APPENDIX

A

Goals and Targets from the Millennium Declaration

1 Eradicate extreme poverty and hunger

TARGET 1.A Halve, between 1990 and 2015, the proportion of people whose income is less than US$1.25 a day.

TARGET 1.B Achieve full and productive employment and decent work for all, including women and young people.

TARGET 1.C Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

2 Achieve universal primary education

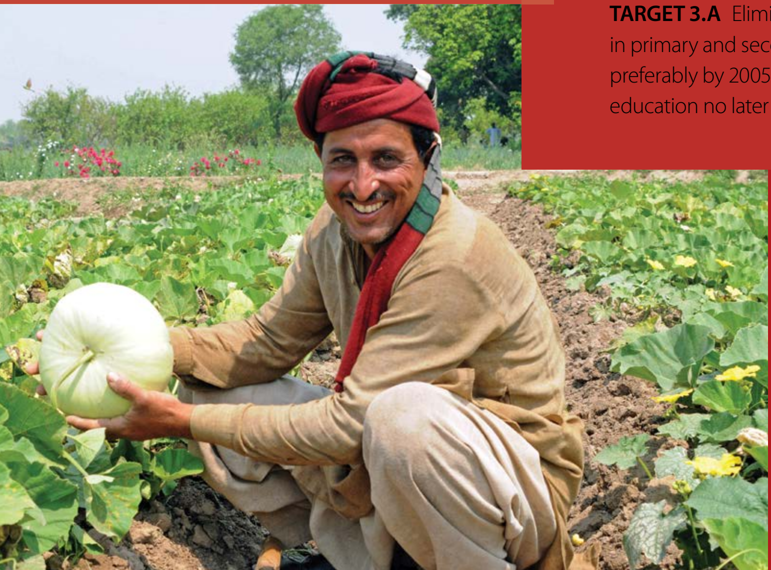
TARGET 2.A Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

3 Promote gender equality and empower women

TARGET 3.A Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015.

4 Reduce child mortality

TARGET 4.A Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.



5 Improve maternal health

TARGET 5.A Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
TARGET 5.B Achieve by 2015 universal access to reproductive health.

6 Combat HIV/AIDS, malaria, and other diseases

TARGET 6.A Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
TARGET 6.B Achieve by 2010 universal access to treatment for HIV/AIDS for all those who need it.
TARGET 6.C Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

7 Ensure environmental sustainability

TARGET 7.A Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
TARGET 7.B Reduce biodiversity loss, achieving by 2010 a significant reduction in the rate of loss.
TARGET 7.C Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation.
TARGET 7.D Have achieved a significant improvement by 2020 in the lives of at least 100 million slum dwellers.

8 Develop a global partnership for development

TARGET 8.A Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (including a commitment to good governance, development, and poverty reduction, nationally and internationally).
TARGET 8.B Address the special needs of the least developed countries (including tariff- and quota-free access for exports of the least-developed countries; enhanced debt relief for heavily indebted poor countries and cancellation of official bilateral debt; and more generous official development assistance for countries committed to reducing poverty).
TARGET 8.C Address the special needs of landlocked countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the 22nd special session of the General Assembly).
TARGET 8.D Deal comprehensively with the debt problems of developing countries through national and international measures to make debt sustainable in the long term.
TARGET 8.E In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.
TARGET 8.F In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: United Nations. 2008. *Report of the Secretary-General on the Indicators for Monitoring the Millennium Development Goals*. E/CN.3/2008/29. New York.
Note: The Millennium Development Goals and targets come from the Millennium Declaration, signed by 189 countries, including 147 heads of state and government, in September 2000 (http://www.un.org/millennium/declaration/ares552e.htm) and from further agreement by members states at the 2005 World Summit (Resolution adopted by the General Assembly—A/RES/60/1). The goals and targets are interrelated and should be seen as a whole. They represent a partnership between the developed countries and the developing countries "to create an environment—at the national and global levels alike—which is conducive to development and the elimination of poverty."

Progress toward the MDGs

The MDG target year of 2015 is fast approaching. Four MDG targets have been met ahead of the 2015 deadline: those for extreme poverty reduction (MDG 1.a), gender equality in primary education (MDG 3.a), access to safe drinking water (MDG 7.c) and improving the lives of at least 100 million slum dwellers (MDG 7.d). But progress on the remaining MDGs has been lagging, especially for the education and health-related MDGs. Various initiatives to help countries accelerate progress will have positive effects but are unlikely to provide enough momentum to bring additional MDGs over the finish line globally before the end of 2015.

More needs to be done and can be done to improve MDG attainment. It has assumed urgency primarily out of concern for the many people who have not realized the very basic milestones in human development that the MDGs represent. Various initiatives have merged across the globe to accelerate progress (see World Bank 2013a), including the United Nations System Chief Executives Board for Coordination (CEB) review of MDG implementation at the country level, proposed in November 2012 by the UN Secretary-General and the World Bank Group President.[1] The CEB initiative, co-led by the World Bank Group President and the UN Development Programme Administrator, brings together a broad spectrum of UN agencies at the highest level to identify concrete areas for potential joint action from the UN and the World Bank Group to assist countries in accelerating MDG progress (box A.1). Three rounds of the review exercise have taken place so far, featuring 11 countries from different regions and covering MDG targets on poverty and hunger, maternal and child health, and sanitation, with a special focus on women and girls' empowerment, building resilience and addressing inequalities. Ghana, Niger and Tanzania took part in the first review in April 2013; Burkina Faso, El Salvador, Indonesia, Kyrgyz Republic and Nepal were included in the second review in November 2013; and Benin, Colombia and the Philippines were considered in May 2014. National and subnational MDG acceleration plans prepared using the MDG Acceleration Framework (MAF) have been the basis for the exercise in each country, allowing the UN system to build upon a set of multisectoral interventions and partnerships, including those with government planning, finance and sector ministries (CEB MDG Acceleration Review 2014).

BOX A.1 THE CEB AND THE MDGs

The UN System Chief Executives Board for Coordination (CEB) has initiated a process to help organize the development community's assistance to countries in accelerating progress toward the MDGs. This process involves asking fundamental questions: What stands in the way of achieving the MDGs at the country level? How can obstacles be removed? How can successful initiatives be scaled up? What are the incentive mechanisms that can be put in place to foster cross-cutting collaboration among government entities, the UN system and broader development partners that can build resilient systems for achieving development goals? How can real innovation and creativity to address development challenges be encouraged? How can the multilateral system better support countries?

In light of the answers to these questions in a specific context, the World Bank Group and the UN Development Programme jointly prepare a matrix of concrete action plans to improve a particular MDG indicator in a particular country. These action plans, and the support that could be provided throughout the family of UN agencies, are discussed at the semiannual CEB meetings. The Chief Executives so far have reviewed 11 country case studies,[a] focusing on ways to accelerate progress on poverty and hunger, maternal and child health, and water and sanitation. This exercise has generated several broad insights on progress toward the MDGs (see also box A.2, box A.3, and box A.4 for details).

The odds of achieving the MDGs are greatly improved where economic growth is sustained; where effective

institutions foster peace and stability; and where good policies promote inclusion, reduce inequality, and build resilience.

A lack of data and good quality statistical analysis poses a serious constraint to timely monitoring, policy development, and the ability to target interventions where they are most needed.

While the MDGs are expressed as sector-specific goals, they cannot be achieved in sector silos. For example, well-designed social protection programs can help households achieve health, education and nutrition goals; improved resource management and budget planning can help expand social services; and girls' education, security, and human rights are essential to improve maternal and child health outcomes.

The multilateral system can perform better. Becoming "fit for purpose" requires agencies to collaborate on high-level goals, to understand the complementary roles of agencies, and to address weaknesses. The MDG review at the country level has revealed little-known programs worthy of being expanded, and has generated a deeper appreciation of the roles and capabilities of the many institutions in the UN and Bretton Woods system.

Source: World Bank Group and UNDP.
Note: The Millennium Development Goals and targets come from the Millennium Declaration, signed by 189 countries, including 147 heads of state and government, in September 2000 (http://www.un.org/millennium/declaration/ares552e.htm) and from further agreement by members states at the 2005 World Summit (Resolution adopted by the General Assembly—A/RES/60/1). The goals and targets are interrelated and should be seen as a whole. They represent a partnership between developed countries and developing countries "to create an environment—at the national and global levels alike—which is conducive to development and the elimination of poverty."
a. Benin, Burkina Faso, Colombia, El Salvador, Ghana, Indonesia, Kyrgyz Republic, Nepal, Niger, Philippines, and Tanzania.

MDG 1

Eradicate extreme poverty and hunger

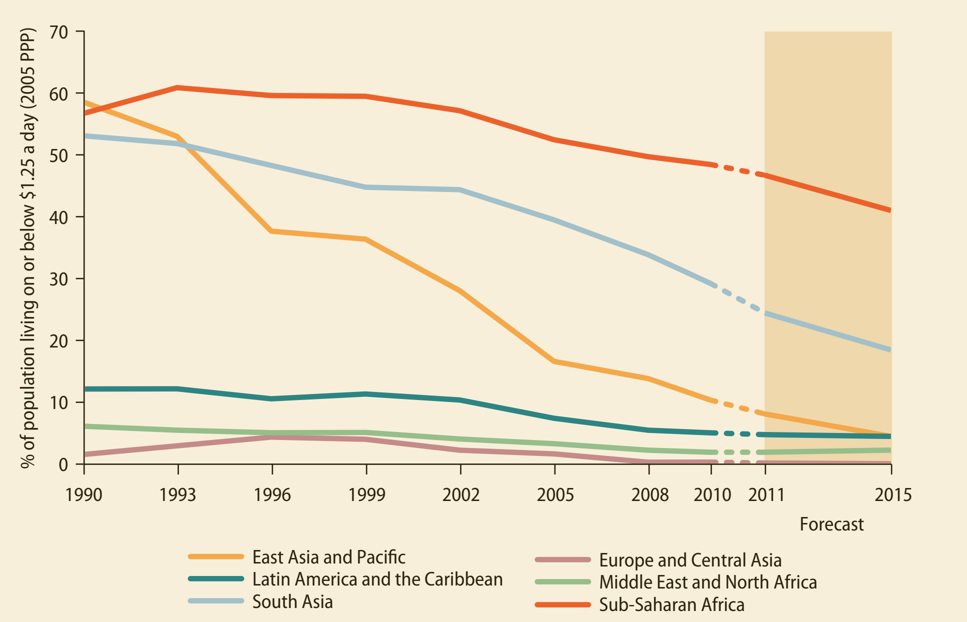
The share of developing countries' population living on less than $1.25 a day fell from 43 percent in 1990 to 17 percent in 2011, leaving 1 billion people in extreme poverty. Although the world reached the MDG target of halving the 1990 extreme poverty rate five years ahead of the 2015 deadline, progress on poverty reduction has been uneven across the globe. The relatively more affluent regions of East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa have already met the target. South Asia has also just met the target, reaching a 24.5 percent poverty rate in 2011. However, World Bank projections indicate that the Sub-Saharan African region as a whole is not likely to meet the target by 2015 (figure A.1).

Since 1990, the number of extreme poor has fallen in all regions except Sub-Saharan Africa, where population growth exceeded the rate of poverty reduction, increasing the number of extremely poor people from 287 million in 1990 to 415 million in 2011. South Asia has the second largest number of poor people after Sub-Saharan Africa, with 399 million people living on less than $1.25 a day in 2011, down from a peak of 630 million in 2002.

MDG 1 also calls for the share of people who suffer from hunger to be halved by 2015. One measure of hunger is the prevalence of undernourishment: the percentage of the population whose food intake is insufficient to meet dietary energy requirements continuously. Undernourishment reflects a shortage of food energy to sustain normal daily activities, and is affected both by changes in the average amount of food available and by its distribution. On average, the developing world has seen a decrease in the prevalence of undernourishment from 23 percent in 1991 to 14 percent in 2012 (figure A.2). The decline has been steady in most developing regions, although the situation appears to have worsened in the Middle East and North Africa region.

Malnourishment is closely related to income. Young children in the poorest households are two to three times more likely to be malnourished than those in the highest wealth quintile (UN 2012). The prevalence of

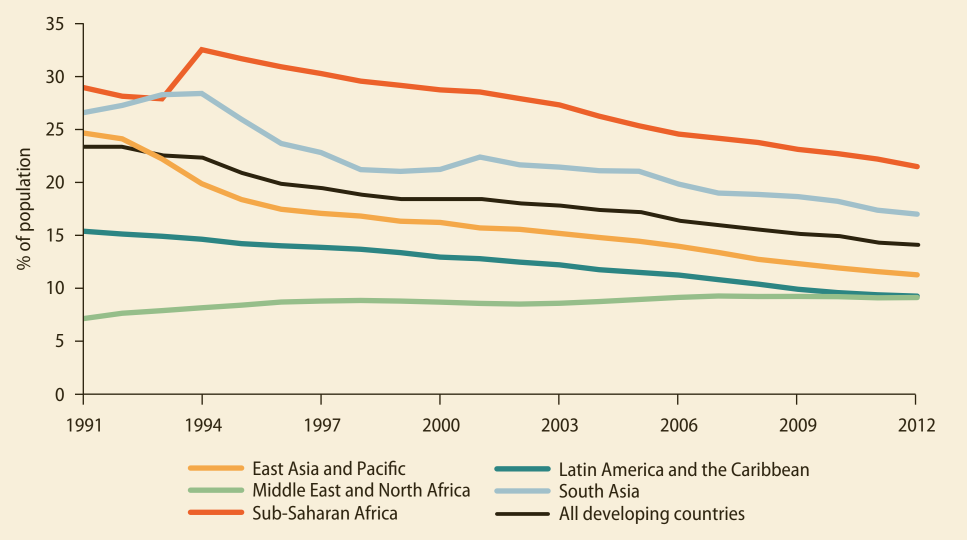
FIGURE A.1 Poverty rates continue to fall, but progress is uneven



Source: World Bank, PovcalNet: an online poverty analysis tool, http://iresearch.worldbank.org/PovcalNet/index.htm.
Note: Regional poverty rates are measured at $1.25 (2005 PPP) a day, with forecasts to 2015 (to be updated).
Note: Surveys cover less than half of the population.

FIGURE A.2 Undernourishment has declined steadily in most regions

Share of population that are undernourished by region, 1991–2012



Source: World Bank, World Development Indicators Database 2014. Data series starts from 1991 and is originally from Food and Agriculture Organization, The State of Food Insecurity in the World. No sufficient country data are available to calculate the aggregate values for Europe and Central Asia.

BOX A.2 REDUCING POVERTY IN TANZANIA REQUIRES MORE EFFECTIVE MANAGEMENT, RESOURCES, AND TECHNICAL ASSISTANCE

The CEB process has generated important insights into how to accelerate poverty reduction in countries that are falling short of the goal. Tanzania is not expected to meet its target of a 19.3 percent headcount poverty ratio by 2015. Poverty declined only marginally from 2000-07 (from 36 percent to 34 percent) and has stagnated since, despite GDP growth exceeding 6 percent a year from 2001-09. Moreover, rapid population growth (2.7 percent in 2012) has resulted in a rise in the number of Tanzanians living in poverty from 8.5 million in 1992 to 15 million in 2011.

Key bottlenecks and gaps identified

- Policy and planning: Coordination is weak; government guidelines exclude marginalized groups from participation in formal processes; there is no strategy for dealing with land issues.
- Budget and financing: Budgetary allocations for purchasing agricultural inputs or developing agricultural markets are inadequate; the poor condition of public goods in rural areas discourages private investment.
- Service delivery: Domestic production of fertilizers and improved seeds is inadequate; the government fails to adhere consistently to Targeted Fertilizer Program-SMART-Guidelines; the voucher scheme has been plagued by leakages and abuses; there are not enough professionals, such as extension workers; low agroprocessing capacity has led to post-harvest losses.
- Service utilization: Small farmers cannot afford to participate in programs (50 percent cost sharing is required); small farmers also don't know how to optimize the use of improved agriculture technologies, and lack the access to extension services required to learn; nutrition awareness is low.

The CEB recommendations and commitments to assist Tanzania

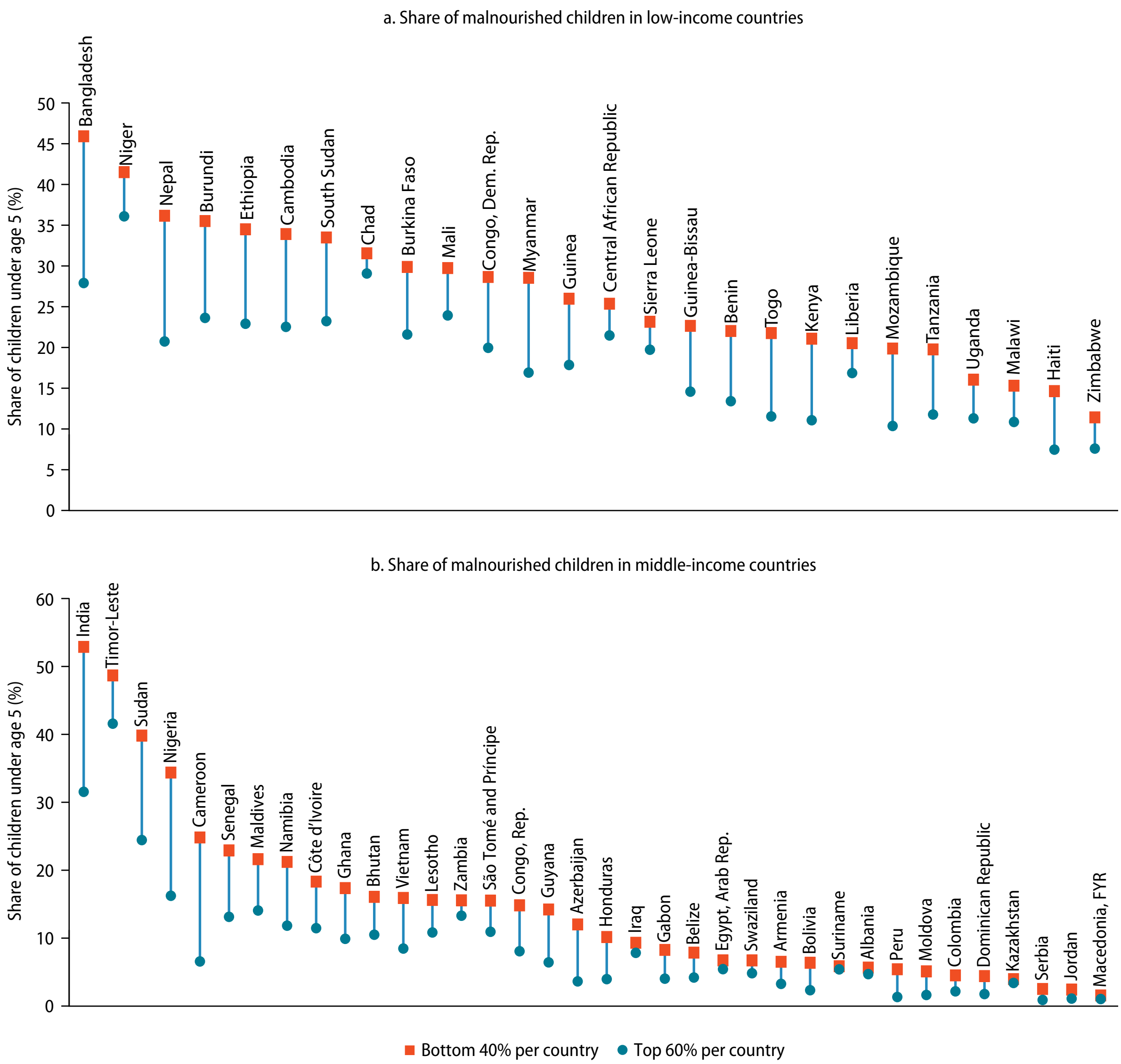
Various UN agencies have made specific commitments to help reduce poverty and hunger in Tanzania. Examples include:

- Increase assistance to the poor and vulnerable by scaling up conditional cash transfer programs coupled with nutrition interventions, through expanding coverage of the Tanzania Social Action Fund. The number of households registered under the program recently reached 130,000, compared with 20,000 less than a year earlier. An additional 150,000 households are expected to be included by August 2014, and a total of 500,000 households covered by the end of this year. The goal is to achieve full coverage of Tanzania's poorest 1 million households by mid-2015.
- Promote awareness of post-harvest management techniques, including packaging, storage and transportation.
- Strengthen the Tanzania Horticulture Association and the Horticultural Development Council of Tanzania to serve as the link between smallholder horticulture producers and hotels.
- Identify, document and share Good Agricultural Practices in key sub-sectors (cassava, rice, horticulture, and livestock) for adoption and scaling up (FAO, UNDP).
- Support an agricultural marketing strategy.
- Increase income and livelihood opportunities for the poor.
- Increase the capacity of the Vice President's Office, the Prime Minister's Office Regional Administration and Local Government, and the Ministry of Finance and Economic Affairs to coordinate and lead the implementation of key national environmental policies and plans.
- A key conclusion is that the increased resources required for poverty reduction in Tanzania need to be complemented with technical support to improve the productivity of poor farmers.

Source: World Bank Group and UNDP.

underweight children under five years old is significantly higher among the bottom 40 percent than among the top 60 percent (by household income). This difference is larger in low-income countries than in middle-income countries. In Bangladesh, 46 percent of children in households in the two lowest wealth quintiles are stunted, in comparison to 28 percent of children belonging to the highest wealth quintiles. Progress in reducing stunting in this and other countries has been fastest among better-off households (figure A.3).

FIGURE A.3 Prevalence of underweight children is high among the bottom 40 percent, most recent year from 2005 to 2012



Source: World Bank calculations based on data from the World Bank's Health Nutrition and Population Statistics by Wealth Quintile database.

MDG 2

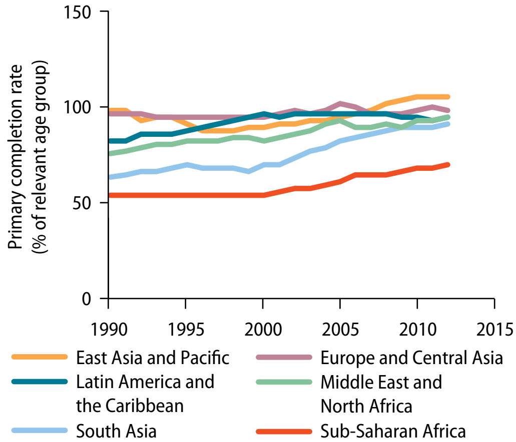
Achieve universal primary education

The commitment to provide primary education to every child is the oldest of the MDGs, having been set at the first Education for All conference in Jomtien, Thailand, more than 20 years ago. Achieving the 2015 target that everyone, boys and girls alike, will be able to complete a full course of primary education has often seemed tantalizingly near. However, the target has been reached only in Latin America and the Caribbean, East Asia and Pacific, and Europe and Central Asia. Progress among the poorest countries, slow in the 1990s, has accelerated since 2000, particularly in South Asia and Sub-Saharan Africa, but full enrollment remains elusive (figure A.4). Many children start school but drop out before completing the primary stage, discouraged by cost, distance, physical danger, and failure to progress. Even as countries approach the MDG target, the education demands of modern economies are expanding. In the 21st century, primary education will be of value mostly as a stepping stone toward secondary and higher education.

Access to primary education is inequitably distributed across households. For example, in Mali, Niger, Rwanda, and Uganda, primary completion rates for children in the lowest two quintiles of the wealth distribution are between 20 and 30 percent, while they range between 70 and 100 percent for children in the highest quintile (figure A.5). Even in middle-income countries, where access to basic goods and services is nearly universal, inequality of opportunity is widely prevalent in access to primary education. This is particularly true in countries such as Albania, Lesotho, Nicaragua, Nigeria, and Zambia, among others, where children in the bottom 40 percent of the wealth distribution have a primary completion rate of around 50 percent, compared with a 90 percent rate or higher for children in the highest 20 percent (figure A.6) (World Bank 2013b).

Many children never attend school or start school but leave it early. In developing countries, the number of primary-school-age children not attending school has almost halved since its peak. Above all, a large reduction was made in South Asia in early 2000s, driven by progress in India. However, 55 million children still remain out of school (figure A.7). The need for child labor or obstacles, such as the lack of suitable facilities, absence of teachers, and school fees, may discourage parents from sending their children to school.

