

**GLOBAL
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REPORT**

2006

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2006

*Millennium Development Goals:
Strengthening Mutual Accountability,
Aid, Trade, and Governance*



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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org
E-mail: feedback@worldbank.org

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Foreword

This third annual Global Monitoring Report (GMR) on progress toward the Millennium Development Goals (MDGs) comes with only 10 years remaining to achieve them. It reports good and bad news.

Growth continues to be favorable and has helped cut global poverty, in some cases dramatically. Many countries have stayed the course with sound economic policies, which are delivering results, including some countries in Sub-Saharan Africa. The volume of trade has grown worldwide, and private capital flows to developing countries continue to rise. Evidence is also emerging from some countries of rapid and tangible progress in improving primary education completion, raising immunization coverage, and lowering child mortality.

The bad news is that many countries are off track to meet the human development MDGs. The gains, impressive on a global scale, are unevenly distributed. For every success story of rapid growth and job creation in emerging East and South Asian cities, there are disturbing examples of increased poverty in much of Sub-Saharan Africa, and among large groups of people in many other parts of the world. In too many countries, infrastructure is crumbling. Urgently needed investment to modernize water, sanitation, and transportation facilities has proven unavailable, and

families struggle without access to clean water, or roads that would open access to schools, health care, and markets. In many cases, the governance of countries does not inspire the confidence of investors including, most importantly, citizens of those same countries.

This must change if we are to achieve the MDGs. The principle of mutual accountability—of donors, the international financial institutions, and recipient governments for the quality of external support and for improved performance—is central to accelerating performance.

This GMR persuasively argues that governance is one of the central challenges facing developing countries and the global development community. Governance has gained widespread currency, but its often vague definition has limited its utility as an organizing concept for development, which is what it needs to be. This report offers a framework that defines the parameters of what governance is, and gives us tools—drawn from various indexes—to assess its quality, across different countries, sectors, and actors.

The GMR recognizes that there is no single, unique way to effectively improve governance to reduce poverty, and acknowledges that each country's path must be of its own choosing. But national customs cannot be a smokescreen to defend practices that rob the poor of better opportunities, and undermine

a society's chance to develop. With this in mind, the GMR provides a governance framework for monitoring and draws lessons from diverse international experience. It presents performance benchmarks on, among others, sound financial management, public procurement, settlement of legal disputes, and openness and transparency so as to ensure governments' accountability to taxpayers and citizens and to check corruption.

The GMR's framework for governance is the first step in establishing a more comprehensive system for monitoring governance. More investment is needed in actionable indicators that can help to track progress, generate greater accountability, and build demand for good governance. They can also help underpin long-term dialogue between countries and development partners, which should develop realistic goals and sequencing of governance reforms.

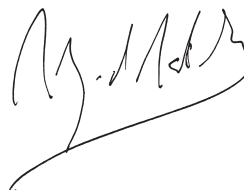
As developing countries tackle the challenge of governance, the GMR also reminds us that the rich countries must meet their commitments on aid, debt relief, and trade.

To enhance aid effectiveness, aid transfers need to be more predictable, less fragmented, more closely aligned with needs, and targeted to where the aid can be productively used. This includes better targeting to countries that are tackling the MDGs, and bringing greater flexibility to aid, so that it can cover recurrent costs, such as teachers' or health workers' salaries, as well as governance reforms to improve service delivery. The promise of increased aid will be realized only if it is used with sufficient rigor and imagination to deliver improved results.

The GMR reports progress in shifting the emphasis of international financial institutions, including the World Bank and the International Monetary Fund, toward results management—managing for *outcomes* rather than managing *inputs* to the production process. But more work must be done by all development partners to establish a longer-term vision, deliver more resources, and increase support for capacity strengthening in developing countries. With a decade left to achieve the MDGs, there is no time to lose.



