DEVELOPMENT COMMITTEE
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on the
Transfer of Real Resources to Developing Countries)

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GLOBAL MONITORING REPORT 2011: IMPROVING THE ODDS OF ACHIEVING THE MDGS HETEROGENEITY, GAPS AND CHALLENGES: OVERVIEW

Attached for the April 16, 2011, Development Committee meeting is a background document entitled "Global Monitoring Report 2011: Improving the Odds of Achieving the MDGs Heterogeneity, Gaps and Challenges," prepared by the staff of the World Bank and International Monetary Fund.

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Overview

With less than five years remaining to achieve the Millennium Development Goals (MDGs), the international development community has to set priorities that focus on lagging countries and sectors and take onboard lessons from past interventions, reflecting the limited resources available. To inform this effort, *Global Monitoring Report 2011* analyzes the diverse record in improving human development across and within developing countries; summarizes the results of impact evaluations of health and education programs; and reviews recent developments in global growth, trade, and donor policies.

The key messages:

- Global progress toward the various targets continues to be mixed, and country performance is predictably diverse. Among developing countries that are off track, the top half are, on average, within 10 percent of the on-track trajectory. While countries close to the target may still miss the 2015 deadline, they could achieve the targets soon after, with improved policies and an acceleration of growth to precrisis levels.
- For countries that are on track, or close to it, solid economic growth and good policies and institutions have been the key factors. Progress on both fronts has been evident since the 1990s. Indeed, policy responses in the recent global economic downturn have softened the negative impact, particularly for low-income countries (especially in Africa).
- This substantial progress is not a reason for complacency. Without a stable expansion of the global economy, continuing access to advanced and developing-country markets, and adequate assistance from donors, progress could still break down. Enhancing the resilience to adverse economic shocks, including the provision of social safety programs, will need greater attention and support.
- Reaching the MDGs is only one milestone, for there still is much work to do in fostering inclusive growth, reducing inequality and poverty, and improving health and education outcomes in even the most successful countries. Even the middle-income countries on track to reach the MDGs have trailing pockets of indigenous and socially excluded groups whose odds of reaching the goals are slim.
- Unsurprisingly, countries with slower growth and poorer institutions are farthest behind. Many countries far from the target are fragile states, reinforcing the need

for the international community to step up support to these countries.

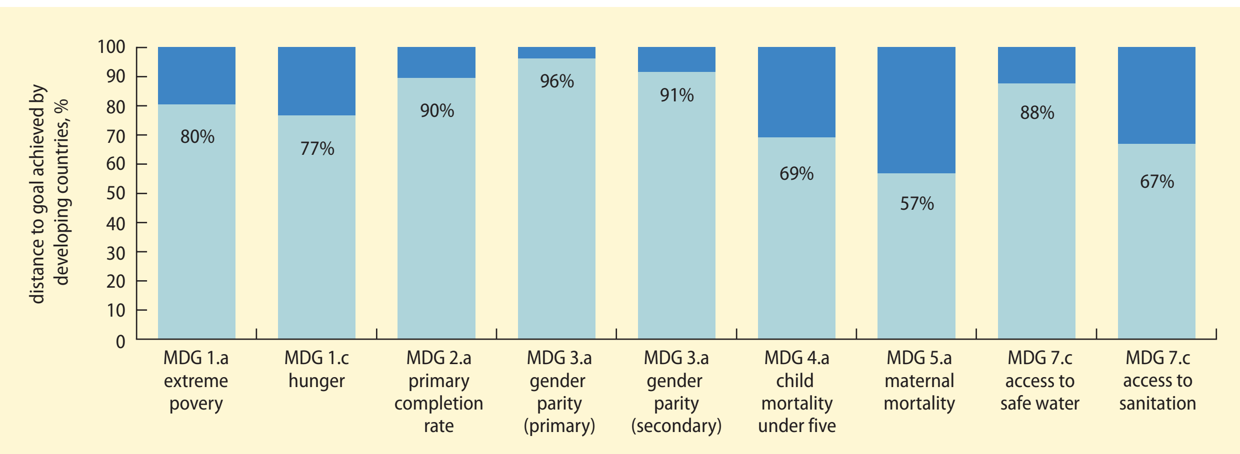
- Impact evaluations show that the quantity of health and education services has increased, but not the quality. This might be one reason that progress has been slower for MDGs measured by outcomes (like those for health) than for those measured by access (like those for education). That is why improving the incentives for service providers and consumers—especially making service providers directly accountable to consumers—is so essential to improving outcomes.
- The growing assistance from new donors—many in the developing world—will not compensate for a significant future fall in aid from traditional donors, particularly if they pursue different development priorities and practices. The changing aid landscape could also have implications for the transparency of official flows and for the policies and programs that aid supports.

