DEVELOPMENT COMMITTEE
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Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)

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GLOBAL MONITORING REPORT 2005: FROM CONSENSUS TO MOMENTUM

Summary Paper

Attached for the April 17, 2005, Development Committee Meeting is a summary paper entitled "Global Monitoring Report 2005: From Consensus to Momentum," prepared by the staff of the World Bank and the International Monetary Fund. The full report will be available as a background document. This item will be considered under Item I of the Provisional Agenda.

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Global Monitoring Report 2005

Millennium Development Goals: From Consensus to Momentum

DEVELOPMENT COMMITTEE

April 17, 2005

Global Monitoring Report 2005

MDGs: From Consensus to Momentum

CONTENTS

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AfDF	African Development Fund
AsDB	Asian Development Bank
AsDF	Asian Development Fund
DAC	Development Assistance Committee
EPDF	Education Program Development Fund
EU	European Union
FTI	Fast Track Initiative
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IEO	IMF Independent Evaluation Office
IF	Integrated Framework
IFI	International Financial Institution
IMF	International Monetary Fund
JSAN	Joint Staff Advisory Note
LDC	Least Developed Country
LICUS	Low-Income Countries under Stress
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OED	World Bank Operations Evaluation Department
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper

Executive Summary and Issues for Discussion

i. Bold actions are urgently needed if the development vision world leaders laid out in remarkable unison at the turn of the century is to be realized. The Millennium Development Goals (MDGs) and the Monterrey Consensus created a powerful global compact for development. The MDGs set clear targets for eradicating poverty and related human deprivations. The Monterrey Consensus stressed mutual accountability of developing and developed countries in achieving these goals. But the continued credibility of this compact hinges on expediting its implementation. Nearly five years have passed since the Millennium Declaration was adopted, and current stocktaking of progress during that time has focused global attention on the need to scale up action—making 2005 a crucial year to build momentum for the MDGs.

ii. Without faster progress, the MDGs would be seriously jeopardized—especially in Sub-Saharan Africa, which is off track on all the goals. At stake are prospects not only for hundreds of millions of people to escape poverty, disease, and illiteracy, but also prospects for long-term global security and peace—objectives intimately linked to development. Behind cold statistics on the MDGs are real people, and lack of progress has immediate and tragic consequences. Every week in the developing world, 200,000 children under five die of disease and 10,000 women die giving birth. In Sub-Saharan Africa alone, two million people will die of AIDS this year. And as many as 115 million children in developing countries are not in school. The need to scale up and speed up action is thus urgent, and the opportunities presented by the year 2005 must be seized.

iii. To be sure, there has been progress. Developing countries have continued to improve their policies and governance, which has contributed to an encouraging acceleration in their economic growth. Even Sub-Saharan Africa may be turning the corner, with several countries in the region showing notable progress in reforming policies and reviving growth. Developed countries have increased aid and introduced actions to make it more effective. Some initial steps also have been taken toward trade policy reform. But, overall, progress has been slower than envisaged, uneven across policy areas and countries, and far short of what is needed to achieve the MDGs.

iv. With just a decade to go until 2015, achieving the MDGs seems daunting, especially in Sub-Saharan Africa. But rapid progress is possible—if there is sufficient commitment to reform, and sufficient support from development partners. Better-performing developing countries provide reasons for hope for others. Even in many lagging countries, including in Sub-Saharan Africa, advances are being made and the ground is being laid for better performance. What is needed is to quicken and broaden this progress, based on the framework of the enhanced global partnership envisaged at Monterrey.

v. How to generate momentum and broaden progress? Developing countries must take the lead in articulating and implementing strategies that aim higher—to rise above current trends and substantially accelerate progress. Deeper improvements are needed in policies and governance to expedite economic growth and scale up human development and related key services. Developed countries must also step up implementation of their part of the development compact. They must provide more and better aid but also show leadership on trade policy reform that would open markets for developing country exports and give greater coherence to their policies in terms of their impact on development.

A Five-Point Agenda

vi. To build the momentum needed to achieve the MDGs, this report proposes a five-point agenda of accelerated and concerted actions by developing and developed countries—based on the Monterrey framework of mutual accountability. Within this agenda, a special focus must be the acceleration of progress in Sub-Saharan Africa, the region that is farthest from the development goals but that has recently demonstrated a capacity for improvement in economic performance—capacity that must be fostered through further domestic reform and stronger support from development partners.

Anchor actions to achieve the MDGs in country-led development strategies

- For coherence and effectiveness, the scaling up of development efforts at the country level must be guided by country-owned and -led poverty reduction strategies (PRSs)—or equivalent national development strategies. Framed against a long-term development vision, these strategies should set medium-term targets—tailored to country circumstances—for progress toward the MDGs and related development outcomes. And they should define clear national plans and priorities for achieving those targets, linking policy agendas to medium-term fiscal frameworks. Donors should use these strategies as the basis for aligning and harmonizing assistance.

Improve the environment for stronger, private sector-led economic growth

- Promotion of economic growth must be at the center of the strategy to achieve the MDGs. Sub-Saharan Africa needs to almost double its growth rate, to an average of about 7 percent over the next decade.
- Progress in macroeconomic management should be deepened, with a focus on fiscal management and the structure of public spending—to create more fiscal space for priority expenditures while ensuring fiscal sustainability.
- Improving the enabling climate for private activity—by removing regulatory and institutional constraints and strengthening infrastructure—is key. An important area of reform in many countries is the strengthening of property rights and the rule of law, including legal and judicial reform. Countries should use the improved diagnostics and metrics of the private business environment now available (such as Doing Business Indicators and Country Investment Climate Surveys) to guide action and monitor progress. Spending on infrastructure, for both investment and operation and maintenance, needs to rise in all regions but must double in Sub-Saharan Africa—from about 4.7 percent of GDP in recent years to more than 9 percent over the next decade—as gaps in infrastructure are especially severe in that region. Across countries, the pace of the increase in investment will depend on institutional capacity and macroeconomic conditions.
- Overarching this agenda is the need to improve governance—upgrading public sector management, controlling corruption—as doing so is crucial to both the private sector's business environment and the public sector's development interventions. The New Partnership for Africa's Development and its African Peer Review Mechanism are promising African-led initiatives with a focus on strengthening institutions. Member countries should take advantage of the impetus they provide to develop and implement national capacity-building strategies, which donors should support. Developed countries can also help curb corruption by demanding high standards from their companies active in developing countries, including by giving high-level political endorsement to the Extractive Industries Transparency Initiative.

Scale up human development services

- The human development goals require a major scaling up of education and health services—primary education, basic health care and control of major diseases such as HIV/AIDS, women's access to education and health care—and of water and sanitation infrastructure, which is closely linked to health outcomes. Again, the shortfalls are most serious, and the need to scale up most urgent, in Sub-Saharan Africa.

