Report Overview

Introduction

Broad-based global economic growth in 2006, and more generally since 2000, provides grounds for optimism about progress in advancing the Millennium Development Goals (MDGs). For low-income countries, real per capita income growth in Sub-Saharan Africa and South Asia has been stronger in the period since 2000 than at any time since the 1960s, and stronger than at any time since transition in Europe and Central Asian countries. Based on this strong growth performance, the estimated number of extremely poor people (living on $1 per day) fell by 135 million between 1999 and 2004.

Although still uneven, progress with poverty reduction is evident across all regions. Sub-Saharan Africa reduced the share of people living in extreme poverty by 4.7 percentage points over five years to 41 percent, although high population growth left the same absolute number of poor, at nearly 300 million. South Asia, Latin America, and East Asia all appear to be roughly on track to halve extreme poverty by 2015 from 1990 levels. Europe, Central Asia, and the Middle East and North Africa have largely eliminated extreme poverty. There are also hopeful signs that international development efforts may be gaining momentum, and new innovations in resource mobilization for development are taking shape.

Yet in spite of this optimistic outlook, the international community faces a much more demanding agenda in advancing the MDGs as 2015 draws nearer. Despite progress, nearly 1 billion people remain in extreme poverty. All regions are off track to meet the target for reducing child mortality; nutrition is a major challenge, with one-third of all children in developing countries underweight or stunted; half the people in developing countries lack access to improved sanitation.

Action to scale up development efforts needs to accelerate, but steps forward still appear tentative. Nearly seven years after the Millennium Summit and five years after the Monterrey summit, there has yet to be a country case where aid is being significantly scaled up to support a medium-term program to reach the MDGs. While there has been modest progress in Paris or Brussels or London to address the well-recognized problems in designing and delivering international aid—proliferation of aid channels, weak coordination, lack of resource predictability, misalignment with country strategies, and so on—viewed from the capitals of Ethiopia, Madagascar, or Bolivia, this progress appears to be slow.

This *Global Monitoring Report* (GMR) highlights two areas that require greater international attention if higher global growth trends are to translate into sustainable development outcomes and if the gains are to be shared more evenly:

- ***Gender equality***. The first of these arises from gender inequality and lost opportunities for *all* people to help generate and participate in the gains from economic growth. The choice to focus the 2007 report on the third MDG—the promotion of gender equality and empowerment of women—reflects a recognition by the international community that more is needed to support equality for the half of humanity disadvantaged through less access than men to *rights* (equality under the law), to *resources* (equality of opportunity), and to *voice* (political equality).
- ***Fragile states***. The second risk arises from the especially difficult development challenges and greater needs facing *fragile states*. Fragile states—countries with particularly weak governance, institutions, and capacity—comprise 9 percent of the developing world's population but over one-fourth of the extreme poor. They represent an enormous challenge: how can the international community provide resources to support efficient service delivery, postconflict recovery, and reform? Without addressing these development challenges the fragile states pose risks that can cross borders—through civil conflicts, risks to public health, and humanitarian crises.

Two additional risks pertain to environmental sustainability and securing the gains from trade liberalization. Natural resource depletion and environmental degradation pose risks to both the quality of growth, and the potential for sustaining future growth. Growth based on the depletion of natural wealth, rather than through increasing wealth for current and future generations, is unsustainable. The "adjusted net savings rate" measures national savings after accounting for resource depletion and damage to the environment, raising broad policy questions about environmental policies that are beyond the scope of this report but may be tackled in future GMRs.

Risks from failure to advance multilateral trade liberalization and expand market access are also highlighted in this year's report. The Doha Round of trade negotiations was effectively suspended in July 2006, but early in 2007 there was an informal agreement to resume talks. Failure to make progress means depriving many countries of vital opportunities for accelerating their growth through trade.

To address these risks and advance the MDG agenda there is a pressing need for better aid coordination to strengthen aid quality and scale-up assistance. This requires efforts by all parties—donors, international financial institutions (IFIs), and developing countries. Agreement needs to be forged at the global level on practical mechanisms and instruments to scale up aid and on measures to reduce the costs of aid fragmentation. Progress with scaling-up will require more and better aid resources (donors); sound, sequenced development strategies (developing partners); better technical support for strong strategies (the IFIs); and a more coherent "aid architecture" to reduce the costs of fragmentation.

Progress toward the MDGs

Growth and Poverty Reduction

The world economy is growing at a pace last seen at the beginning of the 1970s. This is welcome news for developing countries in view of its implications for trade, aid, private financial flows, and remittances. Both low- and middle-income countries have benefited from the trend. Performance varies widely across regions, but there is a favorable trend evident in East Asia, South Asia, Eastern Europe, and Central Asia, and particularly Sub-Saharan Africa, where the sustained and rising growth performance since the late 1990s is in sharp contrast to the weak performance evident over the last three decades. Average per capita income growth in Sub-

BOX 1 Global Monitoring Report 2007: Five key messages

Growth is reducing poverty, but not everywhere or always sustainably. Continued strong growth is generating significant progress in poverty reduction globally. But many countries are failing to benefit, especially fragile states, and for some others the sources and quality of growth (unsustainable resource extraction; accumulating pollutants) undermine environmental sustainability and future growth potential.

Investing in gender equality and empowerment of women is smart economics. Greater gender equality helps to create a fair society, raises economic productivity, and helps advance other development goals. Major gains have been achieved, particularly in education, while in other areas progress is lagging. Better monitoring and mainstreaming of women's empowerment and equality into policy formulation and programs of international assistance are therefore vital to the development agenda.

Fragile states are failing to keep up—speed and staffing by development agencies are critical. The largest "MDG deficit" is in states with weak institutions and governance, and often in conflict—the "fragile states." With 9 percent of the developing world's population, they account for over one-fourth of the extreme poor and nearly one-third of child deaths and 12-year olds who do not complete primary school. Efforts to support their transition from fragility must be deepened through improving response time to crises and opportunities, increasing field presence, better interagency collaboration, and building on lessons from successful state-building transitions.

Quality lags quantity—children enroll in school but don't always learn. Advancement in primary school completion has been rapid and encouraging in many countries. Yet cross-country evaluations suggest improvement in cognitive skills has often not kept pace. Quantity and quality in education and health need to proceed in tandem. More effort is needed to monitor outcomes (especially student learning). This provides an essential platform for tracking over time whether policies and incentives are truly producing more effective service delivery.

Scaling up "quality" aid requires greater coherence among donors, developing countries, and international agencies. Donor commitments to scaling up aid have so far been unrealized as real aid flows have faltered and a more complex aid architecture—proliferation of donor channels, fragmentation of aid, ear-marking of funds—undermines aid quality and effectiveness. Scaling-up aid to meet the MDGs requires more and better aid resources (donors); sound, sequenced development strategies (developing partners); better technical support for strong strategies (the IFIs); and a more coherent "aid architecture" to reduce the costs of fragmentation.

Saharan Africa has recently been at about 3 percent and is forecast to continue at this level in 2007. By contrast, growth among low- and middle-income countries in Latin America, and the Middle East and North Africa, continues to be more modest.

Evidence suggests that better growth is translating into declining poverty levels. The most recent data show that all regions except for Sub-Saharan Africa are on track to reach the MDG1 poverty target. In Sub-Saharan Africa the share of people living in extreme poverty has declined little from its 1980 level, but this masks the protracted deterioration during the 1980s and first half of the 1990s, along with marked improvements since the late 1990s. The share of people in poverty fell by nearly 7 percentage points between 1996 and 2004, although the absolute number of poor has stagnated.