The diversity of country performance

The global numbers tell a mixed story. Progress has been substantial in achieving the MDGs for gender parity in primary and secondary education, completion of primary education, access to safe drinking water, and eradicating extreme poverty and hunger, in that order (figure 1). On current trends, and despite the recent global economic crisis, developing countries are on track to reach the global target of cutting income poverty in half by 2015, thanks in large part to rapid growth in China and India. Developing countries will also likely achieve the MDGs for gender parity in primary and secondary education and for access to safe drinking water, and will be very close on hunger and on primary education completion. Progress is too slow, however, on health-related outcomes—such as child and maternal mortality and access to sanitation—so the world will likely miss these MDGs by 2015. Most regions are lagging on these health goals, but East Asia and Pacific, Latin America and the Caribbean, and Europe and Central Asia are doing better than other regions.

Poor countries and regions tend to lag in attaining the MDGs. The low-income countries lag on all the MDGs. While poverty in Sub-Saharan Africa has fallen steeply with the acceleration of growth since 2000, the region is not on track to meet the poverty reduction goal. Middle-income countries—both lower and upper—generally exhibit the best performance. Eighty percent of the upper-middle-income countries (23 of them) have achieved

FIGURE 1 The distance to global MDGs ranges widely



Source: World Bank staff calculations based on data from the World Development Indicators database.
Note: Distance to goal achieved in this graph is a weighted average of the latest indicators, using population weights in 2009.

or are on track to achieve the extreme poverty eradication target. And 72 percent of lower-middle-income countries (34 of them) are set to reach the target for gender parity in secondary education. Both low- and middle-income countries have made good progress on gender parity in primary education.

Even so, the targets remain within reach for many developing countries. Although more developing countries are off track than on track in achieving the targets, many off-track countries are closer to the goals, thanks to more than a decade of better policy and faster growth. A country is "close to the target" if its distance to getting on target is smaller than the average gap of all lagging countries. Others are "far from the target," if their distance to getting on target is bigger than the average gap.