- Critical to effective scaling up are: rapidly increasing the supply of skilled service providers (health workers, teachers); providing increased, flexible, and predictable financing for these recurrent cost-intensive services; and managing the service delivery chain to ensure that money produces results.

- To strengthen the Education for All Fast Track Initiative, partners should make monitorable, public, long-term commitments to significant annual increases in funding for primary education. Still larger additional resources are needed to achieve the health goals. It is important to ensure that global programs organized around specific health interventions are aligned with recipient countries' priorities and support—rather than undermine—the coherence of their health sector strategies and systems.

Dismantle barriers to trade

- The international community must aim for an ambitious outcome to the Doha Round that fully realizes its development promise, including in particular a major reform of agricultural trade policies in developed countries. The Round should be completed by 2006.

- "Aid for trade" should be scaled up substantially to help poor countries address behind-the-border constraints to their trade capacity, including through investments in critical trade-related infrastructure.

Substantially increase the level and effectiveness of aid

- Official development assistance (ODA) must at least double in the next five years to support the MDGs, particularly in low-income countries and Sub-Saharan Africa, with the pace of the increase aligned with recipients' absorptive capacity. To signal that needed resources will be forthcoming, 2005 is an opportune time for donors to raise their initial post-Monterrey commitments and extend them over a longer time horizon—2010 or beyond. Also, exploration should continue on the merits and feasibility of innovative financing mechanisms to complement increased aid flows and commitments.

- Equally important is improving the quality of aid, with faster progress on alignment and harmonization, and delivery modalities that increase aid flexibility and predictability. Firm implementation of the Paris Declaration on Aid Effectiveness is central to this agenda

- Closure should be reached in 2005 on current proposals for additional debt relief for poor countries with heavy debt burdens that are pursuing credible reforms. Any additional debt relief should not cut into the provision of needed new financing—which for these countries should be primarily in the form of grants—and should not undermine the financial viability of international financial institutions.

Role of International Financial Institutions

vii. How should international financial institutions (IFIs)—multilateral development banks (MDBs) and the International Monetary Fund—strengthen and sharpen their support for this agenda? The report places emphasis on action in five areas, as outlined below. In each of these areas, there has been progress, but there is a need to do more and pick up the pace. The priorities for action and monitoring progress are:

- Support the deepening of the PRS framework in low-income countries, and the operationalization of the MDGs and alignment of IFI assistance within that framework. For low-income countries under stress, support to building institutional capacities is especially important.
- Continue to adapt approaches and instruments to better respond to the evolving and differentiated needs of middle-income countries, including further streamlining conditionality and investment lending.
- Ensure that the implications of the dismantling of trade barriers and increasing the scale and effectiveness of aid are adequately reflected in support for country capacity building, so that emerging opportunities can be fully utilized. Sharpen the strategic focus and improve the effectiveness of IFI support for global and regional public goods.
- Strengthen partnerships and harmonize further by improving transparency, reducing red tape and enhancing the flexibility of assistance (through simplification and use of sectorwide approaches), and promoting the development and use of country systems—for procurement, financial management, and environmental assessment.
- Strengthen the focus on results and accountability by supporting country efforts to manage for development results—strengthening public sector management and development statistics—and furthering progress within IFIs in enhancing the results-orientation of their country strategies and quality assurance processes. Adopt a common framework for self-evaluation of MDB performance and results measurement, and adapt to IMF operations as much as possible.

Issues for Discussion

viii. The following issues are proposed for Ministerial consideration at the Development Committee meeting on April 17, 2005:

- Do Ministers broadly agree with the five-point agenda for accelerating progress toward the MDGs summarized above, and the related accountabilities of developing and developed countries? What in their view are the key outcomes to achieve in 2005 to advance the agenda?
- Do Ministers broadly agree with the indicated priorities for IFIs to strengthen and sharpen their support for this agenda? Are there particular areas or actions that they wish to emphasize?
- What guidance would Ministers offer on how the global monitoring exercise should evolve in facilitating the Development Committee's strategic oversight of progress on the global development agenda—a key issue being how to strike the right balance between comprehensiveness and selectivity in future *Global Monitoring Reports?*

I. Introduction

1. The Millennium Development Goals (MDGs) and the Monterrey Consensus have created a powerful global compact for development.[1] But the continued credibility of this compact hinges on fostering momentum in its implementation. With the five-year stocktaking of the implementation of the Millennium Declaration focusing increased global attention on development, 2005 is a crucial year to build momentum.

2. Without tangible action to accelerate progress, the MDGs would be seriously jeopardized. At stake are prospects not only for hundreds of millions of people to escape poverty, disease, and illiteracy, but also prospects for long-term global security and peace—objectives that are intimately linked to development. Behind cold data on the MDGs are real people, and lack of progress on the goals has immediate and tragic consequences. Every week in the developing world, 200,000 children under five die of disease and 10,000 women die giving birth. In Sub-Saharan Africa alone two million people will die of AIDS this year. Moreover, 115 million children in developing countries are not in school. The need to scale up and speed up action is thus urgent, and the opportunities presented by the year 2005 must be seized.

3. The MDGs set clear targets for eradicating poverty and related human deprivations and for promoting sustainable development. The Monterrey Consensus created a framework of mutual accountability between developing and developed countries in the quest for these goals, calling on developing countries to improve their policies and governance and developed countries to open their markets and provide more and better aid. With consensus on the goals and the responsibilities for action, the focus was put squarely on implementation. Both groups of countries have made progress on needed policies and actions, including in the past year. But progress has been uneven and slower than envisaged. The pace must pick up if the vision of the Millennium Declaration is to be realized.

4. A detailed assessment of progress on policies and actions for achieving the MDGs and related development outcomes and key issues in the agenda going forward are presented in the *Global Monitoring Report 2005.* The full report serves as a background document for the Development Committee discussion. This paper sets out the report's main conclusions and proposes issues for discussion by Ministers.

5. This paper, and the underlying full report, should be read in the context of the broader review of progress on the development agenda in 2005, which includes several other major reports—the U.N. Secretary General's report, the U.N. Millennium Project report, and the Commission for Africa report.[2] All of these reports complement one another in assessing, from their respective vantage points, progress toward the MDGs and related goals and identifying priorities in the agenda ahead. They all share the common objective of expediting and broadening progress toward these goals.

[1] The MDGs flowed from the Millennium Declaration that was adopted by 189 countries at the United Nations Millennium Summit, held in New York in 2000. The Monterrey Consensus emerged from the United Nations Conference on Financing for Development, held in Monterrey, Mexico, in 2002.

