First draft

Development Policy of the EU toward the ACP Countries: Effectiveness of Preferential Trade Arrangements and Aid

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ABSTRACT

Since the First Yaoundé Convention (1963-1969), the EU has been implementing its development policy in the African, Caribbean, and Pacific (ACP) countries. This paper focuses on the trade and aid flows between the EU and the ACP countries and attempts to evaluate the effectiveness of the EU's development policy. It seems that the preferential trade arrangements between the EU and the ACP countries have neither substantially increased nor diversified trade between these two groups of countries. Additionally, although the EU has provided considerable amount of financial aid, the ACP countries continue to suffer from the lack of development-enhancing political and judicial institutions. The most recent Cotonou Agreement intends to address the shortcomings of the economic cooperation between the EU and the ACP countries.

1. Introduction

The economic cooperation between the EU and the African, Caribbean, and Pacific countries (ACP) dates back to the Treaty of Rome that established the European Economic Community in 1957. The ACP countries, with a population of almost 600 million, have established a special relationship with the European Union through successive conventions or agreements (Table 1). In the early 1960s, this cooperation was formalized in Yaoundé Convention and has continued to the present day under different names. The latest is the Cotonou Agreement of 2000. Essentially, the economic cooperation between the ACP countries and the EU implies preferential trade agreements that are supposed to provide the ACP countries' exports easier access to the EU, which is expected to promote growth in these countries. Additionally, the EU provides financial aid to the ACP countries in the form of grants and loans. This paper aims to quantify the effects of the economic cooperation between the ACP countries and the EU with respect to trade and aid. Has the economic cooperation improved the export performance of the ACP countries? Has it helped them to diversify their export structure? Has financial aid promoted economic development in the ACP countries? The paper is divided into five sections. Section 2 provides a historical overview on the ACP-EU relationship. Section 3 examines the trade relations between the two groups of countries. Section 4 analyzes the effectiveness of financial aid to the ACP countries by examining selected governance-related variables. Section 5 concludes.

2. A Brief History of Economic Cooperation between the ACP countries and the EU

The economic cooperation between the EU and the ACP countries dates back to the Treaty of Rome that established the European Economic Community in 1957 (Figure 1). In this treaty, member countries expressed their commitment to the prosperity of their colonies and territories. These sentiments were formalized during the Yaoundé Convention and the treaty was signed in 1963 with 18 African ex-colonies that had recently gained independence. This treaty had a validity period of 5 years (1964-1969). A new one was signed in 1969 and went into effect in January 1971, this time with 20 African countries. The Second Yaoundé Convention (1971-1975) initiated a much broader cooperation and led to the Lomé Convention of 1975 (Lomé I).[1]

71 ACP countries were the signatories of Lomé I. It provided a system of tariff preferences, which gave the ACP countries access to the European market. In addition, Lomé I introduced STABEX and SYSMIN schemes in the 1970s, which were special funds to promote earning stability in the ACP countries' agricultural and mining exports, respectively. These schemes provided compensatory finance to the ACP states for adverse fluctuations in the world prices of key agricultural and mineral exports (McQueen, 1998). Preferential access based on a quota system was agreed for products, such as sugar and beef, which were in competition with the EC agriculture. Additionally, the EC committed ECU 3 billion for aid and investment to the ACP countries. The convention was renegotiated and renewed three times. In addition to continuing trade provisions, Lomé II (1981-1985) increased aid and investment expenditure to ECU 5.5 billion. Lomé III (1985-1990) further increased the aid commitments to ECU 8.5 billion. Finally, Lomé IV (1990-1999) implied aid and investment commitments of ECU 12 billion for the first five years. From Lomé I to Lomé IV, the ACP membership increased to 79 countries.

The Lomé Agreement was succeeded by the Cotonou Agreement that was signed in 2000 and is expected to remain in effect for 20 years. One of the relevant additions to the new

[1] For more information on the EU's free-trade agreements with other developing countries, see McQueen (2002) and Francois et al. (2005).

agreement is the fact that the Lomé convention was extended to new concepts such as civil society, private sector, trade unions, governance issues, etc. The Cotonou Agreement focuses especially on the private sector as an instrument for sustainable economic development and envisions the inclusion of diverse civil groups in the planning and execution of national development strategies. The new agreement's ultimate goal is to reduce and eventually eradicate poverty among the ACP countries. Therefore, the EU has made its trade and aid assistance conditional to the existence of human rights and good governance. The violation of these principles may lead to a partial or complete suspension of development cooperation between the EU and the country in question. Additionally, serious cases of corruption could lead to a consultation process and possibly a suspension of aid. The EU also states that cooperation agreements with individual countries will vary according to their level of development, needs, and performance as well as their long-term development strategy.

The most relevant change introduced by the Cotonou Agreement concerns trade cooperation. Since the First Lomé Convention in 1975, the EU has granted non-reciprocal trade preferences to their ACP partners. Under the Cotonou Agreement, however, this system will be replaced by a new scheme that will take effect in 2008: the Economic Partnership Agreements (EPAs). These new arrangements provide reciprocal trade agreements, meaning that not only the EU provides duty-free access to its markets for ACP exports, but the ACP countries also provide duty-free access to their own markets for EU exports. However, all ACP countries do not have to open their markets to EU products after 2008. Least developed countries (LDCs) will be protected by the arrangements made in Lomé agreements, which gives them the opportunity to exercise greater control of EU imports. Non-LDCs, on the other hand, will see their trade situation transferred into the EU's Generalized System of Preferences (GSP).

Criticism of preferential trade arrangements (PTAs) mainly states that they are simply reductions on the tariff level. Some argue that these agreements mainly promote international goodwill and political harmony between the EU and its former colonies without providing significant economic gains to the latter (McQueen, 1982). There may be several reasons for the rather ineffective nature of PTAs. First, because the level of relevant tariffs is generally low, PTAs' significance is highly questionable. Second, if introduced, non-tariff barriers could eliminate PTAs' positive effects. Third, developing countries' export performance may be shaped to a large extent internally, depending upon their development strategies (inward- or outward-looking strategies) and exchange rate policies so that PTAs would not make a significance contribution. On a more positive note, PTAs may foster outward-looking development strategies.

3. Empirical Evaluation of ACP-EU Trade Relations

All products originating in the ACP countries are imported into the Community "free of custom duties and charges having equivalent effect" (Article 168.1) and "the Community shall not apply to imports of products originating in the ACP States any quantitative restrictions of measures having equivalent effects (Article 169.1). The only exception to this legally binding guarantee of free entry concerns products subject to the restrictions of the common agricultural policy (CAP). In addition to agricultural products, the EU has consistently limited preferential access for sensitive products such as textiles and clothing as well steel. Nevertheless, the ACP countries have had access to substantial trade benefits since Lomé I through exemptions from tariffs and non-tariff barriers such as Multi-Fiber Agreement (MFA) quotas (as long as textile exports comply with the EU's rules of origin), concessions on products covered by the CAP, and concessions on the rules of origin (McQueen, 1998). Therefore, the question is whether the provision of PTAs to the ACP countries has substantially increased the ACP-EU trade. To this end, we will examine three subjects: export expansion effect, export diversification effect, and terms of trade.