Preliminary estimates suggest that, on average, growth (in GDP) during the late 1990s through 2003/04 resulted in lower poverty incidence: for a sample of 19 low-income countries, 1 percent of GDP growth was associated with a 1.3 percent fall in the rate of extreme poverty and a 0.9 percent fall in the $2-a-day poverty rate. For middle-income countries the impact of GDP per capita growth on poverty was much less, and average poverty has not declined with recent growth. Moreover, changes in income distribution have not, on average, reduced the impact of income growth on poverty reduction in low-income countries, whereas income inequality widened on average in middle-income countries.

One factor behind this favorable performance has been the continuing strength of macroeconomic policies, as evident through continued moderate inflation rates and average fiscal balances that shifted from deficit into balance in low-income countries during 2006. The quality of macroeconomic policies, particularly fiscal policy, in low-income countries shows considerable improvement over recent years.

The stronger growth performance in low-income countries is encouraging, particularly in Sub-Saharan Africa where the higher growth may mark a potential turnaround from the region's protracted stagnation. However, this has to be interpreted with caution. Concerns persist over the potential for a growth slowdown resulting from a disorderly unwinding of global imbalances, protectionism, the future behavior of world oil prices, or a possible global pandemic triggered by avian influenza.

Optimism over the prospects for improved growth and poverty reduction, however, does not apply to the many fragile states. Extreme poverty is increasingly concentrated in these states: by 2015 it is estimated that given projected growth performance, extreme poverty levels in nonfragile states will decline to 17 percent, more than achieving the MDG1 target, while levels of extreme poverty in fragile states will remain at over 50 percent, *higher* than the level in 1990.

Progress with the Human Development MDGs

Broad MDG trends do not change appreciably year to year, and remain much as described last year: all regions are off track on the child mortality goal, and some regions are off track on at least some of the other MDGs. The two regions that lag the most are South Asia and Sub-Saharan Africa. As *regions* they remain off track on all the goals; however, there is considerable variation within regions. MDG trends in fragile states are also examined; while there is variance within the group, fragile states have lower absolute performance and slower improvement than nonfragile ones.

It must also be recognized that there have been some significant successes. Since 2000, over 34 million additional children in developing countries have gained the opportunity to attend and complete primary school—one of the most massive expansions of schooling access in history. Over 550 million children have been vaccinated against measles, reducing death from measles in Sub-Saharan Africa by 75 percent. By mid-2006 the number of AIDS (acquired immunodeficiency syndrome) patients with access to antiretroviral treatment had increased nearly sevenfold to over 1.6 million from 2001 levels. There is little question that the MDG targets have helped stimulate more rapid expansion of basic health and education services.

Nutrition (MDG1). Nearly one-third of all children in developing countries are estimated to be underweight or stunted, and an estimated 30 percent of the total population in the developing world suffers from micronutrient deficiencies. Undernutrition is not only a threat to progress with poverty reduction; it is the underlying cause of over 55 percent of all child deaths, linking nutrition directly to reduction of child mortality (MDG4). In striking contrast to the region's strong growth performance, the highest rates of malnutrition are found in South Asia: underweight prevalence is estimated between 38 and 51 percent in the large countries, none of which appears on track to meet the nutrition goal. Sub-Saharan Africa is estimated to have a 26 percent prevalence of child malnutrition, and in some countries— Burkina Faso, Cameroon, Zambia—trends are worsening. East Asia, Latin America, and Eastern Europe show better performance although all have some countries that are off track.

Universal primary completion (MDG2). Globally the primary school completion rate rose between 2000 and 2005 from 78 to 83 percent and the pace of progress in many countries has accelerated. Gains are especially strong in North Africa, Sub-Saharan Africa, and South Asia. But 38 percent of developing countries are unlikely to reach 100 percent primary completion by 2015 and another 22 percent of countries, which lack adequate data to track progress, are also likely to be off track. The most intractable groups to reach with primary education are those that are "doubly disadvantaged": girls from ethnic, religious, or caste minorities. About 75 percent of the 55 million girls who remain out of school are in this group. But recent data also reveal countries that have made remarkable progress in recent years; six of the seven top countries in expanding primary completion rates (all by over 10 percent per year between 2000 and 2005) were in Sub-Saharan Africa (Benin, Guinea, Madagascar, Mozambique, Niger, and Rwanda). The weakest performers were also primarily in Africa, however, showing the sharp contrasts across countries in the region. And in Asia, Cambodia has made exceptional progress.

Child mortality (MDG4). Progress on child mortality lags other MDGs, despite the availability of simple, low-cost interventions that could prevent millions of deaths each year. Oral rehydration therapy, insecticide-treated bednets, breastfeeding, and common antibiotics for respiratory diseases could prevent an estimated 63 percent of child deaths. Yet in 2005 only 32 of 147 countries were on track to achieve the child mortality MDG. Moreover, 23 countries reveal stagnant or worsening mortality rates. Problems in fragile states are particularly severe: nearly one-third (31 percent) of all child deaths in developing countries are in fragile states, and only two of the 35 states currently considered fragile are on track to meet MDG4. The experience of countries that have achieved rapid gains is also noteworthy, including in Eritrea which, despite per capita income of only $190, cut child mortality in half between 1990 and 2005. This success appears in large measure attributable to implementation of the integrated management of childhood illness and points to the serious need to strengthen policy coherence and improve donor coordination in the health sector.

Maternal health (MDG5). Ninety-nine percent of maternal deaths, about 500,000 annually, occur in developing countries. Lack of direct data on maternal mortality requires the use of "skilled attendance at delivery" as a proxy measure. Survey evidence shows progress in 27 of 32 countries but also suggests that this is highly concentrated among richer households—*equity gaps* in access to skilled attendance are larger than for any other health or education service. Evidence on the main constraints to reducing maternal mortality in three low-income countries reaffirms the importance of early recognition of the need for emergency medical attention, access to adequate medical facilities, and receiving appropriate treatment. But it also underscores the essential need for skilled attendance at birth.

AIDS, malaria, and tuberculosis (MDG6). By end-2006 an estimated 39.5 million people were living with the human immunodeficiency virus (HIV), up 2.6 million since 2004. An estimated 3 million people died from AIDS in 2006. While the spread of this disease has slowed in Sub-Saharan Africa, it is a rapidly growing epidemic in Eastern Europe and Central Asia. Recent experience in combating the spread of AIDS has demonstrated some important messages: reversing its spread *is possible*, treatment *is effective* in the developing world, but prevention efforts need to be intensified.

Annually there are an estimated 300 to 500 million cases of *malaria*, and 1.2 million deaths, mainly among children and mostly in Sub-Saharan Africa. Several new initiatives hold promise for making inroads against malaria: with support from the Dutch and the "Roll Back Malaria" initiative, the World Bank is leading efforts to implement a global subsidy for artemisinin-based combination therapy, the most promising new treatment available because resistance to traditional drugs has grown. The Malaria Booster Program, which supports country-led efforts to deliver concrete and measurable results, such as delivery of insecticide-treated bed nets and malaria treatment for young children and pregnant women, is currently operating in 10 countries and aims to expand to 20 over the next five years.