[2] See *In Larger Freedom: Towards Development, Security and Human Rights for All,* Report of the Secretary General, A/59/2005, New York, March 21, 2005; *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals,* U.N. Millennium Project, New York, 2005; and *Our Common Interest: Report of the Commission for Africa,* Commission for Africa Secretariat, London, 2005.

II. MDGs: Daunting Challenges—and Grounds for Hope

6. Globally, prospects are promising for the achievement of the income poverty MDG. Indeed, at the global level, at current trends the target of halving income poverty by 2015 may be surpassed. China and India, two countries with the highest absolute number of poor people, have achieved sustained strong growth and made major and rapid progress in reducing poverty. Due largely to their efforts, East Asia has already achieved the poverty goal, and South Asia is on target. Most other developing regions are making steady progress and are expected to achieve the goal or come close—though some countries in all of these regions will fall short while some others will continue to have large pockets of poverty even when meeting the goal at the national level. In Sub-Saharan Africa, the momentum has been much slower, and most countries in the region are at risk of falling far short. Indeed, between 1990 and 2001 the incidence of poverty rose in Sub-Saharan Africa. Almost half of the region's population lives on less than $1 a day. Weaknesses in economic performance are most serious in the group of countries classified as low-income countries under stress (LICUS).

7. Across regions, the risks of falling short are far greater for the human development goals. The prospects are gravest in health. On current trends, most regions will fall short—some seriously—of the health and related goals, including reduced child and maternal mortality and expanded access to sanitation. The number of people with HIV/AIDS continues to grow. Prospects are brighter in education, but in three of the six developing regions the pace of progress is too slow to attain the goal of universal primary school completion. Significant progress has been made in all regions in reducing gender disparities in education, but again in half of the regions the target of achieving gender equality in primary and secondary education by 2005 will not be met. Prospects for achieving gender equality in tertiary education by 2015 are even less encouraging. One region is off track on all of these goals—Sub-Saharan Africa.

8. Against this backdrop, and with just a decade to go until 2015, achieving several of the MDGs seems daunting. Indeed, it is a huge challenge. But rapid progress is possible. The success of the better-performing regions and countries provides grounds for hope for others. A particularly striking example is Vietnam, a low-income country that reduced poverty from 51 percent in 1990 to 14 percent in 2002. And even in many lagging countries, including in Sub-Saharan Africa, progress is being made and the ground is being laid for better performance. This progress needs to be furthered and quickened, within the framework of the enhanced global development partnership envisaged at Monterrey.

III. Building Momentum: A Five-Point Agenda

9. How to generate momentum and broaden progress? Developing countries must themselves take the lead in articulating and implementing strategies that aim higher, to rise above current trends and substantially accelerate progress. That will require improvements in policies and governance to achieve stronger economic growth and scale up the delivery of human development and related key services. Developed countries must also raise their game, and live up to the commitments they made at Monterrey. Providing more, and better, aid is an important part of such efforts. But it is not all. A "big push" in aid is not the sole answer. International development policy needs to move beyond the aid silo, and aim for a set of actions that cohere into a big push—including, importantly, trade policy reform but also other policies that affect development, such as those involving private capital flows, knowledge and technology transfer, security, and the environment.

10. Based on its analysis, the *Global Monitoring Report 2005* proposes a five-point agenda to accelerate progress toward the development goals (Box 1). Within its global coverage, the report has a special focus on Sub-Saharan Africa—the region that is farthest from the development goals

and faces the toughest challenges in accelerating progress.[3] But much of the analysis of Sub-Saharan countries is relevant to similar countries in other regions. For example, Sub-Saharan Africa contains the largest number of least developed countries (LDCs) and low-income countries under stress (LICUS). But other regions also contain countries in these groups, with similar characteristics and challenges. For example, East Asia, better known for its major emerging market economies, contains 6 of the 25 countries currently classified as LICUS.

Box 1. Accelerating Progress toward the MDGs: A Five-Point Agenda

Anchor actions to achieve the MDGs in country-led development strategies

- Operationalize the MDGs in country-owned and -led poverty reduction strategies, linked to medium-term fiscal frameworks. Donors should use these strategies as the basis for aligning and harmonizing assistance.

Improve the environment for stronger, private sector-led economic growth

- Strengthen fiscal management, with a focus on the structure of public spending.
- Improve the enabling climate for private activity, by removing regulatory and institutional constraints and strengthening economic infrastructure.
- Improve governance—by upgrading public sector management and combating corruption.

Scale up human development services

- Rapidly increase the supply of skilled service providers (health workers, teachers).
- Provide increased, flexible, and predictable financing for these recurrent cost–intensive services.
- Manage the service delivery chain to ensure that money produces results.

Dismantle barriers to trade

- Achieve an ambitious outcome to the Doha Round that fully realizes its development promise, including in particular a major reform of agricultural trade policies in high-income countries, completing the Round no later than 2006.
- Augment assistance to poor countries to address behind-the-border constraints to their trade capacity, including through investments in critical trade-related infrastructure.

Substantially increase the level and effectiveness of aid

- Double ODA in the next five years to support the MDGs, particularly in low-income countries and Sub-Saharan Africa, aligning the pace of the increase with recipients' absorptive capacity.
- Improve the quality of aid, with faster progress on alignment and harmonization, and delivery modalities that increase aid flexibility and predictability.
- Reach closure in 2005 on current proposals for additional debt relief. Any additional debt relief should not cut into the provision of needed new financing—nor undermine the financial viability of international financial institutions.

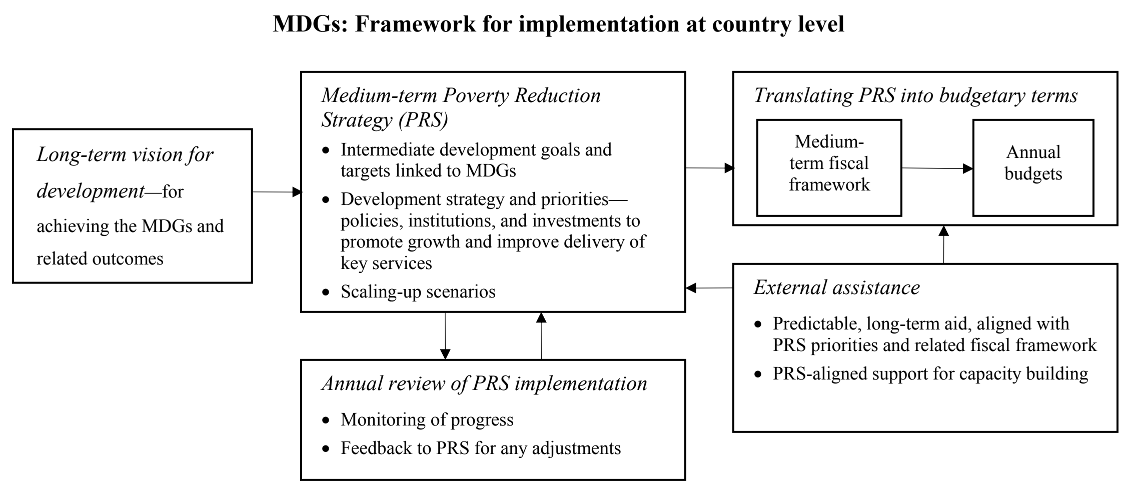
Anchoring Efforts in Country-Led Development Strategies

