in the delivery of health and education services play an essential role in reaching uncovered populations., Ethiopia and Bangladesh, for example have expanded the role of community-based health care providers to address shortages of doctors and nurses in rural areas. Interactive radio instruction has increased access to educational opportunities in Guinea, India, and over 30 other countries, while cost-effectively improving educational quality.[viii] While targeted efforts to expand these services are essential, they need to be complemented with demand-side approaches, for example, through targeted cash transfers.

Ensuring affordable and available food

The outlook for sustainable and affordable access to food remains challenging. Food prices are expected to remain volatile due to structural changes in commodity futures markets and policy distortions. Land and water constraints, coupled with climate change, are likely to result in less predictable food production. There is an urgent need for more investment to boost agricultural productivity, improve access to food markets, and decrease vulnerability to agricultural risks. Yet growth in major cereal yields in developing countries has slowed considerably since the 1980s. Future productivity gains will need to rely both on using existing technologies more efficiently and on developing and adopting new technology. Both initiatives will require major resources and a global approach and will involve investment in public infrastructure, research, and extension. History suggests that economic growth or diversification into industry will be difficult without first making fundamental improvements in agricultural productivity.

Creating new access to trade opportunities

Trade is a key means to fight poverty. No LIC has managed to grow and reduce poverty without trade. In the short-term, trade contributes to growth by expanding the market for goods and services. In the medium- to long-term, growth is enhanced by higher productivity brought about by imports of improved technology, learning-by-doing, and introduction of competition. The risk of protectionism is rising with the jobless recovery, which underscores the importance of open trade, including to counter the effects of the withdrawal of expansionary fiscal and monetary policies. Reaching agreement on the Doha Round would support an open trading environment and generate substantial increases in market access for developing countries. A Doha agreement would lower tariff bindings, ban agricultural export subsidies, and cap agricultural and marine production subsidies. It would also offer scope for increasing the security of market access for services. And it would lower trade costs and enhance the competitiveness of developing countries through an agreement on trade facilitation.

Developing economies, especially least-developed countries, rely on access to international markets as a source of demand to revitalize economic growth and reach the MDGs. Harmonizing trade preferences granted by developed and emerging countries to the least-developed countries (LDCs) would help increase their overall and effectiveness. Currently, OECD country trade preference programs provide high levels of product coverage but with important exceptions, most are related to agricultural products and apparel. To increase the benefits, advanced and middle-income countries should consider extending 100 percent duty-free and quota-free (DFQF) access to all exports for all LDCs. Overall export gains for LDCs who are members of the World Trade Organization could reach $2 billion if OECD countries were to extend 100-percent product coverage (as opposed to the current 97 percent).

Correcting past distortions in agricultural trade would help avoid their amplifying effect during episodes of escalating food prices that can undermine progress to the MDGs. Priorities include disciplining export controls; reversing distortionary biofuel and other production subsidies; and, in the longer run, further liberalizing agricultural trade on a multilateral basis. The grain-export bans and barriers in surplus producing countries amplified food price increases in 2008 and in 2010. In fisheries, subsidies have led to production methods that are excessively polluting and deplete natural resources. Over 75 percent of global fish stocks are over-exploited—the resulting annual loss for the world is US$50 billion. Phasing out fishery subsidies is particularly important for the many small island states and poor coastal regions that depend on fisheries for their livelihoods and food security.

Aid for trade can support sustainable and inclusive growth and employment. The global trade community needs to live up to the commitments of the 2005 Hong Kong WTO Ministerial Meeting to expand aid for trade. This means capacity building for regulatory options to improve the efficiency of producer services and network infrastructure in LICs; a new public-private partnership to strengthen trade capacity in countries most in need; cross-border and regional infrastructure to promote the flow of commerce among neighboring LICs; and dedicated financial support for systematic monitoring and evaluation of aid for trade.

Cushioning shocks and creating new opportunities and jobs through financial inclusion

Finance is not only pro-growth, but also pro-poor, reducing income inequality and poverty. Without access to financial systems, poor individuals and small enterprises must rely on their own resources to invest in education or take advantage of promising growth opportunities. Financial-sector policies that encourage competition, provide incentives to individuals, and help overcome access barriers are central to stability, growth, poverty reduction, and more equitable distribution of resources.

The finance gap is important for SMEs, which are the main drivers of job creation. SMEs are 30 percent more likely than large firms to identify financing constraints as a major obstacle to growth. Small firms are at the greatest disadvantage: only 18 percent of small enterprises in LICs use finance. Yet SMEs are one of the largest employers in emerging markets (contributing to GDP growth) and employ a growing share of women, who are often financially disadvantaged.

While better financial access for excluded, non-poor, micro- and small entrepreneurs can have a favorable, indirect effect on poor populations, improvements in *direct* access for the poor can yield immediate and tangible benefits. High transaction costs and lack of collateral are two important barriers to credit services. A new wave of specialized microfinance institutions serving the poor has tried to overcome these problems in innovative ways, such as with group lending schemes and bigger loan sizes, as customers borrow and repay on time. Microfinance institutions have reached millions of clients and have achieved impressive repayment rates over the past few decades.

Investing in jobs, access to services and future productivity through infrastructure

Infrastructure contributes to the achievement of many of the MDGs but most developing countries suffer from insufficient infrastructure access, quality, and reliability. Infrastructure is fundamental to supporting the economic growth needed to combat poverty[ix] and bottlenecks in key infrastructure services, such as reliable transport links, power generation, and water supply can slow growth and deter private investment. Access to basic infrastructure services, such as sanitation, also improves household welfare and enhances the effectiveness of health and education programs. [x]

There is an urgent need to address the core access agenda in transport, energy, water, information and communication technologies. With rapid urbanization, there has been a proliferation of slums that lack access to the most basic infrastructure services. Slums account for near two-thirds of the urban population in SSA (box 3) and about half the urban population in South Asia. Infrastructure development must focus on access to basic services that are economically, environmentally, and socially sustainable. Strengthening the governance capabilities of local and national governments is also necessary to ensure the sustainable delivery of quality services. Public private partnerships may also have a role to play in helping to improve the affordability, quality, and financial viability of infrastructure service delivery.

Widespread availability of affordable ICT services has a direct positive impact on growth and development. Globally, it is estimated that a 10 percent increase in teledensity—the number of telephone subscribers per 100 people— is associated with 0.6 percentage points of GDP growth.[xi] Every 10 percentage points increase in broadband internet penetration results in 1.38 percentage points of additional GDP growth in developing countries.[xii] Experience shows that it is possible to provide ICT services to the poor and in rural areas. A recent study estimated that it would be commercially feasible to build mobile networks to cover 90 percent of SSA's population.[xiii]

Competition between networks can make ICT services affordable to the poor. In Bangladesh, for example, prices of mobile services have dropped by 90 percent since 2000 and in India, mobile phone calls cost between 1 to 2 US cents per minute. Competition has brought mobile telephone services within financial reach of the poor.[xiv]

Box 3: Africa's Infrastructure: A Time for Transformation

Infrastructure is a critical enabler of growth in SSA, contributing about 99 basis points to per capita income growth between 1990 and 2005, compared with 68 basis points due to structural and stabilization policies. If all SSA countries had infrastructure as good as Mauritius, per capita income growth would increase by 2.2 percentage points. Infrastructure emerges as a major constraint to doing business in many African countries, depressing firm productivity by around 40 percent.

Africa's infrastructure is by far the most deficient and costly in the developing world. Some 30 percent of Africa's infrastructure is dilapidated. The prices of infrastructure services in SSA can be at least twice those in other developing countries due to diseconomies of scale and lack of competition.