Export expansion effect

First, let us examine the significance of trade between these two country groups during the period 1970-1997. From the EU's perspective, about 60 percent of the EU's trade takes place among the EU countries (Figure 2). While the EU's trade with non-oil developing countries increased from 15 to 19 percent, the relevance of oil-exporting countries in the EU's trade declined from 14 percent during the early 1970s to less than 3 percent in 1997. Similarly, the ACP countries' relevance in the EU trade has been declining from almost 8 percent to under 3 percent (Figure 3). From the ACP country's perspective, there is a decline in the relevance of the EU in the ACP countries' trade from over 8 percent to 6 percent. One would expect that the EU's preferential trade arrangement provided an incentive to strengthen the trade ties with the ACP countries. However, a simple graphical analysis does not confirm this expectation. In the following, we conduct a more formal test on this issue.

By employing the Index of Standardized Trade Performance (ISTP), one can compare the ACP countries' export and import performance with respect to the EU with that of other non-oil developing countries. While the ACP countries are regarded as the beneficiary countries, the non-oil developing countries will be viewed as non-beneficiary or reference countries. The ISTP for exports and imports is implied by the following formulae:

$$ISTP_X : \frac{\frac{X_{BG}}{X_{NG}}}{\frac{X_{BR}}{X_{NR}}}$$

and

$$ISTP_M : \frac{\frac{M_{BG}}{M_{NG}}}{\frac{M_{BR}}{M_{NR}}}$$

where:

$ISTP_{X, M}$: Index of standardized export (X) or import (M) performance

X, M: rate of change in exports or imports

B: Beneficiary countries (ACP)

N: Non-beneficiary countries (reference countries: non-oil exporting developing countries)

G: Preference-granting country or trading block (EU)

R: Rest of the world

An ISTP greater than 1 indicates a significant expansionary impact on the exports or imports of the beneficiary countries. As Figures 4, 5, and 6 suggest, trade expansion has remained well under 1. Additionally, exports and imports of the ACP countries to and from the EU have been fairly stable relative to non-oil exporting developing countries during the time of Yaoundé and Lomé conventions, despite the fact that the ACP countries supposedly enjoyed better access to the EU (X_{BG}/X_{NG} and M_{BG}/M_{NG} in Figures 4 and 5). Also, compared to non-oil exporting developing countries, the ACP countries' exports and imports to and from the rest of the world have declined significantly since 1970 (X_{BR}/X_{NR} and M_{BR}/M_{NR} in Figures 4 and 5). Therefore, the export and import expansion effects shown in Figure 6 do not actually imply an improvement in the ACP countries ability to trade with the EU after 1980. The decline in these countries' trade with the rest of the world gives the impression that its trade with the EU has somewhat improved. Figure 7 provides the same information on the basis of individual ACP countries. With the exception of Botswana, Djibouti, the Gambia, Grenada, Kiribati, Lesotho, Namibia, Samoa, Seychelles, Swaziland, and Tonga, the expansion in trade with the EU has remained modest.

Trade diversification effect

In addition to the change in exports and imports, one can also ask the question whether PTAs provided by the EU have initiated diversification in the ACP countries' exports, which would be an important consideration with respect to these countries' economic development. One obvious obstacle against diversification would be the "rules of origin," which involves minimum levels of domestic value added, usually 60 percent, and process criteria such as "yarn forward" rule which requires vertically integrated chains of production for industrial good. The EU seeks to mitigate the restrictive effects of the rules of origin by allowing a partner country to count imports of intermediate products from the EU used in production as "originating products" (bilateral accumulation). The EU, however, may not supply such products or may not be the most efficient source of supply, which could lead to trade diversion and make the partner country less competitive in the EU market (McQueen, 2002). Some studies argue that the rules of origin have the effect of protecting the EU industries from potential competition of ACP manufacturers. The EU insists that the same rules of origin must apply to all its preferential trade agreements and that special rules for the ACP states would be costly to implement (McQueen, 1982).

Three panels of Figure 8 show the changes in mean diversification and concentration of the ACP countries' trade. Panel A implies that the mean number of export and import goods has not changed substantially over the years, although there has been an increase especially in the number of export goods. Panel B shows the mean diversification in the ACP countries' exports and imports. Clearly, exports are more diversified than imports. Additionally, there has been a slightly increasing trend in both. However, there has been no significant improvement especially with respect to diversification in the ACP countries' exports.

Terms of Trade

The net barter terms of trade (NBTT), the ratio of the export unit value index to the import unit value index, is often used to determine whether foreign trade increases or reduces a country's welfare. While a rise in the NBTT is associated with an increase in a country's welfare, a decline has been considered as a reduction in its welfare. Since the pioneering research by Prebish (1950) and Singer (1950), which projected a worsening NBTT for primary products with respect to manufactured goods, many advocates of unequal trade have used the term "worsening NBTT" to point out the structural asymmetries in trade between developed and developing countries. However, Baldwin (1955) questioned the validity of the NBTT in studying the distribution of gains from trade. According to their view, it is possible that a developing country's NBTT may worsen because of the fact that increased productivity has led to a decline in cost and, therefore, to a decline in export prices. One can argue that the country is better off with a worsening NBTT caused by an increase in productivity, because the country is now able to allocate its scarce resources more efficiently.

Figure 9 compares the NBTT for three country groups: the ACP, developing, and oil-exporting countries. During the period 1980-2004, following a decline in the early 1980s, developing countries have managed to keep their NBTT fairly steady. Oil-exporting countries, on the other hand, experienced an increase in their NBTT during the early 1980s, followed by a decline until 2000. The NBTT has been rising for the oil-exporting countries since 2000. The ACP countries, however, has experienced a declining NBTT since 1985. As we will see in the next section, it is not likely that the decline in the ACP countries' NBTT is due to increased productivity.