11. An overarching theme of the report is the centrality of country-based development strategies in the implementation of the MDG agenda. Country-owned and -led poverty reduction strategies (PRSs) should be the framework for operationalizing the MDGs at the country level in low-income countries (equivalent national development strategies should perform this role in

[3] The first *Global Monitoring Report* (GMR), prepared for the Spring 2004 Development Committee meeting and published in June of that year, provided a comprehensive assessment of the policy agenda for achieving the MDGs and related development outcomes, spanning the responsibilities, as reflected in the Monterrey Consensus, of all the key actors—developing countries, developed countries, international financial institutions. Building on that analysis, the 2005 GMR has a more selective focus on key areas of the policy agenda but provides a more in-depth assessment of those areas.

middle-income countries). Framed against a long-term development vision, PRSs should define medium-term targets, tailored to country circumstances, for progress toward the MDGs and related development outcomes. And they should articulate a clear national agenda and priorities for achieving those targets, spanning policy reforms, institutional strengthening, and investments. The development program set out in a PRS should be linked to a medium-term fiscal framework and annual budgets to align budget allocations with program priorities. Donors should then use this framework of nationally articulated priorities—and their budget implications—to align and harmonize their assistance. In this way, the PRS process can bring coherence both to the setting and implementation of national priorities for achieving the MDGs and to donor support to the country. It can also, through the annual review of PRS implementation, provide a mechanism for monitoring progress on the development agenda in an integrated manner and for making adjustments to the agenda as needed (Figure 1).

Figure 1. Country focus and leadership are key to coherent and effective implementation of the MDG agenda



12. To perform this central strategic and operational role effectively, PRSs need strengthening in many countries. Overall, there has been good progress in extending and deepening the PRS process in developing countries. At present, 47 countries are implementing PRSs, and another 12 have prepared interim PRSs. Of these, 33 are Sub-Saharan countries. Countries are increasingly reflecting the MDGs more centrally in their PRSs. The PRS process is being deepened along various dimensions, including the transparency and inclusiveness of the process, articulation of the growth agenda in the PRS, attention to institutional capacity building issues (such as public expenditure management), and incorporation of poverty and social impact analysis. Progress on these dimensions, however, varies across countries.

13. Going forward, an area requiring particular attention is strengthening the links between PRSs and fiscal frameworks, which in most countries will require further development of medium-term expenditure frameworks. This is key both for enhancing the operational effectiveness of PRSs for national authorities in setting and implementing development priorities and for donors in better aligning their support with country priorities. In most low-income countries, achieving the MDGs will require a major scaling up of development efforts. Countries should use the PRS framework to assess alternative scenarios that can help them map out how to scale up, drawing implications for intensified domestic policy reform, mobilization of additional external assistance, and enhancement of absorptive capacity.

Spurring and Sustaining Economic Growth

14. PRSs and other national strategy documents must define clear agendas for promoting stronger and sustained economic growth and governments must firmly commit to those agendas. Growth is central to achieving the MDGs and related development outcomes. It reduces poverty directly and expands resources and capacities for achieving the non-income MDGs. In recent years, developing countries have achieved a very encouraging pick-up in economic growth, thanks to continuing progress in improving policies and governance. In 2004, GDP growth in developing countries averaged 6.7 percent—the highest level in three decades.

15. Sub-Saharan Africa also appears to be turning the corner. Twelve countries in the region—for example, Ghana, Mali, Mozambique, Tanzania, and Uganda—are currently experiencing growth accelerations of the type more commonly associated with other regions. They have achieved average GDP growth since the mid-1990s of more than 5.5 percent. Despite particular handicaps that a number of African countries face—such as unfavorable geography, vulnerability to shocks, and the incidence of disease—policies and institutions matter in achieving higher growth. Differences in policies and institutions largely explain the differences in growth and poverty reduction between other regions and Sub-Saharan Africa and between countries in Sub-Saharan Africa. Sound policies also position countries better to deal with economic shocks.

16. Still, this recent strengthening of growth is only the beginning of what Sub-Saharan Africa needs to achieve and sustain necessary improvements in income levels. Historically, it has been far more difficult to sustain growth than to initiate it. To achieve the income poverty goal, Sub-Saharan Africa would have to achieve average annual GDP growth of around 7 percent over the next decade—almost double the region's current growth rate. Though this is a big challenge, past achievements of countries in other regions and of some countries in Sub-Saharan Africa itself show that rapid progress is possible if there is sufficient commitment to reform and support from development partners.

17. Specific priorities and sequencing of actions to promote growth necessarily vary by country. There is considerable diversity among countries in their economic circumstances. Sub-Saharan Africa alone contains a rich variety: middle-income countries as well as least developed countries, large countries as well as small island economies, resource-rich countries (including oil exporters) as well as resource-poor countries, coastal countries as well as landlocked countries, and countries experiencing conflict and other forms of severe stress. The specifics of the policy agenda for growth at the country level must therefore be defined as part of individual country development strategies. Looking across countries, the report's analysis suggests three broad areas requiring particular attention:

18. ***Deepening progress on macroeconomic management.*** Macroeconomic management has improved in all regions, yet progress has been uneven and remains fragile in many countries. The main area requiring attention is fiscal management, particularly the structure and quality of public spending—to create more fiscal space for priority expenditures while ensuring fiscal sustainability. Better public expenditure management would allow allocations to growth-promoting and poverty-reducing spending to rise in a way consistent with sustainable fiscal and debt positions. The scope for such improvement in spending remains sizable in many countries. Sound fiscal management and macroeconomic stability also are important underpinnings of an environment conducive to growth in private investment.

19. ***Improving the enabling climate for private sector activity.*** A vigorous private sector drives economic growth, but government plays a vital role in creating a climate where entrepreneurship can flourish. An improved business environment not only delivers higher and more productive private investment, it also expands the private sector by establishing a level playing field—encouraging small businesses (often the most dynamic business segment),

inducing a shift from the informal to the formal economy, and better engaging the energies of women. A better business environment is also essential to attracting more foreign investment. Action is needed on two fronts:

- *Improving the regulatory and institutional environment for private activity,* with a focus on simplifying regulations for starting a business, securing property rights, and strengthening contract enforcement and the rule of law. Access to finance also needs to be improved, but fundamentally depends on the same regulatory and institutional underpinnings. Sub-Saharan Africa considerably lags other regions on these dimensions. Countries should use the improved diagnostics and metrics of the private business environment now available (such as the Doing Business Indicators and Country Investment Climate Surveys) to guide action and monitor progress. Further reductions in trade barriers (discussed below) also are necessary to improve the climate for private investment and growth.