The largest deficit is in the power sector. Only one in four Sub-Saharan Africans has access to electricity; in 30 countries, even those who have power experience regular outages. Outside of South Africa, SSA's power consumption is only 1 percent of OECD levels and barely adequate to power one light bulb per person for two hours each day. Firms struggle to cope using costly back-up generators. To catch up, SSA will need to install almost 7,000 MW of new generation capacity per year, compared to less than 1,000 MW per year during the last decade.

Solving the problem will cost US$93 billion per year—twice current spending levels— with as much as one-third of the total devoted to maintenance. The annual funding gap is approximately US$31 billion. Fragile states face a particularly difficult situation; the cost of building infrastructure capable of supporting development would absorb an implausible 37 percent of their GDP over 10 years.

Closing the infrastructure financing gap is not only about money. Prudent policies, sound governance, and preventive maintenance can make existing resources go much further. Some US$17 billion a year could potentially be captured from policy measures designed to boost efficiency. For example, each year some US$4 billion goes to power and water subsidies primarily benefiting industry and affluent consumers, and US$3.4 billion is lost as a result of unpaid utility bills and institutional deficiencies.

Regional approaches to infrastructure are a key part of the solution. Many African countries are too small to develop cost-effective infrastructure projects. Many others rely on neighboring countries for access to sea trading routes, or for water supply. The solution is closer regional integration: regional power trade can save US$2 billion a year and 70 million tonnes of carbon dioxide, while regional submarine cables can bring down the cost of internet access by as much as 75 percent.

Source: Africa Infrastructure Country Diagnostic, 2009. (www.infrastructureafrica.org)

5. *Developing countries need to continue to strengthen resilience to global volatility in order to protect gains and sustain progress toward the MDGs.*

Problems in one part of the world can now spread rapidly to others. And it is developing countries—especially LICs—that are least prepared and most vulnerable to financial, environmental, epidemiological, and other threats. The response to the economic cycle is asymmetric, with more severe deterioration in human development during downturns than improvement during upturns**.**

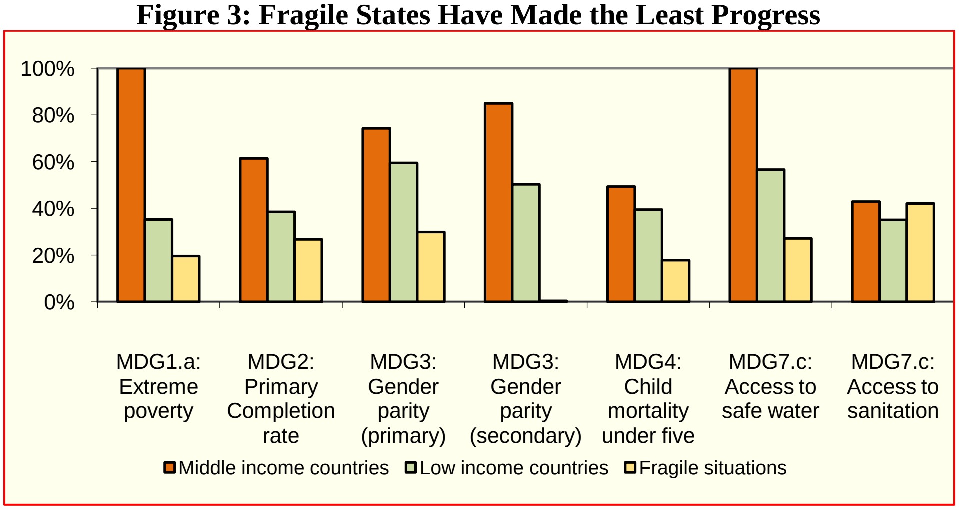
Collapses in growth are particularly damaging for human development. Even relatively small declines in growth can have significant effects on poverty. A decline of 0.5 percentage point in the developing country growth rate can mean about 80 million additional people in poverty ($2 a day poverty line) in 10 years. Rising food and fuel prices since 2005, combined with the worldwide economic crisis that followed, pushed millions more into poverty than would have occurred without these shocks. Infants die during economic crises because families, facing an income shortfall, tend to spend less on food, especially healthy food. Parents and other caretakers are more likely to skip doctors' visits when children are sick to save on medical costs. Fiscal constraints may lead to deteriorations in public health systems, making it harder for patients to get care. These impacts reach full severity with a lag, as adverse outcomes persist long after the global economy rebounds. The asymmetric impact of shocks on poor populations underlines the importance of having in place well-targeted social safety nets and protecting core spending on health, education, and infrastructure maintenance.

Global food markets have become more vulnerable to shocks from weather and biofuels. This has been exacerbated by the progressive conversion of commodity futures into a financial investment asset class as opposed to their previous role as a commercial insurance tool. This vulnerability was especially high in 2008 when global stocks were at historically low levels, but has continued even as global stocks have recovered. Higher temperatures and more erratic rainfall due to climate change reduce yields, encourage weed and pest proliferation, and increase the likelihood of crop failures. At the same time, energy policies on biofuels add competitive pressures to agricultural land as well as food prices. Developing longer-term resilience to income shocks implies scaling up *ex ante* risk management practices to reduce food price volatility, including scaling up support for agricultural productivity growth, and ensure reliable access to sufficient nutritious food. Adapting to the adverse effects of climate change, while feeding a growing population, will require global partnerships in science, technology development, and dissemination of results to millions of smallholder farmers.

6. The international community must renew its commitment to reach the "bottom billion", particularly those in fragile and conflict-affected countries.

Progress has been slowest in fragile and conflict-affected countries (FCCs). Wracked by conflict and hampered by weak institutional capacity, these states—more than half of which are in SSA—account for close to a fifth of the population of LICs but more than a third of their poor. To date, no FCC has achieved a single MDG, and FCCs generally lag 40 to 60 percent behind other low and middle-income countries on progress (figure 3). They are doubly challenged in achieving the MDGs, with resource and capacity constraints compounded by governance and security challenges. They start farther behind other countries, and recurrent conflict can set them even further back. The impact of these deficits is considerable, with three out of every four infants and children under five dying, mothers dying in childbirth, and children out of school. Sustained support from the international community is essential to helping governments restore trust, build legitimacy and deliver basic services to their people (box 4).

Figure 3: Fragile States Have Made the Least Progress



Source: Global Monitoring Report 2010.

Box 4: The 2011 *World Development Report*: Conflict, Security and Development

The 2011 *World Development Report* focuses on the interrelated themes of conflict, security, and development, highlighting new thinking and contributing concrete, practical suggestions on addressing violent conflict and fragility. The WDR has consulted extensively to learn from the experience of reformers in conflict-affected countries and experts in politics, security, and development. Key findings include:

- ***More assistance is needed for prevention:*** International assistance is disproportionately focused on post-conflict countries, with little support for countries struggling to prevent violence from escalating.
- ***Aid volatility is damaging prospects for meeting the MDGs in fragile states:*** Aid to fragile and conflict-affected states is more than twice as volatile as that to other developing countries. Yet these situations need more continuity; countries escaping most quickly from conflict in the late 20th century took a generation to establish functioning national institutions. Instead of changing the volume of aid, the international community should look at consistency in the aid provided, focusing on how to change the way it is provided when governance setbacks occur.
- ***Aid is provided primarily to nation states, but more regional approaches are needed: Many issues of conflict and violence spillover across borders.*** Efforts to support development on both sides of insecure borders would help reduce poverty in conflict-affected countries.
- ***Approaches must address regional and global stresses that precipitate violence*****:** Trafficking in drugs and natural commodities are directly related to conflict and therefore to the MDGs.
- ***Investing in employment and the rule of law is crucial***: International assistance needs to bridge institutional and financing deficits in the rule of law (in particular for justice and policing systems), and for advice on employment generation.
- ***Better methods are needed to measure the impact of aid:*** Progress to the MDGs in conflict-affected countries occurs slowly. Indicators are needed to show that progress is in fact being made.