4. The EU's Financial Aid to the ACP Countries

The Treaty of Rome (1957) provided for the creation of the European Development Fund (EDF) to grant technical and financial assistance initially to African countries, which at that time were still colonies or with which some European member states had historical links. The EDF is funded by the member states of the EU and is managed by a specific committee. The aid granted to the ACP countries will continue to be funded by the EDF, at least for the period 2008-2013. Each EDF is concluded for a period of around five years. Since the conclusion of the first partnership convention in 1964, the EDF cycles have generally followed the convention cycles shown in Figure 1:

- First EDF: 1959-1964
- Second EDF: 1964-1970 (Yaoundé I Convention)
- Third EDF: 1970-1975 (Yaoundé II Convention)
- Fourth EDF: 1975-1980 (Lomé I Convention)
- Fifth EDF: 1980-1985 (Lomé II Convention)
- Sixth EDF: 1985-1990 (Lomé III Convention)
- Seventh EDF: 1990-1995 (Lomé IV Convention)
- Eighth EDF: 1995-2000 (Lomé IV Convention and the revised Lomé IV)
- Ninth EDF: 2000-2007 (Cotonou Agreement)
- Tenth EDF: 2008-2013 (Revised Cotonou Agreement)

The EDF consists of several instruments, including grants and loans to the private sectors of the ACP countries. The STABEX and SYSMIN schemes that were designed to help the agricultural and mining sectors were abolished by the new partnership agreement signed in Cotonou in 2000. The Cotonou agreement also streamlined the EDF to increase its flexibility and give the ACP countries greater responsibility. The ninth EDF has allocated €13.5 billion for the period 2000-2007. In addition, the unexpended balances from previous EDFs amount to €9.9 billion. The ACP-EC Council of Ministers Decision in 2005 committed €482 million of the conditional €1 billion to the ninth EDF. Moreover, the European Investment Bank (EIB) will contribute a total of €1.7 billion from own resources for the period covered by the ninth EDF.

Additionally, the ACP-EU Council of Ministers decided on exceptional aid for highly-indebted ACP countries in December 1999, which falls into the greater framework of the international debt-relief initiative for highly-indebted poor countries (HIPC initiative) approved at the G7 summit in Cologne in the summer of 1999. Unallocated resources from the eighth EDF may be used in the form of grants to meet outstanding debt and debt-servicing obligations to the Community of the ACP countries that qualify under the HIPC initiative (€320 million); contributing to the overall financing of the HIPC initiative by providing up to €680 million for the HIPC Trust Fund managed by the World Bank.

In the framework of the EU's external cooperation and development policies, the European Investment Bank (EIB) operates in 79 ACP countries. The EIB has been the development bank of the European Union and active in many ACP countries for 30 or 40 years (McQueen, 1998).[2] The Cotonou Agreement mandates the EIB to provide reimbursable aid to

[2] The EIB also supports investment in 20 Overseas Countries and Territories (OCT), mainly in the Caribbean and the Pacific, which have constitutional links with some of the EU members.

projects, alongside grant aid from the European Commission. In 2003-2008, the EIB is expected to channel €3.7 billion to ACP projects.

Regarding the funds distributed by the EU to the ACP countries, a consistent and comprehensive dataset does not exist. The fact that the EDF was not included in the EU's general budget may explain the lack of data. The EDF has been the only expenditure that is not subject to authorization by the European Parliament. Following the request by the European Parliament in 1993, the EDF-related grants and loans have since been included in the EU budget. In 2003, the European Commission recommended the incorporation of financial aid to the ACP countries as well as Overseas Countries and Territories (OCT) in the framework of the EDF and into the EU budget. Incorporating the EDF into the budget is expected to strengthen the public legitimacy of the EU's external assistance. In its recommendation to the Council of Ministers and the European Parliament, the European Commission stated that this change would allow increased public control of the EU aid and greater transparency as well as effectiveness associated with it. Additionally, the financing of EU-ACP cooperation would gain independence from voluntary contributions determined as a result of national viewpoints and bring financial cooperation with the ACP countries up to the EU level. However, a disadvantage of the new budget rule may lie in the fact that the negotiations regarding the EU’s financial aid to developing countries will not get any easier with the increasing number of new EU-members, whose income levels are in the lower range.

In the absence of the EU-provided data, we gather borrowing data on 65 out of 79 ACP countries from Global Development Finance CD-ROM of 2000 published by the World Bank. The period in question is 1970-1998 and Table 3 examines some of the borrowing-related variables. Clearly, the ACP countries are among the world’s poorest countries. The average ACP

GDP per capita is about 6 percent of the U.S. GDP. When only African countries are considered, this ratio declines to almost 4.5 percent. With respect to the type disbursement, grants have a higher share in ACP countries (over 40 percent). In terms of the size of funds, for example, the average annual grant disbursement to an ACP country is about $77 million. Therefore, it can be concluded that significant amounts of funds are provided to the ACP countries.

The Cotonou Agreement has been criticized for moving from partnership to imposition of excessive and unhelpful conditionality upon the ACP countries. This agreement introduces the idea of performance-based partnership and abandons "aid entitlements" (i.e., fixed allocations of funds regardless of performance). Under the new agreement, the EU can be more selective and flexible in the way it allocates development resources. Aid allocations will be based on an assessment of each country's needs and performance, which will include the possibility of regular adjustments in the light of this assessment. In practice, it means that more money can be channeled to "good performers" and that the share of "bad performers" can be reduced.

Clearly, the ACP countries are in need of performance-related financial aid, because they score very poorly on governance-related variables. Using the data on 72 out of 79 ACP countries provided by the International Country Risk Guide of 2004 by the PRS Group during the period 1970-2004, one can verify this claim. Table 4 summarizes the ACP countries' scores in corruption (0-6), bureaucratic quality (0-4), law and order (0-6), democratic accountability (0-6), and internal conflict (0-12). These variables are measured by index numbers indicated in parentheses. Only for corruption, higher values imply lower corruption. Table 4 indicates that the ACP countries have high levels of corruption, low bureaucratic quality, weak judicial institutions and democratic accountability, and high levels of internal conflicts. These issues probably constitute the very reason as to why the ACP countries have not made a better use of the preferential trade concessions and financial aid provided by the EU. While crippling conditionality is clearly not desirable, under the circumstances, the Cotonou Agreement's emphasis on good governance seems to be warranted.

5. Conclusion

This paper attempts to quantify the effectiveness of the economic cooperation between the EU and the ACP countries. The methods employed are quite descriptive in nature and more empirical analysis is necessary. The preliminary results suggest that neither preferential trade arrangements nor financial aid provided to the ACP countries by the EU has made a significant difference in the economic and governance-related performance of these countries. Hopefully, the Cotonou Agreement's focus on the domestic dynamics of the ACP countries will make a positive difference in the years to come.

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Table 1: ACP countries

African	Caribbean	Pacific
1. Angola	49. Antigua and Barbuda	65. Cook Islands
2. Benin	50. Bahamas	66. Fiji
3. Botswana	51. Barbados	67. Kiribati
4. Burkina Faso	52. Belize	68. Marshall Islands
5. Burundi	53. Cuba	69. Micronesia
6. Cameroon	54. Dominica	70. Timor-Leste
7. Cape Verde	55. Dominican Republic	71. Niue
8. Central African Republic	56. Grenada	72. Palau
9. Chad	57. Guyana	73. Papua New Guinea
10. Comoros	58. Haiti	74. Nauru
11. Congo-Brazzaville	59. Jamaica	75. Samoa
12. Congo-Kinshasa	60. Saint Kitts and Nevis	76. Solomon Islands
13. Côte d'Ivoire	61. Saint Lucia	77. Tonga
14. Djibouti	62. Saint Vincent and the Grenadines	78. Tuvalu
15. Equatorial Guinea	63. Suriname	79. Vanuatu
16. Eritrea	64. Trinidad and Tobago	
17. Ethiopia		
18. Gabon		
19. Gambia		
20. Ghana		
21. Guinea		
22. Guinea-Bissau		
23. Kenya		
24. Lesotho		
25. Liberia		
26. Madagascar		
27. Malawi		
28. Mali		
29. Mauritania		
30. Mauritius		
31. Mozambique		
32. Namibia		
33. Niger		
34. Nigeria		
35. Rwanda		
36. São Tomé and Príncipe		
37. Senegal		
38. Seychelles		
39. Sierra Leone		
40. Somalia		
41. South Africa		
42. Sudan		
43. Swaziland		
44. Tanzania		
45. Togo		
46. Uganda		
47. Zambia		
48. Zimbabwe		

