

Acknowledgments

This Report has been prepared by a team led by Shantayanan Devarajan and Ritva Reinikka, and comprising Junaid Ahmad, Stephen Commins, Deon Filmer, Jeffrey Hammer, Lant Pritchett, Shekhar Shah, and Agnès Soucat, with additional contributions by Nazmul Chaudhury. The team was assisted by Claudio E. Montenegro and Manju Rani. Bruce Ross-Larson and Meta de Coquereaumont were the principal editors. The work was carried out under the general direction of Nicholas H. Stern.

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The team undertook a wide range of consultations for this Report, which included workshops in Berlin, Brussels, Cairo, Colombo, Dhaka, Geneva, Havana, Helsinki, Kampala, New Delhi, Paris, Pretoria, Tokyo, Washington D.C., and a series of video conferences with participants from Africa, East and South Asia, Europe, Latin America, and the Middle East. The participants in these workshops and video conferences included researchers, government officials, and staff of nongovernmental and private-sector organizations.

Rebecca Sugui served as executive assistant to the team; Leila Search as program assistant and technical support; and Endy Shri Djonokusomo and Ofelia Valladolid as team assistants. Evangeline Santo Domingo served as resource management assistant.

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Abbreviations and Data Notes

Abbreviations

ACE	Community Education Association (El Salvador)	MWSS	Metro-Manila Waterworks and Sewerage System
BCG	Bacillus Calmette-Guérin	NGO	Nongovernmental organization
BRAC	Bangladesh Rural Advancement Committee	ODA	Official development aid
DAC	Development Assistance Committee (OECD)	OECD	Organisation for Economic Co-operation and Development
DPT	Diphtheria-pertussis-tetanus	PRI	Institutional Revolutionary Party (Mexico)
Educo	Educación con Participación de la Comunidad (Education with the Participation of Communities, El Salvador)	Progresá	El Programa de Educación, Salud y Alimentación de México (Education, Health, and Nutrition Program of Mexico)
EPRDF	Ethiopia People's Revolutionary Democratic Front	PRONASOL	Programa Nacional de Solidaridad (National Solidarity Program of Mexico)
GDP	Gross domestic product	REB	Rural electricity board
GNI	Gross national income	SIDA	Swedish International Development Agency
HIPC	Heavily indebted poor country	TIMSS	Third International Mathematics and Science Study
ICRG	International Country Risk Guide	USAID	U.S. Agency for International Development
IDT	Impres Desa Tertinggal (Indonesia)	VERC	Village education resource center
KDP	Kecamatan Development Program (Indonesia)	WHO	World Health Organization
LICUS	Low-income country under stress	WSP	Water and Sanitation Program
MKSS	Mazdoor Kisan Shakti Sanghathan (India)		

Data Notes

The countries included in regional and income groupings in this Report are listed in the Classification of Economies table at the end of the Selected World Development Indicators. Income classifications are based on GNP per capita; thresholds for income classifications in this edition may be found in the Introduction to Selected World Development Indicators. Group averages reported in the figures and tables are unweighted averages of the countries in the group unless noted to the contrary.

The use of the word *countries* to refer to economies implies no judgment by the World Bank about the legal or

other status of a territory. The term *developing countries* includes low- and middle-income economies and thus may include economies in transition from central planning, as a matter of convenience. The term *developed countries* or *industrial countries* may be used as matter of convenience to denote the high-income economies.

Dollar figures are current U.S. dollars, unless otherwise specified. *Billion* means 1,000 million; *trillion* means 1,000 billion.

Foreword

We enter the new millennium with great hopes. For the first time in human history, we have the possibility of eradicating global poverty in our lifetime. One hundred and eighty heads of state signed the Millennium Declaration in October 2000, pledging the world to meeting the Millennium Development Goals by 2015. In Monterrey, Mexico, in the spring of 2002, the world's nations established a partnership for increasing external assistance, expanding world trade, and deepening policy and institutional reforms to reach these goals. Foreign aid, which declined during the 1990s, has begun to increase again.

But the first few years of the 21st century bring heightened challenges. HIV/AIDS and other diseases, illiteracy, and unclean water threaten to dash the hopes of millions, possibly billions, of people that they might escape poverty. Tragically, conflict has undermined development in many countries. Peace and development go hand in hand. And even as we learn how to make development assistance more effective, aid continues to be criticized for not being effective enough.

This year's *World Development Report*, the 26th in the World Bank's flagship series, helps to re-ignite and reinforce our hopes by confronting these challenges. Development is not just about money or even about numerical targets to be achieved by 2015, as important as those are. It is about people. The WDR focuses on basic services, particularly health, education, water, and sanitation, seeking ways of making them work for poor people. Too often, services fail poor people. These failures may be less spectacular than financial crises, but their effects are continuing and deep nonetheless. The report shows that there are powerful examples of services working for poor people. Services work when they include *all* the people, when girls are encouraged to go to school, when pupils and parents participate in the schooling process, when communities take charge of their own sanitation. They work when societies can curtail corruption—which hurts poor people more than it hurts the better off—particularly when it hits basic health services, which poor people need desperately. They work when we take a comprehensive view of development—recognizing that a mother's education will help her baby's health, that building a road or a bridge will enable children to go to school.

Services work especially well when we recognize that resources and their effective use are inseparable. More effective use makes additional resources more productive—and the argument for aid more persuasive. External resources can provide strong support for changes in policy and practice that can bring more effective use. This is how we can scale up to achieve the Millennium Development Goals.

To improve service delivery, the WDR recommends institutional changes that will strengthen relationships of accountability—between policymakers, providers, and citizens. These changes will not come overnight. Solutions must be tailored not to some imaginary “best practice” but to the realities of the country or the town or the village. One size will not

fit all. But I am convinced that this new way of thinking about service delivery, and indeed about development effectiveness, will bear fruit, particularly when matched with adequate resources and a desire to assess what works and what does not, and to decide what must be scaled up and, indeed, what must be scaled down.

In short, this year's WDR is central to the World Bank's two-pronged strategy for development—investing in and empowering people, and improving the climate for investment. Next year's WDR will focus on the second of these. Together, these reports form part of the World Bank's contribution to meeting the challenge the global community has set for itself—to eradicate poverty in our lifetime.

A handwritten signature in black ink, appearing to read 'Jim Wolfensohn', with a long horizontal flourish extending to the right.

James D. Wolfensohn