Tuberculosis (TB) is estimated to have led to 2 million deaths in 2004, and 9 million new cases. While incidence of TB is falling in five of six regions, global growth of 0.6 percent annually is attributed to rapid increases in infections in Sub-Saharan Africa, linked to the greater likelihood of TB appearing from latent infections in HIV carriers. The Directly Observed Treatment, Short-course (DOTS) is the main strategy to combat TB, and has expanded rapidly, with high-burden countries showing large decreases in TB incidence due to DOTS (for instance, Cambodia and Indonesia). In 2006 a new strain of TB—extensively drug-resistant TB—was discovered in South Africa. International efforts to stop its spread are being led by the World Health Organization (WHO) and the Stop TB Partnership.

Water supply and sanitation (MDG7). There has been significant progress on water supply; globally access has increased from 73 percent in 1990 to 80 percent in 2004, but only Latin America and South Asia are considered on track to meet this part of the goal (although more than one-quarter of developing countries lack data). However, within Africa there are some promising trends: 5 of the 10 countries making fastest progress are in Africa, and 17 of the 36 countries for which data are available are on or almost on track. By contrast, global progress on sanitation has lagged, increasing only from 35 percent in 1990 to 50 percent in 2004 and only three regions (East Asia and the Pacific, Latin America, and the Middle East and Northern Africa) are on track. Only 2 of the 32 African countries for which data are available are on track. Despite its importance for achievement of multiple MDGs, official development assistance (ODA) for water supply and sanitation (WSS) declined significantly from the mid-1990s through 2002. Although it rebounded somewhat after 2003, it still has not returned to the 2000 level. Recent efforts to ramp up financing for WSS, especially for Africa, through such initiatives as the Africa Infrastructure Consortium and the Rural Water Supply and Sanitation Initiative—even if successful—will take some time to have clear impact on the WSS target, given the long lead time for investments.

A continuing concern for all these aggregate data is whether poor households participate in the progress made. Demographic and Health Survey data allow comparison across income quintiles on relative progress. While gaps in access between rich and poor households remain significant, they are narrowing; the poor have had equal or faster rates of progress in child mortality reduction, immunization coverage, and primary completion in most countries.

Financing Trends and Alignment in Health and Education MDGs

External financing for health and education has nearly doubled in real terms since the MDGs were adopted. Aid for health continued to rise from 2004 to 2005, whereas education ODA commitments showed their first decline, reflecting lower commitments to China and India. Aid commitments for education are expected to have increased again in 2006 and beyond, owing in part to a major initiative announced by the United Kingdom.

Funding for health has grown even more strongly, from private sources such as the Gates Foundation; from global partnerships such as the Global Fund for AIDS, TB, and Malaria; and from bilateral donors: France, Norway, Spain, and the United States have increased health funding between two- and fourfold since 2000. Innovative financing mechanisms targeting the health sector are also getting off the ground: the international finance facility for immunization ($1 billion in 2006), advance market commitments for vaccines ($1.5 billion expected in 2007), and the airline ticket tax implemented by 21 countries ($300 million expected in 2007) are all mobilizing new funds for health interventions. Despite this influx of funds for health, there remains a large shortfall relative to financing needs to reach the health MDGs, conservatively estimated at between $25 billion and $50 billion annually.

While increased external funding is crucial for progress on the health MDGs, there are growing concerns about policy coherence, aid alignment, and transactions costs in the sector, given the number of players and the absence of effective coordination mechanisms—a topic taken up below.

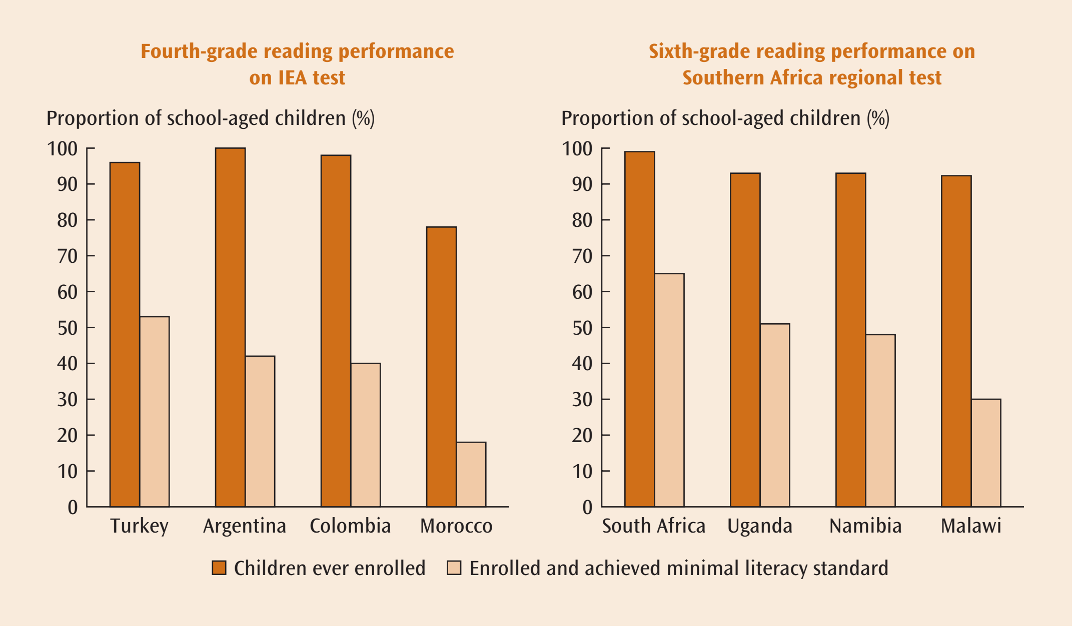
The Role of Quality in MDG Progress

Evidence is emerging that in many countries rapid progress in improving schooling enrollment and completion is not translating into better cognitive skills. New research suggests that this may have a high cost for countries: returns to investment in education appear to accrue to the skills of the population and not to the quantity of schooling attained.

Figure 1 illustrates weak learning outcomes and the gap across countries between education level and cognitive skills. By age nine reading skills in developing countries can significantly lag those in developed countries. While over 96 percent of children in Sweden, Latvia, and the Netherlands can read above the lowest—threshold—level of literacy on OECD-benchmarked tests by age nine, less than half the children in Argentina, Colombia, and Morocco can read at this level. Results from a regionally benchmarked assessment for Southern African countries are similarly distressing: in several countries, less than 50 percent of children are able to read by age 12.

It does not follow from this that there exists an inherent trade-off between quantity and quality in education. In fact, cross-country data show a strong positive correlation between schooling coverage and cognitive skills, at least over the long term. There are also numerous countries that have increased learning outcomes at the same time as they

FIGURE 1 Learning levels of primary school–aged children



Source: Fourth-grade test: International Association for the Evaluation of Educational Achievement (IEA), Progress in International Reading Literacy (PIRLS) 2001, Sixth-grade test: Southern African Consortium for Monitoring Educational Quality (SACMEQ). Enrollment data: Demographic and Health Surveys.

have expanded access. While this is not easy to do, and there are many cases where quality has been strained as countries rapidly scale up access, it is important to focus on the strategies for managing expansion better. Many poor countries are far from achieving universal primary completion and must accelerate service delivery to reach the MDG by 2015. Slowing expansion would harm the poorest and most marginalized groups most. The challenge must be to expand access while enhancing learning outcomes.

Progress on this challenge requires stronger efforts to monitor student learning in the developing world; most countries today lack national assessment systems and extremely few have engaged in any internationally benchmarked tests. Regular tracking of student learning is essential for accountability in education—for equipping teachers to manage their class time better, for empowering parents to hold schools accountable, and for allowing administrators to evaluate the effectiveness of education spending.