Table 2: Mean trade diversification and concentration in the ACP countries and other country groups

Regions	# of export goods	# of import goods	Export diversification	Import diversification	Export concentration	Import concentration
ACP countries	49	146	.52	.41	.51	.14
Developing countries in						
Latin America	189	215	.54	.34	.25	.11
Asia	205	225	.54	.38	.25	.12
Income levels						
High	202	225	.53	.36	.28	.11
Middle	184	218	.57	.37	.28	.12
Low	181	214	.55	.42	.25	.11

Source: Handbook of Statistics CD-ROM of 2005 by the United Nations Conference on Trade and Development (UNCTAD)

Table 3: Borrowing by the ACP countries

	ACP	Africa	Caribbean	Pacific
Income level				
GDP per capita as percentage of U.S. GDP per capita	6.12	4.47	10.45	7.51
Sources of funds as percentage of total disbursements				
Multilateral	14.11	16.24	10.79	5.93
Grants	40.35	42.85	26.86	53.07
Bilateral	17.21	19.12	16.14	5.31
FDI	12.72	7.69	26.41	18.53
Size of funds (in millions of US dollars)				
Multilateral	43.85	54.99	21.63	12.11
Grants	77.01	97.89	22.14	48.51
Bilateral	36.77	45.92	20.54	6.06
FDI	34.35	35.41	35.96	22.54

Source: Global Development Finance CD-ROM 2000 by the World Bank

Table 4: Governance-related performance in ACP countries

	ACP	Africa	Caribbean	Pacific
Corruption	2.51	2.53	2.36	2.67
Bureaucratic quality	1.45	1.39	1.59	2.62
Law and order	2.71	2.72	2.59	3.05
Democratic accountability	2.83	2.67	3.41	4.48
Internal conflict	7.28	7.15	7.73	8.64

Source: International Country Risk Guide of 2004 by the PRS Group

Figure 1: Timetable of the ACP-EU Cooperation

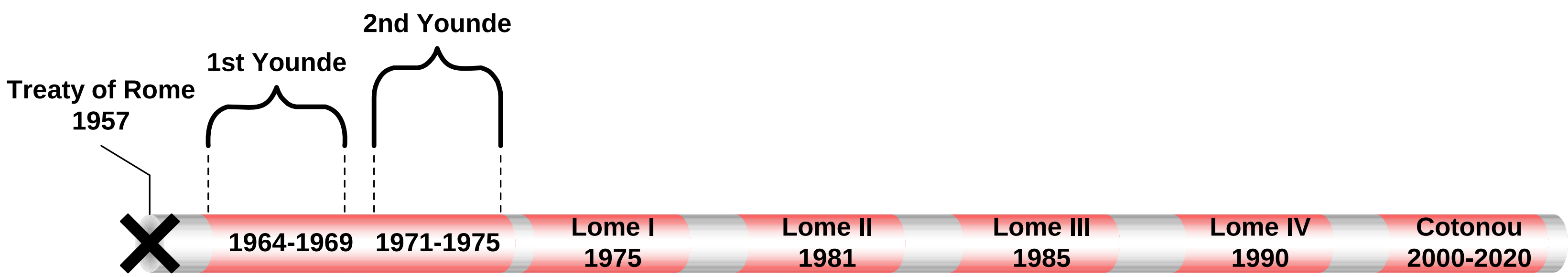
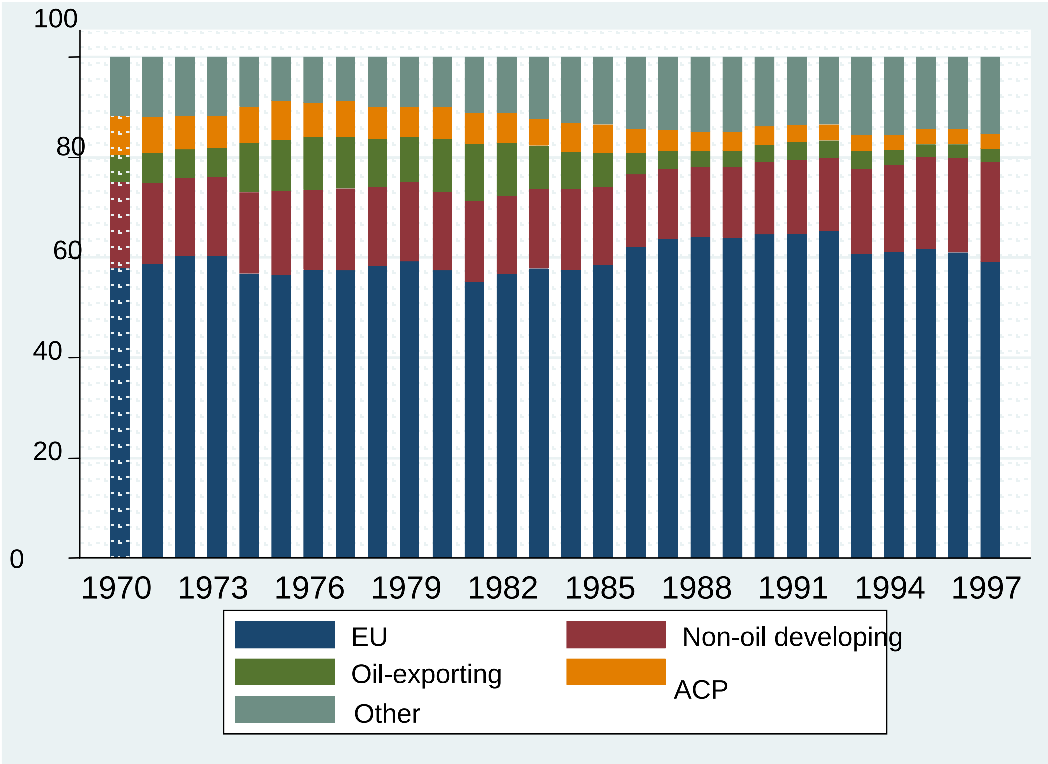
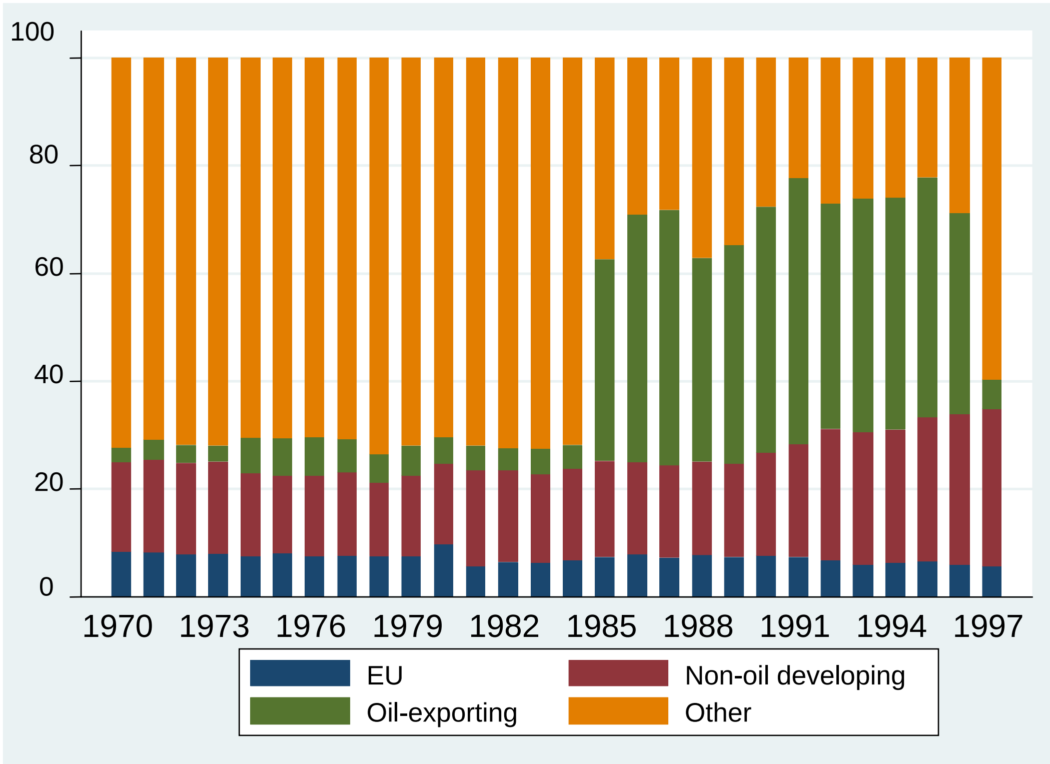


