

2004

PARTNERSHIPS IN DEVELOPMENT

PROGRESS IN THE FIGHT AGAINST POVERTY

THE WORLD BANK GROUP



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CONTENTS

<i>Foreword</i>	5
<i>About this report</i>	7
PART 1 Global poverty today	9
PART 2 The response of the international community	15
PART 3 Working with countries to reduce poverty	21
Aligning Bank support to country priorities: Vietnam	26
Linking growth and poverty reduction in low-income countries: Ethiopia	28
Building consensus for development after conflict: Sierra Leone	30
Demystifying poverty through better diagnostics: Egypt	32
PART 4 Attacking poverty in its many dimensions	35
<i>Creating opportunities for broad-based growth</i>	
Supporting an investment climate for broad-based growth:	
Bosnia and Herzegovina	38
Supporting integration into the global economy: Cambodia	40
Deepening financial markets for growth and poverty reduction: Pakistan	42
Expanding access to water and sanitation: Colombia	44
<i>Empowering people to act</i>	
Building accountable institutions	46
Supporting broad-based participation	48
Giving voice to rural communities: India	50
<i>Enhancing security among the poor</i>	
Protecting the vulnerable: Latin America	52
Promoting environmental sustainability: Madagascar	54
Fighting HIV/AIDS: Uganda	56
Improving maternal and child health: Bolivia	58
PART 5 Working with partners on global problems	61
Building a partnership for education: Niger	64
Carbon finance to mitigate climate change	66
PART 6 Tackling the unfinished agenda	69
<i>Endnotes</i>	73
<i>References</i>	75



PART 5

WORKING WITH PARTNERS ON GLOBAL PROBLEMS

Most development challenges are best tackled at the country level. Yet some key development problems require global collective action—that is why developing a global partnership for development is one of the Millennium Development Goals. Building working partnerships has been an integral part of most programs throughout the Bank's history. The Bank has joined with international assistance organizations, civil society associations, the business community, government agencies, and others to help shape strategies and support specific programs to contribute to reducing poverty in developing countries.

Part 5 highlights two ways the Bank is working closely with its development partners to support poverty reduction through improved aid coordination and better partnerships to provide global public goods.

Coordinating and harmonizing assistance

The international community has recognized that the sheer quantity and variety of donor requirements attached to development financing generate unproductive transaction costs for developing countries. This has led to an effort by multilateral and bilateral development institutions to better coordinate their operational policies, procedures, and practices. Donor institutions are working to improve development effectiveness by eliminating duplicative programs and aid requirements and by providing assistance in line with their comparative advantage.

As a global development institution, the World Bank is keenly aware of the importance of harmonization to scale up development impact. The Bank was a leading participant at the 2003 Rome high level forum on harmonization (box 5.1). At the global level, it is cochairing, with the Organisation for Economic Co-operation and Development, an effort to develop a harmonization toolkit in areas such as financial management, procurement, environmental and social safeguards, and analytical work. As part of this effort, the Bank is also developing a Web site that will bring together information about harmonization for practitioners and a country-level tracking tool to facilitate sharing experiences and best practices.⁴²

The Bank has also supported harmonization through several internal initiatives. It is developing arrangements for pooling financial resources with others in the context of sectorwide lending approach-

Box 5.1 Rome high level forum on harmonization

Hosted by the Government of Italy in Rome in February 2003, the high level forum on harmonization made the following commitments. The forum:

- Endorsed good practice principles and standards for harmonization of country strategies, analytical work, technical assistance, financial management and reporting, procurement, and evaluation.
- Supported the harmonization of donor practices for technical assistance, projects, budget support operations, and regional and global programs.
- Stressed implementation at the country level, with donors aligning their support to government priorities.
- Committed to using modern information and communications technology, including the Development Gateway, to facilitate harmonization.

es. It is modernizing environmental and social safeguard policies. And it is reforming audit, disbursement, procurement, and reporting requirements to allow for easier harmonization with donors. Specific applications of the Bank's safeguard and fiduciary policies are also being explored for low-income countries facing particularly difficult circumstances and for middle-income countries.

A key element guiding this work is a country-based approach, highlighted in the Rome Declaration recognizing national PRSs as central to the harmonization effort. The Bank is working with other donors to align country programs behind country PRSs, and it is involved in the seven country pilots associated with the Rome forum on harmonization—for Bangladesh, Ethiopia, Niger, Philippines, Tanzania, Vietnam, and Zambia—in which harmonization programs and activities have just started, or are being broadened or deepened. In Niger it is supporting collaboration and partnerships in the education sector, helping improve educational outcomes and catalyzing further harmonization efforts (see the spotlight on page 64).