- *Substantially increasing investment in physical infrastructure,* promoting private participation and reversing the decline in public investment that persisted for much of the past decade—recognizing that the bulk of the increase in infrastructure investment, especially in Sub-Saharan Africa, will have to come from the public sector. Gaps in infrastructure are especially severe in Sub-Saharan Africa, reflecting a lack of past investment as well as the large needs implied by the region's challenging geography—such as for transportation to link distant rural areas to markets (key to boosting agriculture, which accounts for the bulk of employment in most countries) and regional infrastructure to link landlocked countries to international trade. Infrastructure spending (investment plus operation and maintenance) will need to rise in all regions to support stronger growth and service delivery consistent with the MDG targets. But such spending will need to double in Sub-Saharan Africa, from about 4.7 percent of GDP in recent years to 9.2 percent over the next decade—implying annual infrastructure spending of about $20 billion and a need for about $10 billion a year in additional external financing. The increase in spending will need to be managed well to ensure effectiveness and quality, with the pace of the increase depending on institutional capacity and macroeconomic conditions in the countries concerned.

20. ***Strengthening public sector governance.*** Improving governance—upgrading public sector management, controlling corruption—overarches this agenda, because it is crucial to both the private sector's business environment and the public sector's development interventions. Although governance is getting better in most countries, in many reforms need to be accelerated. Sub-Saharan Africa has seen encouraging progress in political representation, reflecting a trend toward broader participatory processes that enable citizens to influence policymaking and hold leaders accountable. There has been less progress in public sector management and institutional effectiveness. But the improvements in political institutions could create the momentum needed to strengthen the institutions of economic governance. The African Peer Review Mechanism, recently introduced by the African Union's New Partnership for Africa's Development (NEPAD), focuses on improving governance and could provide impetus. Informed by the peer reviews, countries should develop capacity building strategies, with NEPAD providing a forum to share best practice, reinforce peer pressure, and advocate for external support. External partners should support the strengthening of this promising African-led reform framework. Developed countries can also help curb corruption by demanding high standards from their companies active in developing countries, including by giving high-level political endorsement to the Extractive Industries Transparency Initiative.

21. The context for economic growth in Sub-Saharan Africa also appears to be improving in terms of the region's peace and security outlook, with some decline in the incidence of conflicts. Still, preventing, managing, and helping countries recover from conflicts remain major challenges in the region.

22. Long-term prospects for growth also depend on ensuring environmental sustainability. An important element of the agenda is enhancing access to reliable, affordable, and clean energy options. So is checking environmental degradation to mitigate the threat of increased climatic volatility. Environmental sustainability is an MDG in its own right, but has strong links to the achievement of many other goals.

Scaling Up Service Delivery

23. The human development goals require a major scaling up of education and health services—primary education, basic health care and control of diseases such as HIV/AIDS, women's access to education and health care—and of water and sanitation infrastructure that is closely linked to health outcomes. The shortfalls are most serious, and the need to scale up most urgent, in Sub-Saharan Africa.

24. As with the growth agenda, specific priorities for action in scaling up human development services must be determined in the context of country-owned development strategies. The appropriateness of individual interventions, be they "quick wins" or longer-term efforts, needs to be evaluated in such country-specific frameworks. Analysis undertaken for *Global Monitoring Report 2005* finds that most countries face three critical challenges in scaling up service delivery.

25. ***Increasing the supply of skilled service providers***. Expansion of education and health service delivery on the scale needed to achieve the MDGs will require major increases in the supply of teachers, doctors, nurses and community health workers, especially in Sub-Saharan Africa. Estimates suggest that the region will need to as much as triple its health workforce by 2015—adding one million workers. The impact of AIDS on the workforce is exacerbating the capacity problem in countries such as Malawi, Tanzania, and Zambia. Human resource shortages are likely to be a binding constraint on service expansion, especially in health, unless countries adapt policies and increase provider productivity. Strategies that are proving effective include:

- pragmatic adjustments to recruitment and training standards, to increase production of community teachers and health workers;
- careful deployment and management of providers, to avoid underutilization;
- maximum use of non-salary incentives to make public sector positions attractive, especially in rural areas;
- selective salary adjustments for the highest skilled workers (such as doctors) in the public sector, to restrain migration; and
- cost-effective investments in medical, nursing and teacher training capacity, to complement the shorter-term strategies noted above.

Donors have an important role to play in addressing the health worker crisis. Developed countries that benefit from African-trained medical personnel can help finance expanded training facilities in home countries and assist them in recouping medical students' loans.

26. ***Mobilizing flexible and predictable financing.*** Developing countries have increased budgetary allocations to education and health but many of them need to go further to achieve the MDGs. For education, 20 percent of the recurrent budget is the benchmark under the Education for All—Fast Track Initiative (FTI), while Sub-Saharan African countries, for example, currently average 15 percent. For health, African governments, meeting in Abuja in February 2000, set a target of 15 percent of the recurrent budget, well above their current average of 8 percent.

27. Allocating more from countries' own fiscal resources, however, will not be enough. A substantial increase in external financing is required. The need for incremental external financing

to achieve the primary education MDG in low-income countries is estimated at $3 billion annually at a minimum. Much more is estimated to be needed to meet the health goals—at least $25 billion annually. Equally important are deep changes in the nature of donor support. A significant share of bilateral assistance falls outside the national planning and budgeting process. Transactions costs severely strain countries' limited administrative capacity. Aid flows are often volatile. And there often exists a disconnect between the types of expenditures countries need to finance to scale up service delivery in education and health—recurrent, local, largely personnel costs—and what bilateral donors actually provide—in-kind financing, technical assistance. Roughly two-thirds of all aid to education is extended as technical assistance.