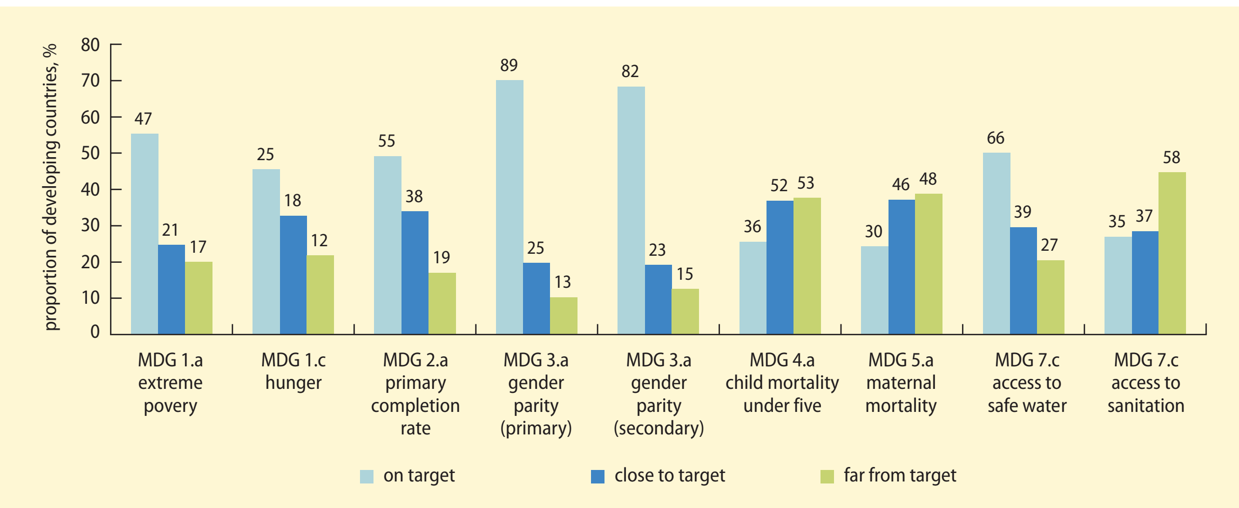
Indeed, two-thirds or more of developing countries are, on average, on target or close to being on target for all the MDGs (figure 2). Many countries are on track to achieve several MDGs: gender parity in primary education (89 of them), gender parity in secondary education (82); access to safe drinking water (66); primary completion rate (55); and wiping out extreme poverty (47). For instance, about 70 percent of developing countries have achieved or are on track to achieve the targets for gender parity in primary and secondary education. Although half the monitored countries (57) are off target for the primary education completion goal, two thirds of them (38) are very close.

Progress is still mixed or poor for access to sanitation, maternal mortality, and child mortality. For example, more than 40 percent of low- to upper-middle-income countries (58 of them) are lagging significantly on access to sanitation.

The variation among lagging countries is still large, but the average gap is not. Lagging countries are, on average, 23 percent behind being on track to achieve all the MDGs (table 1). They are close to being on track for gender parity in primary education (7 percent); gender parity in secondary education (16 percent); hunger (19 percent); primary education completion (20 percent); and, to some extent, under-five mortality (23 percent). But for each target there are countries with scant progress. For example, 17 countries are far from halving extreme poverty, even as the global goal will be reached.

More important, among countries that are off track, the top half are, on average, about

FIGURE 2 More than two-thirds of developing countries are on track or close to being on track



Source: World Bank staff calculations based on data from the World Development Indicators database.
Note: The figure above each bar is the number of countries.

TABLE 1 Lagging countries are close to getting on target

	Average distance to getting on target (gaps, %)		
	All off-target countries	Countries close to the target	Countries far from the target
MDG 1.a Extreme poverty	39 (96)	17	67
MDG 1.c Hunger	19 (60)	9	35
MDG 2.a Primary education completion	20 (96)	9	40
MDG 3.a Gender parity in primary education	7 (22)	4	14
MDG 3.a Gender parity in secondary education	16 (52)	8	29
MDG 4.a Child mortality under five	23 (59)	8	38
MDG 5.a Maternal mortality	32 (80)	11	51
MDG 7.c Access to safe drinking water	25 (76)	14	41
MDG 7.c Access to sanitation	27 (50)	16	34
Simple average	23	11	39

Source: World Bank staff calculations based on data from the World Development Indicators database.
Note: A country is "close to the target" if its distance to getting on target is smaller than the average gap of all lagging countries. It is "far from the target" if its distance is bigger than the average gap. Figures in parentheses indicate the range of variation (maximum value minus minimum value) of countries off target, by MDG. Averages and numbers of countries cover only those with data, which can vary by MDG.

10 percent off the on-track trajectory. Their mean distance is only 4–9 percent for gender parity in primary and secondary education, child mortality, primary education completion, and alleviating hunger. Indeed, these countries close to the target need to increase primary education completion by only 9.2 percent, on average, to become on track.