Figure 2: EU's trade partners (mean shares)



Source: Direction of Trade Statistics CD-ROM of 2005 by the IMF

Figure 3: ACP's trade partners (mean shares)



Source: Direction of Trade Statistics CD-ROM of 2005 by the IMF

Figure 4 – A: Components of export expansion effect

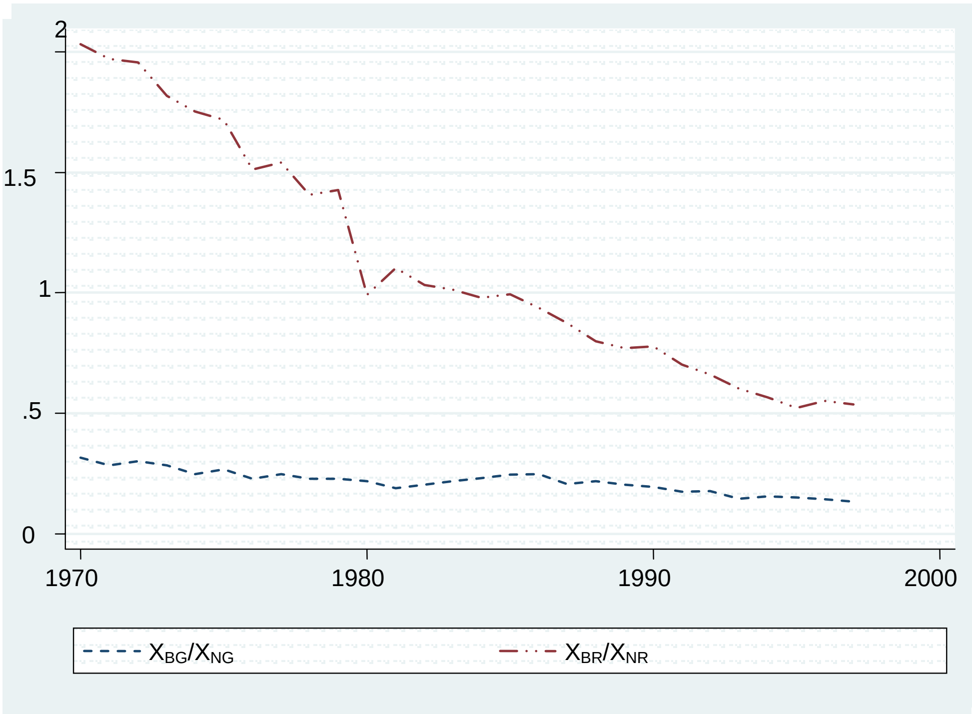
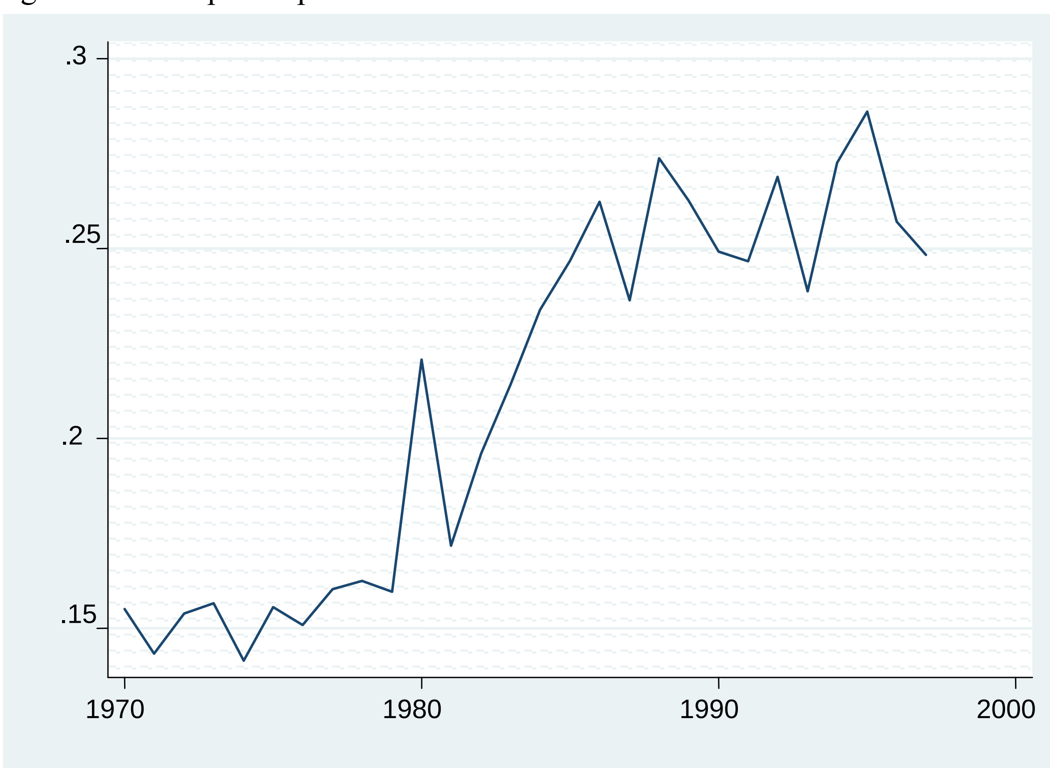