There is a strong case for donor support in developing benchmarked standards of competency linked to critical thinking skills expected by the end of primary school—in other words, basic learning goals for primary education to complement the quantitative goal of universal primary completion. An internationally benchmarked test to measure end-of-primary learning levels could be expensive and technically difficult to produce, but there is a clear public goods argument for such an investment. Precisely at a time when the global community is scaling up aid for the education MDG, a globally benchmarked assessment covering large numbers of developing countries would provide the strongest platform yet for generating knowledge on "what works" to promote learning in different country contexts.

Moving a proposal for basic learning goals for primary education forward will involve costs and face political and technical obstacles. But an internationally supported effort in this area could help countries build national capacity to track learning outcomes and create incentives to accelerate progress, *alongside efforts to expand school completion rates.*

The same concerns over quality arise in *health care*—and data are even harder to collect. Creative efforts have been made to measure the quality of health care providers across countries and measure the overall quality of care. The extent of misdiagnosed ailments, failure to complete basic checklists for major diseases, and mal-adherence to recommended protocols is alarming. The implication is that there are gaps between what health providers know is right and what they do. It suggests that greater attention to work incentives and institutional settings is needed rather than reliance on input-based approaches, such as raising training requirements or expanding medical schools. Performance contracting is one promising approach for effectively improving health coverage and quality. Greater attention is also needed to bring greater coherence and donor coordination to health sector strategies, as discussed below.

Governance Indicators: An Update

Recently released *aggregated* governance indicators (Kaufman-Kraay) suggest patterns of performance that reinforce key messages from the 2006 GMR. Governance is multidimensional, and there is no unique path from poor to good governance. Actionable indicators to track performance are being developed in several areas, including contributions from independent civil society organizations: Global Integrity released 43 new country reports, the Afrobarometer network released the results for 18 African countries of its third round of surveys, and a new index that monitors transparency in public budgets—the Open Budget Index—was released after four years of development. The World Bank Group also released publicly for the first time its Country Policy and Institutional Assessment (CPIA) scores—an important step in strengthening transparency and disclosure of these scores, which play an important role in allocating concessional financing. By contrast, Public Expenditure and Financial Accountability (PEFA) assessments made less encouraging progress. While the use of PEFA indicators has greatly expanded and many new country assessments are planned, so far only 4 of 33 country reports have been made public, limiting the potential benefits from this valuable tool for analysis.

Promoting and Monitoring Gender Equality and Empowerment of Women

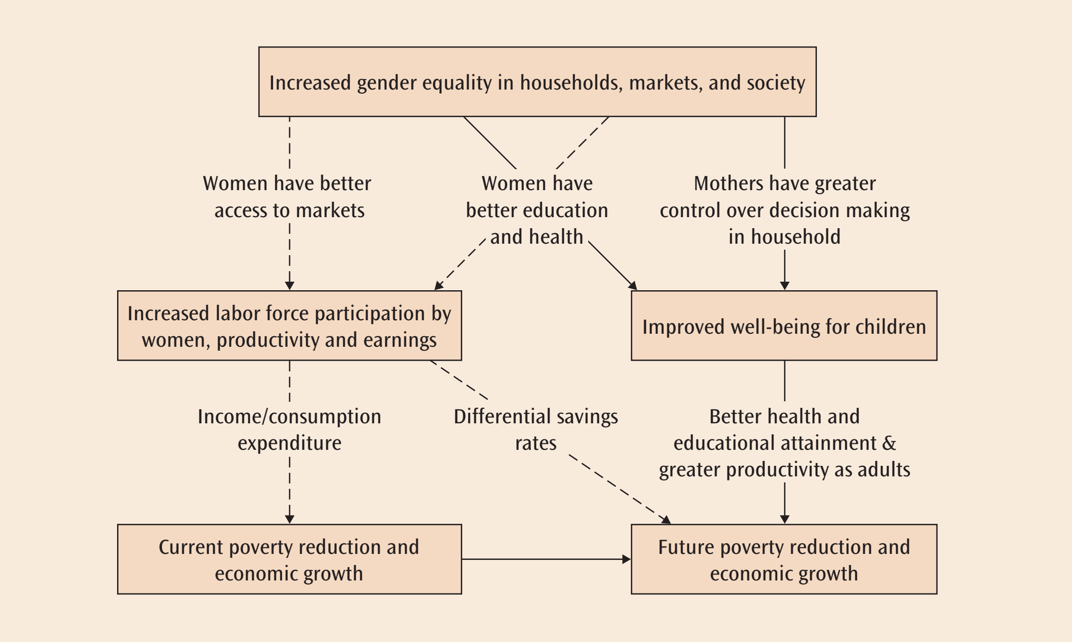
The Importance of Promoting Gender Equality

The 2006 *World Development Report* on equity and development refers to gender inequality as the "archetypal inequality trap," pointing to the sharp differences between men and women in access to assets and opportunities in many countries, and the negative consequences for the well-being of women, families, and society. The disadvantage of women in *rights* (equality under the law), *resources* (equality of opportunity), and *voice* (political equality) restricts basic freedom to choose and is unfair. This inequality is reflected in the poorer performance by women and girls across many of the MDGs.

"Improving gender equality and empowering women" (MDG3) thus stands on its own merits as a development objective. In addition to this intrinsic importance, gender equality and women's empowerment are also important channels to attain other MDGs. Gender equality and women's empowerment promote universal primary education (MDG2), reduce under-five mortality (MDG4), improve maternal health (MDG5), and reduce the likelihood of contracting HIV/AIDS (MDG6).

Improving gender equality also influences poverty reduction and growth directly through women's greater labor force participation, productivity, and earnings as well as indirectly through the beneficial effects of

FIGURE 2 Pathways from increased gender equality to poverty reduction and growth



Source: World Bank staff.

women's empowerment on child well-being. Figure 2 identifies the main pathways leading from gender equality to both current and future growth and poverty reduction. One path is through increasing the productive opportunities and higher incomes that women have, raising consumption and savings that help to raise investment rates. Another is through improving women's control over decision making in the household. Several studies have shown that the greater the mothers' control over resources, the more resources households allocate to children's health, nutrition, and education. Better maternal education also benefits children through improved hygiene practices, better nutrition, lower fertility rates, and hence higher per child expenditures. Taken together, these contribute to future growth and poverty reduction.

Progress toward Meeting MDG3

The four official MDG3 indicators—measuring gender equality in enrollments, literacy, and the share of women in nonagricultural employment and national parliaments—provide an important, albeit incomplete, snapshot of progress toward gender equality.

Thanks to efforts to achieve universal primary education (MDG2), girls' enrollments in all levels of schooling have risen significantly (figure 3). Most low-income countries made substantial progress between 1990 and 2005. By 2005, 83 developing countries (of 106 with data) had met the intermediate MDG3 target of parity in primary and secondary enrollment rates. Most of these countries are in regions where enrollment has historically been high—East Asia and the Pacific, Eastern Europe and Central Asia, and Latin America and the Caribbean. In the Middle East and North Africa, most countries met the target by 2005, but some still have a significant female disadvantage in enrollments. In Sub-Saharan Africa performance has been varied; less than one-quarter of countries met the enrollment targets for 2005, but some have attained parity (for example, Botswana, Rwanda, and South Africa). Of the 14 fragile states for which data are available, 9 are not expected to achieve the primary and secondary enrollment targets.