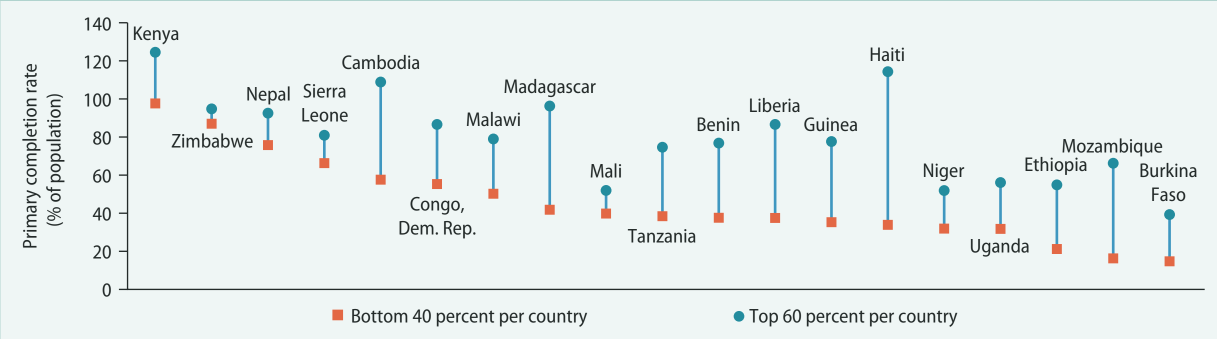
FIGURE A.4 Achieving universal primary education is tantalizingly close



Source: UNESCO Institute of Statistics and World Development Indicators database.

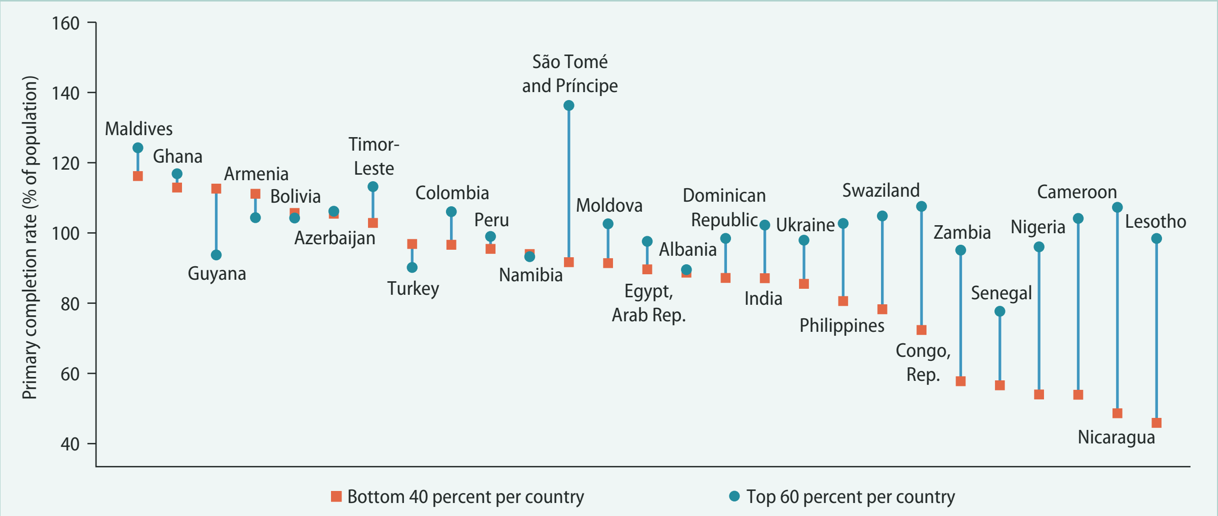
Note: Progress assessment in East Asia and Pacific does not include China, which is believed to have close to 100 percent completion rates.

FIGURE A.5 Primary education is inequitably distributed across households in low-income countries



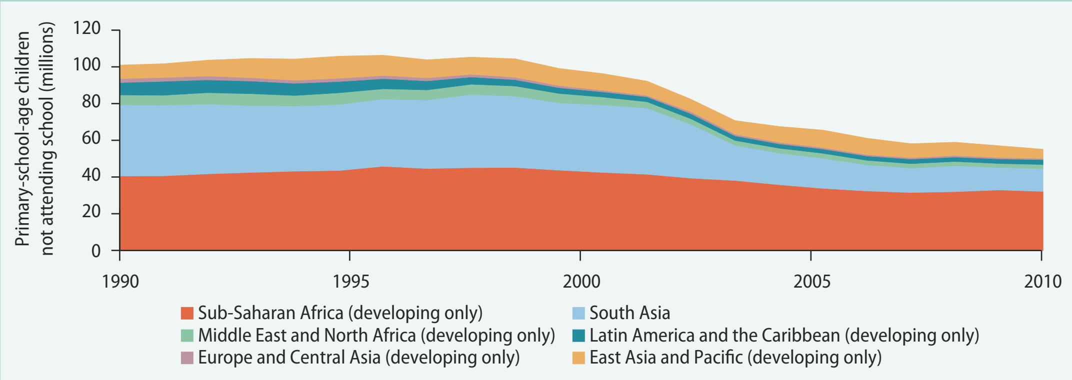
Source: World Bank calculations based on Edstats database (2014), for most recent year between 2000 and 2011.
Note: The completion rate can exceed 100 percent if there are many over-age students in the last grade of primary school.

FIGURE A.6 The gap is smaller for middle-income countries



Source: World Bank calculations based on Edstats database (2014), for most recent year between 2000 and 2011.
Note: The completion rate can exceed 100 percent if there are many over-age students in the last grade of primary school.

FIGURE A.7 55 million children are still not in school



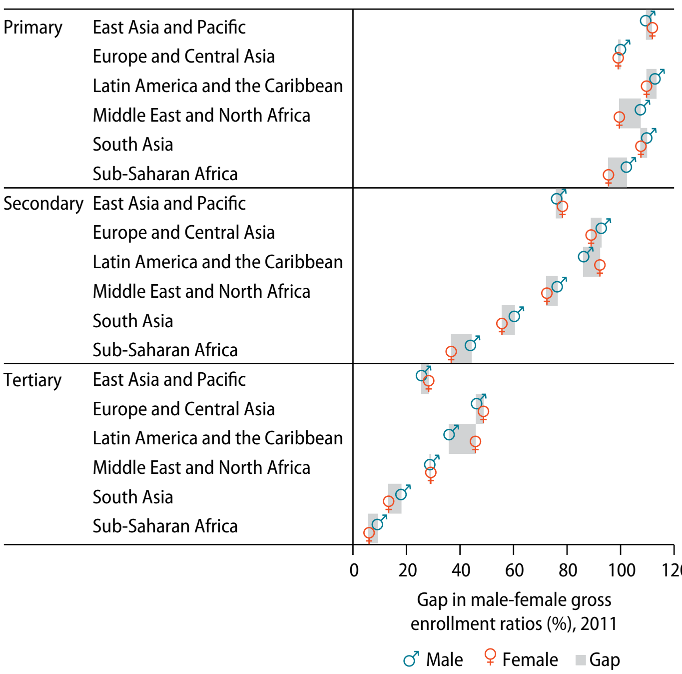
Source: UNESCO Institute of Statistics and World Development Indicators database.

Promote gender equality and empower women

Women make important contributions to economic and social development. Expanding opportunities for women and girls in the public and private sectors is a core development strategy that not only benefits girls and women but also improves society more broadly.

The target for MDG3 is to eliminate gender disparities in all levels of education by 2015. Girls have made substantial gains in primary and secondary school enrollment. The primary school enrollment rate of girls in developing countries rose from 86 percent of that of boys in 1990 to 97 percent in 2011. Similar improvements have been made in secondary schooling, where girls' enrollments have risen from 77 percent of boys' in 1990 to 96 percent in 2011. In many countries, girls' secondary school enrollments have surpassed those of boys. Progress has been greatest in richer countries. In upper-middle-income countries, girls' enrollments in secondary schools now exceed those of boys. However, Sub-Saharan Africa continues to lag behind (figure A.8). Low-income countries lag far behind, and only 19 percent of those countries reached or exceeded equal enrollment for girls in primary and secondary education, while 37 percent of middle-income countries have reached this threshold. Poor households are less likely than wealthy households to enroll and keep their children in school, and girls from poor households are the worst off.

FIGURE A.8 Gap in male-female enrollment ratios by level of education has been declining; however, Sub-Saharan Africa continues to lag behind, 2011

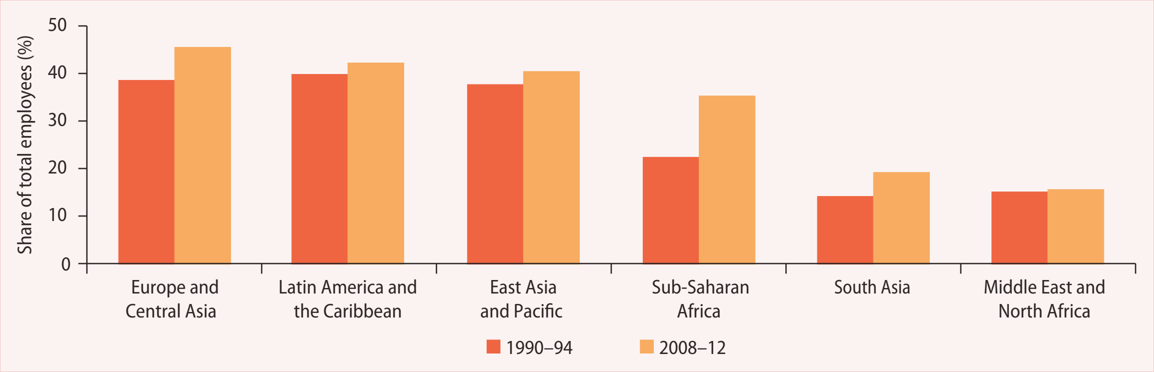


Source: UNESCO Institute for Statistics and World Development Indicators database.

Although the gender gap in education has narrowed, inequalities in the labor market persist. While women work long hours and contribute much to their families' welfare, many are in the informal sector or are unpaid for their labor. Women's share in paid employment in the nonagricultural sector has risen marginally, but remains less than 20 percent in South Asia and in the Middle East and North Africa, where women's full economic empowerment remains a distant goal. The region with the largest share of women in nonagricultural wage employment is Europe and Central Asia, where employment in the nonagricultural sector is split almost equally between women and men (figure A.9).

An increasing number of women are participating at the highest levels of public life. The share of parliamentary seats held by women continues to increase. Latin America and the Caribbean, where women hold 26 percent of all parliamentary seats, remains in the lead. The most impressive gains have been made in South Asia, where the number of parliamentary seats held by women more than quadrupled between 1998 and 2013 (figure A.10). In Nepal, women held one-third of parliamentary seats in 2013. Globally, Rwanda has the greatest female national representation of any country (including high-income countries): at least 56 percent of its parliamentary seats have been held by women since 2008; this figure increased to 64 percent in 2013. The Middle East and North Africa lags far behind.

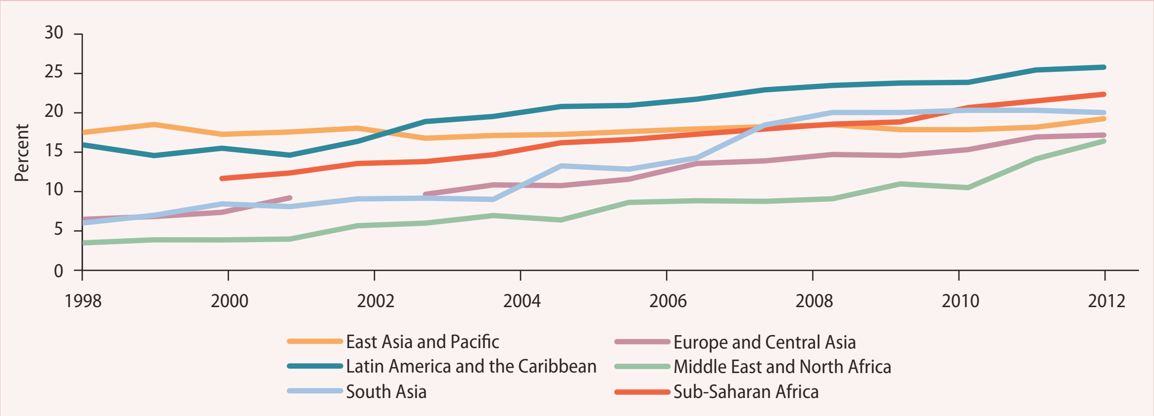
FIGURE A.9 **Women's share in the nonagricultural sector has risen marginally**



Source: ILO Key Indicators of Labour Market (KILM), 8th edition, and World Development Indicators database.

FIGURE A.10 **An increasing number of women are participating at the highest levels of public life**

Share of seats held by women in national parliaments (%), 2013



Source: Inter-Parliamentary Union and World Development Indicators database.

MDG 4

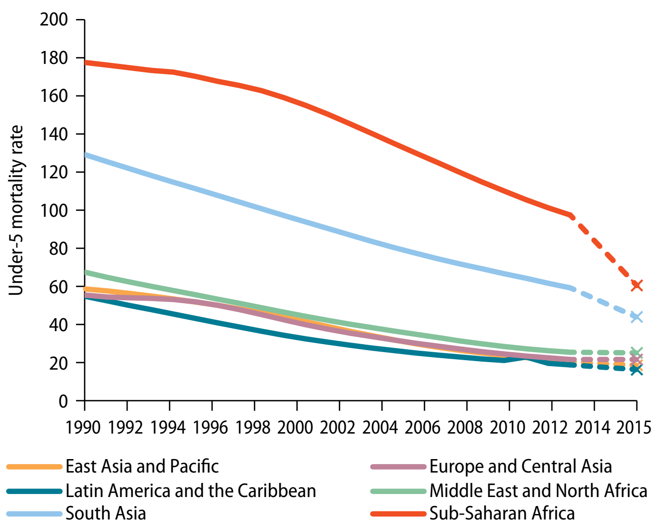
Reduce child mortality

The world has made remarkable progress in reducing under-five mortality in the last two decades. Although 216 million children died before the age of five between 1990 and 2012, the mortality rate fell from 90 deaths per 1,000 live births in 1990 to 48 in 2012. The total number of under-five deaths also dropped from 12.6 million in 1990 to 6.6 million in 2012. In other words, 17,000 fewer children died each day in 2012 than in 1990. Moreover, even some low-income countries, for example Bangladesh, Ethiopia, Liberia, Malawi, Nepal, and Tanzania were able to cut the under-five mortality rate by two-thirds by 2012 (figure A.11).

However, reducing under-five mortality by two-thirds by 2015 globally remains a huge challenge. Developing countries as a group reduced under-five mortality by 48 percent from 1990 to 2012, a figure far below the MDG target. South Asia and Sub-Saharan Africa, which account for 81 percent of all child deaths in the world, face the biggest challenge in achieving the fourth MDG. Moreover, Sub-Saharan Africa is the only region that reduced the mortality rate by less than half from 1990 to 2012 (figure A.11). Therefore, there is a need to increase efforts and accelerate progress, especially in these two regions, to achieve the fourth MDG target by 2015.

FIGURE A.11 Under-five mortality rate continues to decline

Under-five mortality rate (per 1,000 live births)



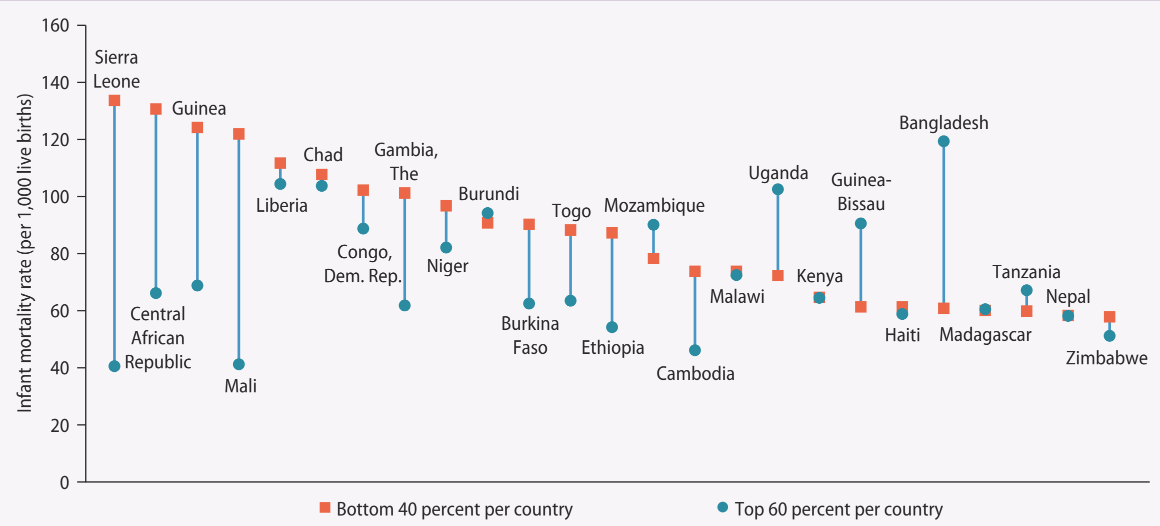
Sources: UN Inter-agency Group for Child Mortality Estimation and World Development Indicators.

Note: In the figure, "X" indicates MDG target level by 2015.

The infant mortality and under-five mortality rates for children in the bottom 40 percent of the wealth distribution are almost twice the rates among children in the top 60 percent (including all countries with data available between 2005 and 2012 (figure A.12 shows these disparities for infant mortality). In 40–50 percent of countries, child health status indicators such as mortality have improved less rapidly among the poorest 40 percent than in the rest of the population, so that relative inequality has risen (Wagstaff, Brendenkamp, and Buisman 2014).

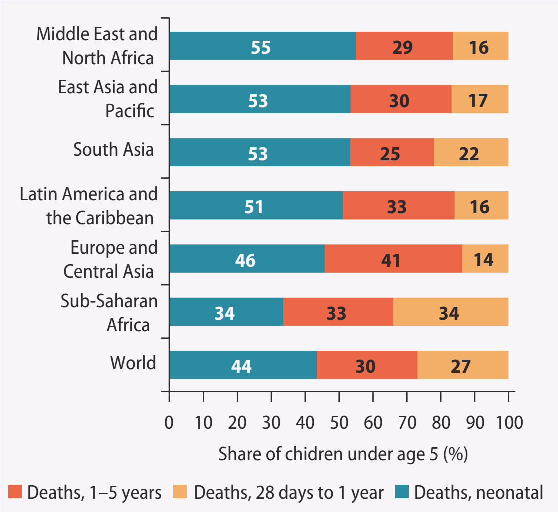
Resources devoted to reducing child mortality rates should focus on the first month of life (the neonatal period). In 2012, about 44 percent of the children who died before the age of five died within the neonatal period, and in four regions neonatal deaths accounted for more than half of deaths among children under five (figure A.13). Although the total number of neonatal deaths worldwide declined from 4.6 million in 1990 to 2.9 million in 2012, the neonatal share of under-five mortality increased from 37 percent to 44 percent. Thus progress in reducing neonatal mortality has been slower than progress in reducing total under-five mortality. Many of the causes of death of children during the neonatal period, including sepsis and meningitis (12 percent), pneumonia (10 percent), and diarrhea (2 percent), are diseases or conditions that are preventable or treatable with cost-effective interventions. Therefore, investment and efforts focused mainly on reduction of neonatal mortality are crucial if the world is to keep its promise to the youngest generation by achieving MDG 4 by 2015.

FIGURE A.12 **Infant mortality rates in low-income countries vary significantly between the bottom 40 percent and top 60 percent**



Source: World Bank calculations based on data from Health Nutrition and Population Statistics by Wealth Quintile database (2014), for most recent year from 2005 to 2012.

FIGURE A.13 **Most under-five deaths occur during the neonatal period**



Sources: UN Inter-agency Group for Child Mortality Estimation and World Development Indicators.

MDG 5

Reduce maternal mortality

Every day, 800 women die from causes related to pregnancy, childbirth, or postpartum. Most maternal deaths occurred in developing countries. What makes maternal mortality such a compelling problem is that it strikes young women experiencing a natural life event. They die because they are poor, malnourished, weakened by disease, or exposed to multiple pregnancies, and lack access to trained health care workers and modern medical facilities.

The global maternal mortality rate fell by 45 percent between 1990 and 2013. Progress in reducing maternal mortality rates has recently accelerated in most regions, but overall has been slower than the progress required to achieve the MDG target of a 75 percent reduction from 1990 levels by 2015.

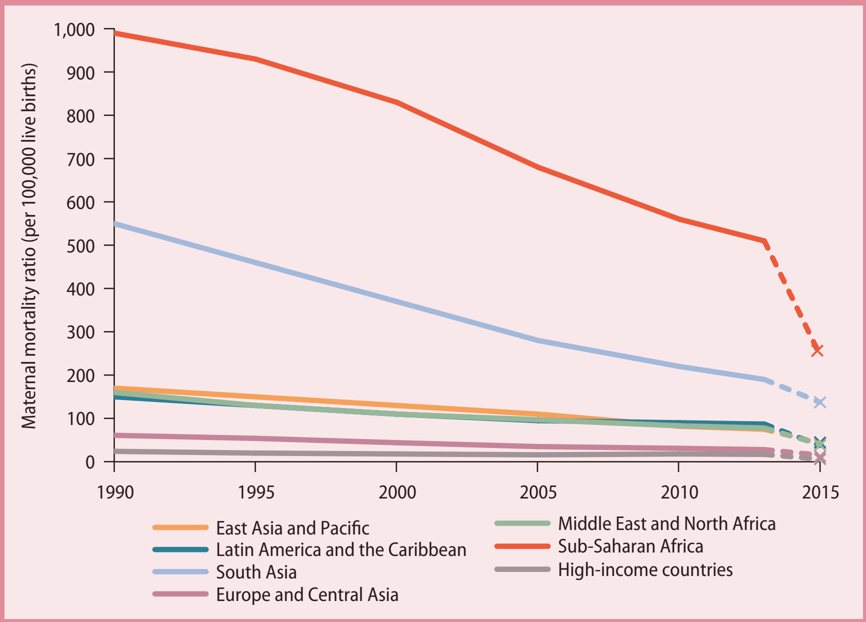
An estimated 289,000 maternal deaths occurred worldwide in 2013. Some 62 percent of these were in Sub-Saharan Africa, compared with 42 percent in 1990. Sub-Saharan Africa is the only region where the share has increased this much, indicating that the reduction of maternal deaths is slower than in the other regions (figures A.14, A.15).

Maternal death in childbirth is a rare event in rich countries, where there are typically fewer than 15 such deaths for every 100,000 live births, an average that has remained essentially constant for more than two decades. The situation is strikingly different in poor countries: women in Sub-Saharan Africa face a lifetime risk of maternal death that is about 90 times greater than for women in high-income countries. Maternal mortality rates are particularly high in fragile and conflict-affected states.

Improved maternal health care and lower fertility levels can reduce maternal deaths. Many health problems afflicting pregnant women are preventable or treatable through visits from trained health workers before childbirth. Having skilled health workers present for deliveries is key to reducing maternal mortality, but in South Asia and Sub-Saharan Africa a large share of births are not attended by doctors, nurses, or trained midwives. For the developing world as a whole, children born in the top 60 percent of households are 3.7 times more likely to have been delivered by a skilled birth attendant than children in the bottom 40 percent; this difference is greater in low-income than in middle-income countries (figures A.16, A.17).

FIGURE A.14 Maternal mortality has been falling, but large regional differences persist

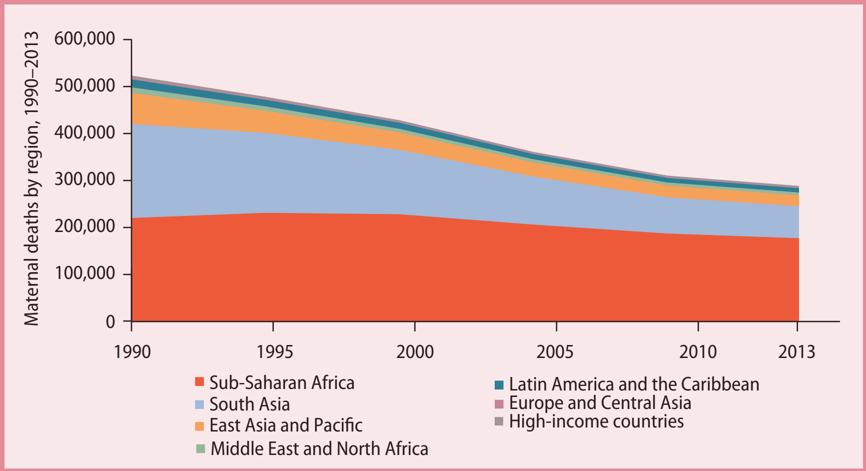
Maternal mortality ratio, modeled estimate (per 100,000 live births)



Source: UN Maternal Mortality Estimation Inter-agency Group and World Development Indicators database.
Note: In the figure, "X" indicates MDG target level by 2015.

FIGURE A.15 Most maternal deaths are in Sub-Saharan Africa and South Asia

Number of global maternal deaths by region



Sources: UN Maternal Mortality Estimation Inter-agency Group and World Development Indicators database.