28. Flexibility and predictability of financing is especially important for these recurrent cost-intensive services. Priorities in improving the delivery of financing to these services include:

- *Making aid flexible.* All aid should support priorities identified in the PRS and endorsed sector plans. In countries meeting public expenditure management thresholds, more aid should be provided in the form of budget support.
- *Creating a stable funding framework for FTI.* To strengthen the FTI, partners should make monitorable, public, long-term commitments to annual increases in funding for primary education. The target should be a significant increase from each partner's 2005 base, which the FTI Secretariat should monitor. Each partner's annual funding commitment should help fill agreed financing gaps for endorsed countries where they have a bilateral presence or interest; any residual should be allocated to the FTI's Education Program Development Fund or Catalytic Fund.
- *Aligning global health initiatives with national policies and priorities.* Additional external resources are needed to prevent and treat childhood diseases, reduce maternal mortality, expand HIV/AIDS treatment, and make progress against malaria and TB. Increases in donor funding must be longer-term and aligned with country priorities. The international health community urgently needs to look at all options for ensuring that global programs organized around specific health interventions do not undermine the coherence of countries' health sector strategies, balanced allocation of resources, and the strengthening of health systems. While preserving the mandates these programs currently have for resource mobilization, awareness raising, results monitoring, and financing of global public goods with respect to individual diseases, these functions must be better coordinated at the global level and better aligned at the country level with government-led sector plans, with harmonized procurement, disbursement, and reporting procedures. The High Level Forum for the Health MDGs established in 2003 offers a platform for this collaborative "rethink" of the current global architecture in health and the development of common principles and standards of good practice for the engagement of global health partnerships at the country level.

29. ***Improving management of the service delivery chain.*** Sound expenditure management and a focus on development results are crucial to effective service delivery. The realization of increased aid, especially in the form of flexible budget support, also depends on them. Sound expenditure management requires systems for budget formulation, allocation, and reporting that meet threshold standards of integrity and efficiency. In a number of countries in greatest need of external recurrent cost support, these systems are too weak to give donors confidence that resources can be tracked and used well. Donors are giving high priority to building capacity in this area, but progress depends crucially on strong domestic commitment to reform.

30. A focus on development results requires the capacity to gather and analyze real time data on MDG progress. Countries need to be able to track the primary completion rate, and use regular household surveys and sentinel monitoring to generate data on child and maternal mortality and major communicable diseases. Since these indicators improve relatively slowly, intermediate indicators of progress are also important—as are measures of system efficiency, such as those for

education developed by the FTI. A similar framework is currently under development by a donor consortium in health (Health Metrics Network). Progress also requires a better evidence base for policy, built on rigorous impact evaluation of key programs.

31. Ultimately, strengthening service delivery and ensuring that services reach poor people requires action to improve the core accountability relationships identified in the *World Development Report 2004:* responsiveness of governments to citizen demands through the political process; responsiveness of service providers to clients; and effectiveness of government agencies in turning resources into results.[4] Weaknesses in these accountability relationships can be the deepest threat to effective service delivery. But countries are making progress Sector management can be helped by clear funding norms, competency-based recruitment, results focus, attention to cost-effective standards, and strategies to make effective use of the private sector. And above all, governments can strengthen the voice of clients at the point of service delivery—through the power of information, direct involvement in school and health facility monitoring and management, and the use of conditional cash transfers.

Realizing the Development Promise of Trade

32. ***The Doha Development Agenda.*** Improving market access for developing countries would provide a major boost to economic growth and progress toward the MDGs. Multilateral, reciprocal, non-discriminatory trade liberalization offers the best means to realizing the development promise of trade. A timely and pro-development outcome to the Doha Round therefore is crucial. Based on developments to date, there is a significant risk that a limited, "business as usual" outcome may emerge. Not only would such an outcome greatly reduce the potential of trade to help achieve the MDGs, it could imply a further hollowing out and erosion of the multilateral trading system. The 2001 Doha Ministerial Declaration put development at the center of the trade reform agenda. The international community must raise the level of its ambition with respect to the Doha Round and aim for an outcome equal to that vision. High-income countries must lead by example. The ambition should center on a major reduction in market access barriers, and in particular a transformation of agricultural trade policy in high-income countries. Taking into account both tariff and nontariff measures, trade policy in high-income countries is more than seven times as restrictive in agriculture as in manufacturing. Ambitious reference points would be helpful in guiding the negotiations, including:

- *Agriculture:* reduction of all agricultural tariffs to no more than 10 percent, elimination of all agricultural export subsidies, and complete decoupling of domestic agricultural subsidies and rural support from production.
- *Manufacturing:* elimination of all tariffs on manufactured products.
- *Services:* commitments to ensure free cross-border trade in services delivered over telecommunications networks, complemented by actions to liberalize the temporary movement of service providers.

For these actions to assist in attaining the MDGs, they should be completed by 2015, with major progress achieved by 2010.

33. Significant trade policy commitments by developing countries themselves are an essential, and equally urgent, part of the agenda to realize the potential of trade for development, including tapping the considerable scope that exists for expanded trade among them. Trade restrictions are in general much higher in developing than developed countries, and are highest on average in Sub-Saharan Africa, South Asia, and the Middle East and North Africa.

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[4] *World Development Report 2004: Making Services Work for Poor People,* World Bank, Oxford University Press, 2003.

34. An ambitious Doha Round would yield large gains for the world as a whole and for developing countries. Most estimates of the gains from such an outcome are upwards of $250 billion per year by 2015, with about 33-40 percent of the global gain accruing to developing countries, higher than their one-fifth share in world GDP. This would imply a boost to the GDP of low-income countries of about 2 percent and that of Sub-Saharan Africa of 1.3 percent; corresponding estimates for a low-ambition, business-as-usual Doha outcome are 0.3 and 0.1 percent, respectively. More than three-fifths of the estimated global gains are related to reform of agricultural trade. These estimates include gains from merchandise trade reform only, and capture mainly static gains. Significant liberalization of services could increase the gains considerably—by a multiple on some estimates.

35. ***Aid for trade.*** Complementing an ambitious Doha outcome, "aid for trade" should be scaled up substantially. For many low-income countries, fully capturing the opportunities arising from improved market access, as well as their own trade reforms, requires addressing the "behind-the-border" constraints on their trade capacity. This applies particularly to the LDCs, most of which are in Africa, for whom lack of trade capacity and competitiveness is the binding constraint. The agenda includes improving trade logistics and facilitation, strengthening critical trade-related infrastructure such as transport, and further reforming policies that create anti-export bias.

36. A host of diagnostic trade integration studies undertaken for LDCs under the Integrated Framework for Trade-Related Technical Assistance (IF) have identified areas where aid can be used effectively to build trade capacity. The IF, a collaborative joint venture between multilateral agencies, bilateral donors and LDC governments, offers a mechanism to identify priorities and allocate additional assistance toward trade-related investments and support for policy reforms. Resources provided to the IF to date have been able to support only small-scale technical assistance efforts. But the IF offers a ready-made vehicle to boost aid for trade, supported by increased integration of the trade capacity building agenda by countries in their PRSs.

