# PROGRESS REPORT AND CRITICAL NEXT STEPS IN SCALING UP

*Education for All, Health, HIV/AIDS, Water and Sanitation*

**March 27, 2003**

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AAA | Analytical And Advisory Services |
| APL | Adaptable Program Loan |
| ARV | Antiretroviral |
| CAS | Country Assistance Strategy |
| CBO | Community Based Organization |
| EFA | Education For All |
| FTI | Fast Track Initiative |
| GAMET | Global AIDS Monitoring and Evaluation Team |
| GAVI | Global Alliance for Vaccines and Immunization |
| GFATM | Global Fund to Fight AIDS, Tuberculosis and Malaria |
| GDP | Gross Domestic Product |
| GWP | Global Water Partnership |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IFI | International Financial Institutions |
| LICUS | Low Income Countries Under Stress |
| M&E | Monitoring & Evaluation |
| MAP | Multi-country AIDS Project |
| MDG | Millennium Development Goals |
| MIGA | Multilateral Investment & Guarantee Agency |
| MTEF | Medium Term Expenditure Framework |
| NGO | Non-governmental Organization |
| ODA | Overseas Development Association |
| O&M | Operations & Maintenance |
| PRSC | Poverty Reduction Support Credit |
| PRSP | Poverty Reduction Strategy Paper |
| SSA | Sub-Saharan Africa |
| SWAP | Sector-wide Approach |
| TB | Tuberculosis |
| WBI | The World Bank Institute |
| WDR | World Development Report |
| WWC | World Water Council |
| WSS | Water Supply Sanitation |

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**EXECUTIVE SUMMARY AND ISSUES FOR DISCUSSION**

**Context.** The Development Committee has attached central importance to the objective of achieving the MDGs. In its Communiqué of September 28, 2002, it requested for its April 2003 meeting a progress report on the implementation of the Education For All Fast Track Initiative (EFA FTI), and also urged the World Bank to pursue work towards scaling up in the areas of HIV/AIDS/communicable diseases, water and sanitation. This Synthesis and its 4 addenda papers focus on these "service-delivery MDGs", that is, the goals for which effective service delivery is an important instrument.[1] Scaling up in the context of the MDGs means achieving outcomes—at country, regional and global levels—commensurate with the scale of the challenge.

**Moving ahead faster.** The process of scaling up is not straightforward and the magnitude of the challenge is formidable. Many of the poorest countries will not reach the service delivery MDGs unless all development partners take decisive action.

- *Economic growth* is critical for developing countries to reach the poverty and service delivery MDGs. Despite the well-established and virtuous cycle of progress between growth and the MDGs, the evidence is also clear that projected levels of growth alone will not be sufficient to reach the MDGs. This is especially true for the low-income countries of Sub-Saharan Africa, particularly so for the health and education MDGs.

- While pursuing growth, therefore, there is need to improve the *effectiveness of* existing resources, which is largely reliant on actions that developing countries themselves need to undertake and incorporate into country PRSPs. Reforms are needed both within and across sectors to build strong policy and institutional frameworks which encourage efficiency, accountability and service delivery.

- Strong progress in country performance needs to be supported by enhanced resources. Scaling up financing for the delivery of services will need to involve governments, private entities, and users. To fill the residual financing gap for low-income countries, *a large-scale increase in development assistance* is required, estimated at *$20-$39 billion in incremental annual ODA to help finance direct costs of scaling up for the service delivery MDGs only.* The figure errs on the side of under-estimation.

- In view of the *multi-sectoral* determinants of the MDGs, and the inter-dependence of the goals, coordinated investments at the country level are essential. The idea is that of "focus countries" where multi-sector teams will work to help countries develop an integrated reform program. The vision for the World Bank is not that all projects in focus countries should cut across multiple sectors, but that the portfolio as a whole translates multi-sector analysis into effective and mutually reinforcing interventions.

[1] This paper complements the report on *Achieving the MDGs and Related Outcomes: A Framework for Monitoring Policies and Actions* (DC2003-003) also being discussed at the Development Committee.

**Lessons learned from implementation.** EFA FTI experience over the past year has provided valuable lessons in what to do, and what not to do, to accelerate progress toward the service delivery MDGs in general: (i) establishing an explicit policy framework with clear benchmarks, used flexibly and tailored to each country's circumstances, helps to focus dialogue in-country, and to create consensus internationally; (ii) sector initiatives must be firmly grounded in and aligned with country poverty reduction strategies; (iii) expectations on resource mobilization need to be managed carefully—low expectations can stifle creativity in working through politically difficult issues but unrealistic expectations about the speed of donor response lead to frustration and loss of momentum; (iv) governance and decision-making processes related to new initiatives need to be addressed quickly; and (v) when developing accelerated programs for countries with appropriate policies, it is important to explicitly maintain attention on other countries, providing them strong, sustained technical and capacity-building support.

**Issues for the Development Committee.** In order to take the next steps in achieving concrete results in scaling up impact, we ask the Development Committee to consider:

- **Assessing and expanding the framework for scaling up**. There continue to be imbalances in country aid allocations by donors/IFIs, given that such decisions are guided only in part by the performance of the developing country. This approach can lead to multiple sources of funds being available for activities in some countries, while others may have inadequate resources even though they have undertaken reforms. It is also difficult for a country to make progress across the MDGs by tapping into the synergies of coordinated investments across sectors. There is need for donors/IFIs to ensure that their country-based allocations focus aid resources on those countries where there is international consensus that governments are already proponents of reform and are making efforts to invest their own resources. Alongside this approach, there is need to analytically support countries which do not appear ready to scale-up but where needs are great. *Such a performance-based approach to scaling up is undergoing its first test case in the EFA Fast Track Initiative. What do Ministers see as the most valuable lessons to date? To what extent do Ministers believe that other service-delivery areas can follow a similar model for scaling up?*

- **Meeting Monterrey commitments**. Differences in experiences, approaches, and institutional constraints faced by different donors/IFIs has contributed to a lack of clarity on the availability of resources for countries who have made progress on service delivery to the poor. This calls for the development of a full menu of financing options which addresses ways to complement rather than distract developing country capacity from horizontal, country-level (CDF/PRSP) approaches; finance recurrent cost expenditures with a long-term perspective; reduce transaction costs through better donor coordination; ensure transparency and accountability; reward country performance; and be tailored to absorptive capacity. *A number of developing countries have made significant progress in meeting their obligations as part of the Monterrey consensus and are well positioned to reach service delivery MDGs. What steps can be taken to assure that resources are available to continue the progress and partnership envisioned in Monterrey?*

## I. INTRODUCTION

1.1 The Millennium Development Goals (MDGs) provide a clear direction and compelling call for action. They have galvanized the international community to renew its commitment to the objectives of reducing poverty and improving the basic human development outcomes of poor people across the world. A new framework of mutual responsibility and accountability to achieve the MDGs was confirmed by the summits in Monterrey, Doha, Johannesburg, Rome, and Kyoto. Developing countries committed themselves to undertaking policy and institutional reforms and embodying them in country programs such as Poverty Reduction Strategy Papers (PRSPs), the primary strategic and implementation vehicles to reach the MDGs. Developed countries also committed to supportive actions in the form of trade-openness and increased ODA for countries engaging in genuine reforms. International development agencies responded to the MDG challenge with commitments of institutional re-alignment, innovative instruments, and stepped up knowledge and financial services.

1.2 The Development Committee has attached central importance to this agenda and has sought to regularly review progress through clear and measurable indicators. In its Communiqué of September 28, 2002, it requested for its next meeting a progress report on the implementation of the Education For All Fast Track Initiative (EFA FTI), and also urged the World Bank to pursue work towards scaling up activities in the areas of HIV/AIDS/communicable diseases and water and sanitation services. This Synthesis and its 4 addenda papers focus on these "service-delivery MDGs", that is, the goals for which effective service delivery is an important instrument [1] and report to the Development Committee on key implementation issues being encountered in scaling up. Scaling up in this context means achieving outcomes—at country, regional and global levels—commensurate with the scale of the challenge. The process of scaling up is not straightforward and the magnitude of the challenge is formidable.