BOX A.3 IMPROVING MATERNAL AND NEONATAL HEALTH IN EL SALVADOR REQUIRES A COMPREHENSIVE APPROACH

The CEB review underlined the urgency of addressing high maternal and neonatal mortality rates in El Salvador. Key challenges include high rates of maternal deaths among adolescents, who account for 28 percent of maternal deaths; high rates of preventable maternal deaths (59.7 percent of maternal deaths are viewed as preventable); and high maternal and neonatal mortality rates in rural areas and in provinces with higher health and social exclusion levels. The government's program to reduce maternal and neonatal mortality emphasizes youth, women, and children in rural areas. While the Ministry of Health will lead efforts to address these issues, collaboration with donors, nongovernmental organizations, and other government agencies (including those involved in food provision to enrolled children, micronutrient supplementation, deparasitation, safe water provision, sexual and reproductive health education in schools, and social protection for pregnant women and for children under two years of age) will be critical. A thorough risk analysis should guide the implementation of the acceleration plan, especially in light of the 2014 presidential elections. Further resource mobilization is also needed.

Key bottlenecks and gaps identified

- Policy and planning: The country lacks a strong rights-based legal framework.
- Budget and financing: Tax revenues are low; budget allocations for maternal and neonatal health interventions are inadequate; the incidence of health expenditures across subregions is unequal.
- Service delivery: Regulatory requirements are ignored; human resources management is poor; institutional and operational limitations abound; planning for the delivery of integrated health care services and for stocking up basic supplies is poor; clinical management is deficient.
- Service utilization: Gang-related violence hinders service demand; social exclusion is compounded by socioeconomic determinants and affected by the structure of the health care system; gender bias and stigma prevent the advancement of sex education and behavioral change.

CEB recommendations and commitments

Examples of CEB commitments to address maternal and neonatal mortality include:

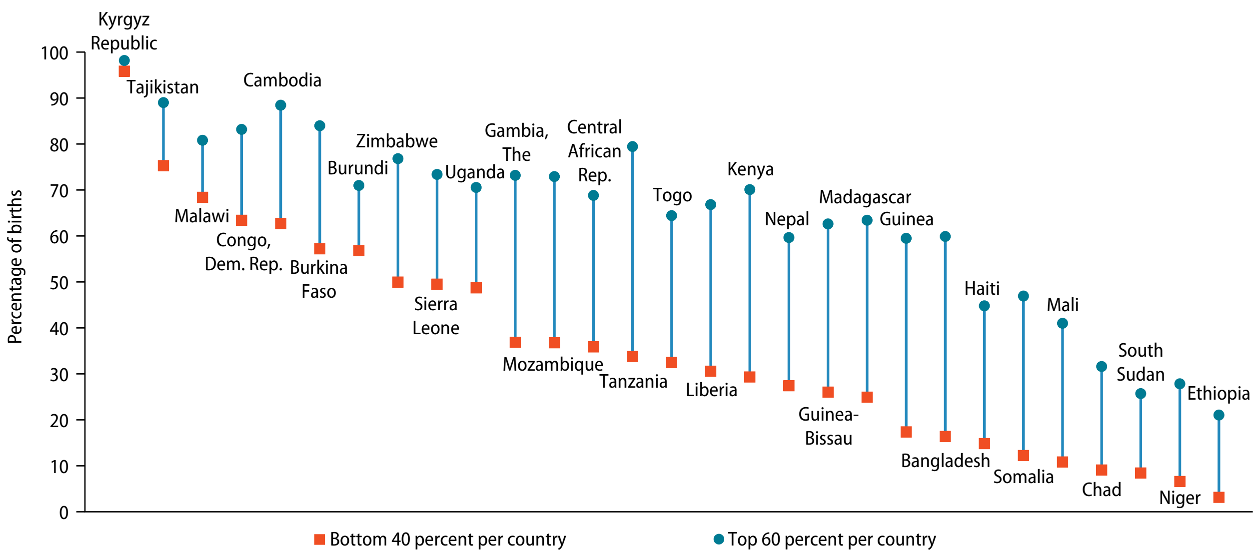
- Adoption of a multisectoral approach to address maternal and neonatal mortality and integrate efforts to improve food security and sanitation.
- Increasing technical assistance to the Ministry of Health, including efforts by the World Bank, World Health Organization (WHO), and United Nations Population Fund (UNFPA) to hire new personnel, strengthen procurement, and improve equipment maintenance; development of a surveillance system for maternal and neonatal morbidity and mortality by the WHO/Pan-American Health Organization (PAHO), World Bank, UNICEF, and UNFPA; and support from the UN Office for Project Services (UNOPS) for health infrastructure procurement.
- Efforts to ensure food safety and nutrition for pregnant women, neonates, and premature children up to two years old, including a national program set up by World Food Programme and a complementary program to provide food in urban marginalized neighborhoods by the World Bank.
- The integration of human rights concerns, particularly through addressing gender-based violence, citizen security, and the social inclusion of youth at risk. WHO/PAHO and UN Women are helping the Ministry of Health design a gender and health policy, UNFPA and UN Women are designing an institutional framework to address gender-based violence, and the United Nations Development Programme (UNDP) is helping to promote social inclusion of youth at risk.
- Implementation of a comprehensive model for the provision of sexual and reproductive health services for adolescents and youth nationwide, including support by WHO/PAHO and UNFPA to strengthen educational curricula and train health facilitators in methodologies for adolescent and youth health care.
- Development of a multidimensional approach to poverty reduction, including efforts by the World Bank and UNDP to facilitate a fiscal policy dialogue and by the UNDP to develop a methodology to measure poverty that goes beyond simply the level of income.

Remaining major challenges include strengthening the management capacity of maternity units and improvement of decision-making processes through information systems and operational research, designing a supply chain for drugs and equipment, and the provision of additional resources to expand sexual and reproductive health care activities to municipalities and rural areas.

An integrated approach to improving health services, nutrition, and the protection of women, in the context of improved public sector management, is essential to reduce maternal and neonatal deaths in El Salvador.

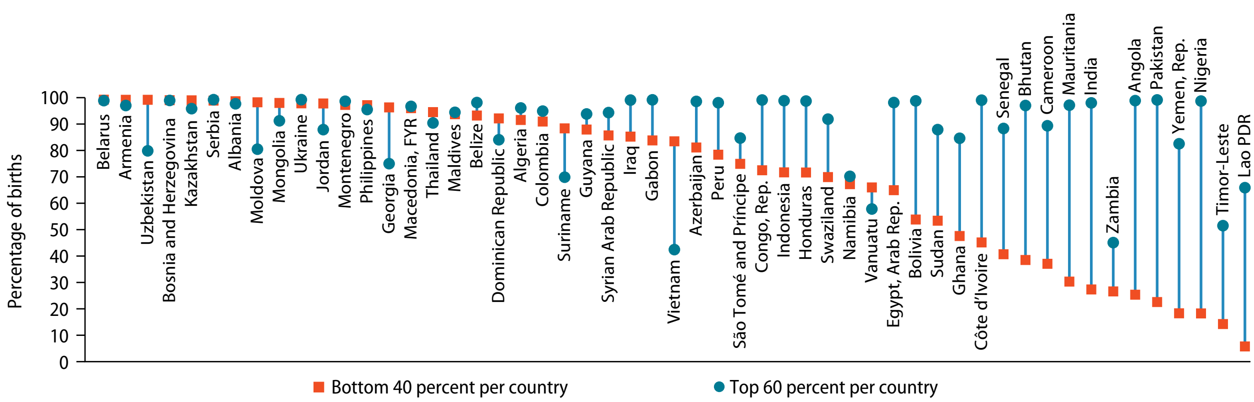
Source: World Bank Group and UNDP.

FIGURE A.16 **Assistance during birth delivery varies more between income levels in low-income countries**



Source: World Bank calculations based on data from Health Nutrition and Population Statistics by Wealth Quintile database (2014), for most recent year between 2005 and 2012.

FIGURE A.17 **Differences in access to birth assistance in many middle-income countries are not as great as in low-income countries**



Source: World Bank calculations based on data from Health Nutrition and Population Statistics by Wealth Quintile database (2014), for most recent year between 2005 and 2012.

MDG 6

Combat HIV/AIDS, malaria, and other diseases

Epidemic diseases exact a huge toll in human suffering and lost opportunities for development. Poverty, armed conflict, and natural disasters contribute to the spread of disease and are made worse by it. In Africa the spread of HIV/AIDS has reversed decades of improvement in life expectancy, left millions of children orphaned, and is draining the supply of teachers and eroding the quality of education. People living with HIV/AIDS, which reduces resistance to tuberculosis, are also particularly vulnerable to epidemic diseases (as are refugees, displaced persons, and prisoners living in close quarters and unsanitary conditions).

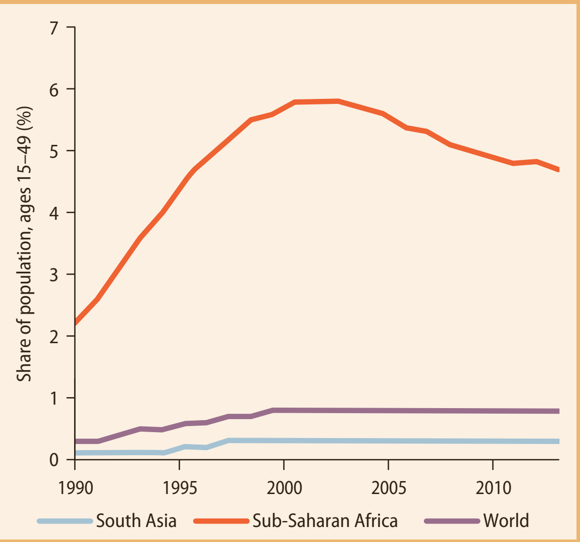
The statistics on the HIV/AIDS epidemic remain grim. There were an estimated 2.3 million new HIV infections worldwide in 2012, and 35 million people were living with HIV/AIDS. Of these, approximately 58 percent were women and 3.3 million were under the age of 15. Sub-Saharan Africa remains the center of the HIV/AIDS epidemic. However, there is some good news. The number of people newly infected with HIV fell by 33 percent from 2001 to 2012, the share of adults living with HIV/AIDS has begun to fall (figure A.18), and the number of AIDS-related deaths has dropped 29 percent since 2005. Access to antiretroviral drugs increased 40-fold from 2002 to 2012. By the end of 2012, 9.7 million people in developing countries were receiving antiretroviral drugs, and the survival rate of those with access to antiretroviral drugs has increased. Nevertheless, universal treatment remains a distant dream, and HIV treatment coverage for children remained half of coverage for adults in 2012 (UNAIDS 2013).

The incidence of HIV infection by income group differs considerably across developing countries. HIV prevalence among people living in the bottom 40 percent of the wealth distribution is higher in countries such as Lesotho, Malawi, Swaziland, Zambia, and Zimbabwe, whereas this gap between the bottom 40 percent and top 60 percent is very small in Cambodia, India, and Senegal (figure A.19).

Tuberculosis kills some 1.3 million people a year, and 8.6 million people were newly diagnosed with tuberculosis in 2012. However, the incidence of tuberculosis, and the deaths resulting from it, are falling (WHO 2013a). If these trends are sustained, the world could achieve the target of halting and reversing the spread of tuberculosis by 2015. Well-managed medical interventions using appropriate drug therapy are crucial to stopping the spread of tuberculosis.

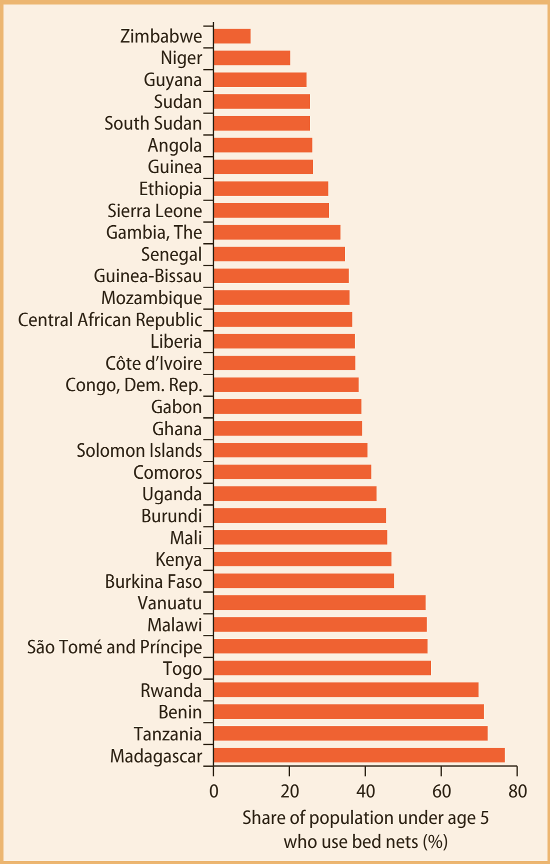
Malaria is one of the subtargets that could be met by 2014 (UN 2014). Malaria is endemic in most tropical and subtropical regions, but most of the cases occur in Sub-Saharan Africa. There were an estimated 200 million cases of malaria in 2012, causing 600,000 deaths (WHO 2013b). Most deaths from malaria are among African children under age five. Even those who survive malaria do not escape unharmed. Malaria takes a large toll on young children and weakens adults, at great cost to their productivity. Repeated episodes of fever and anemia can impair mental and physical development. Over the past decade, substantial progress has been made in scaling up the use of insecticide-treated bed nets, which have proved to be effective in preventing malaria (figure A.20). By 2010, over a third of children under five in Sub-Saharan Africa slept under insecticide-treated bed nets, a substantially higher number than a decade earlier. Despite increases in the use of bed nets and in immunization, inequalities in access to these preventatives remain considerable (Wagstaff, Bredenkamp, and Buisman 2014): children from the richest households in the developing world are 1.2 times more likely to sleep under a bed net, and 1.5 times more likely to be immunized, than children from the poorest 40 percent.

FIGURE A.18 Bringing HIV/AIDS under control



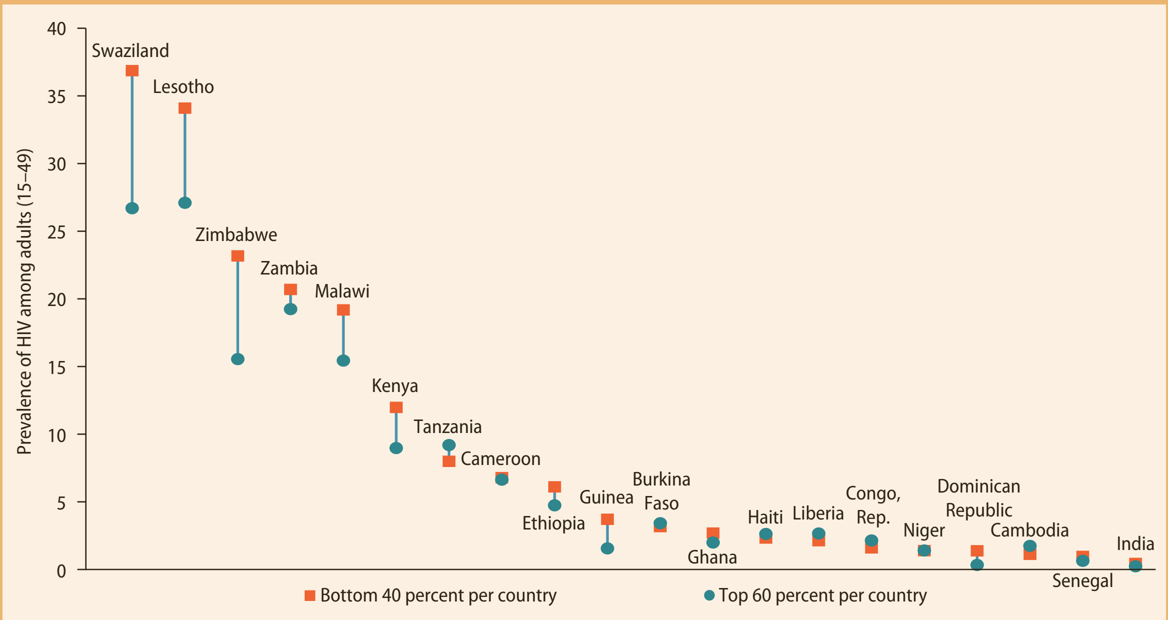
Source: UNAIDS and World Development Indicators database.

FIGURE A.20 Protecting children from malaria



Sources: UNICEF, World Health Organization, and World Development Indicators database. Most recent data: 2006–12.

FIGURE A.19 HIV prevalence rate among adults is higher for the bottom 40 percent of the wealth distribution



Source: World Bank calculations based on data from Health Nutrition and Population Statistics by Wealth Quintile, World Bank, 2014, for most recent year available between 2005 and 2012.

MDG 7

Ensure environmental sustainability

The seventh Millennium Development Goal is far-reaching, affecting each person now and in the future. It addresses the condition of the natural and built environments: reversing the loss of natural resources, preserving biodiversity, increasing access to safe water and sanitation, and improving living conditions of people in slums. The overall theme is to achieve a sustainable equilibrium in which people's lives can improve without depleting natural and manmade capital stocks.

Most countries have adopted principles of sustainable development and have agreed to international accords on protecting the environment. But the failure to reach a comprehensive agreement on limiting greenhouse gas emissions leaves billions of people and future generations vulnerable to the impact of climate change. The effects of climate change are expected to hit hardest in developing countries. Higher temperatures, changes in precipitation patterns, rising sea levels, and more frequent weather-related disasters pose risks for agriculture, food, and water supplies. The world released 33.6 billion metric tons of carbon dioxide in 2010, an increase of 5 percent over 2009 emissions and a significant rise of 51 percent since 1990—the baseline for Kyoto Protocol requirements (figure A.21). Global emissions in 2013 are estimated at an unprecedented level of 36 billion tons.

MDG 7 includes the target of halving the share of the population without access to improved sanitation and water sources by 2015. However, access to safe water and sanitation remains a problem for people in most developing countries. In 1990, more than 1 billion people lacked access to drinking water from a convenient, protected source. While the share of people in developing countries with access to an improved water source rose from 70 percent in 1990 to 87 percent in 2012, 57 countries have not made enough progress to reach the MDG target by 2015. Sub-Saharan Africa is lagging the most, with 36 percent of its population lacking access. In East Asia and Pacific, the share of people with access to an improved water source jumped from only 68 percent in 1990 to 91 percent in 2012. The other regions have already managed to reach access rates of more than 90 percent (figure A.22). However, 19 countries do not have enough data to determine whether or not they will reach the target by 2015.

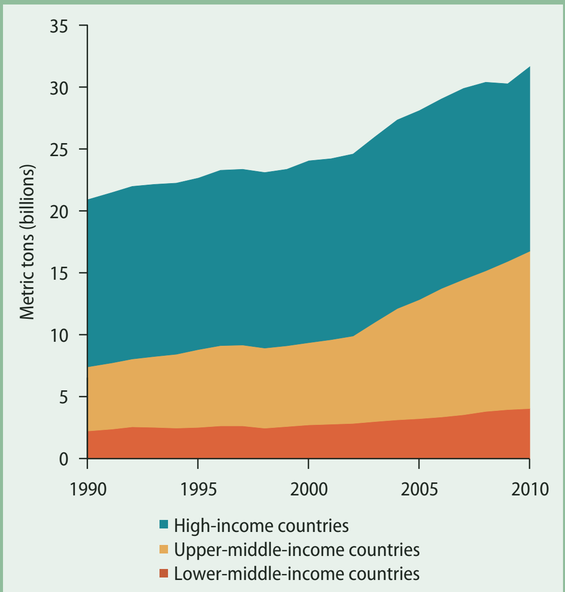
Access to improved water sources and sanitation facilities is correlated with wealth. In Sub-Saharan Africa, almost 90 percent of the richest fifth of the population use improved water sources, while only 35 percent of the poorest fifth of the population do (WHO and UNICEF 2013). Inequality in access to improved water sources differs significantly across countries. In many low-income countries, the richest 60 percent of the population have much greater access rates than the bottom 40 percent. Inequality in access to improved water sources is also great in many middle-income countries (especially in Sub-Saharan Africa), although in other countries, such as Belarus, Bosnia and Herzegovina, Macedonia, and Serbia, coverage is almost 100 percent for all income levels (figures A.23, A.24).

Poor sanitation causes millions of people worldwide to become ill. In 1990 only 35 percent of the people living in developing economies had access to a flush toilet or other form of improved sanitation. By 2012 the access rate had risen to 57 percent. But 2.5 billion of developing countries' people still lack access to improved sanitation. South Asia and Sub-Saharan Africa are the only regions where progress has not been significant, with an increase of only 19 percentage points in South Asia and 6 percentage points in Sub-Saharan Africa from 1990 to 2012. These regions also had the worst starting positions. The situation is worse in rural areas, where only 23 percent of the population has access to improved sanitation; in urban areas the access rate is 20 percentage points higher. This large disparity, especially in South Asia and Sub-Saharan Africa, is the principal reason the sanitation target of the Millennium Development Goals is unlikely to be met.

Access to sanitation facilities is highly unequal across income. Among low-income countries, the richest 60 percent of the population are 367 times more likely than the poorest 40 percent to have improved sanitation facilities in Chad, 32 times more likely in Burkina Faso, 9.6 in Ethiopia, and 1.3 in the Gambia. Access tends to be somewhat less unequal in many middle-income countries. Nevertheless, the richest 60 percent of the population in Mauritania is 26.3 times more likely to have access than the poorest 40 percent; for India the rich are 10 times more likely to have access (figure A.24).

FIGURE A.21 Carbon dioxide emissions continue to surge to unprecedented levels

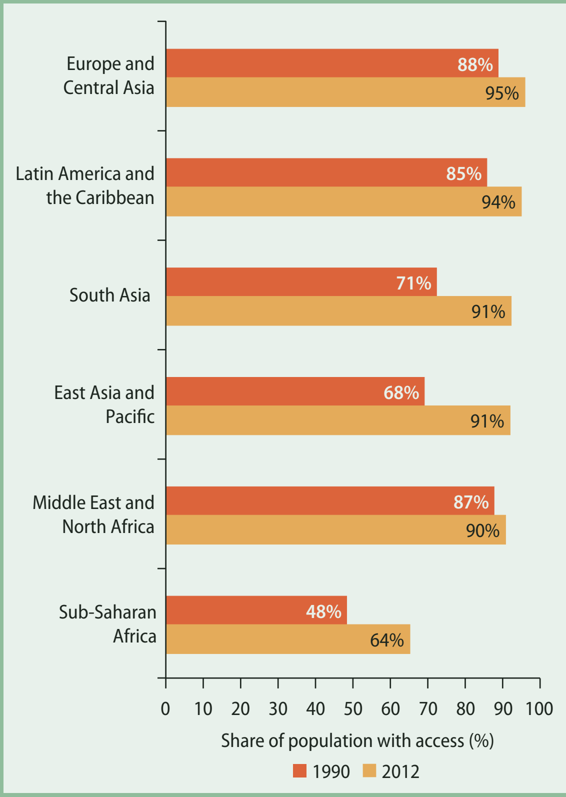
Carbon dioxide emissions from fossil fuel (billions of metric tons)



Sources: Carbon Dioxide Information Analysis Center and World Development Indicators database.

FIGURE A.22 Better access to improved water sources remains a problem, especially for Sub-Saharan Africa

Access to improved water sources (percentage of total population)



Sources: WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation and World Development Indicators database.

BOX A.4 IMPROVING SANITATION COVERAGE IN NEPAL REQUIRES BETTER TARGETING AND COORDINATION, LOCAL INVOLVEMENT, AND A FOCUS ON GIRLS IN SCHOOLS

The CEB review reported on Nepal's large discrepancies in access to sanitation across income quintiles, geographical areas, caste, and ethnic groups, finding that they were driven by a lack of coordination, weaknesses in local government planning capacity, underfunding, exclusion, and inadequate infrastructure. Sanitation coverage averages 62 percent across Nepal's 75 districts, but less than 30 percent have access in the eight densely populated districts in the Terai, and one-third of all districts have less than 50 percent coverage. Access to toilets is also uneven and is based on economic status: 97 percent of the richest quintile had access to improved toilets in 2008, compared with only 4 percent in the poorest quintile (and almost 90 percent of the poorest quintile had to rely on open defecation).

Key bottlenecks and gaps identified

- Policy and planning: Sanitation coordination mechanisms are not fully functional; local governments lack the capacity to plan and implement sanitation improvements (for example, many lack a sanitation strategic plan).
- Budget and financing: Sanitation institutions are underfunded (with a lack of dedicated staff, ad hoc budgets); district authorities lack a dedicated budget for sanitation (block grants do not cover sanitation initiatives).
- Service delivery: Sanitation coverage varies dramatically by income quintiles, urban/rural residence, mountain/hill/Terai residence, and ethnic/caste groups (dalits have the lowest sanitation coverage).
- Service utilization: Inadequate sanitation and hygiene facilities in many schools lead to greater absenteeism and drop-out, especially among girls; lack of awareness of importance of hygiene to health is still widespread in certain communities.