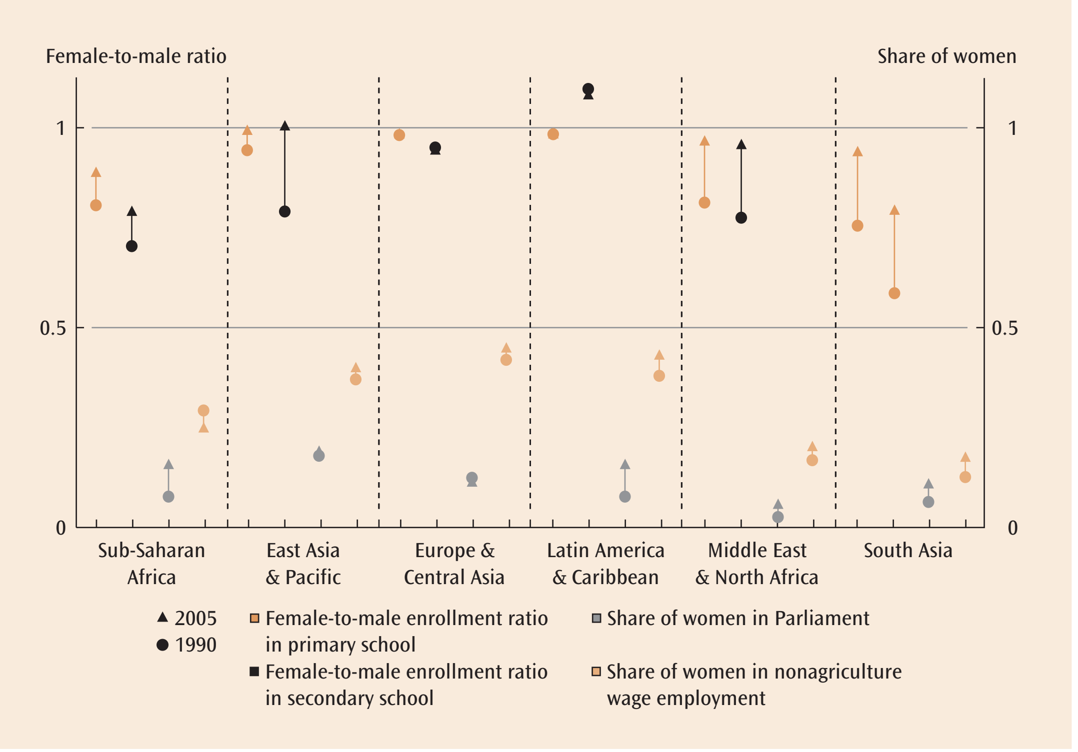
The female *tertiary* enrollment rate lagged behind the male rate in 63 countries (of 130 countries with data) and *exceeded* the male rate in 65 countries. The female disadvantage was evident mainly in Sub-Saharan Africa, South Asia, and in fragile states.

Progress in basic literacy skills and school enrollments over the years has resulted in higher literacy rates among youth (age 15–24), but gender gaps remain: the United Nations Educational, Scientific and Cultural Organization (UNESCO) estimates that of the nearly 137 million illiterate youths in the world, 63 percent are female. The female-to-male literacy ratio is lowest in Sub-Saharan Africa, Middle East and North Africa, and South Asia—regions that also have female disadvantages in primary and secondary enrollment.

Progress is also evident in women's share of nonagricultural wage employment, which increased modestly in all regions during 1990–2005, and with significant variation across regions and countries (figure 3). In 2005 the share of women in nonagricultural employment was highest in Europe and Central Asia (47 percent), lowest in the Middle East and North Africa (20 percent), and in-between in Latin America and the Caribbean and East Asia and the Pacific (over 40 percent). Trends and patterns in this indicator are difficult to interpret without accounting for country circumstances, such as the share of nonagricultural employment as a percentage of total employment. A favorable score on this indicator might on the surface seem to indicate equitable conditions for women in labor markets, but it may capture conditions for only a very small proportion of the total labor force.

The fourth official MDG3 indicator is the proportion of seats held by women in national parliaments (with no set target). Between 1990 and 2005, all regions except Europe and Central Asia increased women's

FIGURE 3 Progress in official indicators of gender equality and women's empowerment, by region, 1990–2005



Source: World Bank Indicators. The regional averages are calculated using the earliest value between 1990 and 1995 and the latest value between 2000 and 2005. The averages are weighted by the country population size in 2005.

proportion of the seats in national parliament, but starting from a very low level (figure 3). However, in no region did the average proportion exceed 25 percent, at either the beginning of the period or the end.

Strengthening Official Indicators

The shortcomings of the official indicators for monitoring progress in attaining MDG3 are widely recognized (see, for example, the report of the UN Millennium Project Task Force on Education and Gender Equality, UN Millennium Project 2005). Five supplemental indicators to better measure gender equality are proposed to address this (table 1). These indicators, complementary to the official MDG3 indicators, meet three criteria: data availability (wide country coverage), strong link to poverty reduction and growth, and amenability to policy intervention. Indicators that met all the three criteria but were highly correlated with other indicators were dropped from the list.

This proposed list draws on the recommendations of the UN Millennium Project Task Force, but is more parsimonious. It takes into account data availability, additionality (does it add new information), and the high costs associated with imposing additional monitoring burdens on already taxed national statistical offices. It also draws on a proposal to refine the existing MDG indicators that was put before the UN Secretary General's office for consideration in March 2007.

Four of the five indicators monitor gender equality in the household; the remaining indicator monitors gender equality in the economy. No additional indicators are recommended to monitor gender equality in

TABLE 1 Recommended additional indicators for MDG3

Household		Economy and markets
Modifications of official MDG indicators	**Additional indicators**	**Additional indicators**
Primary completion rate of girls and boys (MDG2)[a] Under five mortality rate for girls and boys (MDG4) Percentage of reproductive-age women, and their sexual partners, using *modern* contraceptives (MDG6)	Percentage of 15- to 19-year-old girls who are mothers or pregnant with their first child[b]	Labor force participation rates among women and men aged 20–24 and 25–49[b]

Source: World Bank staff.
a. Recommended by the UN Millennium Project Task Force on Education and Gender Equality.
b. Under consideration by the Inter-Agency and Expert Group for MDGs.

the domain of society, because none of the indicators considered for inclusion met the criteria of data availability. Three of the recommended indicators are modifications of official indicators already being monitored as part of the MDGs, while two are indicators not currently part of the official set.

Strengthening International Support for Gender Equality

The success in increasing girls' enrollments in schooling shows that progress in gender equality is possible. This progress, however, requires political will (high-level leadership) and concerted effort from countries and international development agencies. Donors and the multilateral development banks (MDBs) need to significantly improve the support and coordination for gender equality issues to accelerate progress toward MDG3; these issues should become central in their dialogue with partner countries. Since the 1995 Beijing Women's conference, which marked a milestone in international commitment to gender equality issues, donor support improved somewhat, and more resources are devoted to gender equality targets, particularly in the social sectors. Overall, a quarter of bilateral aid by sector—around $5 billion annually—is now focused on gender equality.

However, in spite of strong donor policy commitments to gender equality objectives, implementation has been disappointing. Self-evaluations of nine donor agencies' performance reflect a gap between words and deeds. One of the reasons for this gap is the diffusion of responsibility that resulted from the shared responsibility gender mainstreaming called for: all staff were responsible for promoting it, yet no one group in particular was held accountable for results.

These self-assessments have helped reenergize donors' commitments. Donors are revamping their approaches and setting more realistic targets to both strengthen mainstreaming and introduce specific actions to advance gender equality. There is wide agreement that high-level leadership, technical expertise, and financial resources remain key to implementing donor agencies' gender policies.