## II. PUTTING THE CHALLENGE INTO PERSPECTIVE

2.1 Bluntly speaking, many of the poorest countries will not reach the MDGs unless all development partners take decisive action without delay. As scaling up proceeds, however, we need to avoid engaging in a mechanistic drive for expansion, which previous global initiatives have shown to lead to unsustainable results.

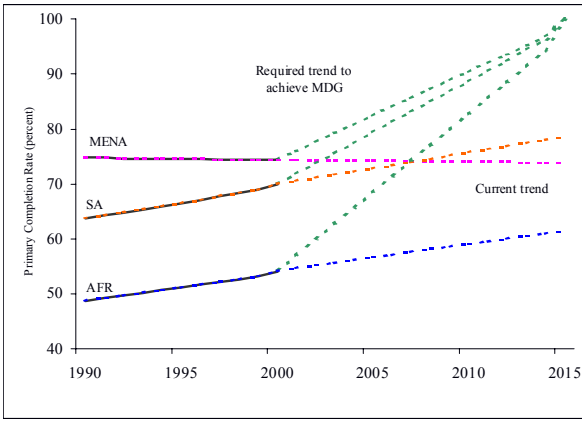
### MDG gaps

2.2 The depth of the challenge varies across the different goals.

- In the year 2000, 115 million primary school-age children in developing countries were not in school, of which 79 million had never attended school. Over 64 million (56%) of the out-of-school children were girls; 42 million (37%) were from Sub-Saharan Africa (SSA). Current trends suggest that 70 countries are at risk on

[1] This paper complements the report on *Achieving the MDGs and Related Outcomes: A Framework for Monitoring Policies and Actions* (DC2003-003) also being discussed at the Development Committee.

**Figure 1. The Performance Gap in Education for All (Primary Completion Rate) by 2015**




universal primary completion by 2015 (Figure 1) and there is no data for an additional 16 countries.

- Despite these numbers, of all the service MDGs, EFA is probably the one most within reach. All middle-income countries and more than two-thirds of low-income at-risk countries would reach the goal if they could match the average growth of 3% per year in *primary completion rates* observed in the best-performing countries in the 1990s.

- The goal of eliminating gender disparity in primary and secondary education by 2005, however, will not be met. Meaningful progress can still be achieved within this tight time frame, such as achievement of gender parity worldwide for Grade 1 intake, if developing countries and their partners launch action today.

- Over 10.5 million children in the developing world die every year before their 5$^{th}$ birthday, most of them from preventable causes. Child deaths have declined in every region over the decades, but progress has been uneven with child mortality rates having fallen slowest among the world's poorest children. If current trends persist, SSA countries will take 100 years to reduce the under-5 mortality rate by two-thirds.

- Maternal mortality rates at the global level have stayed stubbornly high for two decades. Each minute a woman dies in pregnancy or childbirth, with 99% of maternal deaths occurring in developing countries.

- At present roughly 1 billion people in the developing world live without access to safe drinking water, 2.2 billion people without adequate sanitation, and 4 billion live in conditions where their wastewater is discharged untreated into local water bodies. The number of people with access to drinking water and sanitation must increase by 270,000 people per day and over 370,000 people per day, respectively, to meet the water supply and sanitation goals.

- Current trends suggest that no more than 1 in 5 countries are on track to achieve the target of a 50% reduction in population without access to these services. Still more alarming, less than 1 in 10 *low-income* countries are on track, yet it is these countries where water-related diseases are among the top causes of child and maternal deaths.

- These challenges alone call for dramatic action. Unless we are also able to reverse the spread of HIV/AIDS, however, the MDGs will be unachievable. The facts are stark. At the end of 2002, 39 million adults and 3 million children were living with HIV/AIDS. Current projections suggest an *additional* 45 million people will be

infected between 2002 and 2010 unless the world succeeds in mounting a drastically expanded global prevention effort. In many Southern African countries AIDS has reduced life expectancy from around 60 years to below 40 years, wiping out the advances of the last 20 years of development. Although SSA is the worst affected region thus far, it is not only an African problem: Europe and Central Asia, China and India now have the fastest growing epidemics.

- AIDS-related adult deaths have led to 14 million orphans in the world, mostly in SSA. The unprecedented scale of the orphans crisis will worsen for the next 10 years at least, straining country-level capacity to achieve the primary education or child mortality MDGs.

**Tailoring approaches to low- and middle-income countries**

2.3 The MDG gaps are largest in the poorest countries. Large inter-household and inter-regional income inequalities within countries indicate, however, that significant segments of society have been left behind even in middle-income countries with higher per capita incomes. The results-oriented focus of the MDGs can be adapted for middle-income countries to re-orient or deepen their strategies to reduce inequality and improve services for poor people. The specific emphasis may well vary from country to country, depending on the country-specific determinants of observed development gaps. Thus, upgrading quality of services may be of greatest concern in some middle-income countries, regional equity of access in others, while sustainable increases in access may be the primary challenge in many low-income countries.

2.4 It is also important to note that the domestic resource mobilization capacity is greater in middle-income countries than low-income countries. Thus, even for middle-income countries where regional MDG gaps may be pronounced, the expectation is that they would mobilize a large share of the required additional funding for service delivery from their own efforts rather than relying heavily on concessional development aid. Donor/IFIs may, nonetheless, be called on to assist with suitable analytical, policy and technical design advice.

**Box 1. Inter-dependence of MDGs**

- In 1993 alone, health costs pushed 3 million Vietnamese into poverty
- About 20% of the EFA annual financing gap ($975 million) is attributable to HIV/AIDS
- Each year Zambia loses half as many teachers as it trains to HIV/AIDS
- More than 60% of all child mortality is associated with malnutrition
- In Morocco girls' attendance at school more than doubles with the existence of a paved road
- Mothers who have completed primary education are 50% more likely to immunize their infants
- In Bangladesh school attendance increases by 15% with access to piped water and lower water collection times
- Access to sewerage in urban Nicaragua reduced child mortality by 50% in those communities

**Inter-connected progress**

2.5 The MDGs capture multiple and related dimensions of poverty. This inter-connectedness means:

- Progress on one MDG depends on progress on others (Box 1). By the same token, lack of

progress on one goal impedes progress on others. Failure to reach gender parity in education, for example, will slow down growth and be a missed opportunity to reduce under-5 mortality by up to 14 per 1000 children.

- Reaching any one of the MDGs will require related action across several sectors. This includes the 8th MDG on international partnerships, which underpins progress on all the other goals.

**Development by numbers?**

2.6 The depth of the challenges notwithstanding, a single-minded pursuit of the MDGs has the danger of creating a "performance by target" syndrome. Experience with previous global initiatives (Box 2) shows that there can be a tendency to bypass the time-consuming and often politically difficult processes of realigning national policies and institutional roles necessary to sustain improvements in service quality and access. The focus can shift to "quickly showing results" to make the case for increased resources from budgets and aid. These experiences provide crucial lessons for the current drive towards the MDGs.

**Box 2. Learning from Previous Global Initiatives**

Experience with global target-oriented initiatives is sobering. The International Water Supply and Sanitation Decade of the 1980s meant to galvanize the global community to scale up access to these two vital services. In practice the rapid expansion in infrastructure assets in the 1980s reflected a hardware focus, with insufficient attention to appropriate policies and institutional arrangements for sustaining services. By the early 1990s much of that infrastructure was not delivering the service it was designed for, but rather was deteriorating rapidly (urban) or was not operating at all (rural). This represented a huge waste of scarce capital and political goodwill.

- The MDGs are global targets but their realization will depend on the commitment and actions that developing countries themselves take to embed the goals into *country PRSPs* or equivalent national strategies. The implementation of country PRSPs, as reflected in budgets, policies, and institutions, will be the ultimate vehicle for the achievement of the MDGs.

- The challenges are even larger than those suggested by the statistics above when *sustainability* is added to increases in access to services for poor people. Achieving the goals in a sustainable way will require time and specific, persistent attention by the national leadership to nurture the changes to policies, institutional reforms and capacity-building necessary to build improved service delivery systems.

## III. MOVING AHEAD FASTER—POLICIES AND INSTITUTIONS

3.1 One point is clear. The world community must improve development effectiveness dramatically by engaging in continuous and deliberate learning about what works and what does not. Alongside economic growth, our understanding of development experience points to two major pillars for effective action: *first,* developing countries need to improve the effectiveness of available resources through appropriate policies and institutions, capturing synergies across sectors, and building capacity;

*second,* for countries striving to implement effective reforms, there is need to ensure adequate resources (levels and form) to help execute better policies. Where the policies and institutional arrangements do not enable services to reach poor people, the large-scale injection of domestic or aid resources will not make a difference.