CEB recommendations and commitments

Examples of CEB commitments to improve sanitation and access to drinking water include:

- Improve data to identify priorities and plan interventions, focusing on marginalized areas and groups. The United Nations and the World Bank are working together to map existing programs and identify gaps and follow-up actions, while the International Telecommunication Union and UNESCO, through the Broadband Commission, are supporting the expansion of the E-Pustakalaya initiative to promote general educational and awareness-building on activities that are relevant to sanitation promotion.
- Focus on the worst-performing districts to address growing service disparities. UNHABITAT is working to expand sanitation support to the worst-performing districts, while the World Food Programme (WFP) and UNICEF are leading an Open Defecation Free campaign in Bajhang District.
- Enhance inter-ministerial coordination for planning and programs in the subsector. UNICEF is supporting the government-led Joint Sector Review (which includes issues related to climate change and disaster risk management), as well as the institutionalization of the WASH (water, sanitation, and hygiene) Sector Wide Approach (SWAp) and related coordination mechanisms. The UN Development Programme provided technical support to the National Planning Commission to establish a High Level Advisory Board to enhance interministerial coordination for sanitation.
- Improve awareness of, and local support for, sanitation issues. UNESCO is promoting minimum sanitation standards in educational institutions, and the WFP is promoting an integrated approach to water, hygiene and sanitation in the school feeding program.
- Address gender gaps in coverage, especially in schools, to ensure separate facilities for girls. UNICEF and WFP are helping the Department of Education (DoE) to assess the gender coverage gaps in public pre-primary and primary schools, and the WFP is planning to support the construction of separate latrines for boys and girls in 40 schools in the midwestern and far western regions of Nepal by 2015.
- Designate individual donor responsibility for supporting open defecation free (ODF) programs by geographical area, and expand efforts to Total Sanitation programs. For example, the World Bank is providing $72 million to improve rural water supply and sanitation, with priority to lagging districts. UNICEF is supporting the formulation of a sanitation strategy plan in 23 districts, a post-ODF strategy in 5 districts, and a coordinated ODF campaign in 8 Terai districts.

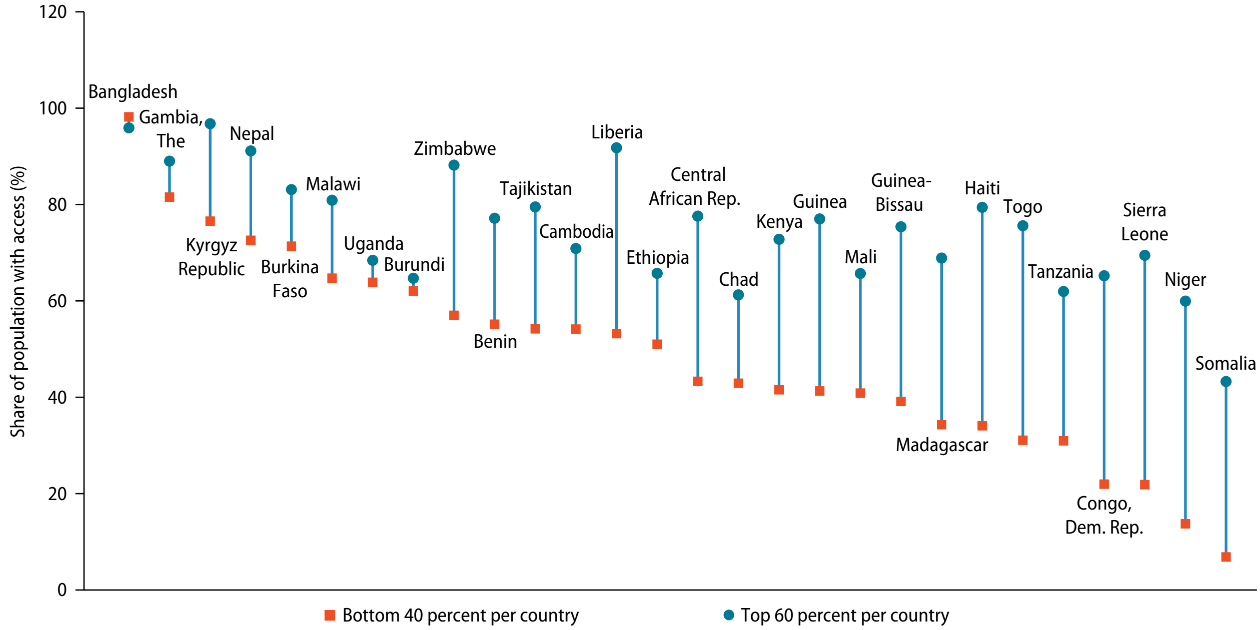
Remaining major challenges include the mobilization of funds required to move toward total sanitation; improved local leadership for sanitation-related issues, including capacity building; enhanced cross-ministerial collaboration, in particular with the Ministry of Finance and Planning Commission; and increased support for the WASH Sector Wide Approach.

Key challenges to increasing sanitation coverage in Nepal are thus improved government and donor coordination, and better targeting to reach underserved communities and girls in primary school.

Source: World Bank Group and UNDP.

FIGURE A.23 Access to improved water differs significantly across low-income countries

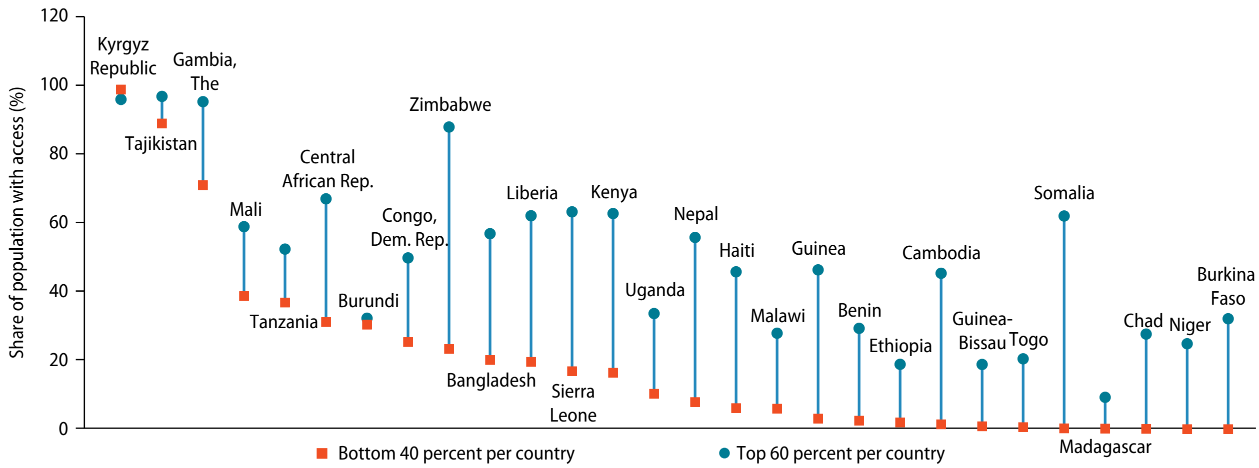
Access to improved water sources in low-income countries (percentage of population)



Source: World Bank calculations based on WHO/Unicef Joint Monitoring Program for Water Supply and Sanitation 2014 (for most recent year between 2005 and 2013).

Note: Data in the figure for the bottom 40 and top 60 percent should not be directly compared with those published in the JMP 2014 report, for which rural and urban but not national wealth quintiles were reported.

FIGURE A.24 Access to sanitation is highly unequal across income levels



Source: World Bank calculations based on WHO/UNICEF Joint Monitoring Program for Water Supply and Sanitation 2014 (for most recent year between 2005 and 2013).

Note: Data in the figure for the bottom 40 and top 60 percent should not be directly compared with those published in the JMP 2014 report, for which rural and urban but not national wealth quintiles were reported.

MDG 8

Develop a global partnership for development

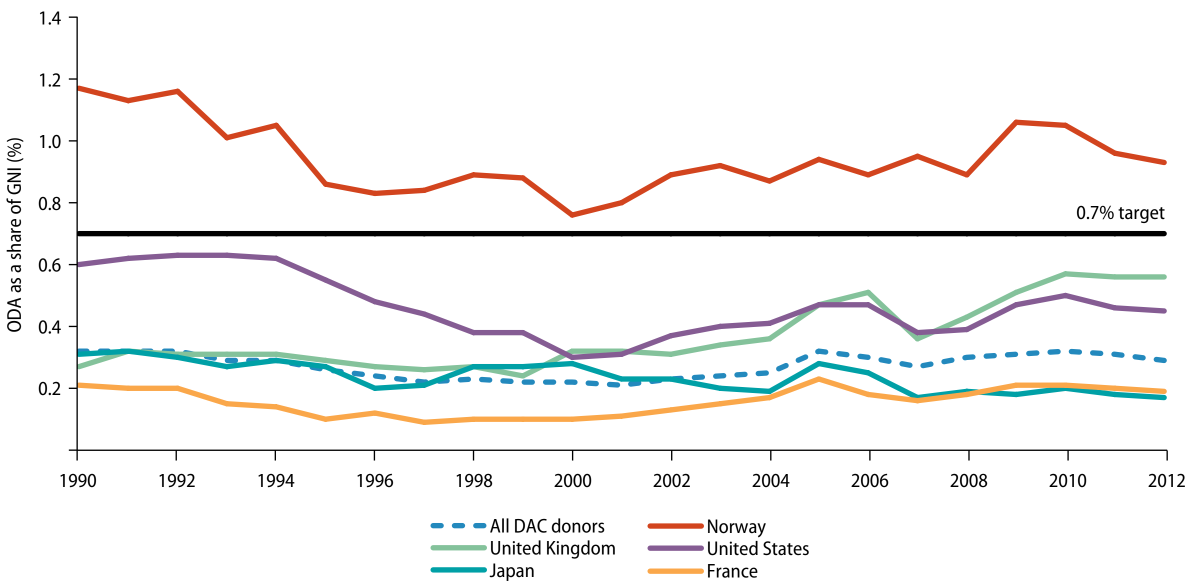
The eighth and final goal distinguishes the Millennium Development Goals from previous resolutions and targeted programs. It recognizes the multidimensional nature of development and the need for wealthy countries and developing countries to work together to create an environment in which rapid, sustainable development is possible. Along with increased aid flows and debt relief for the poorest, highly indebted countries, MDG 8 recognizes the need to reduce barriers to trade and to share the benefits of new medical and communication technologies.

The financial crisis that began in 2008 and fiscal austerity in many high-income economies has undermined commitments to increase official development assistance (ODA). Since 2010, the year it reached its peak, ODA from members of the Organisation for Economic Cooperation and Development's Development Assistance Committee (DAC) has fallen by 6 percent in real terms, after taking into account price and exchange rate adjustments. This decline has been accompanied by a noticeable shift in aid allocations away from the poorest countries and toward middle-income countries. As a share of gross national income, ODA from DAC members fell back to 0.29 percent in 2012, well below half the United Nations' target of 0.70 percent (figure A.25).

Telecommunications is an essential tool for development, and while both telephone and Internet use are strongly correlated with income, new technologies are creating new opportunities everywhere. By the end of 2012 there were 6.3 billion mobile phone subscriptions and 2.5 billion people were using the Internet worldwide (figure A.26). As the global mobile-cellular penetration approaches market saturation, the growth rates for both developing and high-income economies are slowing down. Since 2000, Internet use per person in developing economies has grown impressively—by 28 percent a year—but the low-income economies of South Asia and Sub-Saharan Africa lag behind.

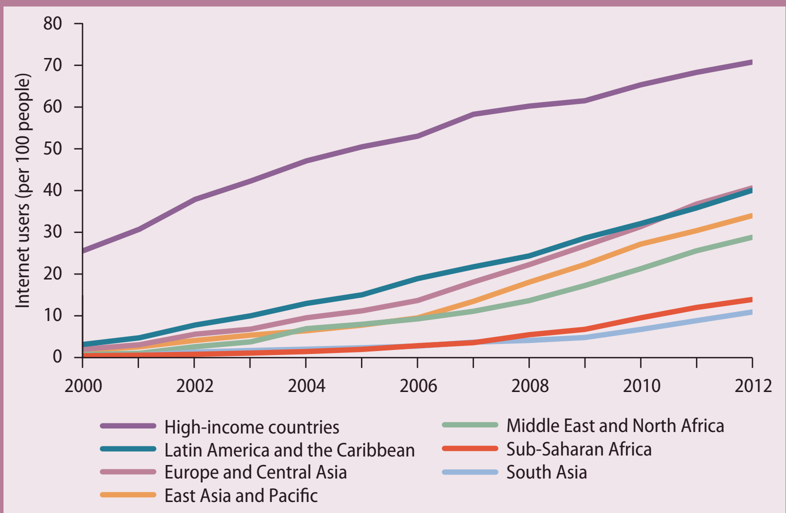
FIGURE A.25 Some donors have decreased their aid levels: Selected DAC donors

ODA as a share of gross national income (%)



Source: OECD.

FIGURE A.26 **The number of Internet users continues to rise**



Source: World Development Indicators database, 2014.

Improving the measurement of development goals

The Millennium Development Goals provide a yardstick against which to measure development outcomes. They have also stimulated demand for better statistics and new programs to increase the capacity of developing countries to produce and use statistics. The United Nations and its specialized agencies, including the World Bank and the International Monetary Fund, and the OECD responded to these demands by creating new partnerships and mobilizing additional resources to provide support for statistics in developing countries. The result has been a marked improvement in the quality and availability of statistics on core development outcomes: poverty and income distribution, school enrollments, mortality and morbidity rates, and environmental conditions.

Defining and measuring the MDGs posed three challenges: the selection of appropriate targets and indicators with which to monitor progress in development; the construction of an international database to use for global monitoring; and the need for significant improvements in the quality, frequency, and availability of the relevant statistics, especially at the national level. The selection of goals and targets was determined by the Millennium Declaration adopted unanimously by the member states of the United Nations. Building the database and strengthening the statistical systems of developing countries has required the efforts of many partners over many years. When countries produce statistics to monitor their own development programs, differences in definition and methodology often limit comparability across countries. Whether monitored at the national, regional, or global level, international monitoring of the MDGs requires indicators that are comparable across countries and over time.

To produce harmonized statistics suitable for international comparisons, agencies often revise national data or recompile data using different reference periods or standards, such as the "dollar a day" poverty indicator. They may also impute values for missing data or use statistical models to combine multiple estimates. Interagency efforts such as these have been very important in filling the gaps in child and maternal mortality series. However, these efforts inevitably result in data series that differ from nationally reported data as well as international assessments of country progress that differ from those produced by the countries.

At the time the MDGs were adopted, few developing countries had the capacity or resources to produce statistics of the requisite quality or frequency. Many countries had not conducted a recent census or a household survey capable of producing information on income, consumption, or health status. Values for many indicators disseminated by international agencies were based on unverified reports from national authorities. Statistical activities sponsored by bilateral donors and multilateral agencies often focused narrowly on securing data of interest to them but did little to increase the capacity of the national statistical system to serve the needs of local decision makers or citizens.

The early efforts to monitor the MDGs revealed large gaps in both the international database and in many national databases. In 2003–04, the Partnership in Statistics for Development in the 21st Century (PARIS21) conducted six case studies of developing country statistical systems. The general finding of the studies was one of very limited capacity to manage their own statistical programs.

The systems are characterized by under-funding; reliance on donor support, particularly for household surveys; and very weak administrative data systems. The basic demographic information needed to underpin key indicators is out of date in some countries, and funding for major activities, such as population censuses, is particularly difficult to secure. Overall, there is a shortfall in funding for core statistical systems required to provide information both for economic management and for monitoring the MDGs (PARIS21 2004).

The share of countries with two or more data points (the bare minimum needed for assessing trends) for selected MDG indicators in 2005 and 2014 is shown in table A.1. For some indicators, the improvement has been quite dramatic (figure A.27). In 2005, no country had two or more comparable estimates of population with access to sanitation facilities or access to water

TABLE A.1 Proportion of countries with two or more observations

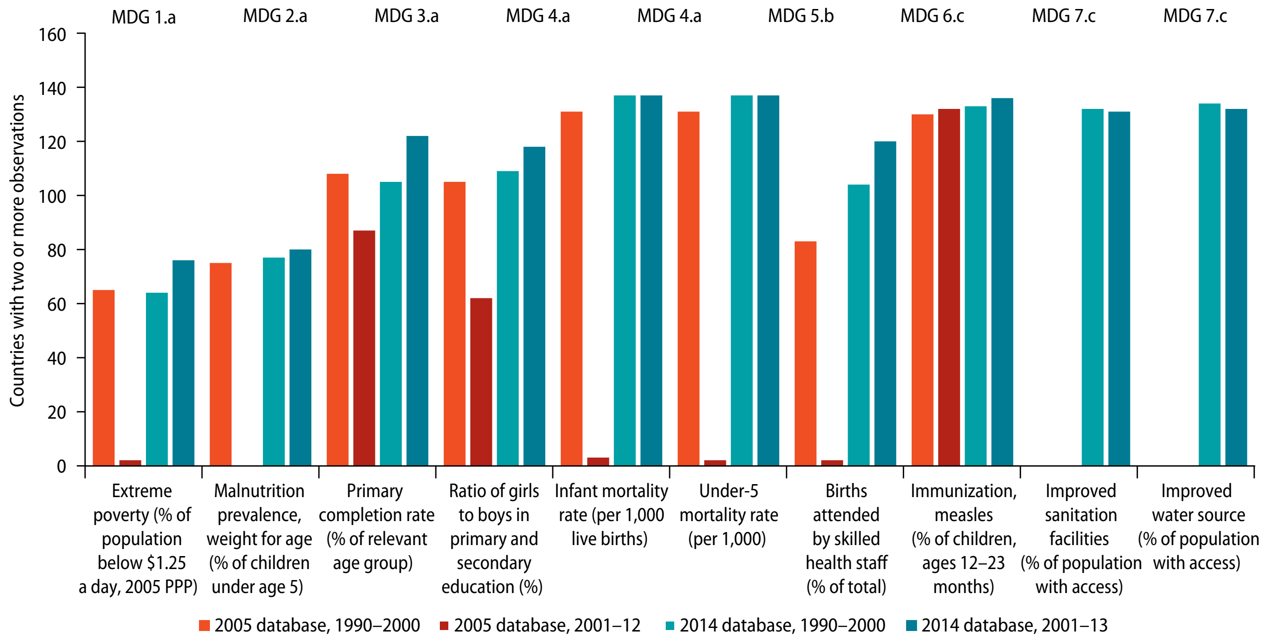
Selected MDG indicators with two or more observations in period	2005 database		2014 database	
	Number of countries 1990–2000	Number of countries 2001–13	Number of countries 1990–2000	Number of countries 2001–13
MDG 1.a Extreme poverty (% of population below $1.25 a day, 2005 PPP)	65	2	64	76
MDG 1.c Malnutrition prevalence, weight for age (% of children under age 5)	75	..	77	80
MDG 2.a Primary completion rate (% of relevant age group)	108	87	105	122
MDG 3.a Ratio of girls to boys in primary and secondary education (%)	105	62	109	118
MDG 4.a Infant mortality rate (per 1,000 live births)	131	3	137	137
MDG 4.a Under-5 mortality rate (per 1,000)	131	2	137	137
MDG 5.b Births attended by skilled health staff (% of total)	83	2	104	120
MDG 6.c Immunization, measles (% of children, ages 12–23 months)	130	132	133	136
MDG 7.c Improved sanitation facilities (% of population with access)	..	..	132	131
MDG 7.c Improved water source (% of population with access)	..	..	134	132

Source: World Development Indicators.
Note: .. = not available; ppp = purchasing power parity.

sources; in 2014, more than 130 countries had comparable estimates for both of these indicators. But for some other indicators, progress has been slower.

Despite the progress made in the past decade, national systems face immense difficulties on many fronts, including funding, sectoral shortcomings and poor data access, and the development of skills needed to use statistics effectively in planning and management. At its meeting in Busan in 2009, the High Level Forum on Development Effectiveness endorsed a new action plan for statistics. Several statistical domains have been identified as priorities for international action because of large deficits of data quality and availability. The high-priority domains include: agricultural statistics, poverty statistics and household surveys, gender statistics, labor force statistics, environmental accounting and the system of national accounts, and vital registration systems. The Busan Action Plan for Statistics provides an agreed framework for addressing capacity limitations in developing countries, and work is already under way in some domains. However, resources are limited, and even with greater resources, capacity building is a slow, deliberate process. The MDGs have contributed to the development of a statistical infrastructure that is increasingly capable of producing reliable statistics on a variety of topics.

FIGURE A.27 **Number of countries with two or more observations by database has been increasing**



Source: World Development Indicators database (2014).

The 2013 report of the 27-member High-Level Panel on the Post-2015 Development Agenda, convened by the UN Secretary-General, recognized the important role of data and the challenge of improving development data. It calls for a "data revolution for sustainable development, with a new international initiative to improve the quality of statistics and information available to citizens." In line with the global trend, a "Data for Goals" initiative has been developed by the World Bank, and the funding for development data will be scaled up over the next three years. New technology and collaboration will be also optimized in improving access to quality data and filling data gaps.

Note

1. The UN System Chief Executives Board for Coordination (CEB) is the highest inter-agency body for coordination in the UN system on social, economic and related matters. It aims to advance cooperation and coherence among UN system organizations (specialized agencies, funds and programs, and other related organizations) in policy, program, management and operational areas through a coordinated approach on issues of system-wide concern. CEB is chaired by the UN Secretary-General and is composed of the executive heads of 29 UN system organizations.

References

CEB (Chief Executives Board for Coordination). 2014. "MDG Acceleration Review 2014." United Nations, NY.

PARIS21. 2004. "Report on Six Case Studies."

UNAIDS 2013. "AIDS by the Numbers." World Health Organization, Geneva.

United Nations. 2008. Report of the Secretary-General on the Indicators for Monitoring the Millennium Development Goals. E/CN.3/2008/29. New York.

———. 2012. *The Millennium Development Goals Report 2012*. New York: United Nations. http://search.ebscohost.com/login.aspx?direct=true&scope=site&db=nlebk&db=nlabk&AN=610991.

Wagstaff, Adam, Caryn Brendenkamp, and Leander R. Buisman. 2014. "Progress toward the Health MDGs: Are the Poor Being Left Behind?" Policy Research Working Paper 6894, World Bank, Washington, DC (May).

WHO (World Health Organization). 2013a. "Global Tuberculosis Report 2013." WHO, Geneva.

———. 2013b. "World Malaria Report 2013." WHO, Geneva.

WHO and UNICEF (United Nations Children's Fund). 2013. "Progress on Sanitation and Drinking Water: 2013 Update." WHO, Geneva.

World Bank. 2013a. *Global Monitoring Report: Rural-Urban Dynamics and the Millennium Development Goals*. Washington, DC: World Bank.

———. 2013b. "Inequality in Focus." Newsletter, vol. 2, no. 3: http://www.worldbank.org/en/topic/poverty/publication/inequality-in-focus-october-2013. World Bank, Washington, DC.

APPENDIX

B

Aid and international financial institutions

Official development assistance (ODA) to developing countries grew steadily from 1997 to a first peak in 2010, then fell in 2011 and 2012 as many governments took austerity measures and trimmed aid budgets after the global financial crisis. However, ODA rebounded in 2013: even excluding the five countries (Czech Republic, Iceland, Poland, Slovak Republic and Slovenia) that joined the Development Assistance Committee (DAC) in 2013, DAC ODA was still at an all-time high.

Bilateral and multilateral aid

Several members of the Development Assistance Committee (DAC), a part of the Organisation for Economic Co-operation and Development (OECD) stepped up their spending on foreign assistance in 2013. DAC members disbursed $134.7 billion (in constant 2012 dollars and exchange rates) in ODA, compared with $126.9 billion the previous year, an increase in real terms of 6.1 percent. In current prices, ODA in 2013 reached $134.8 billion, an increase from $126.9 billion in 2012, making a rebound after two years of falling volumes. ODA continued to increase as a percentage of donors' combined gross national income (GNI), from 0.29 percent in 2012 to 0.30 percent in 2013 (figure B.1). According to the OECD, aid levels could increase again in 2014 and stabilize thereafter.

The bilateral share of net ODA decreased marginally in 2013, to 69.6 percent from 69.8 percent in 2012, while the multilateral share of aid reached almost 30.4 percent. Seventeen of the DAC's 28 member countries increased their ODA in 2013, while 11 reported a decrease. Five countries met a longstanding UN target for an ODA/GNI ratio of 0.7 percent.