Figure 4 – B: Export expansion effect



Source: Handbook of Statistics CD-ROM of 2005 by the United Nations Conference on Trade and Development (UNCTAD)

Figure 5 – A: Components of import expansion effect

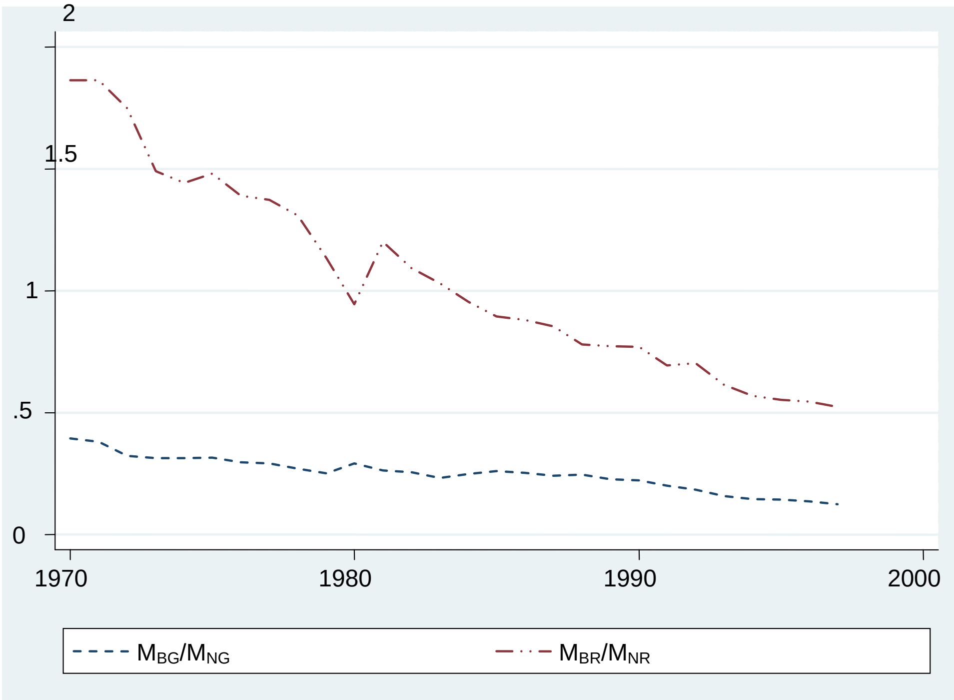
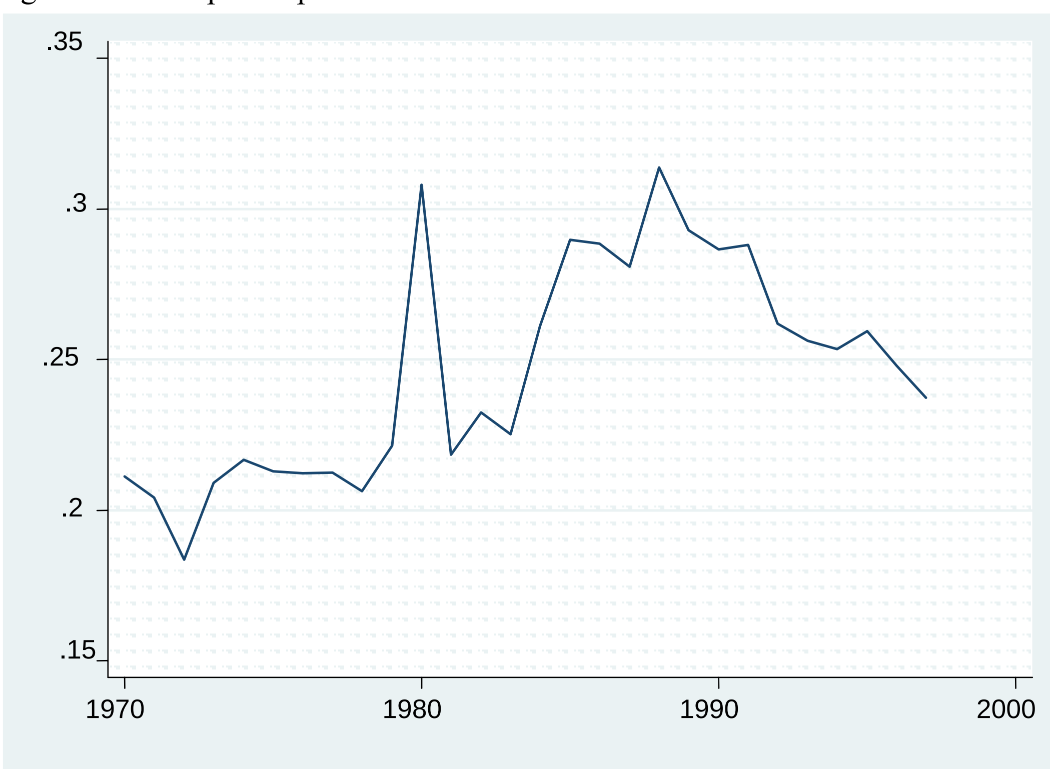
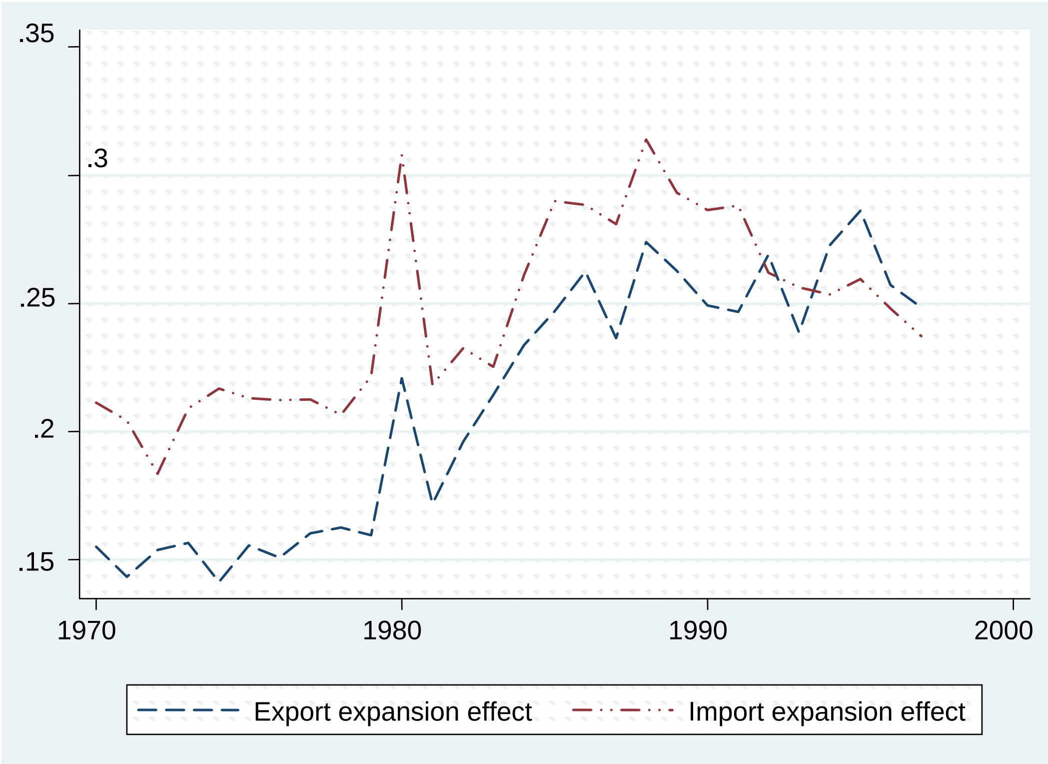