7. Global support for a comprehensive development agenda—including through the G20 process—is critical.

The active support of the world's largest economies—including emerging donors—is essential to the achievement of the MDGs. At the 2010 Toronto Summit, G20 leaders reaffirmed their commitment to assist the poorest countries to achieve the MDGs. They established a Working Group on Development with a mandate to elaborate a development agenda and multiyear action plans, focused on measures to promote economic growth and resilience, to be adopted by the November 2010 Summit in Seoul, Republic of Korea.

The G20 must demonstrate leadership in sustaining a financial commitment to the MDGs. With tighter capital market conditions, maintaining ODA takes on added importance, both in directly providing development finance and in leveraging private flows. This reinforces the need to ensure ambitious replenishments of the World Bank's fund for the poorest countries (IDA) and the African Development Fund, and follow through on MDB capital increases, as well as enhance efforts to ensure more effective use of existing resources. Successful replenishments of the Global Alliance for Vaccines and Immunizations (GAVI), the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the Education for All Fast Track Initiative (FTI), which are highly complementary to the Bank's contribution to the MDGs, are also essential to ensure that they can fully achieve their core objectives.

Meeting ODA commitments is especially crucial for IDA-eligible countries, many of which face difficult fiscal outlooks. The recovery in low-income countries remains fragile, and a decline in concessional assistance could seriously jeopardize development prospects. Innovative financing initiatives, although no substitute for needed ODA, can contribute both to improved aid effectiveness and the more efficient use of aid and other flows.

V. HOW THE WORLD BANK GROUP IS HELPING

8. The World Bank Group is using the full range of its financial and knowledge services to help create economic opportunities and improve the living conditions of millions of poor people in middle-income and low income countries, including through a more than doubling of IBRD and IDA lending to US$106 billion in FY09-10.

Drawing on its comparative advantages (box 5),[xv] the WBG is helping developing countries achieve the MDGs by actively providing focused support for critical programs and technical assistance, including to mobilize and leverage domestic and international resources in new and innovative ways, from both the private and public sectors. These efforts seek to restore robust growth and make it more inclusive, improve access to the health, education and infrastructure services for all, especially poor populations, and improve accountability for results.

Of particular importance to MDG attainment is the World Bank's Fund for the Poorest (IDA), which is focused on helping LICs regain the momentum and accelerate development efforts to make up lost ground**.** But with five years to reach the MDGs, IDA must scale up its efforts, while helping to address additional challenges linked to crisis response and climate change. IDA's country-driven model and other core strengths make it uniquely positioned to effectively support development in recipient countries. IDA's platform role and unearmarked resources ensure that its support is tailored to national development priorities and strengthen country ownership and systems. Its multisectoral perspective helps clients integrate sectoral and thematic priorities in their programs, while its support for systems and capacity of governments and key stakeholders helps scale up priority interventions and ensure sustainability.

Agriculture remains essential for growth, food security, poverty reduction and environmental sustainability. The *World Development Report 2008* found that three-fourths of the world's poor populations are rural, and most are engaged in farming for at least part of their livelihoods. Furthermore, overall GDP growth originating in agriculture was found to be two to four times as effective at raising the incomes of the poor as growth generated in the nonagricultural sectors. World Bank Group support for agriculture and related sectors increased to $7.3 billion in FY09, up from an annual average of $4.1 billion over the three preceding years, and to $6.1 billion in FY10.

Box 5: What Makes the World Bank Group Unique?

The guiding principle underlying the World Bank's approach is a country focus that strengthens country ownership and aligns with a country's development objectives and the efforts of other development partners. The Bank engages on a long-term basis with client countries through finance, knowledge, and partnerships at the local level, guided by the country's own development strategy. This strategy enables the Bank to assist countries make real progress and come closer to achieving the MDGs.

A key feature of the approach is that it works through, and thereby strengthens, country policies and institutions. This multiplies the impact and sustainability of development assistance. It helps countries' own institutions improve their capacity to implement and manage across a broad range of sectors, allowing for better identification of cross-sectoral benefits and trade-offs

The World Bank is continually sharpening its capacity for rapid response, making it a partner of choice in managing crises. In the 2007-08 food price crisis, the WBG worked closely with governments and multilateral and bilateral agencies in 39 countries to provide more than US$1.2 billion in support for school feeding and conditional cash transfer programs, as well as improvements in agricultural productivity. In the global economic crisis, the WBG responded rapidly and on a large scale, providing more than US$135 billion since mid-2008. IBRD and IDA more than doubled their lending, from US$49 billion in FY07-08 to US$106 billion in FY09-10. Crisis support for IDA countries comprised both front-loading of IDA resources and additional funding through a pilot Crisis Response Window (CRW) in the amount of US$1.6 billion.

The World Bank has a unique role in promoting global collective action. The WBG is increasing cooperation with other international organizations, leading where it has clear comparative advantage, stepping back where this resides with others. The World Bank is a convener of development partners, a key connector of South-South learning experience, and a promoter of international initiatives. The WBG uses its expertise and balance sheet to partner with others to implement innovative solutions, and is recognized as an intellectual leader in promoting global public goods. The Bank's standard-setting role is recognized in our leadership of MDB groups (on results, aid effectiveness, public financial management, governance and anticorruption, procurement, and safeguards), and as a shaper and partner on the aid effectiveness agenda.

World Bank investment in agriculture seeks to raise productivity, strengthen value chains, reduce risk, boost nonfarm rural income, and promote environmental sustainability. Improving the productivity of smallholders is especially critical to poverty reduction. The primary focus of the Bank's support for SSA will be on agricultural productivity growth, particularly for cereals, with more attention to expanding irrigated area and improving land tenure security, particularly for women. More support will be provided for agricultural research. In East and South Asia, attention will be given to raising productivity in lagging regions, and to high value products – including animal protein, which requires attention to technology adoption, and irrigation. The focus in Europe and Central Asia will be on irrigation, drainage, and land administration. In Latin America and the Caribbean, particular attention will be given to technology development and adoption, and addressing land inequalities. In the Middle East/North Africa, the focus will be on improving water management and agricultural technology development and adoption. At a global level, continued support will be provided to the Consultative Group for International Agricultural Research for technology development, particularly in the context of the troubling long-term decline in the global annual yield growth rates for major grains, now aggravated by the prospect of climate change.

The World Bank Group's access agenda is central to its support for MDG achievement. Expanding access for the poor to quality health and education services is a key component of efforts to combat poverty and improve the well-being of poor people throughout the developing world. The benefits of improved access are particularly important for women and young girls and represent a key means for economic empowerment. The access agenda, which extends beyond the social sectors, includes critical infrastructure for transport, energy, water, and information and communications. Without these investments in improved access, improvements in service delivery cannot have their intended impact. And without access to financial resources, micro, small and medium-sized enterprises cannot generate the jobs needed to lift people out of poverty. Nowhere is the access agenda more important than in fragile and conflict-affected countries.

The World Bank has been a steady partner for developing country efforts to improve the health of their populations. It plays a strategic role in providing funding to strengthen health systems to enable countries to make effective use of aid. Between 2000 and 2010, this funding gave 47 million people access to a basic package of health, nutrition, and population services; immunized 310 million children; allowed for the purchase of almost 33 million mosquito nets and the training of 1.8 million health personnel. It also funds critical health programs not covered by other sources. The World Bank will continue to provide selective support to major disease programs with the aim of complementing funding from governments and donors for HIV/AIDS, TB and malaria. The World Bank has contributed significantly to progress on the health MDGs through its policy advice and lending. IBRD/IDA commitments for Health & Social Services increased from $2.2bn in FY05 to $6.8bn in FY10.