Box 5.2 Disseminating information and knowledge

The Bank is supporting the Development Gateway, a multidonor initiative to put knowledge to practical use in the fight against poverty. The gateway encourages the exchange of ideas and knowledge, provides a database on development activities throughout the world, offers a global online marketplace fostering business opportunities, and supports the development of national infrastructure, communications, and technology activities. Examples range from knowledge-sharing on relief and recovery in Iraq, to training indigenous leaders to use information and communications technologies for better governance, to building tools for the development community to track policies and actions supporting the Millennium Development Goals.

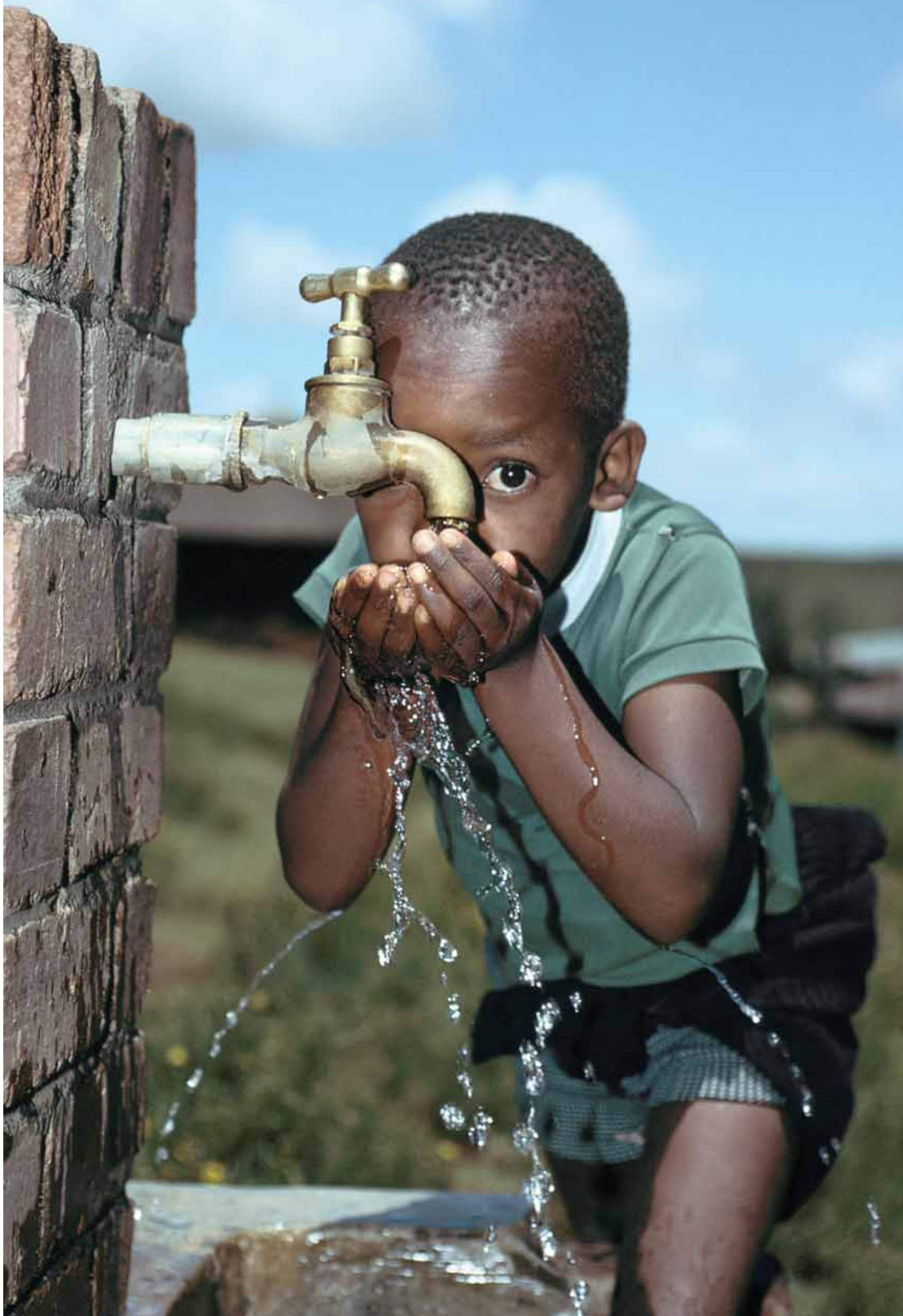
Global public goods

Public goods produce benefits that everyone enjoys, or they help address problems for which the impact may be large but is spread across many people. If the benefits of a public good accrue across many or all countries, it is a regional or global public good. In recent years, the Bank has greatly increased its informal and formal collaboration with the other multilateral development banks across a wide range of global issues. The Bank's comparative advantage in addressing global issues is its operational experience at the country level, as well as the global reach of its activities and its ability to mobilize and manage financial and knowledge resources.