Reducing data gaps will improve the assessment of progress. Poor data availability may fail to convey progress or understate deterioration resulting from shocks and conflicts. Among the MDGs, the collection of data on poverty seems to lag the most. Conducting household income and expenditure surveys in both large and poor countries is difficult, often delaying global or regional poverty updates when the countries with missing data account for a large share of the total. The new household surveys employed in the analysis covered about 43 percent of the population in developing countries in 2008 and 7.6 percent in 2009. However, gaps for 2008–10 household surveys remain in several regions—particularly, South Asia (pending India's new household survey, 10.8 percent of the population is covered), Middle East and North Africa (19.1 percent), and Sub-Saharan Africa (20.1 percent). Efforts are already under way at the World Bank to close the remaining gaps before the end of 2011 to complete and update the time-series estimate of poverty at the global and regional levels for 2008. There is also spotty information about infectious diseases, such as malaria and tuberculosis. Other data issues include reporting errors that severely hamper the accuracy of the maternal mortality ratio.

The quality, timeliness, and availability of data are gradually improving, which can be seen from the World Bank Statistical Capacity Indicator (http://bbsc.worldbank.org); but additional effort and support for statistical capacity-building activities will be required to improve data and close gaps for all MDG-related indicators.

The role of growth and policy

Starting points—inherited initial conditions—count in MDG performance, but subsequent growth and policy also matter greatly. Countries with a higher per capita GDP in 1990 generally have better MDG performance. Countries starting with good policy and institutions also tend to do better. But initial conditions do not fully determine outcomes, and economic growth and policy performance after the initial year may be more important in meeting the goals. Countries that have reached or are on track to reach the targets show, on average, the fastest per capita GDP growth over 1990–2009 (table 2). Similarly, countries close to the

TABLE 2 Growth and CPIA scores are higher in countries on track or close to being on track
Average values across MDGs (weighted by the number of countries in each MDG category)

	On target	Close to the target	Far from the target
Average GDP per capita growth (1990–2009)	2.4	1.8	1.2
CPIA index (2009)	3.7	3.5	3.3

Source: World Bank staff calculations based on data from the World Development Indicators database.
Note: The pairwise correlation between average GDP per capita growth and the CPIA index is 0.32 (significant at 0.01). A country is "close to the target" if its distance to getting on target is smaller than the average gap of all lagging countries. It is "far from the target" if its distance is bigger than the average gap.

target tend to have faster per capita growth than countries far from the target. A strong policy and institutional framework, as measured by the World Bank's annual country policy and institutional assessment (CPIA), appears to be associated with improved MDG performance.

Both factors—initial conditions and subsequent growth and policy—also point to why the MDGs are such big challenges for the poorest and most fragile countries. Middle-income countries, having grown earlier, often have better policies and institutions.

Growth has an all-encompassing bearing on the progress of MDGs, while policy is vital for outcome-based MDGs. Preliminary econometric results suggest that economic growth has a pervasive association with the odds of achieving the MDGs. For those countries currently far from the goals, a strong growth performance seems to catalyze progress toward the MDGs. And for those that are closer to becoming on target, growth seems to be significantly correlated with specific goals such as primary education completion and gender parity. Improved policy and institutions appear to be especially important for health-related MDGs, such as maternal mortality, under-five mortality, hunger alleviation, and access to safe drinking water; as outcome-based goals, they depend (in addition to growth and resources) on a myriad of factors that improve the quality of public expenditures and service delivery.

Overall, an increase in growth and in the quality of policies equivalent to one standard deviation would appear to put 32 more developing countries (44 percent) on track to meet the MDGs. Increasing average growth in developing countries by one standard deviation is feasible, although the implied rate of 3.8 percent in average developing-country per capita growth is roughly double its historical 1.8 percent rate (see table 2), it is comparable both to recent periods of accelerated growth and to current forecasts of growth for 2010–15. Achieving the assumed improvement in policy and institutions may be more challenging, given the few years to 2015. Because policy reforms can take time to implement and bear fruit, it is important to begin now. Although many close-to-target countries may still miss the 2015 deadline, with higher growth and better policies they could still achieve the targets soon afterward.