## Growth is critical

3.2 Economic growth remains critical for developing countries to reach the MDGs. At the household level, growth serves to reduce poverty and better enables households to send their children to school and obtain proper nutrition and health care; at the macro level, growth generates greater revenues which can finance improved coverage and quality of education, health, water and other services. Growth itself will depend on many factors, including investment climate and increased opportunities for trade access to developed markets, but also, a healthy, better educated, and more productive labor force.

**Table 1. Growth is Important but Not Enough**

| Region | *Projected annual average GDP per capita growth rate 2000-2015 (%)* | *Poverty headcount rate (under $1 day) (%)* | | *Primary education completion rate (%)* | | *Under-five mortality rate (per 1,000 births)* | |
|---|---|---|---|---|---|---|---|
| | | *Target* | *What can be achieved by 2015 by growth alone* | *Target* | *What can be achieved by 2015 by growth alone* | *Target* | *What can be achieved by 2015 by growth alone* |
| East Asia | 5.4 | 14 | 4 | 100 | 100 | 19 | 26 |
| Europe and Central Asia | 3.6 | 1 | 1 | 100 | 100 | 15 | 26 |
| Latin America & Caribbean | 1.8 | 8 | 8 | 100 | 95 | 17 | 30 |
| Middle East and N. Africa | 1.4 | 1 | 1 | 100 | 96 | 25 | 41 |
| South Asia | 3.8 | 22 | 15 | 100 | 99 | 43 | 69 |
| Sub-Saharan Africa | 1.2 | 24 | 35 | 100 | 56 | 59 | 151 |

*Sources:* GDP growth projections from Global Economic Prospects, World Bank 2003; projections on achievement of goals based on forthcoming WDR 2004.

3.3 Despite this well-established and virtuous cycle of progress between economic growth and the MDGs, the evidence is also clear that projected levels of growth alone are not expected to be *sufficient* to reach the MDGs. This is especially true for the low-income countries of SSA, and particularly so for the health and education MDGs (Table 1). The forthcoming World Development Report 2004 will show, for example, that even if projected economic growth rates in SSA *double*, the region may reach the income poverty goal but still fall short of the health and education MDGs.

## Improved effectiveness of existing resources

3.4 While maintaining the pursuit of growth, therefore, there is need to improve the effectiveness of existing resources, which is largely reliant on actions that developing countries themselves need to undertake and incorporate into country PRSPs. Effectiveness in this context refers to the extent to which resources are translated into better outcomes. Reforms are needed both within (see this section) and across sectors (see next section) to build strong policy and institutional frameworks which encourage efficiency, accountability and service delivery.

3.5 In the case of EFA, analysis of the experience of 55 countries indicates that achievement of the EFA goal by 2015 will only be possible if at-risk countries first succeed in transforming their education systems to improve the balance of salary and non-salary expenditures, and the learning environment for children.

- While each country faces a unique set of challenges, this analysis has generated a set of policy benchmarks that gives initial guidance to countries in gauging the dir-ection of changes needed to improve system efficiency (Box 3). These benchmarks have been shown to be associated with strong country performance in primary education. They are not a straightjacket, how-ever, and are being adapted country by country.

**Box 3. Indicative Policy Benchmarks for EFA by 2015**

| | |
|---|---|
| **Service Delivery** | |
| Avg. annual teacher salary | 3.5x per capita GNP |
| Pupil-teacher ratio | 40:1 (optimal) |
| Non Salary spending | 33% of recurrent education spending |
| Average repetition rate | 10% lower |
| **System Expansion** | |
| Unit construction cost | $6,500 - $12,500 (constant dollars) |
| **System Financing** | |
| Gov't revenues, % of GDP | 14% - 18% (depending on p/c GDP) |
| Education spending | 20% (as share of Gov't revenues) |
| Primary education spending | 43% - 50% (as share of total education recurrent spending) |
| Private enrollments | 10% (as share of total) |

- All EFA FTI countries as well as a number of others have adopted the frame-work and have implemented reforms in these directions as part of their PRSPs.

3.6 The water supply and sanitation (WSS) community is also building consensus on indicative policy and institutional frameworks for sustainable service delivery.

- Experience shows that it is important to involve consumers in planning and managing services in order to ensure greater accountability of service providers to taxpayers and consumers, including the presently unserved. Stronger local and national mechanisms for service oversight are also required in order to promote greater investment and operating efficiency, and improve service quality.

- Recognizing that government effort alone will not be sufficient, public-private partnerships, especially with local providers and financiers will be an important instrument for lowering costs and delivering value for money. This requires that service providers be given clear incentives to generate sufficient revenue to sustain and expand services, at levels commensurate with capacity to pay of the popu-lation. Countries that have moved in these directions have been able to use available resources to much greater effect, especially in expanding service coverage while maintaining and upgrading quality (Box 4).

**Box 4. Improving Water and Sanitation Services to Poor People through Public-Private Partnerships**

In 1988 the government of Cote d'Ivoire signed a contract with SODECI, a private enterprise, to operate the urban WSS system. The contract links SODECI's revenues to the amount of water sold, as an incentive for the operator to add and serve new customers. In addition, funds are made available to SODECI for the installation of subsidized "social connections" for low-income households that meet certain criteria. SODECI installed more than 300,000 new connections in 12 years, of which 90% are social connections.

3.7 In relation to the health MDGs, the approach being prepared by the World Bank with global partners also involves a country-level assessment of the possible demand- and supply-side impediments to achieving better results.

- Analysis thus far points to health systems as the main limiting factor to achieving the health MDGs and combating HIV/ AIDS. Both low-income and middle-income countries need to develop national health sector plans that create a framework for sustainable health systems, health infrastructure and quality of service delivery.

**Box 5. Scaling Up Immunizations through Results-Based Payments**

In Haiti USAID initially contracted NGOs to deliver primary care services based on a flat-rate sum. Subsequently the contract was revised and the NGOs were paid according to outputs/outcomes—an agreed amount paid if the target was hit, a bonus paid if the target was exceeded. In all participating NGOs immunization rates increased after the adoption of the results-based payment system.

- We also need to think broadly. If it is inadequate coverage, think outreach, but also changing performance incentives (Box 5), or rehabilitating roads. If it is inadequate water and sanitation, think infrastructure, but couple it to behavior change programs to ensure the biggest health impact of the investments, and so on.

## Improved governance and accountability structures

3.8 Making faster progress requires more than sectoral reforms. The overall policy environment, especially governance and accountability structures, can make a big difference in enabling sectoral service delivery programs to be effective.

**Box 6. Governance and Child mortality**

Bangladesh has made large strides in reducing under-5 mortality in recent years, relying on NGOs to deliver many services. In addition, if Bangladesh were able to raise the quality of governance (according to an internationally agreed governance index) from below the average to above the average at its public spending levels, it would be able to reap faster gains: an additional dollar of government health spending would reduce under-5 mortality by 14% versus 9% without such improvements.

- Improved public sector management can have a profound impact on the social sectors since they are heavily reliant on service delivery personnel in the public sector or via management contracts with other service providers (Box 6). Such reforms are not sector-specific but rather part of a national strategy to improve governance and performance. Cross-cutting reforms can take many forms, including improvements in the transparency of strategic decision-making and prioritization (e.g. PRSPs), budget management systems (e.g. Medium-Term Expenditure Frameworks), civil service and pay reform, deepening of decentralization to enhance fiscal and organizational autonomy of schools/clinics, etc.

- Uganda's PRSC series supports its poverty reduction strategy via reforms that improve access and quality of basic services. The reform program focuses heavily on cross-cutting governance issues given their importance in improving service delivery.

## Multisectoral approach

3.9 In view of the multi-sectoral determinants of the MDGs, and the inter-connections between the goals, a well-coordinated program of interventions across sectors is essential to making rapid and efficient progress on the MDGs.

- Coordinated investments at the country level are vital if the MDGs are to be reached. Recent studies show that neither economic growth nor increased health spending, singly or jointly, is likely to deliver the desired reduction of two-thirds in under-5 mortality rates by 2015. Reaching this target will require *simul-taneous* growth in girls' education, roads, water and sanitation, public health spending *and* the economy.