The Bank complements its country-level actions with collective global action in priority areas, for example, promoting the creation and dissemination of information (box 5.2). Another example, which is in the fight against communicable diseases, is the Multi-country AIDS Program for Africa (MAP), which provides a cross-national financing framework of support for effective national programs. MAP projects, with a strong rationale at the country level, also generate regional and global benefits. The Bank also works with partners to strengthen the world's international financial architecture, promote financial stability, and support international accounting and legal frameworks.

The Bank's efforts to preserve and improve the global environment include projects supported by the Global Environment Facility and the development of the Prototype Carbon Fund and the Community Development Carbon Fund (see the spotlight on page 66).

Moving forward, the Bank will continue to strengthen its capacity to build successful global programs and partnerships with a range of national, global, and private institutions, respecting a sensible division of labor. Internally, the Bank is working to align global partnerships with its strategy and to ensure appropriate linkages to its country program work. The Bank will refine its focus on key areas of comparative advantage, while providing increasing attention to the need for a stronger framework for the management and oversight of global programs and partnerships.



SPOTLIGHT

IMPROVING AID
COORDINATION

Niger is one of the world's poorest countries, with a per capita gross national income of about \$170 in 2002.

When donors work together, assistance has a much greater impact.

BUILDING A PARTNERSHIP FOR EDUCATION:
NIGER

Niger has made good progress toward macroeconomic stability and growth since the return of democracy in late 1999. But its prospects are clouded by a lack of natural resources, limited international competitiveness, and years of poor governance. These factors explain the extreme vulnerability of poor Nigeriens, particularly women and children, and the country's low human development indicators, notably in education (figure 5.1). Because better educational opportunities are critical for reducing poverty, building a better education system is a priority for the new democratic government. But short on cash and unable to borrow, the country has to improve the effectiveness of donor assistance. This spotlight describes Niger's experience in creating a partnership framework to improve the impact of public spending on education.

Coordination and harmonization for results in education

Initial prospects for a government-donor partnership were not good. After the military *coups d'état* in the late 1990s, many donors withdrew or reduced their programs. With the return of democratic government, many donors resumed their support, though many of them had concerns about the stability and ability of the government to use resources well. Donor coordination was weak, leaving Niger with a diffuse range of donor-supported operations, diluting their impact and straining local management capacity.

Donor coordination in education was especially weak. In the late 1990s enrollments had been plummeting because of severe teacher shortages and high teacher costs. So in 1998 the Bank supported the government in piloting the recruitment of "education volunteers." The pilot provided high school graduates with a short training cycle before sending them back to their communities to teach primary school. But teacher unions and several donors felt that there was too much emphasis on lowering costs and raising enrollments—at the expense of quality.

In 2000 the government decided to start a national 10-year education reform program and to obtain broad-based support for it through consultations. The Canadian International Development Agency took the lead in convening other donors. The Bank and the French government also provided technical support. Adopted in 2001, the program focused on quantitative and qualitative improvements. Volunteers now receive a full year's training and are recruited to teach only after the training is completed. Later that year, the 10-year education program was fully integrated into the government's national poverty reduction strategy (République de Niger 2002).

The Partnership Agreement

By 2002, thanks in part to greater donor alignment behind the government's strategy, education outcomes started to improve, meeting all the 2002

Table 5.1 Recent improvements in primary schooling in Niger (percent)

Education	2001	2002 target	2002 actual
Gross primary school enrollment rate	37.3	40	41.7
Gross primary school enrollment rate in rural areas	32	34	38.1
Gross female school enrollment rate	29.6	32	33.3
Percentage of females in primary school	–	–	39.8
Primary school completion rate	23.7	24	25.6

Source: République de Niger 2003.



Adult illiteracy in Niger remains high at 84%.