Figure 5 – B: Import expansion effect



Source: Handbook of Statistics CD-ROM of 2005 by the United Nations Conference on Trade and Development (UNCTAD)

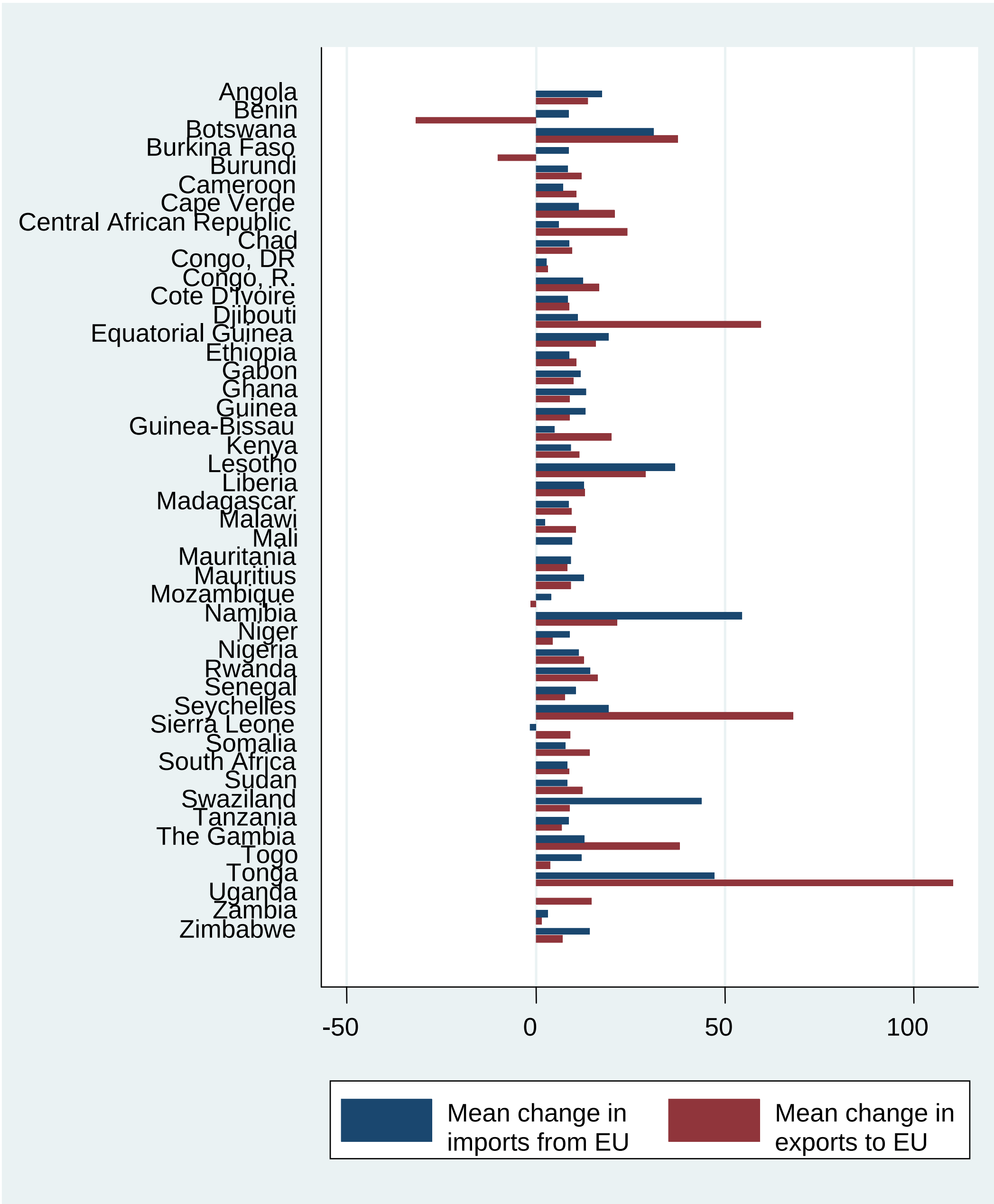
Figure 6: Export and import expansion effects (from the ACP countries' point of view)