- The pursuit of reforms and investments in several sectors needs to be mediated through a country driven strategic frame-work such as the PRSP.

- We need to consider the supply of services, but also the factors that affect demand for services by poor people (Box 7).

- Yet it is easy to over-simplify the institutional complexities of an effective multi-sector approach. A re-tooling and re-alignment in incentives is often required between and within institutions to enable them to conduct cross-sectoral analysis and set priorities, and at the same time work as effective technical institutions. Sectoral priorities and issues need to emerge from the broader, multi-sector analysis. Nonetheless, ministries and sector institutions will still need to have clear responsibilities for sectoral priorities and implementing identified actions.

- It is also important to have realistic expectations. The payoffs from related investments may not materialize concurrently. Efforts to increase girls' education, for example, will not yield health payoffs in terms of lower under-5 mortality and malnutrition for another 5 to 10 years.

**Box 7. Demand for Services Matters, Not Supply Alone**

The Rural Access Initiative in six West African EFA countries has helped governments to understand demand issues around education in rural areas. School catchment areas in Chad, for instance, cover a zone of 5km surrounding each school, but research results found that at distances greater than 2km, attendance drops dramatically.

Conditional cash transfer programs, such as PROGRESA in Mexico or PRAF in Honduras, have also been shown to be important demand-side interventions in obtaining child and maternal health improvements. These programs link income transfers to families' contingent on their participation in facility-based preventive activities (e.g. pre-natal check-ups, immunizations, growth monitoring).

## Capacity enhancement

3.10 The transformation of service delivery systems will need adequate capacity to implement at all levels. Yet many of the countries that have the greatest MDG gaps also have very limited implementation capacity. Sensible policies will remain on paper and incremental assistance will go unused unless developing countries have the institutional capacity to prepare and implement actions and operate and maintain service delivery systems. Such capacity is developed gradually.

- Donors and IFIs can play an important role in institution-building alongside financing of capital investments or recurrent costs. To be effective in building local capacities, however, a long-term perspective and focus on national, local authority, and community levels is essential rather than building capacity in "project-ized" enclaves.

**Box 8. Community Empowerment and HIV/AIDS**

Community-based programs have been especially effective in enhancing prevention, care, support and treatment for those infected with HIV/AIDS. Most national programs now strongly support communities' involvement through capacity building and through the establishment of HIV/AIDS grant facilities that will channel resources directly to communities. This enables learning-by-doing on the part of the communities.

- Steps to build national capacity at all levels are being taken. In recent years, for example, there has been greater focus on country-owned programs such as PRSPs and on the important role of stronger communities in implementation as well as in ensuring local accountability (Box 8).

- A particular area of weak capacity is in public health delivery systems, especially in Africa, in terms of physical but also human resources. Civil service and pay reforms to retain scarce qualified personnel and improve performance will be key in several SSA countries as they strive to strengthen health systems to mount national HIV/AIDS and other campaigns.

- Another key area for capacity building is in data collection, analysis, and use in management and policy-making. Institutional capacity to collect administrative data and conduct surveys is often weak and local accountability mechanisms which obtain feedback from communities or users of services are also often weak. It needs to be noted that as data improves, *MDG indicators may tend to worsen* because the excluded, higher risk cases will begin to be captured.

## IV. MOVING AHEAD FASTER—ADEQUATE RESOURCES IN EFFECTIVE FORMS

4.1 Policy and institutional reforms to improve service delivery are of paramount importance to reaching the MDGs. Without developing country-led action on these fronts, achievement of the MDGs will not be possible. Where strong progress in country performance is being made, however, the question of resources comes into focus. Implementation of policies—such as free primary education—need to be financed adequately to be effective. Scaling up financing for the delivery of services will need to involve governments, private entities, and users. To fill the residual financing gap for low-income countries, a large-scale increase in development assistance is required. Also important is the form in which aid is delivered, with need for long-term commitments of performance-based, untied and coordinated aid for recurrent and capital costs.

### Estimated incremental costs of MDGs

4.2 The World Bank has been working in partnership with other institutions in developing estimates of the order of magnitude of resources required to reach the MDGs. By necessity, the estimates draw on very different sources of information, methodologies

and assumptions, but are the best available estimates at the present time. The estimates provided in this section are *not for costs of reaching all the MDGs, but rather the direct costs of **selected** targets within the "service-delivery MDGs", and not for all countries*. These estimates also do not include costs for the technical assistance, capacity-building, or infrastructure investments (e.g. in roads) that will be required as complements to the direct costs of services in order to ensure that services are not only available but also accessible to poor people. Hence, these *amounts are significant underestimates* of the total amount of resources that will be required to meet all the MDGs.

4.3 The current estimates (Table 2) indicate that the direct service delivery costs of reaching the primary education, health (including HIV/AIDS), and water supply and sanitation goals in low- and lower-middle income countries are in the range of an *additional $35-65 billion per year.*[2] For health and education, the bulk of the total costs are likely to be recurrent (for personnel, teaching/medical supplies, etc.), while for water and sanitation, the costs will be mostly for capital costs.

**Table 2. Estimated Annual Incremental Costs for Meeting *Selected* MDGs in Low- And Lower-Middle Income Countries**

| Selected MDGs | Estimated total incremental cost (annual) |
|---|---|
| Primary Education[1] | $8 - $10 billion |
| Health (including HIV/AIDS)[2] | $15 - $30 billion |
| Water & Sanitation[3] | $12 - $25 billion |
| **Total** | **$35 - $65 billion** |

Notes [1] The estimates for incremental costs for the primary education goal have been built up from country-by-country simulations of the policy reforms and financing required. These estimates include only recurrent costs, not investment costs.

[2] These incremental cost estimates are based on work by the Commission on Macroeconomics and Health. They include recurrent and investment costs.

[3] Incremental cost estimates are investment figures from WWC World Water Vision and GWP Framework for Action report, topped up by 25% for operations and maintenance for purely illustrative purposes.

4.4 The broad band to these estimates signals the complexities and uncertainties surrounding any attempt to cost the MDGs. Some of the significant difficulties to keep in mind include: lack of data on marginal costs versus average costs of increasing coverage; risk of double- or triple-counting given the inter-dependence of the MDGs and the multiple determinants of the; and difficulty in costing the policy, capacity-building, and institutional changes required for system change. The estimates are the best available but will be revised as further data and country-specific analyses become available.

**Sources of financing including estimated incremental ODA**

4.5 The total incremental costs described above will need to be financed by a combination of users (where appropriate), the government, the private sector including NGOs, and via ODA. *An incremental $20-$39 billion in annual ODA is estimated to be*

[2] Annex 1 to this paper provides information on the major assumptions utilized for the preparation of these cost estimates. Further details for each MDG can also be found in the relevant background addendum papers to this synthesis paper. Finally, it may be noted that the World Bank is undertaking analytical work to further develop the MDG cost estimates and will keep the Board informed through periodic briefings.

*necessary to help finance direct sector costs of scaling up* (Table 3). The difference between the total incremental costs and ODA levels reflects *the residual* after accounting for expected contributions of government and other actors. Once again, these are significant under-estimates of required ODA levels.

**Table 3. Estimated *Annual* Incremental Contributions from Non-ODA And ODA Sources for Selected MDGs in Low- And Lower-Middle Income Countries**

| Selected MDGs | Estimated incremental non-ODA contribution (annual) | Estimated incremental ODA contribution (annual) |
|---|---|---|
| Primary Education | $ 5 - $ 6 billion | $ 3 - $ 4 billion |
| Health (including HIV/AIDS) | $ 5 - $10 billion | $10 - $20 billion |
| Water & Sanitation | $ 5 - $10 billion | $ 7 - $15 billion |
| **Total** | **$15 - $26 billion** | **$20 - $39 billion** |

- A key assumption underpinning the discussion of incremental ODA requirements is that policy reforms and improvements in service delivery are at least as important in reaching the goals as the additional resources themselves. Hence, ODA is most effective—and should be channeled—where countries are making efforts to deepen and broaden reforms conducive to reaching the MDGs.

- Under any scenario significant resources need to be raised domestically, but in the poorest countries it is estimated that over half of total estimated resource requirements would come from ODA.