The MDBs have made similar progress in advancing their support for gender equality and women's empowerment. Systems to monitor progress with mainstreaming gender equality policies have been introduced, and suggest there has been modest but steady progress. Most MDBs have recently adopted Gender Action Plans to make their gender mainstreaming policies more strategic and operationally effective.

Nonetheless, significant gaps remain. Progress has been greater in the social sectors (especially health and education) than in productive sectors (agriculture, infrastructure, private sector development, and the like). There is also evidence that attention to gender issues is greater in project design than in implementation, and there has been little effort to monitor or evaluate outcomes. Institutions have generally been slow to develop and adopt measurable indicators of progress in gender equality, and the rating systems primarily measure good intentions rather than results. Nor can the resources spent on gender mainstreaming be measured. Clearly much more is needed to strategically realize the comparative advantage that the MDBs have in knowledge generation and analysis, in their convening and coordinating roles, in leading high-level dialogue, and in helping formulate development policy strategies. The MDBs should utilize their comparative advantage and take up a visible leadership role in investing dedicated resources to include gender equality and women's empowerment in the results agenda, in leading international efforts to strengthen MDG3 monitoring, and in better assisting client countries in scaling up MDG3 interventions. The business case for MDBs' investments in MDG3 is strong—it is nothing more than smart economics.

Addressing the Special Challenge of Fragile States

Fragile states are generally characterized by weak institutional capacities and governance, and by political instability. These countries are the least likely to achieve the MDGs and they contribute significantly to the MDG deficit. They account for 9 percent of the population of developing countries, but 27 percent of the extreme poor (living on US$1 per day, see table 2), nearly one-third of all child deaths, and 29 percent of 12-year olds who did not complete primary school in 2005. Of all low-income countries that are unlikely to achieve gender parity in primary and secondary enroll-

TABLE 2 Fragile states face the largest deficit in most MDGs

Indicator	Total in developing countries (millions)	Total in fragile states (in millions and % share)
Total population (2004)	**5,427 million**	**485 million (9%)**
MDG1—Poverty (2004)		
Extreme poverty	985	261 (27%)
Malnourished children	143	22.7 (16%)
MDG2—Universal Education		
Children of relevant age that did not complete primary school in 2005	13.8	4 (29%)
MDG4—Under-Five Mortality		
Children born in 2005 not expected to survive to age five	10.5	3.3 (31%)
MDG5—Maternal Health		
Unattended births	48.7	8.9 (18%)
MDG6—Diseases		
TB deaths	1.7	0.34 (20%)
HIV+	29.8	7.2 (24%)
MDG7—Environmental Sustainability		
Lack of access to improved water	1,083	209 (19%)
Lack of access to improved sanitation	2,626	286 (11%)

Source: World Bank staff estimates; for notes see table 2.9.

ments, half are fragile states. Their weak performance is clearly linked to chronically weak institutional capacity and governance and to internal conflict, all of which undermine the capacity of the state to deliver basic social and infrastructure services and offer security to citizens.

Conflicts are a major reason why countries slide into fragility; they extract high costs in terms of lives and physical damage, they reduce growth and increase poverty. While there are fewer conflicts in low-income countries than before, conflicts have become shorter and more intense, with an enormous negative impact on GDP growth averaging about 12 percent decline per year of conflict.

Despite the enormous challenges of poverty in fragile states, progress against the MDGs is possible. A number of countries (Mozambique, Uganda) have made a successful transition from weak institutions and/or the legacy of conflict to sustained gains in growth and poverty reduction. In countries that remain fragile, successful progress against the MDGs has been achieved: Timor-Leste, Eritrea, and the Comoros, for example, decreased child mortality by 7.1 percent, 4.2 percent, and 3.5 percent, respectively, between 2000 and 2005.

Aid is particularly important in fragile states because it constitutes the main source of development finance. However, IFIs account for only about 8 percent of total Development Assistance Committee (DAC) ODA flows to fragile states, with the rest coming from bilateral sources. The IFIs, nevertheless, have an important role to play in financing postconflict reconstruction, in aid coordination, and in policy dialogue and technical assistance. The MDBs have recently started to converge around four areas of specialized response to the development challenge in fragile states: (1) strategy, policy, and procedural frameworks; (2) exceptional financial instruments; (3) customized organizational and staffing approaches; and (4) partnership work.

Accelerating progress toward the MDGs in fragile states requires attention to several issues and lessons of recent experience. First, since many fragile states are emerging from conflict, the sequencing and coherence of support for security, electoral efforts, and aid-financing to boost growth and employment are critical for minimizing the risk of reversion to conflict. Donors need to consider whether current instruments provide adequate continuity of support to minimize risks of renewed conflict.

Second, engaging in fragile states requires the IFIs and other donors to review their business practices and procedures, to ensure that these are adapted to low-capacity and sometimes volatile environments. Taking advantage of new peace-building or governance reform opportunities, or adjusting programs in the event of a crisis, requires a rapid response from all international partners engaged in these countries. Supporting reforms in low capacity states also requires increased field presence.

Third, fragile states are especially vulnerable to donor fragmentation and its potential burden on government capacity. This makes implementation of the Principles for Good International Engagement in Fragile States and advancing principles of the Paris Declaration on Aid Effectiveness particularly important. The IFIs need to work both between themselves and with other international partners to develop common approaches and operating principles in fragile states, in particular through efforts to improve coordination and division of labor with organizations leading peace-building efforts, such as the United Nations and regional institutions.

Making Aid, Trade, and Debt Relief Responsive to Country Needs

The expansion in global aid has stalled, and two years after the Gleneagles summit the trends in real aid flows suggest that DAC donors' promises of higher aid to Sub-Saharan Africa appear increasingly unlikely to materialize. Seven years after the Millennium Summit at which the MDGs were adopted, there is yet to be a single country case where aid is being scaled up to support achieving the MDG agenda. Most "low hanging fruit" identified in the Millennium Report of 2005 have yet to be harvested. Progress with multilateral debt relief was rapid after the Gleneagles meetings in 2005, demonstrating how quickly initiatives can advance when there is a strong international commitment. The lack of progress with multilateral trade reforms in the Doha Round similarly demonstrates just how weak international commitment and consensus stymies change. Forging an international consensus beyond rhetoric is needed to accelerate progress.

Aid Volumes Trends: Bringing Actions in Line with Commitments

Although aid was on an upward trend through 2005 as DAC members, non-DAC donors, and nontraditional donors expanded assistance to developing countries, in 2006 the level of real aid from DAC members fell. After reaching a record level in 2005, total DAC member aid fell by about 5 percent to about just below $104 billion in 2006. These trends suggest that real aid delivery is falling well short of donor commitments. Doubling of aid to Africa by 2010 looks increasingly unlikely.

There has also been a continuing concentration of aid in a small number of countries, leaving the majority of countries with little or no real increase. Between 2001 and 2005, real aid volumes grew by more than 50 percent, but nearly 60 percent of International Development Association (IDA) countries saw a decline or little change in aid over this period. Such heavy concentration is not consistent with efforts to broadly accelerate progress toward the MDGs. Even as assistance from DAC donors has declined in 2006, aid from nontraditional donors is on an upward trend: Non-DAC OECD donors are expected to double their assistance to over $2 billion by 2010; Saudi Arabia and other Middle East countries provided nearly $2.5 billion in assistance in 2005; and other emerging donors, China in particular, are also rapidly expanding aid and becoming significant foreign creditors. Much of this aid targets infrastructure and productive sectors that DAC donors have moved out of.