Prospects and challenges for economic growth

The global economic recovery is proceeding along multiple tracks. Advanced economies are slowly recovering from the recent global economic crisis and face continued high unemployment. By contrast, emerging economies have seen a robust recovery, and some faster-growing economies are experiencing inflation pressures amid signs of overheating. Thanks in part to their countercyclical policy responses to the crisis, low-income economies are seeing a relatively rapid return to precrisis growth rates. Higher commodity prices are supporting growth in commodity-exporting countries, but are sparking concerns over the affordability of food for the poorer segments of the population in some low- and lower-middle-income countries. Global GDP is forecast to rise by about 4.5 percent in 2011 and 2012, with rates in advanced economies

TABLE 3 Global output, 2007–14
annual percentage change

Region	2007	2008	2009	2010	Projections 2011	Projections 2012–14
World output	**5.4**	**2.9**	**−0.5**	**5.0**	**4.4**	**4.6**
Advanced economies	2.7	0.2	−3.4	3.0	2.4	2.5
Emerging and Developing Economies	8.8	6.1	2.7	7.3	6.5	6.6
Central and Eastern Europe	5.5	3.2	−3.6	4.2	3.7	3.9
Commonwealth of Independent States	9.0	5.3	−6.4	4.6	5.0	4.6
Developing Asia	11.4	7.7	7.2	9.5	8.4	8.5
Middle East and North Africa	6.2	5.1	1.8	3.8	4.1	4.5
Sub–Saharan Africa	7.2	5.6	2.8	5.0	5.5	5.7
Western Hemisphere	5.7	4.3	−1.7	6.1	4.7	4.0
Emerging Economies	9.2	6.3	2.6	7.5	6.7	6.7
Other Developing Economies	7.2	6.0	5.2	6.2	6.1	6.4
Least Developed Countries (LDCs)[a]	9.0	6.9	5.2	5.3	6.1	6.4

Source: World Economic Outlook.
a. United Nations classification, a subset of developing countries.

several percentage points below those in emerging and developing economies (table 3).

Good macroeconomic policies remain crucial to the recovery. Continuing accommodative monetary policy in most advanced economies has alleviated the financial crisis and recession, and monetary conditions in most emerging and developing countries began to normalize in 2010. Fiscal policy is shifting from supporting recovery to cutting deficits, although easy credit conditions may be slowing the pace of fiscal consolidation among major emerging economies. Low-income countries have, appropriately, begun to reverse the unprecedented countercyclical fiscal response that softened the impact of the crisis. In many countries, policy makers can also take steps to improve employment opportunities, including for young adults.

Sustaining the global recovery demands greater effort. To avoid unsustainable debt burdens, the advanced economies must redress fiscal imbalances and repair and reform financial systems. Emerging economies face policy challenges of overheating and strong capital inflows. Although core inflation remains subdued in many of them, inflationary expectations are rising and policy targets have been exceeded in some cases. Inflation could threaten otherwise sound policy frameworks, but concerns about further currency appreciation are resulting in a sluggish monetary policy response in several emerging economies. Differences in interest rates and growth prospects have spurred strong capital flows from the advanced to the emerging economies, adding to the overheating and complicating the policy response.

The challenge in low-income countries is to sustain and accelerate growth through better policies and greater investment in infrastructure. Closing the large infrastructure gap by raising productivity and encouraging private investment could substantially increase per capita income growth. Effective public investment management—better strategic planning and analyses of the feasibility of projects—is critical. The financing of additional investment also needs to be carefully managed, to ensure that debt sustainability is preserved, and should be supported by parallel reforms to strengthen tax revenue.

Rebuilding policy buffers can help protect growth in the face of future shocks. Good policies in low-income countries contributed to strong growth before the crisis. The policy buffers established then also created the space for countercyclical policies that softened the impact of the crisis and drove a fairly rapid return to precrisis growth rates. To ensure that higher growth is sustained in the face of future shocks—a prerequisite for meeting the MDGs—low-income and other developing countries need to rebuild their policy buffers as the recovery proceeds. In addition to strong, well-designed national policies, international cooperation is required to restore a global economic environment conducive to development and poverty reduction, and to support the most vulnerable countries.