Poverty and aid

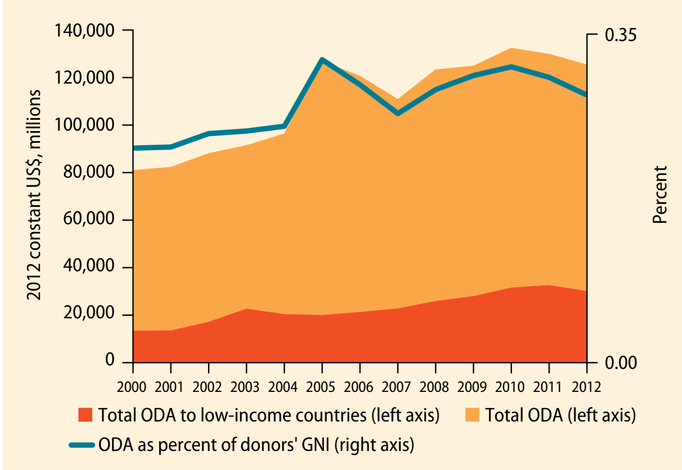
ODA to aid-dependent countries has been declining and probably will continue to do so. Already two-thirds of developing countries have an ODA to GNI ratio of less than 2 percent, and only around 30 countries (and 10 small island states) have an ODA to GNI ratio of more than 10 percent (Edward and Sumner 2013). Projections of future economic growth indicate that only about 20 countries, and possibly fewer, will remain low-income in 2030. Many of these, but by no means all, are conflict-affected or post-conflict countries. It could be argued that the shift of poverty to middle-income countries means that the resource constraints and aid volume debates around the Millennium Development Goals are less pressing for the post-2015 framework. Although there is no sudden change in a country when it crosses one of the per capita income thresholds established by the World Bank Group, countries that achieve higher levels of per capita income have substantially more domestic resources available for poverty reduction. Moreover, most middle-income countries have credit ratings that allow them to borrow from capital markets, and indeed may prefer to do so to avoid the conditions that often are associated with ODA.

This is also why donors, including many aid agencies, generally consider middle-income country status as a reason for reducing aid flows. Nevertheless, there are good reasons for DAC donors to continue development co-operation with middle-income countries but of a new kind. Development co-operation could shift from grants to concessional loans (which would be cheaper than borrowing from private capital markets); to co-financing global or regional initiatives such as vaccination programs or green infrastructure; and to policy-related research and knowledge exchanges between middle-income countries and other countries. These points need to be factored into the post-2015 framework and into how development is supported in the future. Furthermore, over time it is likely that the expanding number of middle-income countries will make far greater demands on traditional donors to focus on policy coherence (better co-ordination of their trade, migration, and other policies), the basis of the oft-forgotten MDG 8.

The changing pattern of global poverty also raises various questions about whether, in a world of fewer and fewer aid-dependent countries, poverty will become increasingly a matter of within-country inequality. Many of the world's extreme poor already live in countries where the total cost of ending extreme and even moderate income poverty is not prohibitively high, if considered as a percentage of GDP. The cost of ending world poverty measured by the $1.25-a-day threshold is about 0.2 percent of global GDP, or $150 billion (at 2005 purchasing power parity). The cost of ending world poverty measured by the $2-a-day threshold is around 0.9 percent of global GDP, or $600 billion (2005 purchasing power parity). These are relatively low numbers, at least compared with global budgetary resources.

Above and beyond considerations of where future aid is allocated, donors also need—as already stated—to adapt new modes and kinds of co-operation to individual country contexts when tackling persistent poverty. In middle-income countries, donors should focus on supporting economic growth that

FIGURE B.1 DAC members' net ODA disbursements since 2000



Source: OECD DAC and World Bank.

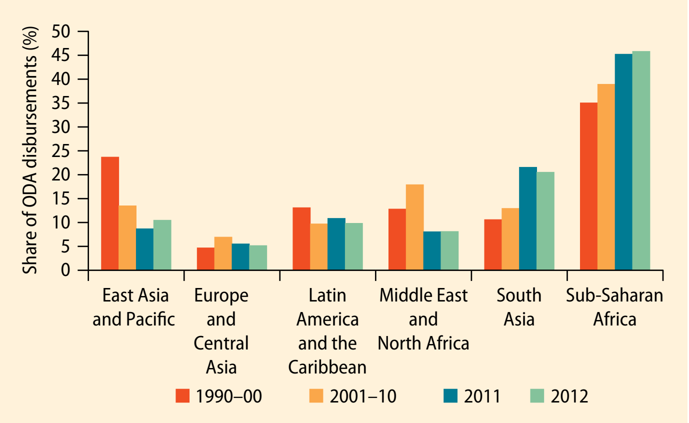
is more equitable; ensuring that policies and programs are coherent; encouraging new types and sources of finance, innovative financing such as public-private partnership (PPPs) and risk sharing to unlock private funding (see Appendix E); and exchanging knowledge and experience on poverty reduction. What is more, we need to look at the new and changing geography of poverty.

Regional aid

The regional allocation of ODA disbursements did not change greatly in 2012. Sub-Saharan Africa received 46 percent of net ODA disbursements, while South Asia's share of ODA remained stable at 21 percent, and the Middle East and North Africa at 8 percent (figure B.2).

While Sub-Saharan Africa still received the largest regional share of ODA disbursements, this region suffered a further decrease in 2012, from $26.3 billion in 2011 to $24.6 billion in 2012, and the trend of a falling share of ODA going to the neediest Sub-Saharan African countries looks likely to continue. Europe and Central Asia also saw

FIGURE B.2 Sub-Saharan Africa still receives the largest regional share of ODA disbursements



Source: OECD DAC 2014.

a fall in net bilateral ODA flows, from $3.2 billion in 2011 to $2.7 billion in 2012. Latin America sustained a decrease of 16 percent in 2012, while South Asia registered a decline of 12 percent. The only region with an increase in net ODA disbursements in 2012 was East Asia and Pacific.

Special groups

Bilateral net ODA to the least developed countries rose by 12.3 percent in real terms to about $30 billion. For lower-middle-income countries, net ODA disbursements increased by 2 percent from 2011 (figure B.3).

When all developing countries are considered, ODA is being directed to countries where progress in achieving the MDGs is limited. For example, ODA disbursements per capita have been increasing for countries with no more than two of the MDGs achieved, following the same trend as last year (figure B.4). And the group of countries in fragile situations that have met or are currently on track to achieve no more than two MDGs received an annual average of $63 per capita in aid over 2009–12, compared with $25 per capita for fragile countries that have met, or are on track to achieve, between 6 and 10 MDG targets (figure B.5).

Fragile, small and heavily indebted poor countries (HIPCs) suffered a decline in ODA disbursements from 2011 to 2012. Fragile states received around 15 percent less in ODA disbursements than they did in 2011, while the flow to HIPCs also decreased by 17 percent.

Fragile states are the developing countries most challenged in meeting the Millennium Development Goals. These countries are typically characterized by security concerns, weak institutions, growth collapses and macroeconomic instability. Effective engagement by international organizations and development partners requires continued recognition of the limited capacity and large financing needs of these fragile countries.

These countries have few, if any, resources available to address these vulnerabilities. If global growth declines, these countries would face the most difficult challenge in responding to the negative shocks to their economies. Their domestic policy space is typically very limited, and therefore these countries would have to turn to the international community for additional assistance. The decline in ODA for these countries is especially worrisome, because well-targeted external financial aid can be effective in supporting countries exiting from fragile situations (World Bank 2011).

The past two decades have seen the rise of conflict and fragility as major global concerns, with serious implications for poverty eradication. Between 2000 and 2010, support from DAC members to fragile states more than doubled—from $20 billion to $50 billion—reaching 38 percent of all ODA given by DAC countries. This support is fundamental for addressing global poverty: in 2010, these countries accounted for one-third of the world's poor, and by 2015 they are projected to be home to half of them, particularly in Sub-Saharan Africa (OECD 2013). Many argue that the principal future use of ODA should be to support fragile states (figure B.6). The OECD-DAC is working with the New Deal for Engagement in Fragile States (International Dialogue on Peacebuilding and

Statebuilding 2011) to ensure that ODA is used effectively in the particularly challenging conditions that prevail in these countries.

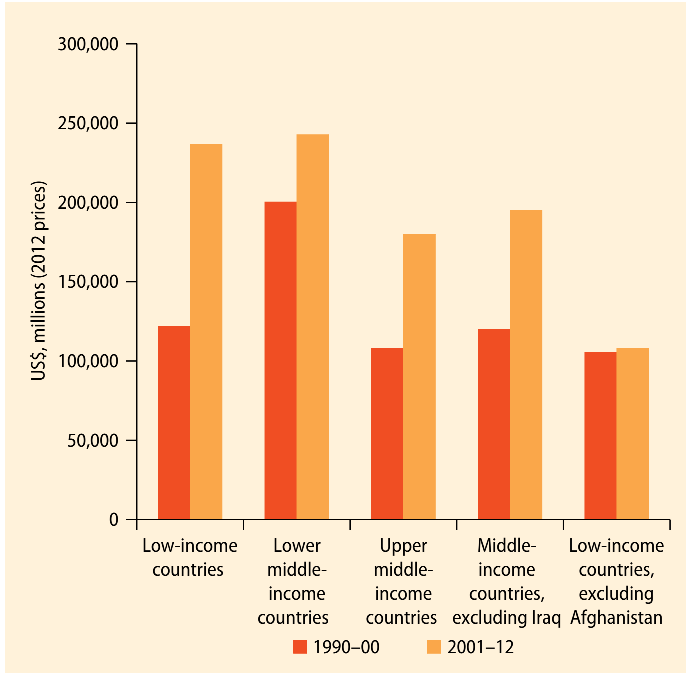
Many fragile states have made great progress in overcoming conflicts or undertaking political transitions that include democratic reform, or both. At the same time, many states face persistent challenges in overcoming pressures that can push them back into conflict and in implementing policies that promote poverty reduction and political and social inclusion. Sustained international support is a critical factor in helping countries escape cycles of conflict and instability (OECD 2011). Moreover, international action is required to address global issues, such as illicit trade carried out by organized crime, interstate competition over natural resources, and restrictions on cross-border trade and migration, that tend to promote fragility and violence and impair development (OECD 2012).

BRICS

Brazil, the Russian Federation, India, China and South Africa (BRICS) are the emerging players in the area of international development cooperation. During the last decade, this group of countries increased its financial and technical assistance and established means of economic cooperation with developing countries.

FIGURE B.3 ODA disbursements for lower-middle-income countries increased by 2 percent from 2011

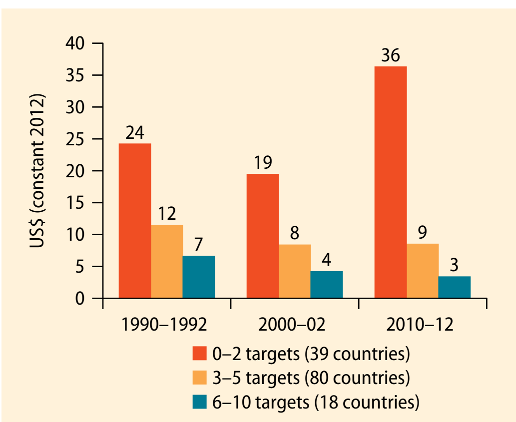
ODA disbursements by income level



Source: OECD DAC 2014.

FIGURE B.4 ODA is directed to countries where progress in achieving the MDGs is limited

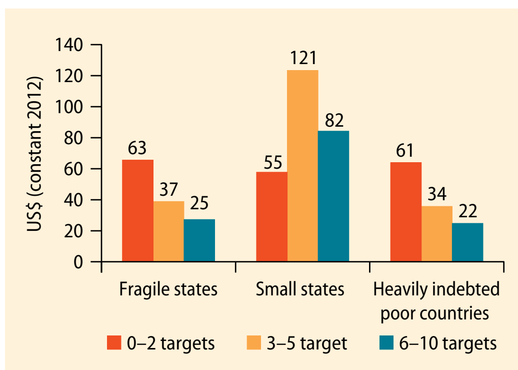
Net ODA received per capita by groups of countries ranked by MDG targets met or on track to be met by 2015



Sources: World Bank calculations and OECD DAC 2014.

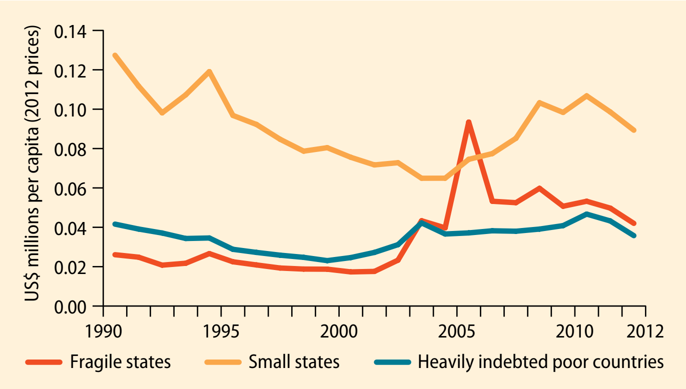
FIGURE B.5 Support from DAC members to fragile states has been increasing

Net ODA received per capita by groups of countries ranked by MDG targets met or on track to be met by 2015 (2009–12)



Sources: World Bank calculations and OECD DAC 2014.
Note: Numbers inside the bars show the number of countries *that* have met or are on track to meet this number of targets.

FIGURE B.6 Net ODA disbursements to fragile, small, and heavily indebted poor countries has varied in the past few years



Sources: World Bank calculations and OECD DAC 2014.

The BRICS are using their economic weight to induce change, which is challenging traditional Western donors in general and the European Union in particular. Development policies followed by the BRICS reflect the idea of South to South cooperation, which is based on shared experiences and self-reliance of the South (Yamoussoukro Consensus 2008). Relations between BRICS and low-income countries are not restricted to financial assistance. Trade, foreign direct investment (FDI), and development financing often are provided together, and there have already been significant spillovers and positive effects, especially on trade. These connections helped lessen the effects of the latest financial crisis on low-income countries and contributed to economic development.

The BRICS are concentrating mainly on technical assistance rather than on financial aid, and a considerable share of aid is disbursed through bilateral channels. Brazil in general focuses on Africa, Latin America and Portuguese-speaking countries in aid for agriculture, education and health, mainly via technical cooperation and co-financed projects. China focuses on Africa and Asia in extending assistance for infrastructure, industrial and energy development, through bilateral aid, projects, technical cooperation and debt relief. India's aid focuses on countries such as Afghanistan, Bhutan and Nepal, but India is also starting to look into the provision of aid to Africa for infrastructure, capacity building and training. The bulk of India's aid is also project oriented and in the form of technical cooperation.

These countries are not part of the Development Assistance Committee, but they are already influencing development policies through multilateral alliances and international forums such as the Group of 20.

References

Edward, P. and A. Sumner 2013. "The Future of Global Poverty in a Multi-Speed World." Center for Global Development, Washington, DC.

Organisation for Economic Co-operation and Development. 2011. *Supporting Statebuilding in Situations of Conflict and Fragility: Policy Guidance*. Paris: OECD.

———. 2012. "Think Global, Act Global: Confronting Global Factors that Influence Conflict and Fragility." OECD, Paris

Solheim, E. 2013. *Development Co-Operation Report 2013: Ending Poverty*. OECD.

World Bank. 2011. *World Development Report 2011: Conflict, Security, and Development*. Washington, DC: World Bank.

World Bank, and International Monetary Fund. 2013. *Global Monitoring Report 2013: Rural-Urban Dynamics and the Millennium Development Goals*. Washington, DC: World Bank.

APPENDIX

C

Update on trade trends and trade policy developments

Trends in world trade[1]

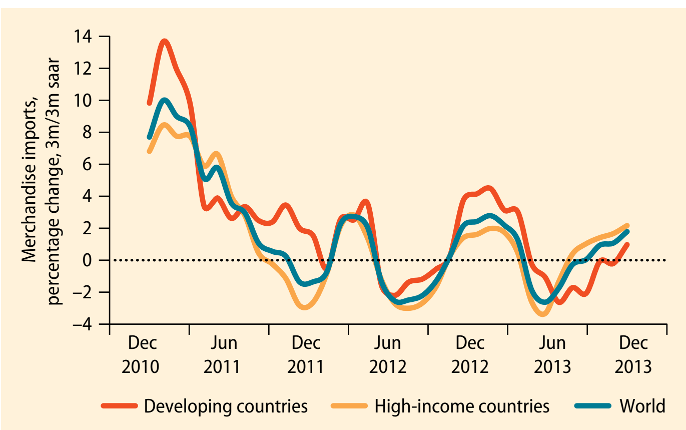
World trade since the financial crisis has decelerated on aggregate, including absolute declines in traded values across products and regions. Subdued trade growth over the last several years has been heavily fueled by weak overall demand in high-income countries, which developing countries have mitigated by trading more with each other—South-South trade has accounted for over half of developing country exports since 2010. Nevertheless, aggregate demand from developing countries has also not been immune to the overall post-crisis decline in trade (figure C.1).

The tide turned in 2013, however, as high-income countries began to emerge from several years of economic sluggishness and recession to report more stable growth, coupled with an uptick in import demand. In the United States, for example, GDP growth rose steadily in 2013 in the wake of increased consumer spending, rising industrial output, and employment gains. In the EU, Germany spearheaded a rebound in growth that began in the second quarter. These recoveries represent a marked shift from the previous several years when developing countries, especially the emerging markets, led growth in the global economy largely on their own. As the United States remains the world's largest importer and the Euro Area remains the most important trading partner for many developing countries, their recovery bodes well for the state of global trade moving forward. Global trade is expected to gradually strengthen through 2016, when trade is projected to increase by 5.1 percent (up from 3.1 percent in 2013).

Similar to 2012, developing country exports fluctuated throughout 2013, with significant differences among regions (figure C.2). The East Asia and Pacific (EAP) region was able to offset a second quarter slump with strong export growth from mid-year onward, buoyed not only by increased demand from high-income countries and policy stimulus from China, but also by increased net exports from Indonesia, Malaysia, Philippines, and Thailand. It was the only region to end the year with its exports experiencing a consistent and unequivocal upswing. The brief Q3 surge of exports in South Asia (SAR), for example, though more dramatic than in East Asia, proved part of a

FIGURE C.1 Deceleration in import demand has affected both developing and high-income countries

Import demand by income level



Source: World Development Indicators, 2014.
Note: 3m/3m saar = 3 month over seasonally adjusted annual rate.

cyclical phenomenon that decelerated equally as abruptly in the final quarter.

Exports in 2013 were least volatile in the Europe and Central Asia (ECA) region. Most countries in ECA fared well on the back of Central Asian energy exports and healthier demand from the EU. Though non-energy commodity exporters like Belarus, the Kyrgyz Republic and Ukraine experienced negative terms of trade shocks, most countries in the region saw their average monthly growth in real exports hover around one percent. In LAC, Argentina, Ecuador, and Guyana proved to be consistent performers in a region that saw January to November merchandise exports grow at a rate nearly half that of the equivalent period in 2012.

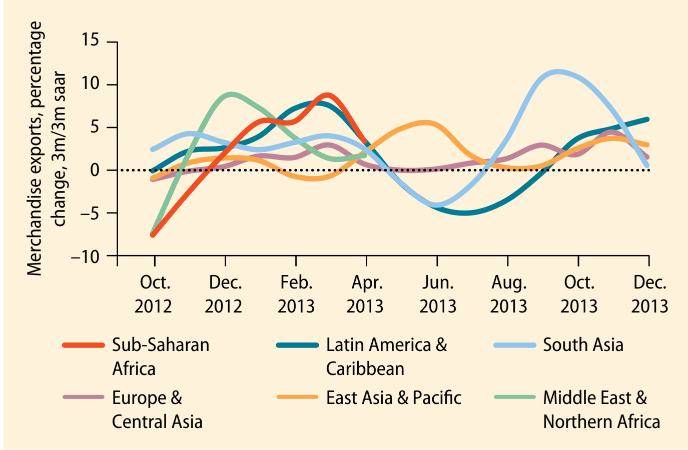
In Sub-Saharan Africa (SSA), export growth outperformed other regions in Q4 2012 and Q1 2013, part of a trend of increased economic growth on the continent in 2013. Real GDP growth for the year jumped from 3.5 percent in 2012 to 4.7 percent in 2013, complemented by a $6 billion increase in foreign direct investment inflows and a 6.2 percent increase in remittances. Unfortunately, these economic gains were not shared by neighboring countries in the Middle East and North Africa (MENA), where economic performance has continued to suffer from the lingering effects of political instability since the Arab Spring.

G20 countries have failed to fill the trade reform vacuum

Leadership from G20 countries on trade reform is sorely needed in order to strengthen and invigorate the multilateral trading system. So far the results have been mixed. Although G20 countries have vowed to refrain from imposing new trade-restrictive measures, they account for three quarters of such measures imposed since November 2008. In recent years, the number of restrictions imposed by G20 emerging economies has far outpaced those imposed by high income G20 countries (figure C.3). The impact of the increase in trade restrictions is exacerbated by a failure to lower existing trade barriers, as only one-fifth have been removed since the onset of the financial crisis. However, despite these shortcomings, G20 members also continue to account for a majority of the trade-liberalizing measures implemented to date, and the trend is encouragingly on the rise. According to

FIGURE C.2 Export performance varied by region in 2013, including a multi-region downturn in Q2

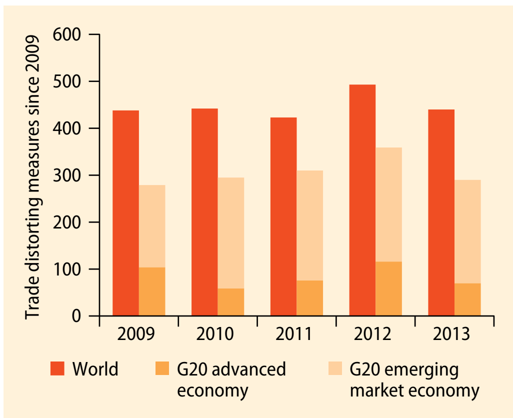
Export performance by region



Source: World Bank Datastream.
Note: 3m/3m saar = 3 month over seasonally adjusted annual rate.

FIGURE C.3 Trade distorting measures implemented since the onset of the global financial crisis

Trade distorting measures since 2009



Source: Global Trade Alert.

World Trade Organization (WTO) data, liberalizing measures represent 45 percent of the measures enacted in its latest monitoring period from November 2013-May 2014, up from 33 percent of the measures implemented in the previous monitoring period.

More than half of the new trade-restrictive measures introduced by G20 countries between November 2013 and May 2014 came in the form of antidumping measures and other trade remedies according to the WTO's monitoring of trade protection measures. Most of the increase in these restrictions has affected exports of emerging economies, especially those of China, which saw 6.4 percent of its exports subjected to antidumping measures and other G20-imposed trade barriers at the end of 2013, compared to only 1.2 percent of exports from the United States. The World Bank Group's recently updated temporary trade barriers database confirms that much of this trade-restrictive activity centers on south-south trade, as emerging economies increase competition with one another. According to the Global Trade Alert (GTA)[2]—which provides broader coverage than the WTO in terms of both countries and policy measures—Russia, India, and Argentina are among the countries that have implemented the highest number of trade restrictive measures since November 2008 (figure C.4). Nevertheless, the total number of new trade restrictions is lower than the amount imposed in the immediate aftermath of the crisis (which peaked in 2011-2012). Continued restraint in the months and years ahead will be essential for preserving the G20's credibility as viable leaders of trade reform.

FIGURE C.4 Russia, India and Argentina have implemented the highest number of trade restrictive measures since November 2008

Total number of measures implemented by G20 countries

Source: Global Trade Alert database.
Note: Individual measures may cover a very large portion of trade or just one product—these data are therefore not necessarily reflective of trade coverage. For example, Mexico reduced tariffs on 5,000 tariff lines, but this is reflected in just a few "measures". EC figure includes only measures taken at the EC level. Figures for France, Germany, Italy, and the UK include domestic measures only and not measures taken at the EC level.

Unanswered questions threaten the fate of the WTO's landmark Bali agreement

The agreement reached by the WTO at its Ninth Ministerial Conference in Bali in December 2013 was the first since the organization's establishment in 1995. Covering trade facilitation, rules governing agricultural trade, and improved market access for Least Developed Countries (LDCs),[3] the agreement has the potential to provide important economic benefits to the world economy and to developing countries in particular, forging a much needed and welcome way forward after over a decade of stalled negotiations since the launch of the Doha Round in 2001. The Bali agreement came at an important time, as momentum had been shifting toward bilateral and preferential trade agreements

(PTAs). This is especially important for Least Developed Countries that rely most heavily on the multilateral system to have a more equal voice, secure market access and effectively integrate into the world economy.

The centerpiece of the Bali package, the Trade Facilitation Agreement (TFA), is designed to streamline border procedures, increase transparency, reduce inefficiencies and improve competitiveness with reforms that could provide a sizable boost to global GDP and trade of nearly 5 percent and 15 percent, respectively, according to a recent report by the World Economic Forum and the World Bank Group. While passage of the Protocol to the Amendment is currently stalled, implementation has started in many countries and there is great potential in the TFA and the issues it targets.