Progress with scaling up aid to Africa has been disappointing. Five years after the Monterrey Conference and two years since the G-8 pledges at Gleneagles, country examples of programs to scale-up aid to support the MDG agenda are lacking. Beyond debt relief (important to improving future growth opportunities), most countries in Sub-Saharan Africa are seeing stagnant or declining aid inflows. Excluding Nigeria (a recipient of exceptional debt relief) real bilateral ODA from DAC members to the region fell in 2005 and was unchanged in 2006.

There is evidence that aid allocation is becoming increasingly selective on the basis of need (poverty) and the quality of policies (governance). Selectivity varies across different aid instruments. Flexible ODA—aid that can be used toward regular project and program support as opposed to special-purpose grants such as technical or emergency assistance—has been the most responsive to country improvements in governance and greater need. Technical assistance (much of which is for consultants and never leaves donor countries) is the least responsive.

Attention by donors to the needs of fragile states is beginning to translate into increased assistance. Overall aid to fragile states rose by more than two-thirds in 2005 to nearly $20 billion (in 2004 dollars), of which about half was in debt relief and humanitarian assistance. Fragile states are seeing an improving trend in aid received per capita, although they receive somewhat less aid (excluding humanitarian assistance and debt relief) than other low-income countries. Aggregate trends mask the wide variation across different types of fragile states: those emerging from violent conflict typically receive much more aid than other fragile states, and more than other low-income countries.

Progress with Harmonization and Aid Effectiveness

A critical agenda for improving aid effectiveness is progress with harmonization and alignment of aid with country strategies, both by donors and the international aid agencies. There is evidence of some progress in these efforts. Two-thirds of donors place strategic priority on implementation of the Paris Declaration on aid effectiveness, and efforts to monitor its implementation are gaining traction. However, translating this good intent to outcomes on the ground remains extremely challenging: the greatest need for better aid harmonization is often in countries least capable of leading donor coordination themselves.

A baseline survey for monitoring the Paris Declaration was undertaken in mid-2006, yielding benchmarking data on the constraints facing donors and partner countries. On ownership by partnership countries it finds the story is mixed: while comprehensive national strategies are being developed, they lack well-specified prioritization and sequencing of objectives and actions, leaving them operationally weak. Less than one-fifth of countries had developed operational strategies at the time of data collection. The survey also finds that overall public financial management systems are weak in over one-third of countries, and moderately strong or better in less than a third.

Regarding donor actions, it finds that about 40 percent of aid is disbursed using a partner's public financial and procurement systems; about two-thirds of aid is disbursed on time; nearly half of technical cooperation is already coordinated—which is the 2010 target, although different interpretations of "coordination" require caution. The survey finds that donors *are trying* to harmonize. Forty-two percent of aid is provided through program-based approaches such as direct budget support or sectorwide approaches. One-third of missions and one-fifth of country analytic work is joint. However, strategic partnership "satisfaction" surveys in Africa suggest increased dissatisfaction over donor reporting requirements and coordination of donor support.

Pledges of harmonization remain abstract unless tested in the field. A recent review of aid for the health sector in Rwanda illustrates some key problems on the ground. First, the government's ability to achieve *policy coherence* is undermined by donors channeling the majority (86 percent) of total reported aid for health outside the Ministry of Health through direct transfers to local NGOs, local governments, and other providers. Second, most on-budget donor funding is earmarked for HIV/AIDS and malaria (85 percent in 2005), to the relative neglect of capacity building, human resource development, and other sectorwide needs. Only 1 percent was allocated to child health. Third, aid is volatile as much is committed for only 1 to 2 years, constraining ability to scale up health services which require mainly stable recurrent expenditures for salaries and facility maintenance. Finally, there is a sharp disparity between donor funding for health, which has increased sharply, and infrastructure and agriculture, which have been neglected. These factors point to the need for coordination among donors, agencies, global programs, and developing countries, to develop an adequate coordinating mechanism and more coherent approach.

Harmonization in the health sector is particularly difficult: the number of donors is large and includes numerous vertical programs; there is usually no critical mass of health financiers "on the ground" who can meet regularly to coordinate and harmonize. There is also an inherent tension between the goals of harmonized aid through country systems and the explicit mandates of vertical funds—whose successful advocacy for specific global health issues depends critically on their ability to show direct results. A viable harmonization strategy may be to move toward a country-led arrangement whereby (1) all donor support is "on plan" and aligned with government priorities and initiatives; (2) funding is primarily through the government budget, and where this is not possible a share is specified for support to system capacity building; and (3) reporting to donors is less frequent and done through multipurpose reports that meet multiple donor needs.

The Rwanda health sector example points more broadly to challenges posed by the evolving and more complex aid architecture. The proliferation of new aid sources—donors, private foundations, global funds—increases total resources, but also the difficulty of coordination and coherence, and the costs posed by fragmentation and resource earmarking. The average number of official donors has tripled since the 1960s, and since 1990 the number of countries with over 40 active bilateral and multilateral donors increased from zero to over 30. Emerging donors are also expanding their presence rapidly, along with global funds, although these are difficult to track due to insufficient data. The problem of a large number of aid channels is compounded by the trend towards small size of funded activities, which declined on average from \$1.5 million to \$1 million between 1997 and 2004, while their number surged from 20,000 to 60,000.

This places particular stress on countries with weak capacity. Countries with lower institutional capacity are found to have higher aid fragmentation, with negative implications for aid quality through higher transaction costs and a smaller donor stake in country outcomes. Clearly excessive fragmentation is a serious problem and measures to address it, possibly through donors limiting their focus countries, providing larger funds, or adopting more efficient vehicles (including through multilateral channels), and donors committing to delegate authority to lead donors, could help reduce transactions costs and improve aid effectiveness.

Developments in Debt Relief

The past year saw important progress in deepening debt relief to the poorest countries. The African Development Fund (AfDF), IDA, and the International Monetary Fund (IMF) all implemented the Multilateral Debt Relief Initiative (MDRI), described in the 2006 GMR. This initiative provides 100 percent debt relief on eligible claims to countries that have reached, or will eventually reach, the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative. Twenty-two postcompletion-point HIPCs (and two non-HIPCs) have benefited from the MDRI to date, providing \$38 billion, in nominal terms, in debt relief. The ongoing HIPC initiative also saw substantial progress, and 30 HIPCs had reached the decision point and were receiving debt relief as of end-2006.

Developments in Global Trade

World trade in 2006 continued the strong growth trends of recent years. Merchandise exports expanded by 16 percent in value, well above the average of 8 percent experienced during 1995–2004. Developing-country export growth continued to outpace the global average, growing by 22 percent. In addition to cyclical factors, trade performance reflects continuing unilateral trade reforms. Average tariffs in developing countries have fallen from 16 percent in 1997 to around 11 percent in 2006. As the pace of global integration accelerates, harnessing the new opportunities and managing the risks places a premium on a strategy of greater openness, coupled with behind-the-border reforms.

Owing to the steady reduction of tariffs, overall trade restrictiveness has declined in recent years. With the exception of a number of African countries, most economies are now less trade restrictive than they were in 2000. Much of this observed liberalization pertains to manufacturing. Much less has been done in agriculture. For a number of countries (such as India) the agricultural sector is now more restrictive than six years ago; in the European Union there has been no change, while Canada and the United States have registered a small decline since 2000.