The World Bank is one of the largest sources of assistance for education to LICs. Since 1995, IDA funding for education has averaged about US$995 million per year, reaching a record US$2.1 billion in FY10. Almost half of IDA's education funds are committed to support primary education helping LICs work toward universal primary education and eliminate gender disparities. From 2000-10, funding from IDA enabled recipients to recruit and train 3 million teachers, permitted the purchase and/or distribution of about 300 million textbooks, and built or rehabilitated over 2 million classrooms, benefiting over 105 million children per year. The Bank has been hosting the Secretariat of the Education for All Fast Track Initiative (FTI) since 2003; in addition, the Bank is the trustee for the US$2 billion of FTI funds that support country efforts to achieve the education MDGs, and Bank staff have supervised nearly all of the education investments and technical support financed by these funds. This financial assistance has been accompanied and informed by Bank analytical work that has assessed progress, examined obstacles, and evaluated the effectiveness of specific programs.

The World Bank is providing critical support to address gender disparities, progress that can help in achieving several MDGs. Through IDA, the World Bank's gender-related efforts will focus on the following four areas**:**

- Scaling up gender mainstreaming and efforts on gender-related MDG, including through the preparation of regional gender action plans, implementation of the reproductive health action plan, including follow-up with 52 priority countries with high rates of maternal mortality and total fertility
- Strengthening the results framework for gender
- Intensifying capacity-building efforts
- Articulating and disseminating the business case for gender mainstreaming around the 2012 *World Development Report* on development and gender equity.

The Adolescent Girls Initiative (box 6) is just one of the many efforts helping countries achieve the gender MDG.

Box 6: The Adolescent Girls Initiative and the MDGs

Investing in the economic empowerment of adolescent girls makes sense: young women who are more educated, earn income, and have greater access to reproductive health information and services are more likely to delay marriage and childbirth, have healthier babies, attain higher literacy rates, and grow into economically productive adults. Investing in adolescent girls thus not only furthers gender equality (MDG 3), but also helps eradicate poverty (MDG 1), achieve universal education (MDG 2), reduce child mortality (MDG 4), and improve maternal health (MDG 5).

More attention must go to easing girls' transition from school to work in order for progress in girls' education to bring its full benefits. The Adolescent Girls Initiative (AGI) was designed to address this issue in (to date) seven countries: Afghanistan, Jordan, Lao PDR, Liberia, Nepal, Rwanda, and Sudan**.** The initiative promotes the transition from school to decent work for low-income girls and young women by helping them build skills that match market demand and find mentors and jobs. South-South learning is an integral component, and the seven country teams share experiences and lessons learned. The AGI was first launched in Liberia by President Johnson-Sirleaf, who inspired the work, and represents the collaboration of the World Bank, the Nike Foundation, recipient governments, and Denmark, Norway, Sweden, and the United Kingdom.

The World Bank has scaled-up financing for infrastructure to support improved access to energy, transport and water services in the poorest countries. IDA financing for energy, transport, water and ICT increased from $1.2 billion in FY00 to over $5.7 billion in FY10. [xvi] Over the past decade, IDA financing constructed or rehabilitated over 123,000 kilometers of roads and maintained over 134, 000 kilometers of roads, benefitting about 75 million people. Access to an improved water source was provided to over 113 million people, and almost 5.8 million people gained access to almost 600,000 improved sanitation facilities. A key aspect of IDA's efforts is to combat urban poverty through programs to improve conditions for those living in slums, especially in Africa and South Asia (box 7). More than 85 percent of the scale-up in IDA financing occurred in these regions.

The Sustainable Infrastructure Action Plan outlines the WBG's approach to the core access agenda in transport, energy, water, information and communication technologies. It commits to strengthen the economic, social, and environmental linkages of the WBG's infrastructure engagements, recognizing that sustainable infrastructure services are necessary for achievement of all MDGs (box 8). It also commits to scale-up WBG support for infrastructure while leveraging additional public and private financing through increased technical assistance. The Plan emphasizes strengthening sectoral policies and institutions to improve the efficiency, affordability, quality and the reach of basic services--a message reflected in the individual sector strategies of the Energy, Transport and Water sectors and fundamental to improving the welfare of the poor and achievement of the MDGs. The Energy Strategy focuses on provision of reliable and affordable energy services for agriculture, industry, commerce and households underpinning growth in productivity and output. The Transport Strategy stresses the need for safe, clean and affordable transport. And the Water Resources Sector Strategy refocuses attention on basic sanitation, calls for improved agricultural water management, and recognizes the potential of hydropower to deliver clean energy to millions.

Box 7: Slum Improvement (MDG 7) and the WBG

MDG 7 (Target 11) calls for significant improvement in the lives of at least 100 million slum dwellers by 2020. About one-third of the urban population in developing countries—nearly one billion people—live in slums, down from 39 percent in 2000. While this is encouraging, it has not reduced the absolute number of slum dwellers given rapid urbanization and population growth. Nearly two-thirds of the urban population in SSA live in a slum, followed closely by South Asia, where almost half of city dwellers live in slums. In East Asia, about one-third of urban residents live in slums; in Latin America and the Caribbean (LAC), about one-fourth do.

The World Bank has invested significantly in slum upgrading providing approximately $US2.8 billion between FY00-FY09, with the majority of projects in SSA and Latin America and the Caribbean. These typically finance improvements in physical infrastructure and access to basic services, including water and sanitation, electricity, drainage, roads, and waste management. Increasingly, programs also include interventions to improve tenure security, social infrastructure (such as youth centers and health clinics), housing quality, and access to social programs (such as health and education, daycare, vocational training, and community management).

The new World Bank Urban and Local Government Strategy incorporates lessons from past experiences and aims to tackle difficult issues related to land and service delivery in informal settlements that are current deterrents to slum upgrading. Many recent projects combine physical upgrading with social programs carried out in partnership with local community organizations. A number of successful examples of programs address social problems such as crime and violence that have dramatically reduced in homicide rates in countries such as Brazil and South Africa.

The World Bank Group supports the development of the ICT sector in developing countries. Since 2000, the World Bank (IBRD/IDA) has committed $1.8 billion for investment in ICT projects. A further $45 million was spent on analytical work and technical assistance in the ICT sector.[xvii] The IFC invested $2.5 billion in the telecommunications sector in developing countries over the same period and mobilized a further $1 billion in financing through its syndication program.

About one-half of IDA projects approved in the 2000s contain an ICT component, more than double the proportion in the 1990s. Total current IDA lending for ICT is estimated to exceed US$7.0 billion.[xviii] Investment projects currently under preparation will cover a wide range of ICT-related activities, including policy and regulatory support, investment in broadband and rural access, and use of ICT networks in the delivery of public services and as a driver of economic growth. The World Bank is increasingly supporting the transformational use of ICT for the delivery of government services. Projects include e-health card systems for the poor, citizen electronic IDs, on-line access to land titling and judiciary proceedings, and the use of mobile phones to provide agriculture extension services or health services.

Box 8: Infrastructure Access and the MDGs

There is wide recognition that energy, transport, water and sanitation services are essential to the MDGs. For example:

Provision of reliable and affordable energy services:

- Expanding household energy access increases productivity and educational opportunities
- Providing energy access to schools, health clinics and hospitals improves health, education and economic growth
- Energy access for agricultural development supports food security
- Providing reliable energy supply for industrial and commercial development supports economic growth and poverty reduction
- Energy efficiency and expanding use of renewable energy helps mitigate climate change
- Regional power grids supports regional trade and economic development

Provision of safe, clean and affordable transport:

- Transport links across borders facilitate economic growth and regional integration through trade
- Improving urban transport makes cities work better for the environment and economic growth
- Providing all-season rural roads creates economic opportunity and growth in rural areas
- Expanding road and highway networks provides access to health care and educational facilities
- Increasing safety and cleanliness for the community saves lives and helps mitigate climate change

Provision of sustainable water supply and sanitation services:

- Reliable and convenient water supply frees up time for productive activities and education, especially for women and girls
- Access to safe and reliable water and sanitation improves health, the environment and productivity
- Availability of water supply and wastewater treatment and disposal for industrial and commercial development improves the environment and promotes economic growth)
- Improving irrigation and water management systems in rural areas supports food security.
- Flood protection and disaster risk management systems saves lives and preserves livelihoods.
- Supporting regional cooperation on water resources management enhances security as well as regional trade and development.