Making the right policy interventions—lessons from impact evaluations in education and health

Improving the likelihood of more countries attaining the MDGs depends not just on more resources but also, and quite critically, on improving the quality of service provision through better policies and stronger institutions. But not much is known about how exactly to do this. To help inform this question, a special feature of this year's report presents the findings and lessons from impact evaluations in health and education.

Development assistance for health and education has risen to unprecedented levels in volume, but has not generated the expected improvements in outcomes. And given the current global economic environment, citizens in developed and developing countries alike are demanding more value for their money. This requires closer attention to the causal chain linking spending to outcomes and actions to isolate and strengthen the weak links in this chain. In recent years, impact evaluations have emerged as a tool to do this; and even though their evidence base is still far from complete, some interesting lessons are beginning to emerge.

Impact evaluations highlight the disconnect between increased public spending and changes in outcomes. The outcomes have been disappointing, partly because the spending focus has been narrowly trained on input provision, ignoring other parts of the causal chain that links public spending to better outcomes. Inputs continue to be important, but alone they are not sufficient for attaining the goals in many developing countries. Policies have failed to account for the incentives facing both service providers and consumers. Too much effort has been devoted to increasing inputs, and not enough to ensuring that institutions provide services efficiently and responsively—and that consumers have the ability and incentive to use services efficiently and hold service providers accountable for quality. Some of the lessons are these:

- Reducing user costs and providing cash transfers has improved the uptake of health and education services, but issues of quality remain.
- Health inputs have had to grapple with uptake and use by citizens, and school-based and community-based approaches are tackling this. But more research and impact evaluations are needed to discover when and how these approaches work.
- Increasing traditional schooling inputs has often been ineffective in improving learning outcomes—as in Bolivia, Colombia, Kenya, and Nicaragua.
- Service delivery too often fails the poor—as in Bangladesh, Brazil, Ecuador, Ghana, India, Indonesia, Morocco, Peru, Tunisia, and Uganda.
- Pay for performance improved student learning outcomes—as in India, Israel, and Kenya. The Rwanda health center pay-for-performance program increased institutional deliveries and preventive care visits by young children and improved the quality of prenatal care.
- New approaches are being designed to improve service delivery, and an evidence base on the effectiveness of these approaches is beginning to take shape.

These are just some of the compelling messages from the evaluations summarized in chapter 3.

Although designing the right approach to improving outcomes is complex and depends on context, a systematic evidence base generated through rigorous impact evaluations can provide useful guidance for policy makers. The information base on impact evaluations is far from complete, and much more work is needed before the most pressing questions can be answered. But some new approaches show promise in improving incentives and in strengthening the accountability of service provision.

Assisting the poorest of the poor—socially excluded groups

Reaching the MDGs requires addressing the plight of the world's socially excluded groups, including indigenous people, ethnic minorities, and linguistic groups. They make up a sizable proportion of the world's people and an even greater share of the world's poor. Turning the situation around will therefore require widespread and sustainable economic growth, as well as specific interventions to reach these groups.

Most MDG indicators for indigenous people and ethnic minorities are worse than population averages. This is true for under-five mortality; adult literacy; school enrollment, completion, and achievement; gender equity; water deprivation; child nutrition; and, especially, poverty reduction. Most countries in Latin America with sizable indigenous populations, for example, show almost no poverty reduction for those groups.

Programs can meet the needs of indigenous people and ethnic minorities. Bilingual education programs can promote national language acquisition, school completion, and subsequent earnings gains, contributing to multiple goals—and be cost effective. Conditional cash transfer programs can promote schooling, health, and poverty reduction; and these programs result in disproportionate gains for minority populations, particularly in countries with large vulnerable populations.

Attaining the MDGs for indigenous people and ethnic minorities requires innovative approaches. These people may be hard to reach because they live in remote locations with poor transportation. They may also suffer from social and economic discrimination and government neglect. So assisting them may require more complex interventions than those for the general population. The lack of data also complicates the design and evaluation of programs. The more successful programs, such as those in Asia, have extended economic opportunities and provided cash or in-kind assistance, thus allowing these groups to use the targeted assistance more effectively. Other countries may need to target these groups more tightly and raise the quality of services by increasing the accountability of service providers to their clients.