Notes

1. This section focuses mostly on short-term factors underpinning the current trade slow down. A new IMF-World Bank publication, Trade Watch, discusses long term trends, such as changes in the structure of global value chains.
2. www.globaltradealert.org.
3. See http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm for a full list.

APPENDIX

D

Aid and development effectiveness

The past year has seen two important developments in the evolution of work on aid and development effectiveness. The first High-Level Meeting of the Global Partnership for Effective Development Cooperation (GPEDC) took place in Mexico City in April 2014, marking a critical midpoint between the 2011 Busan High Level Forum (where the GPEDC was created) and the agreement on a post-2015 international development agenda. Second, in the context of defining the post-2015 development framework, a discussion on the means of implementation and a global partnership for sustainable development has begun.

First high level meeting of the Global Partnership for Effective Development Cooperation

Building on a range of international activities to improve development cooperation, including the Rome Declaration on Harmonization (2003), the Paris Declaration on Aid Effectiveness (2005), and the Accra Agenda for Action of 2008, the GPEDC was created at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011. It marked a notable shift from the traditional aid effectiveness discussion between donors and recipient countries to one of inclusive partnerships for effective development cooperation including donors and recipients (South-South co-operation), multilateral organizations, international financial institutions, and non-governmental bodies such as the private sector and civil society organizations.

The GPEDC, at its First High Level Meeting (HLM) in Mexico in April 2014, took stock of progress, notably progress since Busan, domestic resource mobilization by governments in developing countries, South-South cooperation and knowledge sharing, and the private sector as a partner in development.

Progress since Busan

A progress report[1] was prepared to assess progress in effective development cooperation since the 2010 Paris Declaration Monitoring Survey. Based on the Global Partnership monitoring framework,[2] which continues to be strengthened and refined, the assessment and report focused on:

- Ownership of the development priorities by developing countries.
- Results and inclusive development partnerships having a sustainable impact.
- Transparency and accountability in development cooperation.

The progress report indicates some improvements in aid quality between 2010 and 2013 and attests to continued overall commitment toward increasing aid predictability, the share of aid on budget, and the use of country systems. At the same time, it also recommends that such efforts need to be sustained to meet the goals of the Busan Partnership Agreement in this regard.

Country ownership

The Busan Partnership Agreement (BPA, 2011) sees developing countries' ownership of the development process as critical. The report highlights the need for setting priorities and interventions in response to the developing countries' contexts and needs. The outcome communiqué of the Mexico HLM reaffirms the principle of ownership of development priorities by developing countries. Development partners have undertaken to tailor aid to the national development agenda and context, strengthen and use country systems, address aid fragmentation, and improve the predictability of official development assistance (ODA) flows.

The progress report indicates that about half of ODA disbursements rely on the recipient country's own procurement and financial management systems, about the same share as in 2010 (in countries for which 2010 data are available), pointing to the further potential to strengthen and use country systems. The World Bank Group has undertaken a two-year program (March 2013–15) to develop new operational and procurement policies and procedures aimed at supporting the World Bank Group's borrowers in strengthening their own procurement systems. By using country public financial management and procurement systems rather than setting up parallel ones, multilaterals can help strengthen developing country institutions and contribute to country ownership and the long- term sustainability of development efforts.

Country ownership is at the core of development effectiveness and drives the business model of multilateral development banks (MDBs). All MDBs have country- and client-driven business models and identify priorities for support in coordination with the countries and other development partners. The World Bank Group is strengthening the country focus of its programs by developing a more evidence-based and selective country engagement model. This model is based on selectivity, country ownership and national priorities, and contribution to the two goals of ending poverty and promoting shared prosperity in partnership with other development partners. In this model, a Systematic Country Diagnostic (SCD) will use data and analytic methods to help country clients and World Bank Group teams identify the most critical constraints to, and opportunities for, reducing poverty and building shared prosperity sustainably, while considering the voices of the poor and the views of the private sector and other stakeholders. The Country Partnership Framework (CPF) will lay out a program of indicative WBG interventions and the development objectives they are designed to help the country to achieve. The CPF objectives are derived from the country development goals and reflect the Bank Group's comparative advantage as well as alignment with the goals of ending extreme poverty and promoting shared prosperity.

Focus on results and inclusive development partnerships

The Mexico HLM outcome communiqué calls for the "broadening and strengthening of the initiatives, operational policies and instruments undertaken to improve country results frameworks to better manage, monitor, evaluate and communicate progress," as well as for the scaling up of "initiatives in support of the maximization and sustainability of development results and impacts."[3]

The progress report shows that further efforts are needed to ensure that country-led results frameworks are adopted as a common tool to assess performance. Progress will require strengthening the multistakeholder country-level dialogue in this area, as well as identifying and promoting relevant operational policies and instruments.

Most MDBs have adopted multitiered results frameworks that track the performance of the organization as a whole, as well as the results of the operations they finance. These frameworks are key to enhancing accountability and evidence-based decision making. For example, the World Bank Group Corporate Scorecard monitors, at an aggregate level, how the World Bank Group implements its strategy and improves its performance (Tier III) to support clients in achieving results (Tier II) in the context of global development progress (Tier I). The IDA Results Measurement System measures progress on 22 key country outcome indicators, covering areas that are consistent with the Millennium Development Goals, are priorities in many national development plans

BOX D.1 The World Bank is supporting citizen engagement in development projects

Transparency is a necessary but not a sufficient condition for participation and accountability processes that improve development outcomes. Emerging evidence shows that under the right conditions, citizen engagement, including beneficiary feedback, can improve development results through better targeting of development interventions and improved monitoring of the performance of governments and service providers both from the public and the private sector perspective. The World Bank Group is developing a Strategic Framework for Mainstreaming Citizen Engagement to improve its operational results. The objectives of the framework are to:

- Mainstream a coherent and cohesive approach to citizen engagement in WBG-supported policy dialogues, programs, projects, knowledge and advisory services
- Within the scope of these interventions, contribute to building sustainable national mechanisms for citizen engagement with governments and the private sector

This framework highlights additional, context-specific opportunities to engage with citizens and seek beneficiary feedback to improve the outcomes of World Bank Group-supported development interventions.

Source: http://consultations.worldbank.org/consultation/engaging-citizens-improved-results.

and/or poverty reduction strategies, and reflect the International Development Association's activities in the respective countries.

In Mexico, GPEDC members also reiterated the Busan commitment to inclusiveness in development cooperation, highlighting the role of parliaments, civil society organizations, the private sector, and philanthropic foundations as partners in development. Inclusiveness entails working with citizens to give them a voice in the design, implementation and monitoring of development initiatives and in improving development outcomes through strengthening targeting, ownership, and sustainability (box D.1).

Transparency and accountability

The Mexico HLM took stock of progress on the Busan commitment to make available timely, comprehensive and forward-looking information on resources generated through development co-operation. By 2015, aid agencies were to adopt a common, open standard for electronic publication[4] and provide regular, timely, rolling three- to five-year indicative forward expenditure and/or implementation plans.

A pilot transparency indicator assessment by the Organisation for Economic Co-operation and Development (OECD) and the United Nations Development Programme (UNDP) found that accelerated progress is required to reach the Busan commitments. On average, providers publish information once a year for 50 percent of the data points supplied, with forward-looking information being a particular challenge (box D.2).

Publish What You Fund's annual Aid Transparency Index includes several indicators of donor commitment to aid transparency and progress in the publication of organization- and activity-level information. In 2013, the International Development Association (IDA) ranked at the top of the "good" category, and 5th out of 67 organizations. Four MDBs ranked in the top 11 in the 2013 assessment.

While the OECD/UNDP progress report shows that the annual predictability of ODA disbursements has improved (as discussed above), medium-term predictability (the estimated share of development cooperation covered by indicative forward expenditure and/or implementation plans for one to three years ahead) declines to 70 percent in year

BOX D.2 MDBs are making progress in improving transparency

Despite the considerable challenges involved, MDBs have made some progress in implementing the International Aid Transparency Initiative (IATI). The *Asian Development* Bank posted its first IATI implementation schedule in May 2011, and released an initial set of aid data in November 2011 through the IATI central registry. It published its first common standard implementation schedule in December 2012 (updated in June 2014). ADB presently publishes updates of machine-readable aid data on a quarterly basis through the IATI central registry. The *African Development Bank* published its first implementation schedule in December 2012 (modified in May 2013), and launched its first publication of IATI data in July 2013. The *Inter-American Development Bank* began publishing data under the IATI in March 2013, and is moving forward to meet the commitment to the common standard by the end of 2015. The *International Fund for Agricultural Development* posted its implementation schedule in May 2013. The *World Bank Group* was a founding signatory of IATI in Ghana in 2008 and published its first implementation schedule and IATI data in 2011. The World Bank Group is now moving toward a quarterly publication frequency.

Source: Multi-lateral Development Banks. 2014. "Multi-Lateral Development Banks: Working Together for More Effective Development Cooperation" (April).

two and 57 percent in year three. Measuring an additional dimension of accountability, 59 percent of countries reported having mutual assessment reviews in place.

South-South cooperation and knowledge sharing

The Mexico HLM emphasized the importance of South-South cooperation, triangular cooperation and knowledge sharing. Southern partners are increasingly active in exchanging developmental experiences and in cooperating with other developing countries, especially through infrastructure and economic development, public services and social protection, resilience building, knowledge sharing, and regional cooperation and integration initiatives.[5] South-South cooperation is different in nature and modalities from, and complementary to, traditional development cooperation. Triangular cooperation offers innovative partnership between recipient countries, southern donors, and traditional providers of development cooperation. In this context, country-led knowledge sharing is at the heart of development effectiveness and can involve all development partners in addressing inclusive and sustainable development challenges. The World Bank Group is actively supporting country-led knowledge exchange through its South-South Knowledge Exchange Facility and its support to high level meetings on Country-Led Knowledge Hubs in Bali in July 2012 and Seoul in June 2014 (www.knowledgehubs.org).

Private sector as a partner in development

The Mexico HLM recognized that the private sector can make an important contribution to poverty reduction and sustainability through strong and inclusive economic growth, wealth and job creation, entrepreneurship and innovation, knowledge sharing, technology transfer, and expanded access to goods and services for all.[6] In addition, given the significant financing needs for the post-2015 development framework, the private sector is expected to provide a large share of the needed investments in sustainable development, together with improved domestic resource mobilization. For this reason, the international dialogue on development effectiveness focuses on including business as a partner in the development dialogue, improving the investment climate for the private sector, and developing innovative public-private financing mechanisms for development (box D.3).

Means of implementation for the post-2015 development framework

The UN-led debate on the future of development cooperation and means of implementation of a post-2015 development framework has begun. It focuses on (i) improving the allocation of ODA, particularly targeting the needs of the poor and the varying needs involved in achieving sustainable development; (ii) trends in other sources of development cooperation, such as the importance of improving domestic resource mobilization, building strong financial markets, attracting private investment, and developing innovative public-private financing mechanisms; (iii) ensuring the ongoing quality and effectiveness of development cooperation along the principles of untying ODA, simplifying and

BOX D.3 MDBs are working with the private sector to improve development

In some countries, Public-Private Dialogue platforms have been crucial to creating an enabling business environment. During Nepal's post-conflict period, the World Bank Group's Nepal Investment Climate Reform Program worked closely with the Nepal Business Forum (NBF)—Nepal's very first public-private business forum, including 75 members from across government, business, and civil society—to generate important support for reforms in areas such as tax administration, trade logistics, export promotion, investment facilitation, access to finance, and energy. In this way, the NBF helped to deliver reforms which will generate an expected $10 million in private sector savings.

Many companies are maximizing their development impact by aligning business and development objectives. The Inter-American Development Bank's (IADB) Shared Value Products give clients tailor-made business advisory services focused on developing competitive business strategies that generate social value and sustainable impact.

The European Bank for Reconstruction and Development has set up a Sustainable Energy Financing Facilities to channel support through local financial institutions, allowing businesses and households to invest in energy efficiency and renewable energy, and helping them generate medium-term savings while delivering on climate objectives.

There are several examples of innovative financial instruments that support sustainable development. The Global Agriculture and Food Security program provides first-loss cover for loans taken out by smallholders, to make them more attractive to creditors (the International Finance Corporation manages the private sector component). In Mexico, the IADB supported the first issuance of education bonds, helping create a new asset class and increasing capital market investments for poor students. The Asian Development Bank's Off-Grid Pay-As-You-Go Solar Power project in India uses text messages to facilitate consumers' access to affordable solar energy. Finally, the World Bank Group participated in the AgResults Initiative, which uses public financing to reward agricultural innovation in developing countries and build sustainable markets for agricultural inputs, products and services that benefit the poor.

Thus, MDBs' efforts to involve the private sector in development operate at multiple levels: helping firms express their concerns about government policy, improving private firms' development impact, and involving firms in financing development activities.

Source: Multi-lateral Development Banks. 2014. "Multi-Lateral Development Banks: Working Together for More Effective Development Cooperation" (April).

harmonizing procedures, improving predictability, and mutual accountability; and (iv) the quality and effectiveness of development cooperation beyond ODA, through improved partnerships with South-South providers, the business sector, philanthropy, and civil society, along with improving the effectiveness of providers.[7]

A renewed global partnership for [sustainable] development is proposed as successor to MDG8. Among others issues, this partnership will need to focus on three main issues:

- Achieving a sustainable approach to *financing post-2015 initiatives* will require improved mobilization of domestic resources, better and smarter aid, private finance for development, and innovative public-private financing sources.[8] The World Bank Group, in collaboration with other MDBs, is working closely with the UN to identify country-level and global sources for financing the post-2015 agenda.
- Improvements in *country-level data* quality are essential to strengthen the monitoring of development results. To this end, the World Bank Group has signed a Memorandum of Understanding with the UN and other MDBs on Cooperation on Statistical Activities.
- *Multistakeholder development partnerships* are necessary to leverage and complement existing partnerships at the global level and create inclusive development partnerships at the country level, including governments, development providers, civil society and citizens, philanthropy, the private sector, parliaments, and other stakeholders. As part of its client engagement model, the World Bank Group supports such partnerships at the country level.

Notes

1. "Making Development Cooperation More Effective", 2014 Progress Report, OECD/UNDP. The report assesses progress based on voluntary data submission by 46 countries, including 38 countries that participated in the 2010 Paris Declaration Monitoring Survey. The data in the report captures 46 percent of total development assistance that is programmed for developing countries annually.
2. The global monitoring framework tracks progress on the commitments and actions agreed in 2011 at the Fourth High Level Forum on Aid Effectiveness in Busan, Republic of Korea. It consists of a set of 10 indicators that measure progress in improving aid effectiveness in specific areas, such as the transparency and predictability of aid, gender equality, and the contribution of the private sector to development.
3. Mexico HLM Outcome Communiqué, paragraph 11.
4. The common standard agreed in 2012 is a combination of the OECD-DAC creditor reporting system (CRS) and forward spending survey (FSS) and the International Aid Transparency Initiative (IATI) reporting standard.
5. Mexico HLM Outcome Communiqué, paragraph 27.
6. Mexico HLM outcome document paragraph 31.
7. Draft Report of the Secretary General, Trends and Progress in International Development Cooperation, April 2014.
8. Financing for Development Post-2015, World Bank, October 2013.

References

The Busan Partnership Agreement (BPA, 2011).

Multilateral Development Banks. 2014. Working Together for More Effective Development Cooperation. April.

OECD (Organisation for Economic Co-operation and Development) and UNDP (United Nations Development Programme). 2014. "Making Development Cooperation More Effective." 2014 Progress Report. OECD, Paris.

United Nations. 2014. "Trends and Progress in International Development Cooperation." Draft Report of the Secretary General. United Nations. April.

World Bank. 2013. "Financing for Development Post-2015." World Bank, Washington, DC. October.

APPENDIX

E

International financial institutions

The role of public private partnerships (PPP) and guarantees

This appendix pays special attention to the catalytic role and leveraging potential of multilateral development banks (MDBs) and the role each institution has played to mobilize additional financing for development in countries from diverse sources. Its focus is on public-private partnerships (PPPs) and guarantees.

The World Bank Group

The World Bank Group undertakes two critical activities to mobilize and leverage financial resources for development: the role that PPPs play and the role the Multilateral Investment Guaranty Agency (MIGA) has in mobilizing private resources for a country's development.

The World Bank Group and PPPs

The WBG has supported, either financially or technically, 750 PPPs over the past decade.[1] During that time, WBG support to PPPs increased threefold, from $0.9 billion in 2002 to $2.9 billion in 2012. During FY02002–12 IBRD/IDA (International Bank for Reconstruction and Development/International Development Association) approved 353 public sector lending and partial risk guarantee projects totaling $7.6 billion with a PPP component. The International Financing Corporation (IFC) provided $6.2 billion of financing to private investors in 176 PPPs, while MIGA provided political risk insurance to 81 PPPs with total gross exposure of $5.1 billion; and IFC PPP Advisory Services completed 140 transactions, with total expenditure of $177 million.

PPPs undertaken by the WBG were focused within the economic infrastructure sectors with an increasing number of advisory activities within social services. The majority of PPPs were concentrated in the transport, energy, and water sectors with a growing number of PPPs in the health and education sectors. Support provided by the private sector arms of the WBG, the IFC, and MIGA, tracked the general PPP market closely by focusing their support on the energy and transport sectors. Notably, the IFC's advisory work includes a number of projects in the health and education sectors. The public sector arm of the WBG, the IBRD, and IDA provided support to clients primarily within the transport, water, and energy sectors; such support aligns closely with the development challenges identified by client governments.

The collection of data on mobilization has been evolving so current figures are indicative rather than comprehensive. The mobilization figures listed below are for "direct" mobilization, that is, private sector financing provided for projects supported by the WBG that have reached financial closure, rather than "indirect" mobilization, that is, financing arising from projects that might result from reforms or changes in laws supported by the WBG.

In FY2013 the World Bank directly mobilized $1.1 billion of private capital through its guarantee and loan operations. Most of this capital was associated with infrastructure and PPPs. In FY2013, IFC mobilized $3.2 billion for the infrastructure sector—$2.26 billion from its investment activities and another

$941 million from advisory activities (where IFC provided advice to governments to structure and bid out PPPs, and those PPPs then reached financial closure (box E.1).

MIGA, private investment, and guarantees

MIGA plays a critical role in supporting private investment flows to developing countries. As the WBG's provider of investment insurance, MIGA instills confidence among investors seeking to secure private investment flows against political and sovereign risks. The agency does this by leveraging its strength as a member of the WBG with access to knowledge, experience, and key decision-makers that other providers cannot match. By supporting private firms in their goals of generating investment returns, and by mobilizing the reinsurance market, MIGA is uniquely positioned to bring together the forces of industry and the financial markets. At the same time, MIGA's collaboration with the IFC, IBRD, and IDA reinforces the WBG's ability to design a full spectrum of solutions that can lead to transformational development anchored on channeling private sector investment where it is most needed. MIGA mobilizes private sector investment in challenging environments that are often beyond the risk tolerance of commercial sources of capital (box E.2).

To strengthen MIGA's ability to collect, manage, and report development outcomes of projects supported consistently by the WBG, it has recently implemented a Development Effectiveness Indicator

BOX E.1 The WBG is helping to involve the private sector in transport infrastructure

An important goal of the World Bank Group's support for infrastructure is to generate increased resources through private sector involvement. For example, in 2011–12, the IFC advised the Saudi Arabian Civil Aviation Authority (GACA) on the Madinah Airport PPP, which is the first full airport PPP in the Gulf Cooperation Council region. It was structured as a 25 year concession to design, build, finance and operate the airport and reached financial closure in June 2012, mobilizing about $1.2 billion in private investment. The project is the first full international airport PPP to be entirely financed using Islamic project finance. Given GACA's desire to retain ownership of this strategic asset, the financing agreements were structured so that the airport operating rights are sold to the lenders and then leased back by the project company in exchange for lease payments. The Islamic financing package was provided by three Saudi Arabian commercial banks, and included a 3-year, $436 million commodity equity bridge facility, an 18-year, $719 million procurement facility, and a $23 million working capital facility.

A similar approach can be seen in the WBG's advice to the Government of Colombia in 2009 to 2011, concerning the structuring of a concession for Ruta del Sol. This is a 1,000 kilometer road from Bogota to the Colombian Caribbean coast, with an estimated investment cost of $2.6 billion. The Colombian government sought WBG advice to improve its road concession model to attract international investors as well as long term financing from local pension funds. The project was split into three sections, to make the project more digestible to the market, and to promote competition between different concessionaires. Each section was successfully awarded to consortia of international and local investors, including some local pension funds. All projects reached financial closing, including about $700 million from private sector funds and local banks.

These examples emphasize the importance of appropriate financial structures to galvanize private sector support for infrastructure.

BOX E.2 MIGA provides insurance for political and default risk

MIGA helps to facilitate international investment by insuring firms against the risk of adverse government actions.

Political risk insurance

- **Transfer restriction and inconvertibility:** Provides coverage for the risk of inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered.
- **Expropriation**: Covers the risk of partial or total loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership of, control over, or rights to the insured investment.
- **War and civil disturbance**: Covers the risk of damage to, or the destruction or disappearance of, tangible covered assets caused by politically motivated acts of war or civil disturbance in the host country, including revolution, insurrection, coups d'état, sabotage and terrorism.
- **Breach of contract**: Covers the risk of being unable to obtain or enforce an arbitral or judicial decision recognizing the breach of an obligation by the host government or a state-owned enterprise.

Non-honoring of financial obligations

- **Sovereign financial obligations:** Covers the risk that a sovereign fails to honor an unconditional financial payment obligation or guarantee, where the underlying project meets all of MIGA's normal eligibility requirements. Unlike MIGA's breach of contract coverage, this coverage does not require a final arbitral award or court decision as a condition of payment of a claim. Sub-sovereign entities can also be covered.
- **State-owned enterprise financial obligations:** Covers the risk that a state-owned enterprise fails to honor an unconditional financial payment obligation or guarantee, where the underlying project meets all of MIGA's eligibility requirements. This coverage does not require a final arbitral award or court decision as a condition of payment of a claim.

MIGA, as part of the WBG, is better placed than most private firms to evaluate sovereign risk, and thus provides a service that would otherwise be unavailable or cost a great deal more.

System (DEIS). Data collected on development outcomes through the DEIS cover a project's financial performance, economy-wide impact, environmental and social compliance, and contribution to broader private sector development. Outcomes measured include total investment supported, employment, taxes, and domestic purchases. It therefore provides direct information on the investment mobilized component. Initial results for FY2013 show that MIGA guarantees of $2.8 billion support $5.7 billion of total investments, adding approximately 20,000 jobs. With $3.2 billion of guarantees offered in FY2014, the expectation is for a similar amount of mobilization.

MIGA provides support for private investors or lenders and thus often mobilizes larger amounts of money into the same investments. Another key component of MIGA's leverage is its use of reinsurance. Reinsurance arrangements increase MIGA's direct capacity to support large, complex projects, an important added value for investors in industries such as power, telecom, infrastructure, extractive industries, and finance. Reinsurers look to the track record of their partners and are encouraged by MIGA's participation in frontier markets projects, where without MIGA's presence they may be more hesitant to engage. MIGA participation also enables other insurers to underwrite transactions with longer tenors than they would normally consider. Through reinsurance, MIGA mobilizes the private insurance market and leverages its own limited capital very effectively. As of December 31, 2013, $1.23 billion of capital supports gross exposure of

$11.48 billion for an efficient gross leverage ratio of 9.3. It should be noted that without reinsurance, MIGA would not have been able to support large projects of $200 million to $700 million or more, within the limitation of its capital base (box E.3).

BOX E.3 MIGA guarantees have played an important role in mobilizing investment

The energy and transport sectors have benefited from MIGA guarantees of private investment:

Henri Konan Bédié Bridge—On June 28, 2012, MIGA issued $145 million in guarantees covering equity investments and subordinated loans from Bouygues Travaux Publics of France and Pan African Infrastructure Development Fund of South Africa, subordinated and senior loans from Africa Finance Corporation of Nigeria, and senior loans from BMCE Bank International Plc of the United Kingdom and FMO of the Netherlands. MIGA's coverage is for a period of 15 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. One of the first toll-bridges in West Africa, this complex, infrastructure project is the first public-private partnership in war-ravaged Côte d'Ivoire, an IDA-eligible country. The bridge is expected to help address significant congestion and pollution in Abidjan. Its construction should result in lower fuel consumption and thus a reduction of carbon dioxide emissions.

Azito Thermal Power Plant—In Côte d'Ivoire, demand for electricity is growing at an estimated 8 percent annually as businesses seek to rebuild and urbanization takes hold. MIGA is helping to mobilize private finance for Côte d'Ivoire's vast reconstruction needs with its support for the expansion of the Azito Thermal Power Plant, which will generate 50 percent more power when complete. The project involves converting the existing simple-cycle Azito Plant to combined-cycle, increasing total capacity from 290 to approximately 430 megawatts while avoiding 225,000 tons of CO_2 emissions per year. Upon completion, the facility will become one of the largest independent power generators in Sub-Saharan Africa.