In a resource-constrained world, ensuring development effectiveness and accountability for results is of the utmost importance. This is the underlying motivation for the WBG's Governance and Anti-Corruption (GAC) Strategy, adopted in 2007; GAC is critical to development effectiveness, including achievement of the MDGs, both at the country level and in the World Bank's own programs. Programs across sectors are now integrating mechanisms to improve governance and accountability as a tool for better development outcomes, and thereby the achievement of the MDGs. Policy dialogue, technical assistance, and lending operations across sectors now integrate GAC mechanisms to achieve better outcomes. These include the following:

- Creating the right incentives for service providers such as pay for performance that tie monetary incentives to good performance
- Putting in place strong accountability mechanisms
- Reducing error, fraud and corruption in transfers
- Instituting grievance redress mechanisms for citizens and communities
- Improving access to information about standards and services

- Increasing community involvement in, and monitoring of, services.

Bank operations that have integrated these kinds of accountability arrangements include the following:

- The Maternal-Child Health Insurance Program in Argentina (*Plan Nacer)* instituted in 2004, relied on performance-based incentives and cash transfers. This contributed to an increase in national immunization rates for babies from 66 percent in 1996 to more than 94 percent in 2007.
- Water supply projects in Uzbekistan and Tajikistan helped boost governance of local water utilities through efficiency improvements of services delivery, strengthening customer service orientation, and promoting demand management.
- School-level interventions in Madagascar instituted report cards, structured meetings between school officials and parents, and teacher training in lesson planning and class attendance to increase standardized test scores.

Box 9 : Climate Change and the WBG

To address the threat of climate change, development needs to become "climate smart". It must deal with adaptation efficiently, and also mitigate the growth of greenhouse gases. This will require additional resources, over and above existing development finance. Synergies between climate-related investment and development need to be fully exploited. Adaptation programs can be pro-poor, such as converting degraded cropland into resilient agroforestry systems.

The WBG is helping countries address climate change through projects and partnerships. A key partnership is the Climate Investment Funds (CIF), established in 2008, to which contributing countries have pledged more than $6 billion for climate-resilient and low-emissions development. The CIF is a partnership among the MDBs through which developed and developing countries come together with stakeholders. The Bank plays a critical tripartite role, as Trustee of the Funds, implementing agency, and host of the Administrative Unit. Over 40 countries are currently undertaking CIF pilots. The Pilot Program on Climate Resilience (PPCR), which helps highly vulnerable countries to integrate risk and resilience into core development planning, now has nine pilots and pledges of $967 million. The Forest Investment Program (FIP), with $542 million, which supports efforts to reduce deforestation and forest degradation, cut emissions and maintain carbon reservoirs, has eight pilots underway. Mitigation is addressed through the Clean Technology Fund (CTF), which supports scaled-up financing for low-carbon technologies in MICs; with 13 CTF Investment Plans, total pledges now are $4.2 billion, which is expected to leverage even more in co-financing. The Scaling Up Renewable Energy Program (SREP), with $295 million, aims to demonstrate low-carbon energy development in LICs; six SREP pilots are underway.

The WBG also addresses climate change through Development Policy Operations (DPOs), technical assistance, investment lending, and analytical work. DPOs provide support to governments implementing climate-related policies. In Ghana, for example, the Agriculture Development Policy credit supports efforts to integrate climate risk management into agriculture-led growth. In Bangladesh, 320,000 homes have been provided with solar electricity, and with this comes lighting for education and for women's economic empowerment. IFC is supporting climate-related investments that help to meet the needs of the poor for modern services in an efficient manner, such as the Lighting Africa Program.

The WBG places considerable emphasis on helping countries strengthen their resilience to global economic volatility. In addition to supporting the establishment and development of social safety nets, the WBG provides financial products to help manage shocks linked to natural catastrophes, commodity price volatility, interest rate and currency volatility, and financial contagion. Since the onset of the food, fuel, and financial crises, there has been a surge in the number of countries seeking its expertise and risk-management services to reduce borrowing costs, hedge risks, and manage volatility. The WBG has created or expanded a diverse range of programs and initiatives—often in collaboration with ministries, agencies, and donors—to cushion the impact on clients and speed the restoration of growth.

- IFC has provided guarantees and liquidity for trade transactions, refinancing to microfinance institutions, additional capital to ensure banks can continue to lend during the crisis, capital for strategically-important banks in SSA, debt and equity funds to support private infrastructure projects affected by capital shortages, and working capital to agribusinesses.

- Regional Crisis Initiatives include the joint International Financial Institution (IFI) Action Plan for Africa, designed to leverage additional financing and support investment-ready initiatives; the joint IFI Action Plan for Central and Eastern Europe led by IFC and Multilateral Investment Guarantee Agency (MIGA),which provided capital and liquidity to the region's financial sector; and the Multilateral Crisis Initiative for Latin America and the Caribbean to pool global financing from public and private sources and scale up crisis responses.

The WBG has also created special facilities to augment available resources, especially for LICs. These **i**nclude: the Global Food Crisis Response Program (GFRP) focusing on social protection and priority food policy interventions; the Infrastructure Recovery and Assets Platform (INFRA), focusing on the critical needs of infrastructure during the downturn; and IDA's pilot crisis response window to provide additional funding to LICs affected by the crisis. Future work in managing risk will focus on:

- Developing global approaches to disaster and post-conflict needs assessments
- Helping countries establish well-functioning safety nets to protect the vulnerable during crises
- Helping resource-rich economies design fiscal policies to smooth expenditures and revenues
- Developing risk-sharing mechanisms and political risk insurance products to sustain lending to SMEs and facilitate better-designed public-private partnership contracts to minimize the adverse impact of downturns
- Designing innovative finance and insurance products to spread and manage risk
- Helping governments establish institutions and capacity to use market mechanisms to manage energy and food price movements
- Developing stress tests and contingency plans for the financial sector, debt, and pensions
- Helping countries manage reserves to provide a better cushion against external shocks.

Tailoring its assistance to the special needs of fragile and conflict-affected countries is yet another way that the Bank is making a difference to the achievement of the MDGs. The World Bank's approach to address the specific challenges of these countries has evolved and expanded over the last decade. In terms of resources, eligible post-conflict and re-engaging countries receive exceptional allocations from IDA, and som**e** have also benefited from exceptional pre-arrears clearance grants. Fragile and conflict-affected countries have also benefited significantly from debt relief through the Heavily-Indebted Poor Country and Multilateral Debt Relief Initiatives. The World Bank has pursued extensive efforts to increase staffing in fragile countries, initiated operational reforms to improve and speed up project preparation, strengthened analytical work to improve understanding of structural and country-specific factors that contribute to fragility, and forged partnerships with international actors on strategic and operational planning and implementation in these countries. Support to fragile and conflict-affected countries is directed to peace-building and state-building. While the incremental achievements of these objectives are not fully captured by the MDGs**,** they constitute the essential stepping stones toward meeting the MDGs.

VI. MOVING FORWARD ON THE MDGs

9. ***In the wake of recent global crises, and with the 2015 deadline approaching, business as usual is not enough to meet the MDGs. We need to do more, and do it better. With the commitment of donors to help mobilize the required resources, we will. IDA is critical to the achievement of the MDGs and a strong replenishment is needed to match a high level of ambition going forward.***

In the wake of the global economic crisis, business as usual is not an option. The outlook for private capital flows and the likelihood of continued fiscal stress in donor countries imply the need to supplement traditional financing with innovative forms of finance. But even this is not enough**—**we need a new and dynamic combination of policies, resources, and innovation**.** To contribute to the global effort to achieve the MDGs, the WBG has adopted the most ambitious reform agenda ever: modernizing our products and services, fostering opportunities for innovation, and continuing to increase our field presence in order to apply cutting-edge skills closer to clients while gathering, customizing, and spreading knowledge and experience more effectively. And we are sharpening our focus on results, opening access to our information and processes, and strengthening our governance and anti-corruption efforts.