Gross primary enrollment rates for 2001 were 37% overall, and those for girls, only 23%.

Available data point to a poverty head-count in Niger of 63% and to an extreme poverty rate of 34%.

poverty reduction strategy targets for education (table 5.1). Even so, the outcomes remained far below Sub-Saharan averages. While the regional average for gross primary enrollments was 78 percent, Niger's was only 42 percent.⁴³

In June 2002 Niger was selected as one of 18 countries eligible to participate in the Education for All Fast Track Initiative,⁴⁴ which offered the promise of additional financing and the broad commitment of donors to support Niger's strategy. This was reinforced in June 2003, when the government and donors signed a partnership agreement to implement the education strategy.

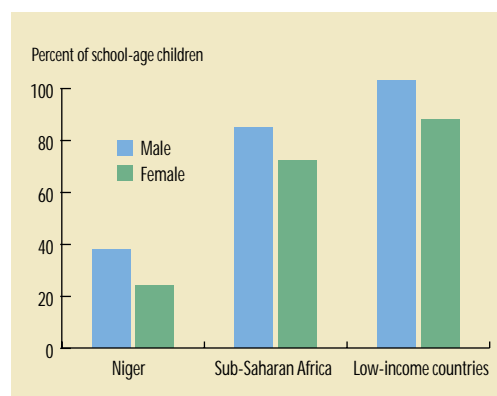
The agreement, drawing on experience in Burkina Faso and Mali, is to increase the impact of donor funding and reduce transaction costs for the government. It formally establishes the basis for consultation, cooperation, and information exchanges between the Ministry of Education and donors. Annual implementation reports by the Ministry lay out actions that support the objectives in the 10-year strategy. Donors are then invited to contribute support for specified actions.

All this has set the standard for harmonizing aid in Niger. The government asked to participate as a pilot in the harmonization program initiated at the February 2003 Rome forum on harmonization. Un-

der the pilot, Niger will align all donor assistance around its national PRS, based on expanded programs of budget support.

The partnership framework has come a long way in a short time, but much remains to be done. The government has to keep the program on track, while dealing with political pressures from the unions. It also has to prepare quality implementation reviews every year, showing progress in education. Based on monitoring indicators from the national PRS, the reviews will determine future donor commitments to the program. Donors also have more to do—in organizing joint missions to evaluate progress, in harmonizing processes and procedures, and in committing more resources to the country.

Figure 5.1 Gross primary school enrollment rate, Niger



Source: World Bank staff estimates.

ADDRESSING
GLOBAL ISSUES

The globally averaged surface temperature of our planet is projected to increase by 1.4°C to 5.8°C from 1990 to 2100.

Some 60% of carbon emissions are produced in richer countries—22,000 kilograms per person a year in the United States alone.

CARBON FINANCE TO MITIGATE CLIMATE CHANGE

Climate change threatens to undo decades of development efforts. Although a global phenomenon, its negative impacts are felt more by poor countries and poor people. Poor countries are more vulnerable because of their heavy dependence on natural resources and their limited capacity to cope with climatic variability and extremes. Poor people in developing countries are especially at risk because they often rely heavily on agriculture and have fewer resources to manage the consequences of climatic events, such as droughts and floods.

The developed world is responsible for producing most of the carbon emissions associated with climate change. What inhibits decisive action? The incentives for private action are limited. There is little political will. And the cost of reducing carbon emissions is high in developed countries—10 times higher than in developing countries. In developing countries emission reduction has been constrained by the lack of finance and access to appropriate technology.

The 1997 Kyoto Protocol, adopted under the U.N. Framework Convention on Climate Change, broke with past inaction.⁴⁵ It commits industrial countries to reduce their carbon emissions to an average of 5.2 percent below their 1990 levels during 2008–12. One option under the Protocol allows industrial countries to meet their obligations by investing in emission reduction projects in developing countries.

The Bank played a pioneering role in the market for emission reduction credits in the developing world through the establishment of the Prototype Carbon Fund (figure 5.2). Operating since April 2000, the fund is an innovative public-private partnership to mitigate climate change.

The fund channels financing and know-how for project-based greenhouse gas emission reductions in developing countries. Six governments and 17 private companies—including power and oil companies from Japan and Europe and leading global banks in industrial countries—have contributed \$180 million. To date, the fund has negotiated and agreed to terms for Emission Reduction Purchase Agreements for 16 projects. The fund's projects are evenly split among regions, with Latin America having the most projects at 26 percent of the total (figure 5.3).