- It is assumed that developing country governments' share of spending would be lower in the early years and higher in outer years as governments respond to incentives and put in place the capacity to scale up. Estimates of ODAalso assume that developing country governments will re-prioritize their own budgets and increase domestic resources flowing to priority sectors. The scope for further government spending is limited in low-income countries, however, given fiscal constraints.

- For water supply and sanitation, a revenue generating sector, the main part of O&M plus part of investment costs will be covered by user fees; private sources of finance (both domestic and international) are also expected to play a significant role. User contributions vary by country for both education and health, and are often in kind.

- At present there is an overall country-level IDA ceiling covering all IDA loans as well as IDA grants for any particular country. For low-income countries which rely on concessional aid, it has already proved difficult to accommodate the increased demand for IDA funds to support country action plans to reach the MDGs, within the country-level resource ceilings for IDA.

## Absorptive capacity

4.6 While a large amount of ODA resources may be necessary in principle, how ready in practice are developing countries to effectively absorb these resources? It will take

time and reforms to build up absorptive capacity for the full level of required investments. Estimates indicate, however, that needed investment for the MDGs is under-funded in low income countries, and also that many countries are making substantial advances in policy and institutional changes which render them better able to absorb increased levels of ODA without distorting macroeconomic parameters. It is also worth noting that current levels of ODA represent less than 1% of the GDP of developing countries, and the estimates above represent an average annual increase in ODA of just under another 1% of aggregate low income countries' GDP.

4.7 Country-level institutional and structural policies, the key determinants of a country's ability to effectively use aid, will nonetheless vary across countries and will need to be assessed on a case by case basis. Some recipient countries may need to make adjustments to their fiscal and monetary policies in order to neutralize the price effects of additional external funds on tradable vs. non-tradable goods. In order to expand country-level absorptive capacity, it is also essential for donors/IFIs to strengthen national systems rather than parallel projects with heavy demands on scarce local capacity.

**Effective forms of aid**

4.8 Recent implementation experience shows that for ODA to be used effectively, efforts need to move from fragmented projects to long-term commitments for recurrent and capital costs, supporting a broad program driven by country circumstances, commitment and priorities. It will be important to ensure that increased ODA for the MDGs is supportive of cross-sectoral reforms and can be used across the goals rather than get tied to a vertical, strictly sectoral approach. Direct funding to the poorest countries is essential since the bulk of the resource requirements for health and education are likely to be recurrent (for personnel, teaching/medical supplies, etc). Reporting and disbursing channels also need to be harmonized across donors and be based on the country's own public spending management systems.

**Note to Sections III and IV: Best efforts in an uncertain world**

4.9 Many developing countries face extremely daunting odds; some countries may not be able to bring about or sustain the required political commitment or policy environment; some will not achieve the MDGs or their own PRSP targets. Nonetheless, our commitment as development partners should be to support countries who are making genuine reform efforts, and making our best efforts such that countries who fall short, do not do so for lack of technical and policy knowledge, or resources, as the case may be.

## V. SUMMARY PROGRESS IN SCALING UP

5.1 The challenge to the world community is to rise above current trends. Important strides have been taken in this direction with the EFA and in HIV/AIDS. Work to define the agenda for scaling up impact in health and WSS is also advancing, but is at an earlier stage. Progress in scaling up relies on the contributions of different partners: buy-in and commitment as evidenced by the actions of developing countries, and technical, trade and financial support from the broader development community of donor countries and IFIs.

5.2 **EFA Fast Track Initiative.** The FTI was launched to operationalize the Dakar/ Monterrey agendas into country-level actions.

- In June 2002, 18 countries with completed PRSPs were invited by the World Bank on behalf of "the new EFA Partnership" to join the first wave of the Fast Track Initiative. 7 FTI countries have produced proposals that were endorsed at the Brussels donor conference of November 2002. Another 5 have produced draft proposals and the remaining 6 indicated that their proposals would be ready in the first half of 2003.

- A further 5 countries—with 57% of the world's out-of-school children—are receiving analytical assistance to help address policy and capacity issues. The goal is to create the enabling environment to accelerate progress toward the EFA objectives, which is a pre-requisite for any large-scale resource transfers to support scaling up.

- The 7 country proposals agreed to by the FTI requested external financing of about $430 million over 3 years. Agreement was reached in Paris in March 2003 for covering the financial needs of these 7 countries.

- The World Bank has also initiated analytic work to help countries define an action plan to accelerate progress towards the gender parity goal in education.

- In addition to placing a sharp focus on policy and resource questions around the achievement of the EFA goal specifically, the experience of the last year has provided important lessons for scaling up efforts to reach the MDGs at large (Box 9).

**Box 9. EFA FTI: Lessons Learned**

EFA FTI experience over the past year has provided valuable lessons in what to do, and what not to do, to accelerate progress toward the MDGs in general: (i) establishing an explicit policy framework with clear benchmarks helps to focus dialogue in-country, and to create consensus internationally. The Fast Track Initiative's "indicative framework", used flexibly and tailored to each country's circumstances, has provided coherence across countries and has sharpened analysis of country-specific issues while establishing a baseline for monitoring and evaluation; (ii) sector initiatives must be firmly grounded in and aligned with country-specific poverty reduction strategies; (iii) expectations on resource mobilization need to be managed carefully—low expectations can stifle creativity in working through politically difficult issues but unrealistic expectations about the speed of donor response lead to frustration and loss of momentum; (iv) governance and decision-making processes related to new initiatives need to be addressed quickly, with supporting bureaucracies kept light in order to maintain focus and energy at the country level; and (v) when developing accelerated programs for countries with appropriate policies, it is important to explicitly maintain focus and attention on other countries, providing them strong and sustained technical and capacity-building support.

5.3 **HIV/AIDS.** Funding for HIV/AIDS has seen new commitments and instruments. While encouraging, the pace of disbursement of resources is slower than the severity of the epidemic requires, due among other reasons, to the challenges of working through new institutional structures and of channeling resources to local and community levels. Thus, while a financing gap remains, priority must also be given to improving country-level implementation and monitoring and evaluation (M&E) of programs.

- In September 2002 the World Bank's Board approved the use of IDA 13 for grants for HIV/AIDS. The Bank is the largest source of financing from the UN system for HIV/AIDS and expects to have committed more than $2.1 billion by the end of FY03.

- The Global Fund for AIDS, TB and Malaria (GFATM) has committed over $1 billion for communicable diseases in at least 62 countries to be used over the next two years, including support for ARV scale-up in 51 countries. Over $2.2 billion has been pledged through 2006, but to date, there is a lag in payments by donors to the Fund, as well as delays in disbursements to the countries.

- The Global HIV/AIDS Monitoring and Evaluation Team (GAMET), established through UNAIDS and housed at the World Bank, became effective in 2002.

- Local capacity, procurement, and financial management bottlenecks continue to result in large differences between committed and disbursed amounts in HIV/AIDS activities. Countries and their development partners need to make progress on these issues a key focus.

5.4 **Water and sanitation.** The global WSS community is moving on several fronts.

- Recent international summits (e.g. the World Summit on Sustainable Development in Johannesburg, September 2002) set forth clear principles and priority actions for sustainable service delivery in WSS, especially for poor people. The priority-setting has begun translating into concrete actions, e.g. the USA, EU and Japan launched major water initiatives in Johannesburg. Development assistance for WSS financing will also feature in the G8 meetings in Evian (June 2003).

- Sector reform and financing issues have been central in the discussions. The Camdessus Panel on Financing Water Infrastructure has developed specific proposals for scaling up financing of water infrastructure. Local and international initiatives have created innovative governance and public finance reforms for better service delivery, a focus of the 3rd World Water Forum in Kyoto (March 2003). These include the service delivery tri-partnerships supported by Building Partnerships for Development, hygiene campaign of the Water Supply and Sanitation Collaborative Council, and country water partnership of the Global Water Partnership.

- In February 2003 the Bank's Board approved the Water Resources Strategy, which defines approaches for the WBG to better engage with client countries and partners across the spectrum of water uses, including WSS. Internal business plans are under preparation and work continues with countries to define country-specific action plans.

5.5 **Health and nutrition.** Country-level scale-up efforts are advancing in some areas and there has been recent progress in forging a common framework for action across the health and nutrition MDGs.