37. ***Tariff preferences.*** Recent policy in OECD countries has emphasized tariff preferences for small, poor countries—LDCs, Sub-Saharan economies. While actions to make existing tariff preference programs more effective—for example, through adoption of common, liberal rules of origin—would be beneficial in the short run, in the long run the focus should shift toward alternative forms of trade assistance that generate greater benefits for recipients and at the same time are less trade-distorting. Tariff preferences have been of limited value to many African countries and have negative effects on the functioning of the global trading system. Alternative measures include stepped-up financial assistance to strengthen trade capacity, and to help countries deal with the adjustment costs of trade policy reform—preference erosion, loss of revenue. They also include action by major importers to minimize the incidence of nontariff measures (quotas, licensing requirements, health- and safety-related product standards) on exports from poor countries. Regardless of their intent, regulatory product standards applied at the border have a major restrictive impact on trade and impact poor countries disproportionately. Reducing their incidence on these countries, including by assisting in building their capacity to meet the regulatory requirements, would have a high payoff.

38. ***Regional integration.*** Regional trade agreements can also contribute to leveraging trade for development provided they do not detract from the pursuit of an ambitious Doha outcome. The full realization of the development contribution of both North-South and South-South regional integration arrangements requires that developing country members of these arrangements implement significant liberalization on a nondiscriminatory basis, in addition to granting preferential access to partner countries. As a number of Sub-Saharan African countries still rely on import duties for a significant portion of total government receipts, revenue concerns and the ability to put in place alternative revenue sources are a factor in determining the appropriate speed of liberalization. Agreements that the European Union and the United States are negotiating

with developing countries can do much good if designed in a way that puts development considerations at the center.

Increasing Aid and its Effectiveness

39. ***Scaling up ODA.*** Developing countries must exert stronger efforts to mobilize more domestic resources to support accelerated progress toward the development goals—moving more vigorously to spur economic growth, strengthening revenue administration, and improving the efficiency of spending. They must also build on progress in reforms that enhance their ability to attract private non-debt capital inflows, especially foreign direct investment. Moreover, in a number of countries, workers' remittances are becoming an increasingly important source of private external finance. Still, for most low-income countries, official development assistance (ODA) remains a major source of external finance. For poor and least developed countries, it remains the predominant source. In Sub-Saharan Africa, home to a majority of these countries, official flows account for about two-thirds of all capital inflows. Even with stronger efforts to mobilize more domestic resources and to attract more private capital inflows, these countries will need a substantial increase in ODA to improve their prospects for progress toward the MDGs. In middle-income countries, aid plays a much smaller but still important role, by catalyzing reforms, reinforcing domestic efforts to tackle large concentrations of poverty, and helping to counter negative shocks.

40. Donors are beginning to respond to the need to increase aid, following up on their Monterrey commitments. Aid volumes have been recovering since 2001, following a decade of almost continuous decline. Net ODA increased in real terms by 12 percent during 2002 and 2003. This is encouraging, but aid remains well short of what the poor countries need and can use effectively. At least a doubling of ODA is needed within the next five years to accelerate progress toward the MDGs. Further increases will likely be needed beyond that period up to 2015. The need for an increase in ODA is especially great in Sub-Saharan Africa and analysis suggests that, provided countries continued and strengthened policy and institutional reforms, the region could effectively use a doubling of aid over a five-year timeframe.

41. To signal that needed resources will be forthcoming, 2005 is an opportune time for donors to raise their initial post-Monterrey commitments and extend them over a longer time horizon—2010 or beyond. To date only half of DAC donors have announced aid commitments beyond 2006. Others should do so in 2005.

42. While aid volumes are rising, it is important to ensure that development aid to poor countries to support their efforts to achieve the MDGs is not crowded out by donors' strategic and security objectives. Large amounts of aid have recently been committed to geo-politically important countries. A better balance in aid will be needed, focusing more on poverty reduction. Reducing poverty and the hopelessness that comes with human deprivation is perhaps the most effective way of promoting long-term peace and security. And it also costs less. A doubling of ODA would amount to less than one tenth of what high-income countries devote to military spending. And it is also eminently affordable, representing only about 0.2 percent of high-income countries' GNI.

43. ***Aligning aid with absorptive capacity.*** Both how aid is allocated across countries and how increases are sequenced within countries must be aligned with the recipients' absorptive capacity. The readiness of countries to utilize significant increases in external assistance varies considerably. Which countries should be "fast tracked" depends on the robustness and strength of ownership of development programs articulated in their PRSs and on progress in governance and institutional capacities to implement it, and should be approached on a country-by-country basis through the normal dialogue between recipients and donors.

44. A number of low-income countries, including several in Sub-Saharan Africa, have demonstrated the capacity to manage effectively a scaling up of development efforts supported by external assistance. To cite a few examples: Tanzania's scaling up of primary education; Indonesia's rapid development of rural infrastructure in its *kecamatans;* Uganda's accelerated expansion of poor people's access to primary health care and of programs to combat HIV/AIDS; Mozambique's transformation of its growth performance by harnessing significant aid flows effectively in support of stepped-up domestic reform and investment; and Vietnam's rapid reduction of poverty and the incidence of scourges such as malaria. Detailed work on absorptive capacity in Ethiopia recently carried out by the World Bank, in cooperation with the government, shows the feasibility of substantial increases in aid in support of the MDGs being utilized effectively—but also underscores the importance of appropriate sequencing of aid to minimize costs and ensure desired development results. There are also many countries where absorptive capacity is weak at present and increases in aid need to be more measured. Absorptive capacity is neither static nor exogenous to aid; aid can be instrumental in expediting the build-up of capacity.

45. ***Tailoring aid to the needs of LICUS.*** Support to capacity-building is particularly important for low-income countries under stress (LICUS). Appropriately timed and directed aid can be effective in these situations. Key elements of effective support are appropriate sequencing of aid within a longer-term engagement (rather than a stop-go or quick-in, quick-out approach) and use of a mix of instruments and delivery mechanisms responsive to specific local conditions while supporting the longer-term build-up of national institutional capacity. Well-timed aid can also be quite productive following adverse exogenous shocks, helping to limit the diversion of development resources into short-run relief efforts.

46. ***Raising aid quality.*** Increasing the quality of aid is just as important as increasing its quantity. As noted above in relation to the financing of human development services, aid is often fragmented and volatile, aligned more with donor agendas and preferences than country priorities, and entails high transaction costs. Fortunately, these issues are now receiving more attention and progress is being made, but it has been slow and uneven. The outcome and follow-up to the Second High Level Forum on Aid Effectiveness, held in Paris in early March, must lead to a significant step-up in progress. Key areas for attention are achieving closer strategic and operational alignment with country-owned and -led strategies (PRSs or other national development strategies), improving the predictability of aid (including making longer-term commitments where recipient performance warrants it), and strengthening the focus on development results. The Paris Declaration on Aid Effectiveness, which aims for improvements in these and other areas, must be implemented firmly and expeditiously. A notable outcome of the Paris Forum was the adoption of a set of indicators of aid quality that should help with closer monitoring of progress and reinforcement of accountabilities.