In addition to assisting the indigenous peoples, more inclusive growth and equality within countries will also benefit people in the bottom quintiles and lift more people out of poverty. The case of Brazil points to two lessons: (1) reforms to social policies and programs to make them more pro-poor (if fiscally possible) can play an important role in sustaining poverty reduction, even during a period of economic stagnation; and (2) sensible macroeconomic and trade policies need not hurt the poor and, in the specific case of taming hyperinflation, are likely to make a significant contribution in the fight against poverty, even when that is not the primary objective.

Progress in the international development framework

The international development framework functioned well in coping with the crisis. Governments and international institutions cooperated well in the face of recession, thus avoiding the perils of a downward protectionist spiral, maintaining aid, and boosting emergency financial resources. Financing from the international institutions jumped sharply, leading to a general increase in their resources. Although recent research suggests that declines in aid have tended to deepen for several years after banking-related crises, aid levels from countries in 2010 have not yet been constrained by concerns over rising fiscal deficits. Some major-donor governments remained dedicated to maintaining aid levels and others announced cuts. Even so, official development assistance (ODA) from members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) rose to its highest level, at $128.7 billion, an increase of 6.5 percent over 2009 in real terms. Developing countries are also benefiting from new donors (including disbursements of some $9–$10 billion a year from donors that are not members of DAC) and from a sharp rise in donations from the private sector in advanced countries.

The past tumultuous decade has ushered in significant changes in the assistance policies of international institutions. They have developed a results-based, country-driven assistance framework grounded in regular reviews of country strategy and independent evaluations. A more diverse and flexible range of financing instruments helped them tailor assistance to the needs of particular countries (such as those affected by conflict) and in particular situations (such as disaster relief and crisis assistance). They are also doing more in providing knowledge—through loans and technical assistance, and global programs and projects—as well as free information to the global community.

The growing assistance from emerging donors (many in the developing world) is welcome but may not compensate fully for a significant fall in aid from traditional donors, to the extent that the emerging donors pursue different development priorities and practices. This changing aid landscape could also have implications for the transparency of official flows and the policies and programs that aid supports.

Trade integration and facilitation remain essential for inclusive growth and poverty reduction. World trade, now recovering at about double the 2002–08 rate of growth, remains well below the precrisis peak and even lower than the level it would have achieved if it had continued the 1995–2008 trend. The rise in protectionist measures during the crisis, which particularly affected the exports of least-developed countries, appears to be receding. Solidifying an open, rules-based international trade regime can be accomplished best by concluding the Doha Round.

The global community can support poverty reduction through improving trade integration in low-income countries. Poor-country market access could improve significantly if rich countries extended duty-free, quota-free access to all poor-country exports and simplified rules of origin in preference agreements. Efforts also are required to ensure that poor countries can access trade finance at reasonable cost, along with improvements in data and a review of whether banking regulations impose excessive capital requirements on trade finance transactions. Regional trade agreements should support open trade through low external tariffs, while technical assistance to developing-country trade negotiators would support deeper regional integration. More financial resources and technical assistance are needed to strengthen trade facilitation and to reduce supply constraints on poor-country exports. These efforts should include increased commitments for aid for trade (which in real terms stagnated in 2009) and greater use of public-private partnerships. Further efforts are required to connect landlocked countries and lagging regions to regional and international markets. Logistical improvements at the subnational level are also critical for connecting rural and remote areas in developing countries.

Issues for discussion

How do the ministers assess the implications of the diversity of country performance, the remaining gaps and challenges to achieve the MDGs by 2015? What do ministers see as priorities

- for developing countries to improve the odds of achieving the MDGs by 2015 or soon after;
- for the international development community to help developing countries attain the MDGs—on development assistance, on trade access and policy, and on other issues; and
- for the international financial institutions, especially the World Bank and the International Monetary Fund, in supporting the developing countries in the few years left toward 2015?

What actions are needed by each actor?