The Bank-managed fund has identified many opportunities to reduce greenhouse gas emissions in developing countries at a price of \$3–4 per ton of CO₂ equivalent (tCO₂e). This compares very favorably with an abatement cost of more than \$14 per tCO₂e in most industrial economies. Despite the fund's efforts, carbon finance rarely reaches small projects in low-income countries or poorer communities in middle-income countries. These smaller projects are at a disadvantage when competing for carbon finance because their transaction costs are high and because investment conditions tend to be unfavorable.

To reach this market niche, the Bank collaborated with the International Emissions Trading Association to launch the Community Development Carbon Fund at the 2002 World Summit on Sustainable Development in Johannesburg. The new fund has obtained financing from both the public and private sectors and has started operations with more than \$30 million of funding, expecting to reach the target of \$100 million by June 2004. It will support projects that offer

Carbon finance programs help reduce greenhouse emissions and support small-scale community development projects.

measurable benefits to poor communities and their local environment. Contributors will receive in return verified Kyoto-compatible credits for the emission reductions from these projects.

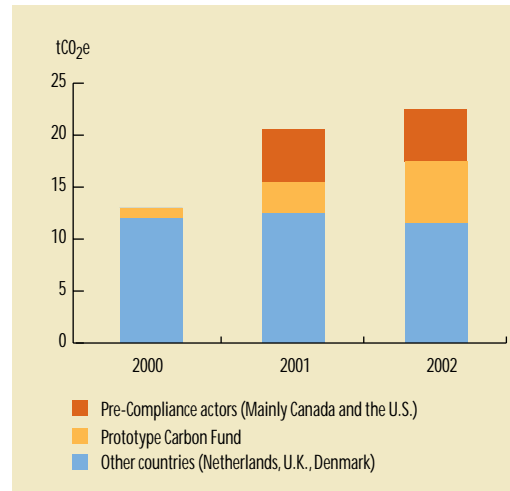
Through the new fund, private investors are linked with small community development projects. By working through local intermediaries—such as banks, local development finance institutions, cooperatives, and nongovernmental organizations—and by applying streamlined project procedures compatible with the requirements of the Kyoto Protocol, the fund lowers the transaction costs and risks associated with investing in emissions reductions in small projects.

An example of the projects to be funded by the Community Development Carbon Fund is one in Kenya. The country is the world's third largest tea exporter, with small growers accounting for 60 percent of production. But expensive fuel oil costs for tea-drying prevent them from competing with large commercial plantations. This potential project proposes to reduce carbon dioxide emissions and raise small tea growers' incomes by encouraging them to use wood fuels instead of oil for drying their tea. Eventually, all fuel aid would be replaced by wood fuel, improving the growers' profits by reducing their energy bills and preventing 54,000 tons of carbon dioxide equivalent annually from being pumped into the atmosphere.

The next several years will be critical as the fund expands its financial assets and scales up its portfolio. To ensure adequate financing, the fund will explore ways to reduce the still high transaction costs associated with small projects—by identifying local intermediaries, bundling projects, exploring low-cost technologies, and streamlining project preparation costs. Monitoring and verifying emission reductions across a growing portfolio of small projects will also present challenges in the years to come.

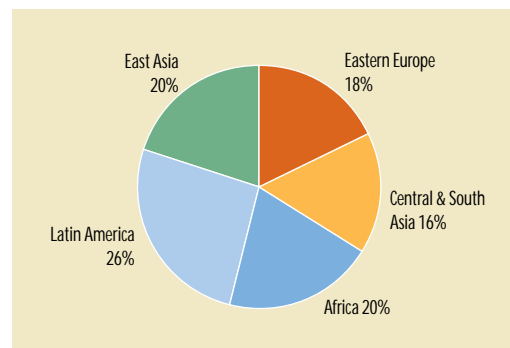
More broadly, building partnerships to address climate change is a daunting task. Sustaining these partnerships requires continuing efforts by all to understand each others' objectives, timelines, and value added to the collective action they are undertaking.

Figure 5.2 Transactions on the international carbon market



Source: Prototype Carbon Fund 2002.

Figure 5.3 Regional distribution of active Prototype Carbon Fund pipeline projects (\$221 million)



Source: Prototype Carbon Fund Annual Meetings, June 2003.

The market for credits in carbon emissions, now approaching \$500 million in cumulative trade value, is expected to substantially exceed \$1 billion a year by 2008, with each dollar leveraging an additional \$8 in underlying project finance.