Block CI-27 Expansion Program—MIGA's support for the energy sector in Côte d'Ivoire is further highlighted by its support for SCDM Energie SAS, France's investment in the construction and operation of oil and gas production on Block CI-27, including facilities situated 18 kilometers offshore from Abidjan, in the Gulf of Guinea. The project scope includes: an existing operational production platform (Foxtrot Platform); the construction and operation of a green field production platform (Marlin Platform); drilling of 12 wells; existing and new installation of oil and gas pipelines and onshore facilities. The expansion of this field and the extension of exploration and production into the neighboring Marlin Platform are essential to the sustainability of energy production in the country.

In addition to the $487 million in MIGA guarantees supporting this project, IDA is further supporting the project with a partial risk guarantee (PRG) of $15 million covering a Gas Supply Agreement termination risk. Synergies between the PRG and MIGA guarantees are expected to leverage private investments by helping the country to offer a tested credit enhancement framework to attract investors. Overall, MIGA's recent involvement in the country, with an exposure of $754 million in gross guarantees, has mobilized over $2 billion worth of private investment.

These examples show how guarantees by the WBG can help mobilize the private financing essential for large infrastructure projects that contribute to development.

European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) provides project finance to clients primarily in the private sector to foster transition to sustainable, open market economies. From the beginning, mobilizing outside investment has been core to the bank's mandate. Every €1 of EBRD finance since its founding in 1991 has been accompanied by an additional €2 from other sources.

Through a range of instruments covering debt, equity, guarantees, and currency swaps, EBRD champions private sector development and brings in outside private sector investment. Furthermore, the bank uses its close relationship with governments in the region and its roster of private sector clients to promote policies that will bolster the business environment.

Improvements in business and investment climate

An unfavorable regulatory environment and nonsustaining investment climate are important impediments to private investment in emerging markets. EBRD aims to reinforce institutions and policies that make it easier and safer for provision of private finance. Some of the headline initiatives for these efforts are:

Legal Transition Program

Established in 1995, the Legal Transition Program (LTP) helps to create an investor-friendly, transparent, and predictable legal environment in EBRD's countries of operation. LTP activities focus on the development of legal rules and the establishment of the legal institutions and culture on which a vibrant market-oriented economy depends, through policy dialogue, diagnostic studies, technical cooperation, and outreach activities. The LTP focuses on a number of topics most relevant to the EBRD's investment activities and in which the Bank has accumulated experience. These topics include access to finance and capital markets, corporate governance, insolvency and debt restructuring, enhancing judicial capacity and contract enforcement, public-private partnerships and concessions, telecommunications and information technology , energy efficiency and renewable energy, natural resources, and public procurement.

More recently, the LTP expanded its scope to deliver improvements to the food chain by developing pre- and postharvest financing tools. A key instrument of preharvest financing, crop receipts allow farmers to use future crops as collateral, thus expanding their access to finance. LTP has worked on crop receipts across the region, including in Ukraine, Serbia, and the Russian Federation. In Ukraine, legislators have already drafted and enacted a specialized law, and the LTP is focusing the necessary implementing regulations. In Serbia, the draft law was developed with EBRD assistance and is now up for reading in the parliament. Once the dedicated legislation is in place, the EBRD can start offering new products to existing banks for the financing of seeds, fertilizers, and other inputs, with the aim of facilitating access to finance along the grain value chain.

Investment Climate and Good Governance Initiative

As a major investor in its countries of operation, EBRD has been active for many years in promoting a better investment climate. To better concentrate these efforts, EBRD launched the Investment Climate and Good Governance Initiative (ICGGI) in 2014, piloting the approach in Albania. The initiative is designed to operate alongside a willing and committed partner in the host country, drawing on a range of well-specified tools and instruments to address investment climate and economic governance issues faced by both domestic business and cross-border investors. The pilot initiative in Albania is underway, and under its auspices EBRD and the Albanian leadership jointly agreed to a range of interventions including the establishment of an investment council, strengthening the rule of law and judiciary, improvements to the Albanian business registry, and design and implementation of a robust consumer credit bureau.

Anti-corruption Initiative

Tackling systemic corruption in Ukraine is widely recognized as an essential task for both economic growth and the credibility of the government. As such, EBRD convened multilateral stakeholders such as the Organisation for Economic Co-operation and Development (OECD) as well as domestic and international business associations to join an Anti-Corruption Initiative for Ukraine. Signed in May 2014 by Prime Minister Yatsenyuk on behalf of the Ukrainian government, the Initiative seeks to establish—for the first time in Ukraine—an independently funded Business Ombudsman institution. The Ombudsman will be the first point of contact for companies seeking redress against unfair treatment. The new institution will provide for greater transparency of business practices in the region and it will make its reports public.

Support to public-private partnerships

EBRD has broad and varied experience involving infrastructure projects using various forms of private sector participation approaches, encompassing both PPPs and projects funded with the public sector according to the user-pays principle based on a public service contract (PSC) model.

Over the past 15 years, the bank has funded some 40 PPPs in the infrastructure sector, including roads, airport terminals, ports, and water and wastewater systems. To date, the Bank has financed a total of €3.0 billion in direct private sector financing. These projects leveraged an additional €4.5 billion in other private financing from commercial lenders or other cofinanciers.

Using the PSC model, EBRD's municipal team has financed some 300 projects across the water—waste water, urban transport, district heating and solid waste sectors, totaling approximately €5.3 billion. Importantly for the municipalities and ministries of finance, these projects are typically structured directly with the municipal utilities acting as borrowers and are considered nonsovereign and off the municipal balance sheet. While full-cost recovery tariffs are pursued wherever possible, when public subsidies are necessary on policy or affordability grounds, performance-based contracting holds the management of these public utility companies accountable under the PSCs. This PSC model has proven resilient over the past 15 years, having withstood serious crises, including the fall-out of the financial crisis of 2008–09.

To establish pre-conditions favorable to long-term infrastructure investment and deepen the pool of projects that ultimately can be financed, EBRD undertakes focused policy dialogue activities with partner governments. Priorities of this assistance for the rest of 2014 and 2015 include transport PPPs in Kazakhstan; private sector participation in the solid waste sector; performance-based contracting for roads; and facilities management PPPs in Turkey.

Catalytic financing mechanisms

Over the years, EBRD investments have attracted an additional €168 billion from domestic and foreign investors. The critical success factor in mobilizing private capital lies in the EBRD's ability to present quality projects to the market based on sound banking principles. Below are just some of the specific mechanisms that have been successful in attracting co-investment from private sources.

Syndications

Syndication of EBRD loans to commercial banks has been a primary means of attracting private finance and introducing lenders to risks in the EBRD region. Since 2009 EBRD has syndicated over €4 billion to commercial banks. Under the syndication structure, EBRD acts as lender of record for the entire loan but allows commercial bank participation through transferring risks of a portion of the loan to the commercial lender. Through this structure, commercial banks benefit from the EBRD's preferred creditor status which helps mitigate certain elements of country risk.

Private equity

Supporting successful as well as first-time equity fund managers across the EBRD region is one of the most efficient ways to sustainably improve access to a form of finance that is sorely needed by small and medium enterprises. Through its investments, the EBRD has become the largest private equity funds investor in its region of operations, with investments in over 140 funds, backing over 90 fund managers for over €3 billion in commitments, and fund capital of over €15 billion.

When it comes to direct investments, EBRD's equity portfolio has performed in line with or has outperformed industry benchmarks over the medium to long term. In the interest of mobilizing additional long-term risk capital into the region, EBRD is actively looking at structures that will allow institutional investors to participate in its equity portfolio. The aim is to create a vehicle for global investors to access diversified pool of direct equity investments in a region where they are underweight, tapping in to EBRD's successful track record and robust investment strategy.

Local currency and local capital markets

EBRD, like most international financial institutions (IFIs), is looking at increasing the number of local-currency-denominated operations in its own portfolios. While the provision of local currency loans by IFIs is critical in encouraging the broader use of local currency as a unit of value and reduces the impact of adverse exchange rate movement on vulnerable borrowers, IFIs recognize that strategic initiatives such as LC2 (local currency and capital markets) must look beyond local currency lending operations in order to develop more robust and sustainable financial systems that result in more efficient and broader mobilization of capital and access to finance. LC2 efforts bring together EBRD's work across departments in treasury functions, banking operations, and technical assistance to help establish critical market infrastructure and a regulatory framework supportive of broad-based capital markets activity. Key to this is strengthening the efficient functioning of domestic capital markets through clearing, settlement, and depository improvements, raising confidence in local institutions such as equity exchanges and trading platforms and supporting the systematic development of the local investor base as an alternative source of finance to the banking system.

Examples of activities that support these goals include minority strategic investments in equity exchanges and the support of a virtual equity trading platform linking several exchanges in the Balkan region, as well as extensive policy dialogue on the issues related to the creation of Central Counterparties (CCP) and increased issuance of local currency debt and equity instruments. Recent successes include the first-ever Georgian-Lari bond issue by an IFI, and participation in a pilot corporate bond issue in Som by the Kyrgyz Investment and Credit Bank (KICB) as well as investment in several local currency financial sector corporate bonds in Romania. This is often augmented by technical cooperation aimed at encouraging the development of a broader inventory of domestic financial assets such as real estate investment trusts (REITs), infrastructure project bonds, and covered bonds.

Inter-American Development Bank

Since 2008, the Inter-American Development Bank (IADB) has been actively engaged in the mobilization of resources to countries in Latin America and the Caribbean and improving the conditions for private sector activity as a means of attaining growth, employment creation and poverty alleviation.

The IADB has launched diverse initiatives to forge and strengthen alliance with both public and private partners; pursued activities aimed at identifying alternative and innovative sources of financing; and developed new financing products. The bank has also leveraged its expertise, resources, and regional presence, as well as its partners' financial and non-financial contributions, to increase resource mobilization and respond to the region's funding needs.

Innovative financing is playing an important role in funding private investment. The IADB continues to explore innovative mechanisms and identify other possible avenues for funding. In addition to loan operations and technical assistance, the bank has a wide array of instruments to mobilize financial resources from private partners or to support private finance. The bank promotes innovative financing mechanisms that play an important catalytic role and help attract new sources of financing. For example, credit enhancement mechanisms such as partial risk and partial credit guarantees, risk pooling initiatives, project bond credit enhancements and equity tranches covering first loss provisions, and impact investments, to name a few. The bank continues to pursue other actions to encourage private sector participation, increase philanthropic support, and facilitate impact investing.

Private sector window: Catalytic role in mobilizing private sector

IADB's private sector window also provides a series of advisory services, investment facilitation, and knowledge management activities that promote the crowding in of resources from external sources. The Multilateral Investment Fund (MIF) has been able to leverage $2.7 billion in private investment in infrastructure through the use of grants from its Regional Public-Private Partnership Advisory Services Program. An additional $1.2 billion in private investments is expected to be mobilized as a result in the near future. The program has achieved this by strengthening government capacities in the design, execution, and management of PPPs using advisory services. It addresses gaps that prevent the launch of PPPs in the region by leveraging resources and knowledge of the IADB. The program also helps identify bankable PPP projects and markets them to the private sector. It focuses on assisting subnational governments and smaller and lower-income countries with innovative PPPs, such as green PPPs and health and education projects, to assist them with finding investors and achieving financial closure. Program activities include training as well as the development of nonfinancial products for project financing, management and monitoring. In addition, capacity building is provided directly to government institutions for the identification and management of PPP projects.

This program is active in 12 countries with an array of PPP support projects including 18 technical assistance programs, 15 diagnostics to 12 governments, and the successful organization of five international conferences on PPP. As a result of the program, 22 PPP units have been established to date and 2,238 specialists from the public and private sector have received training. Additionally, 28 laws and regulations have been drafted and implemented that have made possible the launch of PPPs across the region.

IADB also provides innovative tools such as shared value appraisals and platforms such as BeyondBanking[2] and Infrastructure 360[3] that encourage firms to make investments that generate social as much as financial return. These approaches seek to turn private sector leaders into "agents for change" and partners for development on sustainability, gender and other impact focused issues. Through all of its investments, the IADB encourages improved corporate practices and the highest environmental and social standards (box E.4).

IADB loans and guarantees have thus improved the terms and amount of financing for a project that will play an important role in Central America's efforts to develop while limiting carbon emissions. Impact investing is another mechanism that private sector windows use for resource mobilization. In March

BOX E.4 The private sector is helping to finance clean energy infrastructure in Costa Rica

The Inter-American Development Bank is active in mobilizing private funds for investments in clean energy. In 2012, the IADB approved a series of loans and guarantees for a total of $200 million for the construction of the largest renewable energy project in Central America, a hydroelectric plant with an installed capacity of 305.5 megawatts, which will supply electricity to 525,000 households. This project represents a milestone in the IADB's efforts to increase mobilization of the private sector by expanding its network of potential co-investors.

Reventazón introduced a first of its kind loan and bond package and was the first multilateral development bank transaction closed in over a decade using Reg-D private placement structure. The IADB A/B loan package includes a 20-year term, the longest tenor achieved for any IADB B-loan. The $200 million A loan tranche was complemented with a $135 million B tranche that was sold to bond investors through the Reventazón Finance Trust (RFT). The 20-year senior bond has a 14-year average life and pays an 8 percent coupon. At an expected rating of Baa3/-/BBB-, the note is in line with Moody's rating on Costa Rica, but above Fitch's BB+ rating on the sovereign, effectively piercing the sovereign ceiling. Because of the IADB's lender-of-record status on the B tranche, the deal benefits from the multilateral's "de-facto preferred creditor status". The sale of the B tranche, instead of resorting to commercial bank debt, allowed the deal to seek longer-term funds from institutional investors. The IADB's package also made possible the mobilization of additional investment. The IADB secured $470 million in cofinancing from the International Finance Corporation (IFC) and a group of Costa Rican banks, all going for the same 20-year tenor in colones, the Costa Rican currency. The project has been structured so construction, operation, and other risks are covered by the government owned Instituto Costarricense de Electricidad (ICE).

2014, the MIF launched a $5.3 million program to test Social Impact Bonds in Latin America. This financing model offer opportunities for private investors to participate in developing and delivering services to low-income or vulnerable populations. The MIF's Social Impact Bond facility will focus on developing the right conditions to create the ecosystem that is necessary for the Social Impact Bond market to develop and grow. The IADB Group's Inter-American Investment Corporation (IIC) committed $2.5 million to the Adobe Social Mezzanine Fund I LP. Adobe is an impact investment fund focused on the growth of sustainable small and medium enterprises that have adopted innovative business models from a financial, social, and environmental perspective.

The IADB will continue to provide financial and non-financial instruments to directly engage with the private sector and mobilize additional resource toward projects with high developmental impact. Through the use of innovative financing options, such as guarantee mechanisms for investments and market creation, as well as advisory services to create the conditions for additional investments, the bank will catalyze investment throughout the region.

Asian Development Bank

The Asian Development Bank's (ADB) long-term strategy, Strategy 2020, and recent midterm review of this strategy (MTR), prioritize private sector development and private sector operations as key drivers to generate greater economic growth in the region. Under the MTR, ADB has committed to systematically expanding assistance for private sector development and operations to 50 percent of annual operations by 2020.

Public-private partnership (PPP) is viewed as an important modality to achieve this objective in ADB's operations. ADB's PPP Operational Plan (2012–20) provides guiding principles and an operational framework to guide PPP operations. The plan includes four pillars of PPP support: capacity development, strengthening investment environments, and developing and financing projects.

ADB's support for PPP includes assistance in developing the necessary regulatory and institutional frameworks for PPP, and development of PPP projects, including provision of transaction advisory services (TAS). From 1998 to 2012, ADB's sovereign portfolio with actual and indicative PPP components[4] included a total of 178 projects[5] with a total value of about $28 billion.[6] For the nonsovereign portfolio, there were 71 PPP projects, mostly involving project financing, amounting to about $7.2 billion. Technical assistance included 316 projects with PPP components amounting to $494.5 million.

Recently, to enhance institutional effectiveness and efficiencies of PPP operations, ADB established a new Office of Public-Private Partnership (OPPP). OPPP enables improved ADB-wide coordination and support to the implementation of PPP operations, including the provision of transaction advisory services to developing member country (DMC) clients. ADB is pursuing more innovative financing solutions for PPP projects, including through credit enhancement products and local currency financing.

Efforts to support improvements in the business and investment climate

ADB has provided upstream support in its DMCs to strengthen public infrastructure management systems, including through PPPs, to facilitate DMC access to private sources of financing (box E.5).

ADB has provided support for PPPs to leverage ODA resources from donor countries through project development, including PPP TAs, to structure bankable infrastructure projects (box E.6).

ADB has been promoting the development and utilization of project preparation facilities to help develop infrastructure projects on a larger scale and at a level and quality that attracts private sector investment (box E.7).

BOX E.5 ADB has provided support to strengthen the business environment

ADB has provided advisory and capacity building technical assistance (TA) to support its developing member countries (DMCs) to promote, develop, and implement PPP projects by developing or improving the institutional framework.

TA 7796: Strengthening PPPs in the Philippines, is financed by ADB ($1.5 million) and cofinanced by the Government of Australia ($7 million, subsequently increased to $22 million), and the Government of Canada ($1.2 million, subsequently increased to $4.2 million). The TA is supporting capacity building of the government's PPP system and funding the Project Development and Monitoring Facility for the preparation, competitive bidding, negotiation, and monitoring of environmentally friendly PPP projects.

TA 4993: Mainstreaming PPPs at Central Line Ministries of the Government of India, amounting to $2 million, was approved in November 2007 and closed in March 2012 with a successful rating. The TA supported the enhancement of capacity of PPP cells in selected central line ministries to prepare and evaluate PPPs. This resulted in significant institutionalization of PPP skills in the selected central line ministries. Both the capacity development initiatives and the knowledge products developed under the TA resulted in numerous workshops that have been instrumental in disseminating knowledge and building awareness of international best-practices.

BOX E.6 ADB is helping to involve private partners in infrastructure projects

Forging partnerships with the private sector can help mobilize financing and management expertise for infrastructure in developing countries. The complexity of PPP projects underlines the importance of the expertise that multilateral development banks can contribute in this area. Three projects illustrate the ADB's contribution to these efforts:

ADB is helping to improve the institutional framework for PPP to promote private investment in rural areas in India. Component 1 of *TA 7342: Supporting an Initiative for Mainstreaming Public–Private Partnerships for Providing Urban Amenities in Rural Areas in India* focuses on developing the "Providing Urban Facilities in Rural Areas" (PURA) framework at the Ministry of Rural Development, which includes (i) defining sector policy objectives with PPP implementation modalities and well-defined scheme parameters; (ii) defining cluster infrastructure asset classes to be funded through the scheme as different to assets being developed through other government schemes; (iii) identifying existing government funding schemes relevant to the asset classes, and developing a policy framework for these funds to be integrated into the PURA framework for PPP implementation; (iv) developing generic PPP models and related contract documents for clusters to be incorporated as guidelines; (v) identifying viability gap funds, if required; (vi) consulting with local governments and the private sector on the framework and PPP implementation modality; (vii) identifying key risks and their mitigation for implementation; and (viii) developing a communication and advocacy strategy. The TA was approved on 11 September 2009 and designed to be implemented over five years. The cost of the TA is $1.875 million equivalent, of which $1.5 million equivalent was financed on a grant basis by the Japan Special Fund, funded by the Government of Japan.

In June 2011, ADB was appointed as *transaction advisor to the Government of Mongolia* to structure the *Combined Heat and Power Number 5 Project* as a build-operate-transfer concession—a $1.2 billion investment. A multidisciplinary team with project finance and private sector legal skills was assembled to deliver this PPP advisory mandate. ADB's advisory team assisted the government in its negotiations with the preferred bidder. The Government signed a Concession Agreement for Ulaanbaatar's Combined Heat and Power Plant Number 5 Project with the preferred bidder on 20 June 2014. The Concession Agreement is for 25 years and will be accompanied by a full suite of project agreements (power purchase agreement, heat purchase agreement, land use agreement, coal supply agreement, and water use agreement). ADB is supporting the government in finalizing the terms of all project agreements under the Concession Agreement to ensure that the project reaches full documentary and financial close as soon as possible.

In November 2013, ADB was appointed as a *transaction adviser to the state gas companies of Turkmenistan, Afghanistan, Pakistan, and India* to help attract a private partner to lead the consortium that will build, own, and operate the planned *1,800-kilometer Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline*. The project aims to export up to 33 billion cubic meters of natural gas a year from Turkmenistan to critically unserved markets in South Asia, where energy needs are estimated to double by 2030. It will bring multiple benefits to the participants including access to new markets and greater energy security and job opportunities. The project will also help transform regional cooperation and boost other initiatives aimed at bringing peace and stability to the region.

Support to PPP to crowd in private sector investment through technical assistance or direct financing of the public part

ADB has helped link bankable PPPs and other infrastructure projects to long-term financing sources, such as bilateral and international financial institutions, institutional investors, pension funds, insurance companies, and funds (box E.8).

ADB strives to build on the lessons of pilot credit enhancement facilities by developing through TA the foundations of a commercially oriented credit guarantee facility in order to enhance credit and investability of corporate bonds by contractual savings institutions (box E.9).

BOX E.7 ADB's involvement in project preparation facilities has mobilized private investment in infrastructure

Project preparation facilities (PPFs) are useful instruments to involve the private sector in the development of bankable infrastructure projects. Large infrastructure investments can require complex planning and enormous resources, underlining the contribution ADB can make through project preparation facilities. ADB is playing an increasing role in development of these facilities.

Asia-Pacific Project Preparation Facility (AP3F): ADB is preparing the design and establishment of a new regional project preparation facility. It will be a revolving facility that prioritizes the preparation of infrastructure projects that are viable for private participation and investment. ADB will draw from its own experiences in managing PPFs in Asia and will look to an ongoing PPF Assessment for relevant inputs. ADB will share the progress and development of AP3F with the Development Working Group under the G20.

Cities Development Initiative for Asia (CDIA): CDIA is an international partnership initiative, established in 2007, by ADB and the Government of Germany, with additional core funding support from the Governments of Austria, Sweden, and Switzerland, and the Shanghai Municipal Government. The initiative provides assistance to medium-sized Asian cities to bridge the gap between their development plans and the implementation of their infrastructure investments. CDIA supports the identification and development of urban investment projects and links them with potential financiers. It also provides courses on PPPs for implementation, operation, and facilitation, including training for trainers. CDIA has been actively supporting cities in structuring urban infrastructure project concepts to pre-feasibility study (FS) stage at an international level of quality, making it acceptable to other institutions (public, private, or multilaterals) either for full-blown standard project feasibility studies or financing. As of June 2012, out of 40 completed pre-FSs, 9 were identified for PPP implementation.

The ADB-supported *Project Development and Monitoring Fund (PDMF) in the Philippines* is funding the project development of PPP projects in the pipeline. Australia provided $18 million for the PDMF. As of December 2013, 26 projects, worth an estimated $6.5 billion have been approved for PDMF support.

BOX E.8 ADB supports infrastructure through credit lines

Credit line to India's Infrastructure Finance Company Ltd (IIFCL): In 2013, ADB provided a $700 million loan to support the Indian government's efforts to accelerate investment in the infrastructure that the country urgently needs to ensure strong economic growth. This assistance to IIFCL will allow it to lead the market evolution for infrastructure financing and spur greater involvement from the private sector. IIFCL provides long-term financing on commercial terms for standalone nonrecourse infrastructure projects. IIFCL will finance PPP subprojects selected through a transparent and competitive bidding process and only those assessed for commercial viability. The latest financing for IIFCL comes on top of a previous $500 million loan facility approved in 2007, which helped fund 30 public-private partnerships, including the Delhi and Mumbai international airports, and a further $700 million approved in 2009, which is still being disbursed.

BOX E.9 ADB credit guarantees can also support infrastructure

ADB's commercially oriented credit guarantee facility helps develop innovative financing mechanisms for infrastructure investments. An example is the *Partial Credit Guarantee of $128 million set up in India with ADB support*. The facility will support credit enhancements of infrastructure project bonds to address one of India's key development challenges, namely to meet the infrastructure investment target of about $1 trillion during the Twelfth Five-Year Plan for FY2012–16. The facility has been developed in partnership with India Infrastructure Finance Company Limited (IIFCL) and it dovetails other PPP infrastructure development initiatives by the government and ADB to support PPP enablers and provide long-term project finance. Under the facility, IIFCL, which is a domestic AAA entity, will issue PCGs in support of infrastructure project bonds and ADB will assume a portion of the credit risk on the underlying project from IIFCL by issuing it a counter guarantee. The PCGs will raise the rating of the project bonds to the AA level, which will enable domestic institutional investors to invest in the credit enhanced bonds in accordance with domestic regulation. In addition to IIFCL, ADB will seek to partner with other eligible domestic financial institutions.