But the WBG cannot do it alone. It will take a concerted and coordinated international effort to support developing countries in their pursuit of a better world for their citizens. The WBG will continue to go the extra mile to support country-led efforts to tackle poverty, hunger and achieve the full range of MDGs. And it will continue to draw on its expertise and proven track record of achieving results while fostering new and innovative approaches. A successful IDA replenishment is essential to the Bank's ability to ramp up support at this critical time (box 10).

An increased focus on managing for results will underpin the WBG's contribution to achieving the MDGs. This will include the use of results-framework in country assistance strategies and continued improvement in results measurement systems. At both the World Bank and IFC, we are reengineering our decentralization model and reforming our matrix structure, clarifying roles, accountabilities, and reporting lines. More than 5,000 Bank Group staff members are already in the field. We are strengthening our field presence in low-income and fragile states by moving more task management to country offices and adding country directors. But simply moving more staff to the field will not be enough**.** We need to combine close-to-the-client service, the ability for the client to tap top-flight global expertise quickly and easily, and strong central capabilities to guide a unified effort.

Box 10: IDA 16 is Critical to the Achievement of the MDGs

As one of the largest funders of development in LICs, IDA is critical to the achievement of the MDGs. Over the past ten years, IDA has helped governments design sound macroeconomic policies in support of growth and poverty reduction. IDA has also contributed to the creation of economic opportunities and improved living conditions for millions of people by delivering vital education services to at least 100 million children, access to health services to some 47 million people, vaccination of 310 million children; and access to safe water to over 113 million. In addition, it has enabled 26 million people in rural areas to have access to an all-seasons road and supported the construction or rehabilitation of over 123,000 km and the maintenance of 134,000 km of roads. In fragile states, IDA has financed the demobilization and reintegration of 441,000 ex-combatants. To sustain these gains, IDA has worked on strengthening policies and institutions, through improved public-sector financial management systems, including procurement systems and environmental safeguards.

IDA 16 Replenishment: IDA 16 will cover the critical period to 2015, the target date for the MDGs, a strong replenishment is needed to match a high level of ambition. IDA 16's overarching theme and focus will be on development results. To this end, the Bank is working to achieve better and faster results by further strengthening IDA's results framework and implementing internal reforms to increase corporate effectiveness and accountability. To propel further progress on poverty reduction and other the MDGs, IDA 16 will enhance efforts on four critical cross-cutting issues:

- *Gender:* Addressing gender issues to bolster progress on all MDGs
  - Implementation of Regional Gender Action Plans—education strategy, reproductive health action plan (focusing on 52 priority countries)
  - Strengthen the results framework for gender
  - Disseminate the business case for gender work—WDR 2012
- *Fragile states:* Focusing on countries lagging behind on MDGs
  - Extend post-conflict financial assistance
  - Promote regional projects by requiring only two countries (rather than three) to access regional allocations
  - Deepen decentralization efforts-- delegation of authority to the field, skills mix
- *Climate change:* Ensuring climate change is integrated into IDA's work
  - Build in climate resilience and capture mitigation opportunities
  - Strengthen monitoring and reporting of IDA resources used for climate change
- *Crisis Response:* Propose a Crisis Response Window (CRW) within IDA to assist countries to deal with unanticipated, severe natural disasters or exogenous economic shocks. A Pilot CRW in the amount of $1.6 billion was introduced in IDA 15

The World Bank is working to enhance its menu of lending instruments. To complement more traditional investment and development policy lending, and building on the growing experience with results-based financing mechanisms to fund government programs (e.g. Sector Wide Approaches, Conditional Cash Transfer, Output-Based Aid), the World Bank is proposing to introduce a new instrument that would:

- Disburse against results
- Finance specific sectoral or subsectoral government programs
- Focus on strengthening the institutions and capacity essential to ensuring that the programs achieve expected results and can be sustained
- Provide assurances that World Bank financing is used appropriately and that social and environmental consequences of programs are satisfactorily addressed.

The World Bank will not target a given level of lending (or proportion of lending) for the new instrument— it will be one of many tools to increase the Bank's ability to respond to the needs of clients in a rapidly changing world. The concept of the new instrument will be discussed at the meeting of the Board of Executive Directors in October 2010. The World Bank will subsequently consult with a wide array of stakeholders.

The Agriculture Action Plan outlines the new phase of the WBG's commitment to scale up support for agriculture and related sectors. Lending (from IDA, IBRD, and IFC) is projected to increase from a baseline average support in FY2006-08 of $4.1 billion annually to between $6.2 billion and $8.3 billion annually. The WBG will focus on supporting clients to achieve the following:

- Raise agricultural productivity
- Link farmers to markets and strengthen value chains
- Reduce risk and vulnerability
- Facilitate agricultural entry and exit, and rural nonfarm income
- Enhance environmental sustainability and services.

Looking forward, the World Bank will increase its efforts to help countries reach the health MDGs including by increasing the effectiveness of its funding by linking lending directly to results. Efforts will focus on 35 countries, particularly in Sub-Saharan Africa and South and East Asia, facing challenges in achieving MDGs due to high fertility and poor child and maternal nutrition and health status. The World Bank will increase the funding and reach of its results-based programs by more than US$600 million over 2011-15 to scale up essential health services and nutritional interventions, combining better supply through the strengthening of health systems with boosting demand for these services. Working closely with development partners, programs will provide the vehicle for the implementation of the Bank's Scaling-up Nutrition framework and Reproductive Health Action Plan.

To help countries achieve the education MDGs, the World Bank commits to increasing its IDA resources for basic education. From 2010-15, IDA support will increase by an additional $750 million, with a focus on the countries that are not on track to reach the education MDGs by 2015, especially in Sub-Saharan Africa and South Asia. The additional resources will be used to support innovative interventions that improve the access to good quality schools for underserved populations and address the barriers to demand for those services. Lessons from some countries indicate that demand-side interventions such as girls' scholarships, conditional cash transfer programs, and school grants can successfully address obstacles to school enrollment and attendance for disadvantaged populations and lagging areas. . A new World Bank education strategy, which is in preparation and undergoing global consultations, will be published in FY11 and will lay out these approaches.

The Bank will continue to sustain the higher levels of infrastructure funding that have been achieved in recent years both through the IDA window and through expanded IBRD resources. As far as possible, Bank resources will be used to leverage funding from other sources. Addressing Africa's critical infrastructure deficit, and in particular its pressing lack of power infrastructure, will be an important focus of this effort**.**

As the MDG deadline approaches, the need for the Bank's knowledge assets could hardly be greater. Increasingly, the value added from the World Bank's engagement will arise from advice and other knowledge services. Governments will seek insights from the successful experience of others, prompting the World Bank to expand its analytical work and capacity building in those areas experiencing the greatest shortfall relative to the MDGs. Building solid evidence on what works through impact evaluation constitutes a key aspect of these efforts. Working with both governments and researchers from developing countries, the World Bank has supported the rigorous use of impact evaluation as a means of learning from experience, particularly in terms of interventions with direct impacts on MDGs such as increasing schooling or improving child and maternal health indicators.