Progress with the Doha Round. Despite intensive efforts to conclude the Doha negotiations in 2006, they were effectively suspended in July amid disagreement on the level of ambition in agricultural market access and over reductions in domestic support. However, in early 2007 there was an informal agreement by World Trade Organization members to restart talks, providing a narrow window of opportunity to reach agreement in the first half of 2007 on the key elements of a deal.

Failure to conclude the Doha Round would send a strong negative signal to the world economy about the ability of countries to pursue multilateral solutions. It could weaken the multilateral trading system, which provides developing countries with guaranteed nondiscriminatory market access; the rules-based settlement of disputes; and the transparency of trade regimes. But the biggest risk of failure is to countries' own economic growth, as trade reform is fundamentally about self-interest.

Aid for trade. Progress was made on aid for trade in 2006. Donors indicated that they are prepared to offer large increases in aid for trade to help developing countries address the supply-side constraints to their increased participation in global markets and any transitional adjustment costs from liberalization. How much of this would be additional to existing aid remains unclear. Also, more remains to be done to operationalize this agenda.

Monitoring IFI Performance

Enhancing IFIs' effectiveness in advancing the MDG agenda requires adapting their strategies and developing capacity to be responsive to (1) changing demands, including those related to globalization and global public goods; (2) growing differentiation among clients; (3) the availability of alternative financial resources; and (4) the growing number of actors on the development landscape. Several commissioned reports and events in 2006 reflect on the evolving responsibilities of the IFIs and the need to strengthen performance and collaboration. More coherent efforts may be needed to strengthen the results management capacity of the IFIs, both to support capacity building in partner countries and to reflect on their own performance.

Evolving Roles

A number of commissioned reports or initiatives were completed in the last 12 months with implications for the changing demands on IFI resources and responsibilities. Discussions have highlighted five key challenges: support to the poorest countries; strengthened engagement in middle-income countries; responding on critical global public goods; promoting coherence and collaboration; and strengthening the voice and representation of developing countries. Reports released in September 2006 included the IMF's Medium-Term Strategy and the Report of the International Task Force on Global Public Goods; in the same month the Middle Income Country Strategy Report was reviewed by the World Bank's Board. The Review Committee on IMF–World Bank Collaboration released its report in early 2007. In addition, initial measures were taken to address the need for changing voice and participation in the IMF and the World Bank.

These reports conclude that there is significant progress in assisting poor countries toward achieving the MDGs and in working to promote country-led efforts in partnership with other donors. Connecting results and resources remains a major challenge, however. There is broad recognition of the importance of continuing to engage with middle-income countries, which are home to some 70 percent of the world's poor, but also of the need to improve the responsiveness of the IFIs and tailor support to specific country conditions. Critical public goods include international financial stability, a strong international trading system, preventing the emergence of infectious diseases, generating knowledge, and tackling climate change.

Cooperation among MDBs is underpinned by Memoranda of Understanding between them, and in 2006 the managing director of the IMF and the president of the World Bank commissioned an external review of collaboration between the two institutions. The report noted many examples of good collaboration, but also identified scope for improvement, including clarifying the role of the IMF in low-income countries. Concerning voice and representation, a program of revisiting quotas and governance reforms in the IMF was launched in 2006 to be completed by the 2008. The first step was to revise quotas for a group of the most underrepresented countries: China, the Republic of Korea, Mexico, and Turkey. The changes approved in 2006 increased these countries' total IMF quotas by 1.8 percent, raising their share to 7 percent of total voting shares. Further steps are under way to develop a new formula for a second-round quota adjustment, and preparation of a proposal to increase basic votes in order to enhance the voice of low-income countries. Consultations on voice and representation are also under way in the World Bank.

Assessing Effectiveness: Financial Flows, Results, Harmonization, and Alignment

Assessing the effectiveness of the IFIs poses difficult challenges. Development results often lag policies and programs, and are hard to measure, but the bigger problem is that of attribution of results. Each IFI has an independent evaluation agency that plays an important evaluative role, but it remains difficult to address the results and attribution problems. Three aspects of international financial institutions' performance—financial support, results-based management, and progress toward harmonizing and aligning aid through the Paris Declaration—are highlighted.

Financial flows. Despite the rapid growth in private capital flows to developing countries, the financing role of the IFIs remains an important one. In 2006, the five MDBs disbursed $43 billion, up 20 percent over 2005 levels. It is premature to assess whether this increase is a temporary trend. Nonconcessional gross disbursements increased by 29 percent to $32 billion. After strong growth in concessional gross disbursements since 2000, peaking at just over $11 billion in 2004, flows slightly declined in 2005 and 2006.

These trends suggest that while demand for MDB lending from middle-income countries has increased, the supply of concessional funds to low-income countries is now stagnant. This has implications for the role of MDBs in the future, particularly their ability to respond to demands for scaling up multilateral assistance. Viewed from the perspective of overall ODA flows, the share of MDB financing has fallen significantly since 1998; if disbursements continue to stagnate while donors scale up bilateral ODA, the MDBs will represent only about 6 percent of total ODA flows by 2010. This poses important questions for the international community over the implications of declining multilateralism, or of the shifting multilateralism to other agencies, primarily the UN system and the European Union.

Debt relief under the MDRI has further potential repercussions for IFI financing, in particular for AfDF and IDA, which have provided debt relief extending out to 40 years. The MDRI commits donors to providing additional resources, on a "dollar-for-dollar" basis over four decades, to ensure that the cost of debt forgiveness does not undermine these institutions' overall financial integrity or ability to provide future financing. Firm financing commitments cover 10 percent of the total cost, and qualified commitments another 56 percent, leaving a gap of 34 percent between total costs and commitments for the MDRI. IDA 15 will be an important test of donors' intentions regarding the MDRI and future role of the MDBs.

Results management. The Third Roundtable on Managing for Development, held in Hanoi in February 2007, provided a venue for many country delegations to compare experiences and learn from them. The Roundtable included a meeting of the Asian Community of Practice, and the launching of a similar Community of Practice in the Africa region. Five factors were highlighted as important in building country capacity to manage for development results: leadership and political will, strong links between results and planning practices, evaluation and monitoring tools to generate feedback on programs, mutual accountability between donors and country partners, and statistical capacity (both to supply, and help generate greater demand for, managing for results). The need to scale up both financial and technical support for statistical capacity-building was underscored as an essential element of the agenda—particularly as the financial costs of strengthening systems are relatively modest.

The Common Performance Assessment System (COMPAS) is an interagency effort to develop a common system across the MDBs for monitoring their results orientation, particularly with regard to their internal practices. Its three-pillar structure was described in detail in the 2006 GMR. A report for 2006, prepared under the leadership of the Inter-American Development Bank (COMPAS' chairmanship rotates), examines the seven performance categories that were developed for the 2005 report. In 2006, however, changes were made to improve the indicators, limiting performance comparisons over the two years. A number of findings emerged, including the need to better communicate the results of COMPAS within each MDB.

IFIs and the Paris Declaration. Results of the country-level monitoring of the implementation of the Paris Declaration's mutual commitments, which took place for the first time in 2006, will serve as a baseline to review progress in 2008 and against the 2010 targets. They suggest that substantial actions are being taken by the MDBs in many areas of harmonization and alignment, including the use of joint or collaborative country assistance strategies, but that continued efforts will be needed to achieve the 2010 targets. Over half the country analytic work of the MDBs is joint with other donors and/or partner governments, relative to the target of 66 percent, but only 21 percent of MDB missions are joint with other donors, relative to a target of 40 percent, and there is an urgent need to reduce the large number of parallel implementation units.