- Failing national health systems have compromised the national and international health agendas since they are the vehicles for implementation. Hence, key to making progress on the health and nutrition MDGs will be building effective health systems,

and maximizing the synergy across donors and technical areas. The guiding principles include tackling key constraints, building on existing mechanisms at the country level, adopting a strong multi-sectoral framework, and strengthening monitoring and accountability. This approach will be reviewed with policy makers in April 2003.

- The World Bank is working with partners on a framework for further harmonization of activities across the many international health initiatives. Activities will be undertaken in parallel with, and coordinated with, existing global initiatives, including the GFATM (see above); the Global Alliance for Vaccines and Immunizations (GAVI) and the Vaccine Fund; and Stop TB.

## VI. MOVING AHEAD FASTER—WHAT ISN'T WORKING?

6.1 There have been implementation obstacles as development partners have scaled up their efforts. Immediate, concerted action is needed to resolve identified bottlenecks.

### Countries

6.2 Countries will need to lift their performance through better budget-management, innovative use of performance contracts and partnerships, and continuous learning.

6.3 **Issue 1: Reflecting priorities in budgets and planning frameworks**. Over the past year there has been rapid movement of countries such as Tanzania and Kenya to embrace EFA as a key political goal, abolishing user fees and encouraging all children of school-age country-wide to enroll. Such bold political measures need to be accompanied by immediate policy actions to ensure that quality of services and system sustainability do not decline. It is crucial to undertake medium-term planning and provision for recurrent costs in the budget. If not, we risk replication of Malawi's experience: immediately after school fees were abolished, enrollments of primary school children rose dramatically, but lack of adequate financing for teachers, teaching materials and classrooms led to large declines in quality, and enrollments fell back considerably.

6.4 **Recommended actions**. There is need for developing countries to align MDG priorities with national PRSP targets and incorporate their budgetary implications into the MTEF. The PRSP (including Annual PRSP Progress Reports) and the MTEF will increasingly be important tools to assess the consistency of service delivery targets, policy and incentive structures, domestic fiscal commitments, debt ceilings, long-term donor financing, and so on. Many countries have scope to create additional fiscal space to cover some incremental recurrent costs in priority areas through budget reallocations within and across sectors, away from inefficient programs or unproductive sectors.

6.5 **Issue 2: Strengthening public-private partnerships in service delivery**. While the public sector will continue to play a vital role in service delivery, it is unlikely that the MDGs will be reached by relying on the public sector alone. Yet many countries make inadequate use of the private sector, community groups, faith-based organizations, peasant associations, and NGOs in improving services. Limited reliance on partnerships is often rooted in mutual distrust and poor governance structures.

6.6 **Recommended actions**. Countries have the opportunity to learn from the experience of each other on ways to unleash the capacity of NGOs, community groups, the private sector *and* the public sector. This will demand changes in performance management and accountability systems. Kenya's National AIDS Control Council, for example, hired a financial management agency that has helped channel resources to more than 750 local CBOs/NGOs. This issue is also a major focus of the forthcoming WDR 2004 on service delivery.

6.7 **Issue 3: Demanding better measurement and learning**. National planning and budgeting systems in most developing countries are not oriented toward performance management and this leads to weak incentives for data collection, monitoring of services, and evaluation of effectiveness. This has precluded using results in decision-making. Yet there is greater need than ever to assess the effectiveness of policies and public spending, and to make timely adjustments in policies and programs to enable progress.

6.8 **Recommended actions**. Annual PRSP progress reports are expected to give new impetus to data measurement and M&E systems. The emphasis may still be on the "M" and far less on the "E", but it represents a beginning. Demand for information on results from the top decision-making levels, including Ministries of Finance, can play a crucial role. The World Bank and partners are also placing greater emphasis on building capacity in national systems for M&E, as seen in the Global Monitoring agenda under discussion.

**International development community**

6.9 There continues to be demand not only for more resources, but for long-term, reliable resources that can be concentrated in focus countries to have maximum impact.

6.10 **Issue 1: Clearly defining a financing framework**. There is a widely held perception that the heightened policy response by developing countries towards reaching the MDGs has not been reciprocated by an adequate increase in the commitment or flow of funds from official development aid or private sources. A number of issues emerge.

- *Country gaps.* The EFA FTI—while well received by the international community—has not precipitated a fully adequate financing response. The resolution of EFA FTI financing issues will have important implications for obtaining a policy response from developing countries for other MDGs.

- *Long-term commitment for financing recurrent costs.* Countries have raised questions about the reliability of long-term financing commitments, especially for recurrent costs. For the health and education MDGs, the bulk of needed financing is for recurrent expenditures. Countries have indicated that it would be risky for them to hire new teachers or health workers based on aid-financing unless there is reasonable assurance that the funds will be available over a number of years, providing time for countries to gradually assume responsibility for financing at these levels.

- *Does aid threaten macroeconomic stability?* Countries have raised concerns as to whether the expected increased aid flows, even as grants, could be seen as upsetting macroeconomic stability and worsening the aid-dependency of some countries.

6.11 **Recommended actions**. (i) The donor community needs to take visible action to respond, particularly with respect to the EFA FTI. One way to do this is to agree on a joint financing framework at the level of individual countries which have been assessed as being policy-ready and committed to implementation (Box 10). The idea of a gradually expanding group of performance-based "focus countries" is further developed below. (ii) Important positive developments are PRSCs and other programmatic instruments that look across the entire expenditure program. A series of PRSCs can constitute a predictable and reliable source of medium-to-long term funding for countries since it is driven by the country's commitment to a medium-term strategy. (iii) To the extent that additional aid is in the form of grants—including the "grant element" of IDA lending—and the commitment is long-term, these flows can be regarded as improving the revenue situation of countries. The IMF, which typically used to exclude grants from the estimation of revenues, now accepts that *long-term and reliable grants* can be regarded as reducing deficits. The challenge is to overcome the factors that can result in interruptions to long-term aid, including those emerging from changes in political leadership and aid agency policies. (iv) The IFC, MIGA, private investment arms of regional development banks, and bilaterals are engaged in supporting debt and equity placements for WSS and more recently in health and education. They can and should do more on loan syndications and credit enhancement (e.g. partial risk coverage), new products (e.g. local currency loans), etc., to better leverage public funds. Actions along these lines are reflected, for example, in recommendations of the Camdessus Panel on Financing Water Infrastructure.

**Box 10: Modifying Financing Frameworks**

Financing for countries who have made progress on service delivery to the poor has drawn on existing financing mechanisms and donor interests. The differences in experiences, approaches, and institutional constraints faced by different donors/IFIs has contributed to a lack of clarity on the availability of resources. An option to improve the situation is for the Bank to work in collaboration with other partners to develop a full menu of financing options. Such an overall financing framework for scaling up should address the following concerns: (i) ways to complement rather than distract scarce developing country capacity and attention from, horizontal, country-level (CDF/ PRSP) approaches, (ii) recurrent cost expenditures, (iii) long-term perspective, (iv) transaction costs and donor coordination, (v) transparency and accountability, (vi) country performance, and (vii) absorptive capacity.

6.12 **Issue 2: Greater donor harmonization**. Meaningful donor coordination in procurement, reporting, and financial management has been difficult to bring about. The transactions costs are immense for developing countries *and* donors. In some cases countries have to allocate scarce qualified personnel away from policy development and service delivery to donor management.

6.13 **Recommended actions**. The recent Rome meetings on harmonization represent an important strategic step forward in identifying key elements of a successful country-level donor coordination framework. The follow-up deliberations will need to include a focus on: ensuring that countries drive the coordination, not donors; strategic coherence as expressed through PRSPs or otherwise; financial coherence as expressed through an MTEF; selective number of coordinating bodies that can establish clear accountabilities while promoting action across sectors; untying of aid; and common reporting and

progress assessment formats emerging from the PRSP M&E framework. Persistent challenges emerge from the political economy of aid, however, whereby earmarked and tied funding remain attractive to donor legislatures.

6.14 **Issue 3: Imbalances in country aid allocation**. At present donors determine the level of their involvement in individual countries based on a number of criteria, only a subset of which are related to the performance of the developing country. This approach can lead to excess donor resources being available for activities in some countries, while other countries may be left with inadequate resources even though they have demonstrated commitment and undertaken reforms. The necessity of relying on donor preferences also means that it is difficult for a country to make progress *across the MDGs* by tapping into the synergies of coordinated multi-sector investments.