ADB has promoted various other initiatives to support increased private sector investment in infrastructure in the Asia Pacific region, including:

- Equity investment and TA to establish the Credit Guarantee and Investment Facility (CGIF) jointly with the governments of ASEAN+3 (10 countries of the Association of Southeast Asian Nations plus China, Japan, and Republic of Korea) to support the development of corporate bond market in these countries with a view to support local currency long-term financing of private investments including refinancing of loans for infrastructure projects (i.e., PPP).[7]
- Support for the establishment of ASEAN+3 Bond Market Forum with voluntary participation of a number of private (regional and global) financial institutions as well as financial and regulatory authorities of ASEAN+3 to promote the integration of bond markets across ASEAN+3. Support for the Cross-border Settlement Infrastructure Forum with participation of central securities depositories as well as central banks to facilitate cross-border bond transactions.
- Leveraging additional financing from the private sector through initiatives such as the Canadian Climate Fund for the Private Sector in Asia (CCFPSA), which was established in March 2013, with a $82 million contribution from the Government of Canada as ODA funds. CCFPSA would contribute a maximum of 20 percent of an investment, ADB a maximum of 25 percent, the remaining 55 percent (at least) coming from the private sector.
- A new proposal is being considered to increase operational departments' cofinancing, particularly with developing member countries' sovereign funds and state-owned commercial banks.

Innovative financing mechanisms to help attract new sources of financing

ADB has initiated some innovative financing mechanisms and will continue to develop and explore innovative solutions that can play a catalytic role and help attract new sources of financing, including:

- Credit enhancement products and local currency financing for projects, especially through domestic capital markets. For credit enhancements instruments, these cannot be provided in the absence of credible rating agencies that have access to historical data on default probabilities and recovery rates. Thus technical assistance may be needed in some countries to support the development of rating agencies.

- Expanding the scope of existing trust funds to include non-grant contributions to be used to provide guarantees, risk transfer products, loans, and equity investments to mobilize private sector financing.
- Establishment of new concessional debt cofinancing facilities specifically oriented to support private sector operations.
- Innovative approaches to better leverage resources. For example, ADB is working on a proposal to blend concessional resources from special funds with ordinary capital resources to enable the provision of more flexible debt, equity, and guarantee instruments.
- Increasing technical assistance for business development in key markets
- Expanding the capital available for debt and equity investments with high development impact but larger risks.
- Replicating innovative instruments for infrastructure financing, such as the ASEAN Infrastructure Fund, in other subregions of Asia and the Pacific.
- Exploring ways to use grant or trust fund resources as collateral, instead of directly intermediating it, to enhance SME access to credit.
- Products that are specific to the urban sector are also important given the challenges of urban poverty. These may include tax increment financing and asset registration frameworks.
- Potential for supporting and developing market instruments that can result in financial inclusion, especially in the rural sector, may be considered. These could potentially include (i) business correspondent model for expanding banking sector outreach; (ii) supporting instruments, such as crop and livestock insurance and forward and futures contracts for agricultural commodities; (iii) microfinance instruments for a variety of asset classes including small rural enterprises and low-income housing.

African Development Bank Group

The African Development Bank Group (AfDB Group) uses public-private partnerships to mobilize additional capital for infrastructure development in Africa. Launched in 2010, the regional flagship Programme for Infrastructure Development in Africa (PIDA) aims to improve access to integrated regional infrastructure. PIDA's Priority Action Plan (PAP) comprises 51 priority infrastructure back bone projects in energy, water, transport, and ICT. The overall cost of closing Africa's infrastructure gap is high: $360 billion in infrastructure investment is planned through 2020 under priority PIDA projects alone. These costs are beyond the financing capacity of governments or development finance institutions. Thus, attracting private sector participation through PPPs is essential for the delivery of critical infrastructure projects in Africa.

The AfDB Group's emphasis on public-private partnerships is enshrined in its Ten Year Strategy (2013–22), Governance Strategic Framework and Action Plan (2014–18) and in its Private Sector Development Strategy (2013–17). One of the core objectives of the Governance Strategic Framework and Action Plan (2014–18) is to improve the business enabling environment in Africa by enhancing policy, legal and regulatory frameworks to increase investor confidence and foster private sector investments. These interventions are typically undertaken using program-based operations (general budget support) and institutional support projects. Some of the associated reforms undertaken through these instruments include the simplification of legal and institutional frameworks, reduction in the costs of doing business, streamlining of business licensing procedures, elimination of unfair or arbitrary taxes, support of commercial court systems, improvements in public procurement systems and generally increasing private sector participation in the provision of public goods and services. The box below provides an illustration of an institutional support project designed to improve the business enabling environment in Rwanda (box E.10).

Between 2009 and 2013, the African Development Bank, the non-concessional lending window of the Bank Group, approved $8.6 billion in loans to private sector operations with a total value of $71.6 billion. Private infrastructure projects were a considerable part of these operations: AfDB Group directly supported 42 PPP projects, with total direct financial commitments of $2.3 billion. A useful illustration of a successful PPP project is the Dakar Toll Road, a project resulting in the construction of a 24 kilometer motorway from Pikine to Diamniadio in the Dakar area. This project was prepared and tendered by APIX (the Senegalese Government Agency for the Promotion of Investments in Public Works) on the basis of a PPP structure presenting a balanced allocation of risk among all the parties concerned. The Dakar Toll Road is now in operation and an extension is being developed. The total cost of this project was €225 million, with debt financing provided by the African Development Bank and other multilateral and commercial lenders.

In addition to direct lending, the African Development Bank Group is broadening the platform of financial instruments it can deploy to direct private sector investment in developing economies toward the financing of well-prepared, adequately structured infrastructure projects. Despite their growing interest, investors continue to perceive doing business in African low-income countries as excessively risky and require a higher risk premium compared with their operations in other regions. This perception of disproportionately high risk increases the cost and reduces the volume of commercial financing and capital. Private undertakings that involve sovereign exposure carry an additional risk premium, as they are subject to various political risks, including governments' failure to honor commitments.

The bank's increased efforts to mitigate these perceived risks and encourage private sector investment on the continent encompass loan syndications and cofinancing through its A-loan/ B-loan program, guarantees, the Africa 50 fund, and nonlending services.

Loan syndications and cofinancing

The A-Loan/B-Loan program allows eligible commercial co-financiers to indirectly benefit from the bank's preferred creditor status, thus mitigating certain political risks (notably

BOX E.10 Rwanda Competitiveness and Enterprise Development (Phases I and II)

The African Development Fund (ADF), the concessional lending window of the Bank Group supported Rwanda's public sector reforms with a series of general budget support operations and institutional support projects. Through the *Rwanda Competitiveness and Enterprise Development* institutional support project, the ADF helped the Rwandan government with the establishment of an online business registration as well as an electronic land registration system. This effort contributed to boosting investor confidence and resulted in increased lending to the private sector. The creation of the Rwandan Development Board, a national institution with the mandate of spearheading increased investments and promoting trade in the country, was a major outcome of this intervention. Rwanda's Investment Perception Index was also significantly improved as a result of these efforts. At the regional level, the Bank supports regional initiatives such as the Investment Climate Facility for Africa to mobilize resources to tackle barriers to investment.

risks related to foreign currency convertibility and transferability). Alternative co-financing structures, such as parallel lending, are also available. The bank is currently mandated to coordinate and syndicate financing for a number of prominent transactions in different industry sectors across the Continent. The Bank recently finalized two notable financing mandates for transactions incorporating syndications: an $810 million facility for Transnet (South Africa), consisting of a $400 million A-loan provided by the Bank on its own account, and a $410 million B-loan provided by a syndicate of five commercial banks; and an $850 million, 300 megawatt wind project in Lake Turkana in Kenya, where the bank acted as the lead arranger for development financial institutions, multilateral development banks, export credit agencies, and commercial lenders through a B-loan.

Guarantees

The AfDB has offered two guarantee products since 2000: partial credit guarantees (PCGs), which cover a portion of scheduled repayments of private loans or bonds against all obligors' risks; and partial risk guarantees (PRGs), which protect private investors against defined political risks related to the failure of a government or a government-related entity to honor specified commitments. Initially, these instruments were available only for government, state-owned enterprises in middle income countries, or private sector projects in all regional member countries. However, under the 12th and 13th General Replenishments of the African Development Fund (ADF), these instruments were made available to projects in low-income countries, including fragile states.

(i) Partial Credit Guarantees (PCGs)

The AfDB has successfully issued a number of PCGs in several sectors, including €13 million equivalent for local banks to mobilize €209 million for the MTN Cameroon mobile telephone development project; up to $30 million in portfolio guarantees to catalyze $60 million in loans to support small and medium enterprise finance; and $600 million in risk participation agreements to mobilize a total of $1.2 billion for trade finance.

PCGs were introduced in 2013 to help well-performing ADF countries (and some state-owned enterprises in these countries) with low risk of debt distress and adequate debt management capacity to mobilize domestic and external commercial financing.

Like the AfDB product, the ADF-PCG covers a portion of debt service default on scheduled repayments of commercial debt against all risks, both commercial and political. It should thus help ADF countries increase their borrowing from capital markets at longer maturities and lower interest rates, potentially supporting sovereign mobilization of commercial financing for policy or sectoral reforms. The ADF is still exploring opportunities to use this new tool.

(ii) Partial Risk Guarantees (PRGs)

Whereas the AfDB has been exploring a number of opportunities to utilize its PRG in the energy sector, the ADF-PRG (approved in 2011) was used to support two key private sector operations under PPP structures in 2013: the Lake Turkana Wind Power project (LTWP) in Kenya; and the privatization of the power sector in Nigeria, by providing support to 4 identified independent power producers (IPPs).

While the AfDB is leading the structuring and financing of the Lake Turkana Wind Project, from the private sector window (mentioned above), the ADF is providing a PRG to cover certain obligations of the Kenyan government in connection with the transaction. The use of the PRG in this project is to secure the timely delivery of a 400-kilometer-long transmission line to be built by the government owned Kenya Electricity Transmission Company (KETRACO). The instrument will cover the payment obligations of KETRACO to the project for Deemed Generated Energy of up to €20 million, in the event that the transmission line is not ready once the power plant has been commissioned. Lenders to the LTWP project identified this risk as a major impediment to the commercial viability of the project.

The ADF Board also approved the utilization of a PRG for the payment obligations of the newly-established and government-owned Nigeria Bulk Electricity Trader (NBET) to independent power producers under power purchase agreements. The PRG is provided in a programmatic approach, to cover several independent power producers. To date, the NBET has approved the 495-megawatt Okija Power Project, where the AfDB is acting as the lead arranger for the debt financing; the 250-megawatt Ikot Abasi Gas-Fired Power Project; phase one of the 1200-megawatt Zuma Coal-Fired Power Plant; and a Brownfield Project—the 330-megawatt Transcorp Ughelli Gas-Fired Power Plant. The PRG will catalyze investment of approximately $1.8 billion, the total project cost for the three green field independent power producers.

Local currency initiative

The AfDB introduced the local currency initiative in order to meet two objectives: the first one being to assist clients to mitigate their foreign exchange risk; and the second being to facilitate the development of domestic capital markets. The Bank can lend in 10 African currencies (Egyptian pounds, Ghanaian cedis, CFA XOF and XAF, Kenyan, Tanzanian and Ugandan shillings, Nigerian naira, South African rand and Zambian kwacha), and currently has a total outstanding portfolio of $1.65 billion equivalent in Nigerian naira, South African rand, and Ugandan shillings. The Bank also provides loans in local currency through its synthetic local currency loan product, where by the loan is booked in the Bank's book as a hard currency loan which the client exchanges into local currency at an agreed exchange rate. These loans simulate local currency financing by indexing payments of interest and principal to local currency interest and exchange rates through an agreed formula. The Bank co-financed the Lekki-Toll Road Project in Lagos, Nigeria using this instrument.

Africa 50 Fund

In June 2013, the AfDB Group initiated the Africa 50 Fund, which will draw financing from African sources, such as pension funds, supplemented by targeted investments from abroad, to finance transformative projects in infrastructure on the continent. Using its wide experience in Africa's infrastructure markets and its track record in establishing vehicles, the AfDB finalized Africa 50's business concept, operational structure and strategy as well as its financial projections in March 2014 and obtained its Board's approval.

Substantial market testing with prospective investors, partners and clients has also been undertaken and is being reflected in the design of Africa 50. The AfDB is also the cornerstone investor in Africa 50 and has committed to invest up to $500 million into Africa 50's project finance business line and up to $100 million in its project development business line. AfDB's investment in the project finance business line will be leveraged with other investors to reach $3 billion during the first two years and thereafter tap into financial markets to leverage 2–3 times and reach $10 billion.

Nonlending services

The AfDB is leveraging its strong local presence and continuing dialogue with policy makers to support the implementation of PPPs through capacity building programs delivered by the AfDB Institute (EADI), the African Legal Support Facility (ALSF), and other support services of the Bank.

Notes

1. The Public Private Infrastructure Advisory Facility (PPIAF) has supported an additional 683 activities, with total expenditures of US$134 million.
2. BeyondBanking is a platform to disseminate best practices and innovation by recognizing the most sustainable

environmental, social and corporate governance initiatives by financial intermediaries in Latin America and the Caribbean.

3. Another initiative of the IADB that seeks to promote sustainable infrastructure investments is the annual Infrastructure Sustainability Awards, also known as the Infrastructure 360 Awards. This program seeks to identify, assess and reward outstanding sustainability practices in infrastructure investments in the region with emphasis on climate and environment, as well as leading practices in social impact, governance and innovation.
4. "Indicative PPP components" refers to envisaged PPP elements in ADB projects that are still in the early stage of implementation, particularly the approvals from 2009–10; thus the PPP components (contracts) have yet to be firmed up. Other projects with indicative PPP components include those that envisage PPP arrangements upon completion of the construction.
5. The total number of projects refers to the projects identified with PPP ADB support.
6. The amount refers to the total value of ADB support. The amount being reflected does not necessarily represent the sum of the project's total estimated cost required for implementation, but the amount being extended by ADB in the form of financial loan, technical assistance, or loan administration.
7. For example, the CGIF has issued guarantees for several corporate bonds, and its leverage ratio has recently been expanded to continue the guarantee operations.

APPENDIX
F

Economies of the world

Table F.1 World Bank Group classification of economies by region and income, fiscal 2015

East Asia and Pacific

American Samoa	UMC
Cambodia	LIC
China	UMC
Fiji	UMC
Indonesia	LMC
Kiribati	LMC
Korea, Dem.	LIC
People's Rep.	LMC
Lao PDR	UMC
Malaysia	UMC
Marshall Islands	LMC
Micronesia, Fed. Sts.	LMC
Mongolia	LIC
Myanmar	UMC
Palau	LMC
Papua New Guinea	LMC
Philippines	LMC
Samoa	LMC
Solomon Islands	UMC
Thailand	LMC
Timor-Leste	UMC
Tonga	UMC
Tuvalu	LMC
Vanuatu	LMC
Vietnam	

Europe and Central Asia

Albania	UMC
Armenia	LMC
Azerbaijan	UMC
Belarus	UMC
Bosnia and Herzegovina	UMC
Bulgaria	UMC
Georgia	LMC
Hungary	UMC
Kazakhstan	UMC
Kosovo	LMC
Kyrgyz Republic	LMC
Macedonia, FYR	UMC
Moldova	LMC
Montenegro	UMC
Romania	UMC
Serbia	UMC
Tajikistan	LIC
Turkey	UMC
Turkmenistan	UMC
Ukraine	LMC
Uzbekistan	LMC

Latin America and the Caribbean

Argentina	UMC
Belize	UMC
Bolivia	LMC
Brazil	UMC
Colombia	UMC
Costa Rica	UMC
Cuba	UMC
Dominica	UMC
Dominican Republic	UMC
Ecuador	UMC
El Salvador	LMC
Grenada	UMC
Guatemala	LMC
Guyana	LMC
Haiti	LIC
Honduras	LMC
Jamaica	UMC
Mexico	UMC
Nicaragua	LMC
Panama	UMC
Paraguay	LMC
Peru	UMC
St. Lucia	UMC
St. Vincent and the Grenadines	UMC
Suriname	UMC
Venezuela, RB	UMC

Middle East and North Africa

Algeria	UMC
Djibouti	LMC
Egypt, Arab Rep.	LMC
Iran, Islamic Rep.	UMC
Iraq	UMC
Jordan	UMC
Lebanon	UMC
Libya	UMC
Morocco	LMC
Syrian Arab Republic	LMC
Tunisia	UMC
West Bank and Gaza	LMC
Yemen, Rep.	LMC

South Asia

Afghanistan	LIC
Bangladesh	LIC
Bhutan	LMC
India	LMC
Maldives	UMC
Nepal	LIC
Pakistan	LMC
Sri Lanka	LMC

Sub-Saharan Africa

Angola	UMC
Benin	LIC
Botswana	UMC
Burkina Faso	LIC
Burundi	LIC
Cabo Verde	LMC
Cameroon	LMC
Central African Republic	LIC
Chad	LIC
Comoros	LIC
Congo, Dem. Rep.	LIC
Congo, Rep.	LMC
Côte d'Ivoire	LMC
Eritrea	LIC
Ethiopia	LIC
Gabon	UMC
Gambia, The	LIC
Ghana	LMC
Guinea	LIC
Guinea-Bissau	LIC
Kenya	LIC
Lesotho	LMC
Liberia	LIC
Madagascar	LIC
Malawi	LIC
Mali	LIC
Mauritania	LMC
Mauritius	UMC
Mozambique	LIC
Namibia	UMC
Niger	LIC
Nigeria	LMC
Rwanda	LIC
São Tomé and Principe	LMC
Senegal	LMC
Seychelles	UMC
Sierra Leone	LIC
Somalia	LIC
South Africa	UMC
South Sudan	LMC
Sudan	LMC
Swaziland	LMC
Tanzania	LIC
Togo	LIC
Uganda	LIC
Zambia	LMC
Zimbabwe	LIC

High-income OECD economies

Australia
Austria
Belgium
Canada
Chile
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Iceland
Ireland
Israel
Italy
Japan
Korea, Rep.
Luxembourg
Netherlands
New Zealand
Norway
Poland
Portugal
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
United Kingdom
United States

Other high-income economies

Andorra
Antigua and Barbuda
Aruba
Bahamas, The
Bahrain
Barbados
Bermuda
Brunei Darussalam
Cayman Islands
Channel Islands
Croatia
Curaçao
Cyprus
Equatorial Guinea
Faeroe Islands
French Polynesia
Greenland
Guam
Hong Kong SAR, China
Isle of Man
Kuwait
Latvia
Liechtenstein
Lithuania
Macao SAR, China
Malta
Monaco
New Caledonia
Northern Mariana Islands
Oman
Puerto Rico
Qatar
Russian Federation
San Marino
Saudi Arabia
Singapore
Sint Maarten (Dutch part)
St. Kitts and Nevis
St. Martin (French part)
Taiwan, China
Trinidad and Tobago
Turks and Caicos Islands
United Arab Emirates
Uruguay
Virgin Islands (U.S.)

Source: World Bank data.
Note: This table classifies all World Bank member economies, and all other economies with populations of more than 30,000. Economies are divided among income groups according to 2013 gross national income (GNI) per capita, calculated using the World Bank Atlas method. The groups are: low income, $1,045 or less; lower-middle income, $1,046–4,125; upper-middle income, $4,126–12,745; and high income, $12,746 or more. Other analytical groups based on geographic regions are also used. The names of countries and economies in this table comply with the World Bank's official listing.

Table F.2 International Monetary Fund member countries as classified in the World Economic Outlook, 2014

Advanced economy countries (34 countries)

Australia
Austria
Belgium
Canada
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Iceland
Ireland
Israel
Italy
Japan
Korea, Republic of
Latvia
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
San Marino
Singapore
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
United Kingdom
United States

Emerging Market and Developing Countries (154 countries)[a]

Emerging and Developing Europe (13 countries)

Albania
Bosnia and Herzegovina*
Bulgaria
Croatia
Hungary
Kosovo*
Lithuania
FYR Macedonia
Montenegro**
Poland
Romania
Serbia
Turkey

Emerging and Developing Asia (29 countries)

Bangladesh
Bhutan**
Brunei Darussalam**,[b]
Cambodia
China
Fiji**
India
Indonesia
Kiribati*,**
Lao People's Democratic Republic
Malaysia
Maldives**
Marshall Islands*,**
Micronesia, Federated States of*,**
Mongolia[b]
Myanmar*
Nepal
Palau**
Papua New Guinea[b]
Philippines
Samoa**
Solomon Islands*,,**[b]
Sri Lanka
Thailand
Timor-Leste*,**,[b]
Tonga**
Tuvalu*,**,[b]
Vanuatu**
Vietnam

Sub-Saharan Africa (45 countries)

Angola[b]
Benin
Botswana
Burkina Faso[b]
Burundi*,[b]
Cameroon
Cabo Verde**
Central African Republic*,[b]
Chad*,[b]
Comoros*,**
Congo, Dem. Rep. of*,[b]
Congo, Rep. of [b]
Côte d'Ivoire*
Equatorial Guinea**,[b]
Eritrea*,[b]
Ethiopia
Gabon[b]
Gambia, The
Ghana
Guinea[b]
Guinea-Bissau*,[b]
Kenya
Lesotho
Liberia*
Madagascar*
Malawi[b]
Mali*,[b]
Mauritius**
Mozambique[b]
Namibia
Niger[b]
Nigeria[b]
Rwanda
São Tomé and Príncipe**
Senegal
Seychelles**
Sierra Leone*,[b]
South Africa[b]
South Sudan*,[b]
Swaziland**
Tanzania
Togo*
Uganda
Zambia[b]
Zimbabwe*,[b]

Middle East, North Africa, Afghanistan, and Pakistan (23 countries)

Afghanistan, Islamic Republic of*,[b]
Algeria[b]
Bahrain**,[b]
Djibouti**
Egypt
Iran, Islamic Republic of [b]
Iraq*,[b]
Jordan
Kuwait[b]
Lebanon
Libya*,[b]
Mauritania[b]
Morocco
Oman[b]
Pakistan
Qatar[b]
Saudi Arabia[b]
Somalia*
Sudan*,[b]
Syrian Arab Republic*
Tunisia
United Arab Emirates[b]
Yemen, Republic of *,[b]

Commonwealth of Independent States (12 countries)

Armenia
Azerbaijan[b]
Belarus
Georgia[c]
Kazakhstan[b]
Kyrgyz Republic
Moldova
Russian Federation[b]
Tajikistan
Turkmenistan[b]
Ukraine
Uzbekistan[b]

Latin America and the Caribbean (32 countries)

Antigua and Barbuda**
Argentina
Bahamas, The**
Barbados**
Belize**
Bolivia[b]
Brazil
Chile[b]
Colombia
Costa Rica
Dominica**
Dominican Republic
Ecuador[b]
El Salvador
Grenada**
Guatemala
Guyana**,[b]
Haiti*
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay[b]
Peru
St. Kitts and Nevis**
St. Lucia**
St. Vincent and the Grenadines**
Suriname**,[b]
Trinidad and Tobago**,[b]
Uruguay[b]
Venezuela[b]

Note: The names of countries and economies in this table comply with the IMF's official listing.

[a] 60 countries in bold typeface are low-income developing countries (LIDC) and 94 countries in regular typeface are emerging market countries (EMC).

The LIDC are countries eligible for IMF's concessional financial assistance with a per capita Gross National Income (measured according to the World Bank's Atlas method) in 2011 of below twice the IDA's effective operational cut-off level, and Zimbabwe. The EMC are the non-LIDC emerging market and developing countries. 32 countries, with an asterisk, are included in the World Bank's list of Fragile and Conflict-Affected States, as of July 2014. 36 emerging market and developing countries, with two asterisks, are countries with a population of less than 1.5 millions in 2013. The two latter country groupings are denoted as fragile states and small states respectively.

[b] 56 emerging market and developing countries are fuel or primary commodity exporters.

[c] Georgia, which is not a member of the Commonwealth of Independent States, is included in this group for reasons of geography and similarities in economic structure.

ECO-AUDIT

Environmental Benefits Statement

The World Bank is committed to preserving endangered forests and natural resources. The Office of the Publisher has chosen to print *Global Monitoring Report 2014/2015: Ending Poverty and Sharing Prosperity* on recycled paper with 30 percent post-consumer waste, in accordance with the recommended standards for paper usage set by the Green Press Initiative, a nonprofit program supporting publishers in using fiber that is not sourced from endangered forests. For more information, visit www.greenpressinitiative.org.

Saved:

- 15 trees
- 7 million BTU of total energy
- 1,319 pounds of CO_2 equivalent of greenhouse gases
- 7,152 gallons of wastewater
- 478 pounds of solid waste

green press INITIATIVE