The Bank's recently-adopted Knowledge Strategy seeks to respond to this challenge. The new strategy is significantly different from past knowledge reform efforts: it is broad-based and operational, with impact extending across all the Bank's business lines; it seeks to open up the Bank to external views and connect to external knowledge sources; and it seeks to capitalize on trade offs and synergies between tacit and explicit knowledge via mobility of staff and production of documents. Key elements of the new Strategy include the following:

- A renewed emphasis on development effectiveness through customized development solutions at the country level
- Re-energizing the World Bank's professional practices as the backbone and organizing principle for learning, cultivating, and delivering knowledge excellence
- Mobilizing the World Bank's full potential as a globally connected and locally engaged organization, bringing together and leveraging dispersed sources of knowledge, learning, and innovation
- Repositioning our knowledge products and activities to inform better the debate on global development issues.

Annex 1: Regional Perspectives on the MDGs

East Asia and the Pacific

In GDP terms, East Asia and the Pacific is the fastest growing region in the world, and is expected to continue to lead the global recovery. Largely as the result of the strong performance of countries like China, Thailand, and Vietnam, the region has already reached MDG 1 of halving poverty and is leading the way to achieving the MDGs on primary school completion (MDG 2), girls-to-boys ratio in schools (MDG 3), and access to improved water source (MDG 7) by 2015. Progress in reducing infant mortality (MDG 4) has lagged.

But with a mix of MICs, LICs, and fragile countries, progress is uneven across the region. Achieving MDG targets remains a serious challenge in most low-income countries, especially those designated as fragile. LICs in East Asia are only 40 percent of the way to attaining MDG 1.

Despite marked improvement in gender equality in education, promoting gender equity (MDG 3) has yet to be fully translated into equivalent reductions in gender-based disparities in wages, employment, and participation in social and political processes.

Lack of progress in reducing the child mortality rate and improving access to sanitation is widespread, with about 60 percent of countries off track. Within-country disparities are also problematic. In China, regional inequality is rapidly increasing. In Indonesia, the urban population reached the MDG for access to safe drinking water in 2009, but its slum residents and the bottom 40 percent of the rural population are unlikely to reach this goal by 2015. In the Philippines, the sluggish pace of poverty reduction, despite rapid growth during most of the 2000s, is largely attributable to increasing inequality, both across regions and income groups.

Sustained economic growth will continue to be the main vehicle for making progress toward the MDGs. But ancillary policies that address rising inequality and recent setbacks caused by the global financial crisis will also be necessary. These policies need to encourage public investment in basic infrastructure linking the economies of lagging regions to those of leading ones. They also need to promote public services that improve access to basic health, education, and employment opportunities for poor and disadvantaged populations, including women and ethnic minorities. And there is a need to invest in cost-effective social safety net systems that ensure achievements are not lost to unexpected future shocks.

Europe and Central Asia

Within this diverse region, rising incomes in the decade prior to the crisis delivered rapid gains in poverty reduction and progress toward meeting many MDGs. Poverty more than halved, falling from about 22 percent of the population living below US$2.5 per day in 1998 to around 8 percent in 2008. Before the crisis, Armenia, Azerbaijan, and Moldova had reduced their poverty rate by half relative to 1990. But poverty remained high in many other countries, and among particular subgroups, such as the Roma.

The crisis hit many countries particularly hard—GDP contracted more than 5 percent and unemployment rose by 3 million between December 2008 and 2009. The downturn jeopardizes some of the gains. Simulations indicate that by 2010, the region could have an additional 10 million poor people relative to pre-crisis projections. The crisis has had a particularly strong impact on vulnerable groups, such as the Roma. A recent household survey in Bulgaria shows that Roma employment rates dropped from 52 to 35 percent for men and 30 to 22 percent for women.

Primary school completion rates are over 97 percent, but have fallen compared to the 1990s in some countries, particularly in Central Europe. While enrollments at secondary and tertiary levels are also high, the education system is not producing enough graduates with the right skills. Reforming the system to deliver higher quality education for the vast majority of students is a priority. Modernizing safety nets to improve targeting, and strengthening benefits administration and incentives, are high on the agenda, with the key reforms linked to the maturity of the country's safety nets.

Progress on health-related MDGs has been mixed. While maternal mortality has fallen (almost all births are attended by skilled personnel), under-5 mortality rates and HIV/AIDS-related indicators remain a challenge. Europe and Central Asia are the only regions where the incidence of HIV is increasing. But, while the region is still off track, it has made considerable progress to improve access to treatment for people with advanced HIV infection.

Looking ahead, many countries in the region face the triple challenge of re-igniting growth in a time of limited fiscal space and declining populations. Many governments have already started to rethink service delivery and provide incentives for greater efficiency in most of the sectors core to reaching the MDGs. Achieving expanded and better service delivery within tight budget envelopes, while at the same time protecting the poor, is a difficult but manageable task. Reversing alarming tendencies in adult mortality (and life expectancy) in several countries will necessitate comprehensive and multi-sectoral policy reforms. Similarly, social and economic policy reforms geared to raising employment opportunities, especially for women, are equally important to support growth and revenue generation given important investment needs, especially in LICs. The safety net reform agenda remains one in which countries move from a system based on privileges to one in which the poor and most vulnerable are effectively reached and, in parallel, provided with opportunities and incentives to re-enter the labor market.

Latin America and the Caribbean

The proportion of people living below a US$1.25 a day is low (6 percent in 2008) and the region has achieved more than two thirds of the 2015 target for cutting extreme poverty in half. The region has been a leader in designing social programs, most notably conditional cash transfers and in expanding access to basic services and infrastructure, which have helped cushion the impact of the financial crisis on the poor. A return to pre-crisis growth rates as well as targeted programs for the extreme and chronic poor will be important for continued progress. .But progress in reducing poverty varies greatly with Brazil, Chile, Costa Rica, Dominican Republic, Mexico, Nicaragua, and Guatemala among those having achieved the goal, while others--such as Haiti, Guyana, and Bolivia--are unlikely to meet the target; within most countries, sub-populations, particularly indigenous peoples and those in rural areas, continue to experience high rates of poverty. From the early 1990s to the early 2000s, poverty decreased by less than 0.1 percent among indigenous people in Bolivia, Ecuador, Mexico and Peru.

With an estimated 97 percent primary completion rate, the region is second only to East Asia in achieving universal primary education. However, Haiti, Honduras, Nicaragua, and Guatemala are off track. Gender equality in primary school enrollment has been almost fully achieved, although in Haiti, girls are at a huge disadvantage in primary school enrollment. The region as a whole is on track for meeting the child mortality target and is doing well on births attended by health staff, with 90 percent achieved. On the other hand, it is not likely to meet the goal on maternal mortality. The prevalence of HIV has been stabilizing and, if this continues, the region could become the first to achieve universal access to antiretroviral treatment.

Development priorities going forward are to improve the quality, effectiveness and targeting of basic goods and services critical to meeting the MDGs, particularly among vulnerable groups and LICs. Haiti will remain a priority for poverty reduction. Although water and sanitation coverage for urban areas is relatively high, in rural areas, it is lagging and the World Bank is putting special emphasis on appropriate technologies and institutions for peri-urban, small town and rural areas. To support efforts to reduce child and maternal mortality and improve health outcomes, the Bank is financing programs such as *Plan Nacer* in Argentina, Family Health Program in Brazil, and *Recurso* in Peru to improve access to reproductive health services. Support is being provided to fight HIV and AIDS in the Caribbean, Brazil and Argentina. The Bank is also supporting a region-wide network in monitoring and evaluation and national M&E systems in several countries, including Brazil, Chile, and Colombia to help improve the results focus and effectiveness of key government investments that are behind the MDGs. In addition, it has introduced the Human Opportunity Index as a tool to better track not only access to basic goods and services in the region, but also the equity of that access. In response to threats to environmental sustainability, the Bank is promoting biodiversity conservation, adaptation to climate change, the valuation, and payment for, environmental services and incorporation of environmental considerations into health, energy, transport, agriculture, and urban policies.