47. ***Debt relief.*** For heavily indebted poor countries, debt relief is important for increasing the fiscal space for much-needed increases in spending to promote growth and reduce poverty and for relieving the debt overhang. Continued and effective implementation of the HIPC Initiative remains key. The Executive Boards of the IMF and the World Bank have endorsed key elements of a debt sustainability framework for low-income countries aimed at supporting these countries' efforts to achieve the MDGs without creating future debt problems and helping countries that have received debt relief under the HIPC Initiative to stay on a sustainable path. With respect to current proposals for additional debt relief, efforts should be made to reach closure in 2005. Any additional debt relief should not cut into the provision of needed new financing, which for these countries should be primarily in the form of grants. Nor should it undermine the financial viability of international financial institutions. Recent steps to increase the share of grant financing in IDA and other MDB concessional funds and to link the mix of grants and loans to recipients' debt sustainability represent notable improvements in the framework for assisting poor countries.

48. ***Innovative financing modalities.*** The year 2005 should also see progress on ongoing work on the merits and feasibility of innovative modalities for mobilizing resources to fund the needed increases in aid and ensure their timely availability, including the proposed International Finance Facility and global taxes related to important international externalities, such as carbon emissions. Blending arrangements, which combine flows with different financial terms and characteristics to increase concessionality or gain leverage, also offer possibilities to augment resources for the MDG agenda, including in middle-income countries with large pockets of poverty, and to finance global and regional public goods. Finally, the impressive scale of private contributions in response to the Asian tsunami, and major private contributions already made to causes such as combating HIV/AIDS, point to the importance of exploring mechanisms to enhance the role and effectiveness of voluntary contributions in supporting development.

IV. Strengthening and Sharpening IFI Support

49. How are the IFIs contributing to the implementation of the above agenda—by supporting country development; drawing on sectoral, regional, and global programs and research; working through partnerships; and managing for development results? The *Global Monitoring Report 2005* finds that there has been progress in each of these areas, but there is a need to do more and pick up the pace.

50. ***Low-income countries.*** Recent replenishment negotiations for the AfDF, AsDF, and IDA endorsed a common framework for the use of PRSs that reflect the MDGs, grants, debt sustainability, and disclosure of country policy and institutional assessment scores. They also supported the piloting of results-based country strategies, the adoption of results measurement systems, and special programs for low-income countries under stress (LICUS). As these replenishments cover some 95 percent of all multilateral development bank (MDB) programs in low-income countries, they have established a concrete platform for accelerating the implementation of these initiatives and their harmonization across MDBs. Support for countries in the event of exogenous shocks also is being strengthened. Reflecting independent evaluations, the World Bank and the IMF need to support stronger country leadership of the PRS process, while deepening the dialogue with the countries on the policy agenda. Clearer ownership of the PRS by countries, with the Bank and the Fund reflecting their own views in JSANs and related process, would also help to make clearer the accountabilities of Bank and Fund staff.

51. ***Middle-income countries.*** For middle-income countries, there also has been a trend toward harmonization across the MDBs, albeit slower, reflecting the evolving and differentiated needs of these countries themselves. Middle-income countries have been vocal in calling for reductions in the costs of doing business with the banks, especially when those costs arise in the context of replenishment exercises for concessional funds that they cannot access. Competitive pressures among the banks have led to the transmission of innovations in one—such as liberalization of expenditure eligibility categories for investment lending or increased reliance on country systems— to the others in fairly rapid succession.

52. ***Knowledge and capacity building.*** IFI research has helped to articulate the global development agenda, making notable contributions on trade and aid, among other areas. The IFIs have also contributed much on trade capacity building and enhancing countries' fiduciary and fiscal systems for the absorption of aid. But they need to do more—including systematically keeping track of where the capacity gaps are, as a basis for guiding donor actions—if developing countries are to fully utilize the opportunities emerging from the dismantling of trade barriers and increasing the scale and effectiveness of aid proposed above.

53. ***Partnerships.*** The MDBs are partnering more effectively with clients, with each other, and with other donors. In large part, this progress is due to the developments cited above with respect

to the replenishments of MDB concessional windows and the greater reliance on country systems for the processing of MDB funding. Vis-à-vis civil society, a major issue remains disclosure, where despite improvements many critics feel that the IFIs have not met a standard of accountability commensurate with their power and influence in a number of areas. Meanwhile, World Bank-Fund relations have continued to mature, based on comparative advantage and a mandate-driven division of labor highlighted by ongoing collaboration on PRSs, debt sustainability analysis and its application to concessional and grant financing, and further streamlining of structural conditionality.

54. ***Managing for development results.*** The past year has seen important milestones in building results-based systems in the MDBs. These include: the completion of the first cycle of the IDA-13 Results Measurement System; the adoption of the IDA-14 and AfDF-X Results Measurement Systems; the completion of Results-Based Country Strategy pilots by AsDB and the World Bank (and their commitment, along with AfDB's, to carry out further pilots in 2005); IDB's adoption of a Medium-Term Action Plan for Development Effectiveness; the new independence of AsDB's evaluation department; the launch of the draft *Results Sourcebook* prepared jointly by these institutions and bilateral donors; and the major PRSP evaluations carried out in cooperation by the World Bank's Operations Evaluation Department (OED) and the IMF's Independent Evaluation Office (IEO). The IMF is considering how to conceptualize and operationalize the results agenda within its institutional framework, drawing on specific recommendations from various reports of the IEO.

55. ***Priorities for action.*** How can IFIs strengthen and sharpen their support? The assessment suggests five priorities for action and monitoring progress:

- Support the deepening of the PRS framework in low-income countries, and the operationalization of the MDGs and alignment of IFI assistance within that framework. For LICUS, support to building institutional capacities is especially important.
- Continue to adapt approaches and instruments to better respond to the evolving and differentiated needs of middle-income countries, including further streamlining conditionality and investment lending.
- Ensure that the implications of the dismantling of trade barriers and increasing the scale and effectiveness of aid are adequately reflected in support for country capacity building, so that emerging opportunities can be fully utilized. IFIs should sharpen the strategic focus and improve the effectiveness of their support for global and regional public goods.
- Strengthen partnerships and harmonize further by improving transparency, reducing red tape and enhancing the flexibility of assistance (through simplification and use of sectorwide approaches), and promoting the development and use of countries' own systems—for procurement, financial management, and environmental assessment.
- Strengthen the focus on results and accountability by supporting country efforts to manage for development results (strengthening public sector management and development statistics) and furthering progress within IFIs in enhancing the results-orientation of their country strategies and programs and quality assurance processes. Adopt common framework for self-evaluation of MDB performance and results measurement, and adapt to IMF operations as much as possible.