6.15 **Recommended actions**. Donors and IFIs need to ensure that their country-based allocations focus aid resources on those countries where there is international consensus that governments are already proponents of reform and ready to invest their own resources, i.e. where countries are ready and committed. Alongside this approach, there is need to address the issue that reform-minded countries may not necessarily be those where the largest MDG gaps exist. What should be the strategy to engage with countries which are not ready to scale-up (Box 11)? One approach is that of the EFA whereby apart from the FTI "focus countries", a second group of countries is being provided systematic technical assistance to help create the enabling conditions for scaling up.

**Box 11. Engaging with Countries Which Are Not "Ready" but Where Needs Are Great**

There are several countries that have large MDG gaps (and even moving in the wrong direction) and yet large-scale financial transfers are not advisable for a variety of reasons. In order to arrest further declines in these countries, the World Bank and donors need to find ways to engage with them via policy and analytical support, and to nurture alternative delivery mechanisms.

**World Bank**

6.16 The World Bank is intensifying its role as convener, conveyer of knowledge, financing partner, and financier of last resort—tailored to specific country needs or issues—to enable it to be an effective partner in scaling up. The recently completed internal Strategic Implementation Forum (February 2003) focused on scaling up for the MDGs, emphasizing the ongoing work to improve effectiveness via simplification of procedures, expansion of cross-sector work, increased analytics and learning, and longer-term capacity-building efforts.

6.17 **Issue 1: Simplifying procedures**. An obvious challenge for the World Bank is to expedite current efforts to streamline its operating procedures and work with governments to help them channel funds and technical support to local levels with a minimum of delay. The urgency of this problem is particularly evident for the HIV/AIDS programs of the Bank, which channel resources to large numbers of small community groups throughout the country.

6.18 **Actions underway**. In January 2003 a high-level Implementation Acceleration Team on HIV/AIDS was established to resolve internal and country level obstacles to rapid disbursement of funds. At a broader level, institutional emphasis is being placed on programmatic instruments such as PRSCs, APLs and SWAPs, which support sector- and economy-wide reforms. The Bank is assessing what changes are required in the Bank's budget system, skills mix, staffing levels, etc. to support these instruments.

6.19 **Issue 2: Stronger and more cross sectoral teams and programs**. The Bank is developing a multi-sector perspective to scaling up for the MDGs that envisions multi-sector assessments and sector priorities. The idea of "service-delivery teams" drawn from across the sectors and working on focus countries has gained momentum. The transformation will need a re-alignment of administrative procedures and incentive structures.

6.20 **Actions underway**. The moves towards results-based CASs and program lending have both been instrumental in creating incentives for sector collaboration. Work is also advanced in implementing the idea of "focus countries" where multi-sector teams will work to help countries develop an integrated reform program. The vision is not that all projects in focus countries should cut across multiple sectors, but that the portfolio as a whole translates multi-sector analysis into effective and mutually reinforcing interventions. A review is underway of the EFA FTI countries, the flagship countries of the Bank's WSS sector, and country level assessments by the HIV/AIDS and health groups, to identify countries suited for immediate cross-sector support.

6.21 **Issue 3: Expanding analysis, learning, and capacity-building**. Upstream cross-sector analytic work to identify the country-level constraints to achieving the MDGs will be of critical importance in moving on the programmatic, multi-sector track and enabling scale impact. Indeed, these activities are expected to become the backbone of the lending program, not an optional add-on. This is important for all countries but particularly so for countries where large-scale resource transfers may not be an option, that is, countries which have a more constrained environment due to weak governance structures, etc.

6.22 **Actions underway**. In recognition of the enhanced importance of capacity-building and knowledge-sharing, the Bank Group has begun to improve levels and stability of financing for strategic, cross-sector AAA. (i) One proposal is to allocate core funding to Country Teams to continuously monitor service delivery and MDG outcomes together with the UN and other partners. (ii) The 2004 World Development Report will be systematically harnessing and disseminating knowledge on ways to improve the effectiveness of service delivery for poor people. (iii) The Bank is also committing to systematically build in impact evaluations from the outset of program design, to enable knowledge to be generated from each experience to assist others to scale up. (iv) The WBI is tailoring its capacity-enhancement activities for client countries to better equip them for PRSP implementation (e.g. a 12-country workshop to strengthen human development issues in PRSPs was completed in Addis in November 2002) and public expenditure management. (v) Alongside these efforts, the Bank has identified the need to give greater recognition and resources to *less formal knowledge services*, e.g., facilitating consensus building and knowledge sharing via civil society networks, in-country donor harmonization, results-based monitoring and evaluation, etc.

## VII. KEEPING THE MOMENTUM—ISSUES FOR THE DEVELOPMENT COMMITTEE

7.1 The world will not come close to reaching the MDGs without extraordinary endeavors. The EFA goal is within relative reach, but even here the global community needs to take prompt action to ensure that real resources are available to support the countries that are policy-ready. The momentum is there to scale up for EFA and the other MDGs, but momentum can be lost as quickly as it is created. The Development Committee has been critical in raising the MDGs to the central position that they currently occupy in the new global development compact. We now need the Committee to take specific actions to translate this commitment into concrete results.

- **Assessing and expanding the framework for scaling up**. A new performance-based approach to scaling up is undergoing its first test case in the EFA Fast Track Initiative. What do Ministers see as the most valuable lessons to date? To what extent do Ministers believe that other service-delivery areas can follow a similar model for scaling up?

- **Meeting Monterrey commitments**. A number of developing countries have made significant progress in meeting their obligations as part of the Monterrey consensus and are well positioned to reach service delivery MDGs. What steps can be taken to assure that resources are available to continue the progress and partnership envisioned in Monterrey?

## Annex 1: Cost Estimate Assumptions for Service-Delivery MDGs

The estimates discussed in the main body of this paper refer to the best available assessments of the direct costs and financing gaps for selected targets within the "service delivery MDGs". Not all of the MDGs have been costed, nor all targets within the service MDGs, and all countries are not included for each sector. Futhermore, the complementary infrastructure, capacity-building and technical assistance costs for reaching even the service MDGs have not been costed. The figures simply offer orders of magnitude and err on the side of under-estimating overall resource needs.

The cost estimates for the primary education, health (including HIV/AIDS) and water and sanitation MDGs are based on an extrapolation of costs that build on current cost estimates (e.g., spending), that is, the average cost of meeting the needs of the currently unserved populations, adjusted for assumptions regarding countries' institutions and governance, absorptive capacity, efficiency and quality improvements. Unfortunately assumptions vary across the three sectors, but these represent the best available estimates of costs, given current limitations on data and analysis. Countries included are those in the DAC defined Least Developed Countries through Lower Middle Income Countries categories, provided data are available. Table A1 shows the included countries for primary education, health, water and sanitation.

The **primary education** estimates assume a high economic growth projection of 5% per year, tax revenues representing 14-18% of GDP, 20% of public budgets devoted to education, and tuition-free primary education for all children except those in the top income decile. The analysis and simulations cover 47 IDA countries representing 94% of all students in IDA countries; results are pro-rated up to estimate the costs for the 79 poorest countries. India is included, but China is not as it was not IDA eligible in 2000. The data were compiled based on country data regarding the schooling population and the average cost of including children not in school. Investment costs were not included.

In **health**, the Committee on Macroeconomics and Health's estimates assumed 1-5% growth in GDP depending on the country and a similar increase in annual ODA allocations. It assumes an increase of 2 percentage points in the share of GDP spent on health by 2015. The estimates aggregate country costs for unserved populations in 80 countries with per capita incomes under US$1,200 in 1999 dollars. Estimates encompassed both investment and recurrent costs of basic services, and explicitly captured the cost of relevant infrastructure expansion and staffing increases. The original estimates are scaled down here to remove the handful of included upper middle-income countries and to accommodate the governance and institutional limitations that reduce the scope for efficient expenditures.