Paul Wolfowitz
President
World Bank



Rodrigo de Rato
Managing Director
International Monetary Fund

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Abbreviations and Acronyms

AAA	Analytical and Advisory Activities	DIME	Development Impact Evaluation
ADB	Asian Development Bank	DRF	Debt Reduction Facility
AfDB	African Development Bank	EAC	East African Community
AfDF	African Development Fund	EAP	East Asia and Pacific
AMC	advance market commitment	EBRD	European Bank for Reconstruction and Development
AML	anti-money-laundering	ECA	Europe and Central Asia
APRM	African Peer Review Mechanism	EFA FTI	Education for All Fast-Track Initiative
AsDF	Asian Development Fund	EFTA	European Free Trade Association
BEEPS	Business Environment and Enterprise Performance Surveys	EITI	Extractive Industries Transparency Initiative
BIS	Baseline Indicator Set	ESF	Exogenous Shocks Facility
CAE	Country Assistance Evaluation	EU	European Union
CAFTA	Central American Free Trade Agreement	FATF	Financial Action Task Force
CAS	country assistance strategy	FDI	foreign direct investment
CDD	community-driven development	FMIS	financial management information systems
CDI	Commitment to Development Index	G-8	Group of Eight
CFT	Combating Financing of Terrorism	GAFTA	Greater Arab Free Trade Area
CG/RT	consultative group and roundtable	GAVI	Global Alliance for Vaccines and Immunization
COMPAS	Common Performance Assessment System	GMR	Global Monitoring Report
CPIA	Country Policy and Institutional Assessment	GNI	gross national income
CPRGS	Comprehensive Poverty Reduction and Growth Strategy	GII	Global Integrity Index
CS	civil service	GRECO	Group of States Against Corruption
CSO	civil society organization	HIPC	heavily indebted poor country/countries
CSR	civil service reform	IADB	Inter-American Development Bank
DAC	Development Assistance Committee (OECD)	IBRD	International Bank for Reconstruction and Development
DB	Doing Business (surveys)	ICS	Investment Climate Surveys
DFID	U.K. Department for International Development	IDA	International Development Association

IDA 14	14th replenishment of IDA resources	OAS	Organization of American States
IEG	Independent Evaluation Group	ODA	official development assistance
IEO	Independent Evaluation Office	OECD	Organisation for Economic Co-operation and Development
IFC	International Finance Corporation	OED	Operations Evaluation Department
IFFIm	International Finance Facility for Immunization	OII	Office of Institutional Integrity
IFI	international financial institution	OTRI	overall trade restrictiveness index
IMF	International Monetary Fund	OVE	Office of Evaluation and Oversight
ISR	Implementation Status and Results	PBA	performance-based allocation
ITN	insecticide-treated bed net	PEFA	Public Expenditure and Financial Accountability
ITU	International Telecommunications Union	PFM	public financial management
JMP	WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation	PRGF	Poverty Reduction and Growth Facility
KDP	Kecamatan Development Program	PRS	Poverty Reduction Strategy
KK	Kaufmann-Kraay	PRSP	Poverty Reduction Strategy Paper
KKZ	Kaufmann, Kraay, and Zoido-Lobaton	PSI	Policy Support Instrument
LAC	Latin America and the Caribbean	PWYP	Publish What You Pay
LDC	least developed country	QAG	Quality Assurance Group
LIC	low-income country	ROSC	Report on Observance of Standards and Codes
MAPS	Marrakech Action Plan for Statistics	RTA	regional trade agreement
MDB	multilateral development bank	SA	South Asia
MDG	Millennium Development Goal	SDR	special drawing right
MDRI	Multilateral Debt Relief Initiative	SPA	Strategic Partnership with Africa
MENA	Middle East and North Africa	SPSP	small-scale private service provider
MfDR	Managing for Development Results	SSA	Sub-Saharan Africa
MIC	middle-income country	SWAP	sectorwide program
MKSS	Movement for the Rights of Peasants and Workers	TC	technical cooperation
MTEF	medium-term expenditure framework	TFP	total firm productivity
NEPAD	New Partnership for Africa's Development	TI	Transparency International
NGO	nongovernmental organization	TPID	IMF Trade Policy Information Database
NPV	net present value	UNDP	United Nations Development Programme
NTM	nontariff measure	UNITA	National Union for Total Independence of Angola
NURC	National Unity and Reconciliation Commission	WDR	World Development Report
		WHO	World Health Organization
		WP-EFF	Working Party on Aid Effectiveness
		WTO	World Trade Organization