Middle East and North Africa

The Middle East and North Africa have made notable strides in improving the health, education, and standard of living of its people. But countries in the region face a number of challenges, including social and economic gaps between rich and poor, high youth unemployment, and persistent gender differentials. There are considerable disparities among countries; per capita incomes vary from around $1000 in Yemen and Djibouti to over $15,000 in Gulf countries. All countries in the region, with the exception of Djibouti, Iraq, and Yemen, stand to meet or narrowly miss most of the MDGs. However, there are opportunities for improvement in many of the countries.

Overall, the region has experienced a steady decline in the proportion of people living below $1.25 per day, from 4.3 percent in 1990 to 2.5 percent in 2009, while the proportion living below $2.00 per day declined substantially, from over 25 percent to about 16 percent. MICs, such as Egypt and Morocco, have experienced rapid rates of poverty reduction. Djibouti and Yemen, on the other hand, are far from achieving this target, having faced rising poverty headcount ratios.

Social and human development indicators for the region show marked improvement. Significant advances have been made in reducing child and maternal mortality, and increasing school enrollment for both men and women. Much of the region has been gradually moving towards universal access to primary education and the region has significantly increased gender parity in primary and secondary education. However, reflecting conditions far removed from those of elsewhere in the region, Djibouti and Yemen face many additional challenges. Although some progress has been made in gender equality in education, neither country is expected to reach the targets by 2015 and they are also unlikely to meet the targets for child mortality, child malnutrition, and maternal mortality. In Djibouti, 33 percent of children under age five are stunted; and Yemen's child malnutrition levels have risen in the past decade to over 50 percent.

Conflicts in Iraq and West Bank and Gaza continue to pose an obstacle to achieving the MDGs. In some cases, inequality *within* countries is also a challenge. In Morocco, for example, the MDG track record is mixed due to poor maternal and child health outcomes in certain regions.

Looking ahead, sustainable growth from a broad economic base is necessary for poverty reduction. However, growth alone is not sufficient to achieve the MDGs, especially in the poorest countries or in poverty pockets in relatively richer countries. Scaled-up implementation of early childhood development interventions, maternal health and nutrition, and effective social safety nets are needed to reduce vulnerabilities and enable further investment in human capital. In a region where water is extremely scarce, investing in water and sanitation will be vital. Greater investment in infrastructure is also essential in order to reduce social and spatial disparities are thereby create equitable growth process and social cohesion. Finally, better and more systematic data collection and access will be needed to track progress in human and social development indicator and to enable governments to respond effectively to crises and implement evidence-based policies.

South Asia

The poverty rate has declined in all countries in South Asia. Growth and poverty reduction has resumed in most countries except in Pakistan. However, significant disparities exist across the region and within countries. Despite rapid growth and poverty reduction, the number of poor people has risen. Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka have made rapid progress on primary education and gender equality. Under-five mortality is off track in all countries in the region except for Bangladesh, Nepal and Maldives and the maternal mortality goal is seriously off track in all countries in the region with the exception of Sri Lanka. The MDG goal to halt the spread of major communicable diseases appears to be within the reach of most countries, with only Afghanistan and Pakistan off track. In addition to adverse initial conditions and recurrent natural and man-made disasters, the central challenges faced in speeding up achievement of the MDG are as follows:

- Low job-creation (despite high output growth) and a majority of workers in vulnerable jobs
- Poor quality delivery of health, education, and infrastructure services, especially to lower income groups
- Little fiscal space in the wake of the global economic crisis and inadequate budgets to scale up programs that address the MDGs.

The overwhelming regional priority going forward is to sustain rapid economic growth, with a greater focus on inclusion. While countries differ on policy, public spending, sector emphases, and their choice of instruments, the priority is to scale-up successful projects in health, education, water and sanitation, and to stimulate private investment by connecting people to markets, promoting competition, simplifying business regulations, and expanding the provision of physical infrastructure. Concern for sustainability has a prominent place in country programs, with earlier actions toward protection and management of pollutants being augmented by initiatives for adaptation to climate change and mitigation of adverse effects. For the first time, all countries in the region have democratically-elected governments. Beneficial effects on the management of national resources through the expansion of accountability and an orientation toward delivering results to citizens have become visible, creating better conditions for sustained and inclusive growth.

Sub-Saharan Africa

Although SSA countries are off-track on most MDGs, the region has made important gains. Over the past decade, the poverty rate has declined at about one percentage point a year—from 58 percent in 1995 to 51 percent in 2005, with most of the decline occurring over the past decade. Before the crisis, SSA demonstrated the fastest regional progress in primary school completion—from 53 percent to 65 percent between 2000 and 2008. Several countries had improvement in completion rates of 50 percent or higher, although admittedly from a low base. SSA countries have also made progress in closing the gender gap in primary school enrollment. While progress on health MDGs has lagged, evidence indicates that child mortality, after stagnating for some time, had begun to fall sharply before the crisis. Ethiopia, Gambia, Malawi, and Rwanda saw declines of 25 to 40 percent in under-five mortality during 2000-08.

The crisis could stall hard-won progress or could make it harder to sustain gains. The poverty rate is now expected to fall to 38 percent by 2015, not 36 percent.[xix][a.] This will leave an additional 20 million people in extreme poverty in 2015 and under-five mortality might fall more slowly: to 139.5 per 1,000 (post-crisis trend) instead of the pre-crisis trend of 129.2 per 1,000. Faster progress depends on the strength of the economic recovery and how well countries address large infrastructure deficits, high unemployment, lagging agricultural productivity, poor service delivery, weak governance, and climate change.[xx]

- The private investment rate is still around 15 percent due to an infrastructure deficit and constraining business regulations. Economic growth has not been able to fully absorb the 7 to 10 million young people entering the labor force every year.
- Agricultural productivity is not increasing fast enough. The region is vulnerable to extreme weather events, such as desertification, rising sea levels, and more frequent droughts, and may be the continent worse hit by climate change.
- The delivery of basic services continues to fail poor people, due to high degrees of teacher absenteeism and the failure of funds to reach frontline service providers.

Cutting across these factors are weak governance and public-sector capacity, reflected in the difficulties securing political consensus for "second-generation" pro-poor reforms in areas such as infrastructure, business regulation, and basic service delivery.

Achieving the MDGs will require a strong commitment on the part of policy makers to implement reforms, along with larger and more effective development assistance from donors, better trade access, and sustainable support from international financial institutions.

[i] Annex 1 contains a region-by-region perspective on the MDGs.

[ii] With the resurgence of economic growth in SSA, the proportion of Sub-Saharan Africans living on less than $1.25 a day fell from 58 percent in 1990 to 51 percent in 2005, but the absolute number of poor rose from 296 million to 388 million.

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[v] Sao Tomé and Principe, Ghana, the Republic of Congo, Kenya, Bangladesh, Sri Lanka, Nepal, Timor-Leste, Vietnam, and Tajikistan (Wireless Intelligence 2010)

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[xii] Zhen-Wei Qiang, Cristine, and Carlo M. Rossotto, with Kaoru Kimura. 2009. "Economic Impact of Broadband." *In Information and Communication for Development.* Washington, DC: World Bank.

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[xv] These are discussed extensively in *New World, New World Bank Group: Post-Crisis Directions*, April 2010, http://siteresources.worldbank.org/DEVCOMMINT/Documentation/22553954/DC2010-0003(E)PostCrisis.pdf

[xvi] World Bank, Business Warehouse (Approved IDA Commitments in the Energy, Transport, Water and ICT sectors as of July 2010.

[xvii] World Bank Business Warehouse. 2010.

[xviii] Zhenwei Qiang, Christine, and Björn Wellenius. Forthcoming. "Five Decades of IDA in the Information and Communication." Sector Background Paper, World Bank, Washington, DC.

[xix] Global Monitoring Report 2010, World Bank, Washington, DC

[xx] Africa's Pulse (April 2010); Renewing the World Bank's Strategy for Africa: Consultations Note (May 2010).