In **water and sanitation**, the incremental cost estimates are global investment figures from World Water Vision and Global World Partnerships Framework for Action Report (2000), topped up by 25 percent for operations and maintenance for illustrative purposes. It is based on average per capita costs across the included countries. It includes both India and China. These figures exclude the very high costs of wastewater treatment as well as rehabilitation and reconstruction of deteriorated water and sewerage systems, which are likely to exceed the estimated costs of expansion and suggests that this is a conservative estimate of the costs of reaching the goals in water and sanitation. Development of major hydraulic infrastructure, such as dams and inter-basin conveyors, that support water systems in many settings are also excluded.

**Table A1**
**Countries Included in Cost Estimates by Sector**

| Health | Education | Water | Sanitation | % of Population |
|---|---|---|---|---|
| **Least Developed and Low-Income Countries** | | | | **Population Share** |
| Afghanistan | ** | Afghanistan | ** | 0.6 |
| Angola | Angola | Angola | ** | 0.3 |
| Bangladesh | Bangladesh | Bangladesh | Bangladesh | 3 |
| Benin | Benin | Benin | Benin | 0.1 |
| Bhutan | Bhutan* | Bhutan | ** | 0.01 |
| Burkina Faso | Burkina Faso | Burkina Faso | Burkina Faso | 0.3 |
| Burundi | Burundi | Burundi | ** | 0.1 |
| Cambodia | Cambodia* | Cambodia | ** | 0.3 |
| Central African Republic | Central African Republic | Central African Republic | Central African Republic | 0.1 |
| Chad | Chad | Chad | Chad | 0.2 |
| Comoros | Comoros* | Comoros | Comoros | 0.01 |
| Congo, Dem. Rep. | Congo, Dem. Rep. | Congo, Dem. Rep. | Congo, Dem. Rep. | 0.07 |
| Equatorial Guinea | | Equatorial Guinea | ** | 0.01 |
| Eritrea | Eritrea | Eritrea | ** | 0.09 |
| Ethiopia | Ethiopia | Ethiopia | Ethiopia | 1.5 |
| Gambia, The | Gambia, The | Gambia, The | Gambia, The | 0.03 |
| Guinea | Guinea | Guinea | Guinea | 0.2 |
| Guinea-Bissau | Guinea-Bissau | Guinea-Bissau | ** | 0.03 |
| Haiti | Haiti | Haiti | Haiti | 0.2 |
| Lao PDR | Lao PDR | Lao PDR | ** | 0.1 |
| Lesotho | Lesotho | Lesotho | ** | 0.05 |
| Liberia | ** | ** | ** | 0.07 |
| Madagascar | Madagascar | Madagascar | Madagascar | 0.4 |
| Malawi | Malawi | Malawi | Malawi | 0.25 |
| Mali | Mali | Mali | Mali | 0.26 |
| Mauritania | Mauritania | Mauritania | Mauritania | 0.06 |
| Mozambique | Mozambique | Mozambique | ** | 0.4 |
| Myanmar | ** | Myanmar | Myanmar | 1 |
| Nepal | Nepal | Nepal | Nepal | 0.5 |
| Niger | Niger | Níger | Niger | 0.3 |
| Rwanda | Rwanda | Rwanda | ** | 0.2 |
| Senegal | Senegal | Senegal | Senegal | 0.2 |
| Sierra Leone | Sierra Leone | Sierra Leone | ** | 0.1 |
| Solomon Islands | Solomon Islands | Solomon Islands | ** | 0.01 |
| Somalia | ** | ** | ** | 0.2 |
| Sudan | Sudan | Sudan | Sudan | 0.7 |
| Tanzania | Tanzania | Tanzania | Tanzania | 0.8 |
| Togo | Togo | Togo | Togo | 0.1 |
| Uganda | Uganda | Uganda | Uganda | 0.5 |
| Yemen, Rep. | Yemen, Rep. | Yemen, Rep. | Yemen, Rep. | 0.4 |
| Zambia | Zambia | Zambia | Zambia | 0.2 |
| **Other Low-Income Countries** | | | | |
| Armenia | Armenia | ** | ** | 0.1 |
| Azerbaijan | # | Azerbaijan | ** | 0.2 |
| Cameroon | Cameroon | Cameroon | Cameroon | 0.3 |
| Congo, Rep. | Congo, Rep. | Congo, Rep. | ** | 0.1 |
| Côte d'Ivoire | Côte d'Ivoire | Côte d'Ivoire | Côte d'Ivoire | 0.4 |
| Georgia | Georgia | Georgia | ** | 0.1 |
| Ghana | Ghana | Ghana | Ghana | 0.5 |
| India | India | India | India | 24 |
| Indonesia | # | Indonesia | Indonesia | 5 |
| Kenya | Kenya | Kenya | Kenya | 0.7 |
| Korea, Dem. Rep. | | Korea, Dem Rep | ** | 0.5 |

| | | | | |
|---|---|---|---|---|
| Kyrgyz Republic | # | Kyrgyz Republic | ** | 0.1 |
| Moldova | Moldova | Moldova | ** | 0.1 |
| Mongolia | Mongolia | Mongolia | ** | 0.05 |
| Nicaragua | Nicaragua | Nicaragua | Nicaragua | 0.1 |
| Nigeria | Nigeria | Nigeria | Nigeria | 3 |
| Pakistan | Pakistan | Pakistan | Pakistan | 3 |
| Papua New Guinea | | Papua New Guinea | Papua New Guinea | 0.1 |
| Tajikistan | ** | Tajikistan | ** | 0.1 |
| Ukraine | # | ** | ** | 1 |
| Uzbekistan | # | Uzbekistan | ** | 0.6 |
| Vietnam | # | Vietnam | Vietnam | 2 |
| Zimbabwe | # | Zimbabwe | Zimbabwe | 0.3 |
| **Least Developed and Lower-Middle-Income Countries** | | | | |
| Cape Verde | Cape Verde* | Cape Verde | ** | 0.01 |
| Djibouti | | Djibouti | ** | 0.01 |
| Maldives | Maldives* | Maldives | ** | 0.006 |
| Samoa | Samoa* | Samoa | ** | 0.003 |
| Vanuatu | Vanuatu* | Vanuatu | ** | 0.004 |
| **Other Lower-Middle-Income Countries** | | | | |
| Albania | # | Albania | ** | 0.1 |
| Algeria | | Algeria | ** | 0.7 |
| Bolivia | # | Bolivia | Bolivia | 0.2 |
| China (excl. Hong Kong) | | China (excl. Hong Kong) | China (excl. Hong Kong) | 29 |
| Colombia | | Colombia | Colombia | 1 |
| Cuba | | ** | ** | (no data) |
| Ecuador | | Ecuador | ** | 0.29 |
| Egypt, Arab Rep. | | Egypt, Arab Rep. | Egypt, Arab Rep. | 1.46 |
| El Salvador | | El Salvador | ** | 0.1 |
| Guatemala | | Guatemala | Guatemala | 0.26 |
| Guyana | Guyana* | Guyana | ** | 0.017 |
| Honduras | Honduras | Honduras | ** | 0.1 |
| Iran, Islamic Rep. | | Iran, Islamic Rep. | Iran, Islamic Rep. | 1 |
| Jordan | | Jordan | Jordan | 0.1 |
| Kazakhstan | | Kazakhstan | ** | 0.3 |
| Morocco | | Morocco | Morocco | 0.7 |
| Namibia | | Namibia | Namibia | 0.04 |
| Paraguay | | Paraguay | ** | 0.1 |
| Peru | | Peru | Peru | 0.6 |
| Philippines | | Philippines | Philippines | 1.7 |
| Romania | | Romania | ** | 0.5 |
| Sri Lanka | ** | Sri Lanka | Sri Lanka | 0.4 |
| Suriname | | Suriname | ** | 0.009 |
| Swaziland | | ** | ** | 0.02 |
| Syrian Arab Republic | | Syrian Arab Republic | ** | 0.4 |
| Thailand | | Thailand | Thailand | 1.4 |
| Tunisia | | Tunisia | Tunisia | 0.2 |
| Turkmenistan | | ** | ** | 0.1 |

* Countries not part of the 47 country simulations for primary education. Education only includes IDA eligible countries in 2000.

** Countries with inadequate data. For sanitation generally reflects lack of data for 1990, the baseline year.

# Countries with 90% or more of children completing grade 6, which assumes they will need minimal additional investment, so they are excluded from the analysis.