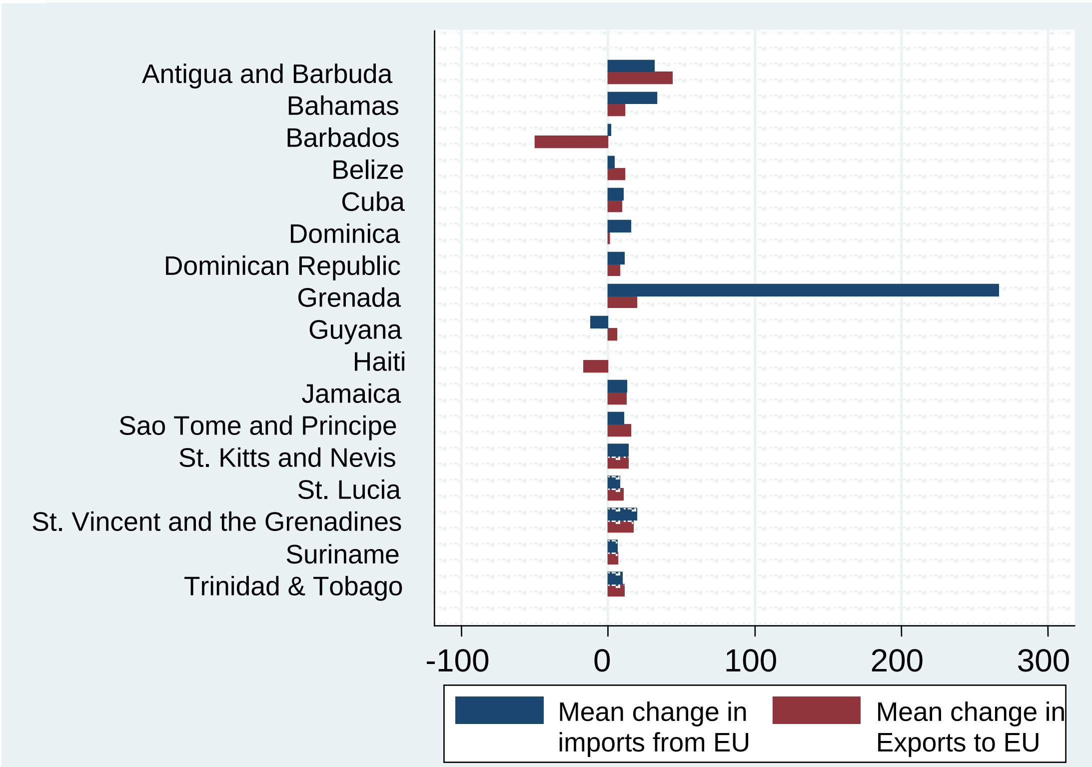
Source: Handbook of Statistics CD-ROM of 2005 by the United Nations Conference on Trade and Development (UNCTAD)

Figure 7: Mean changes in the individual ACP countries' trade with the EU (1970-1997)

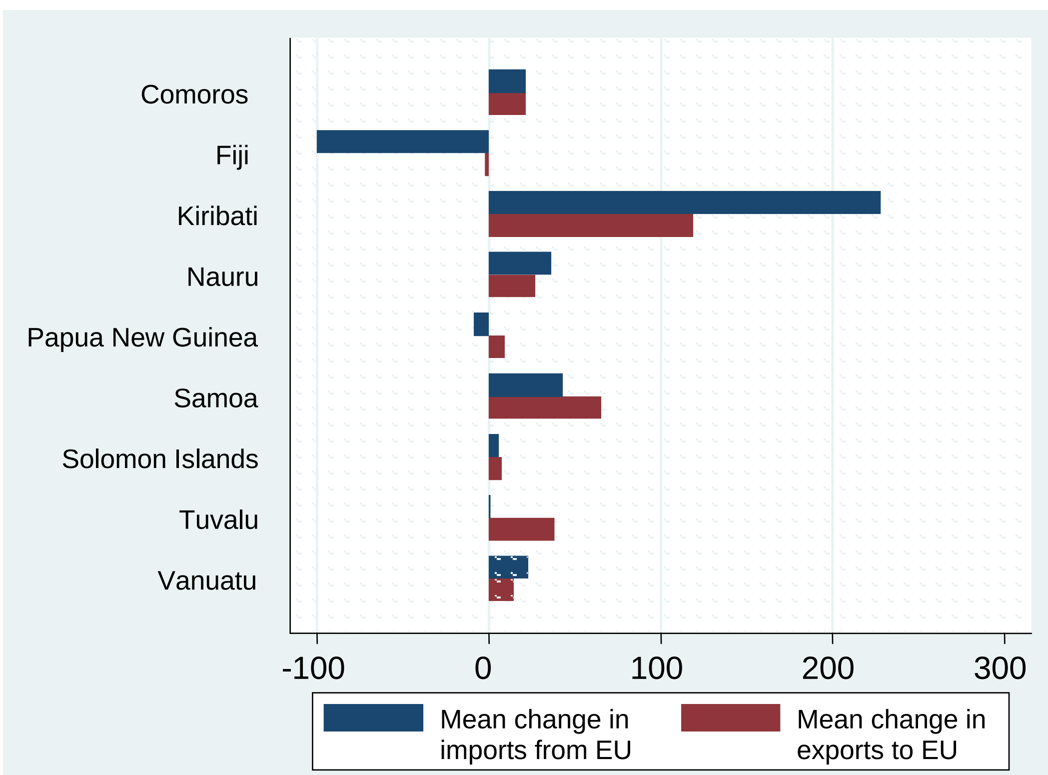
A. African Countries



B. Caribbean Countries



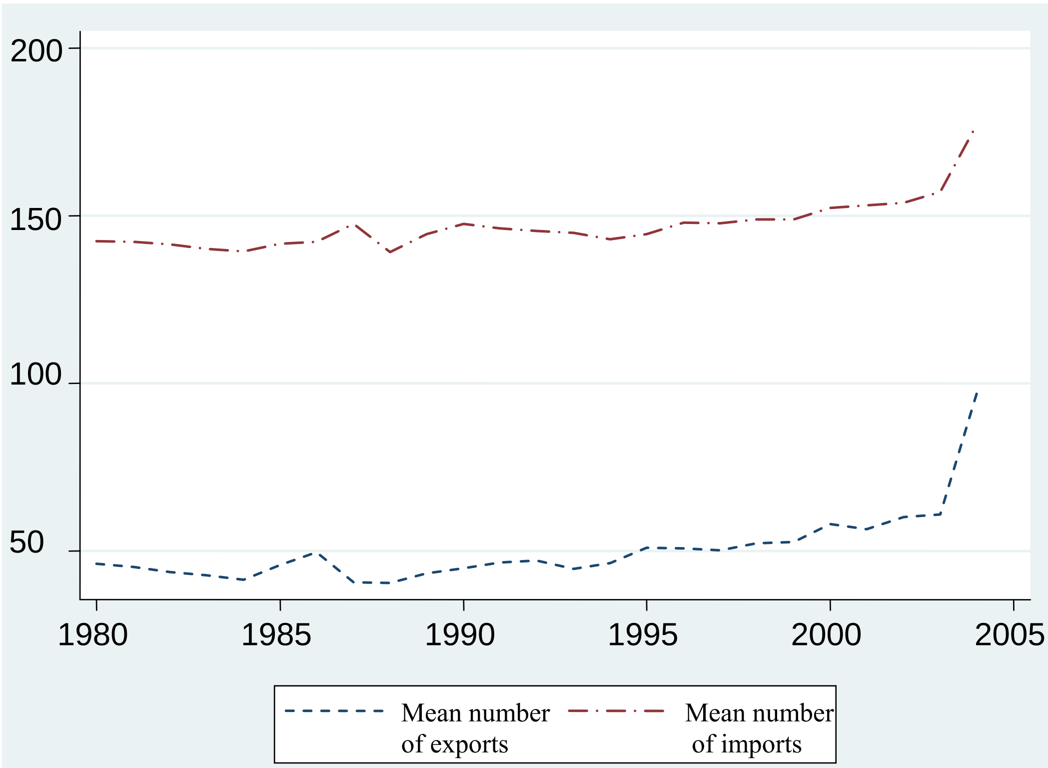
C. Pacific Countries



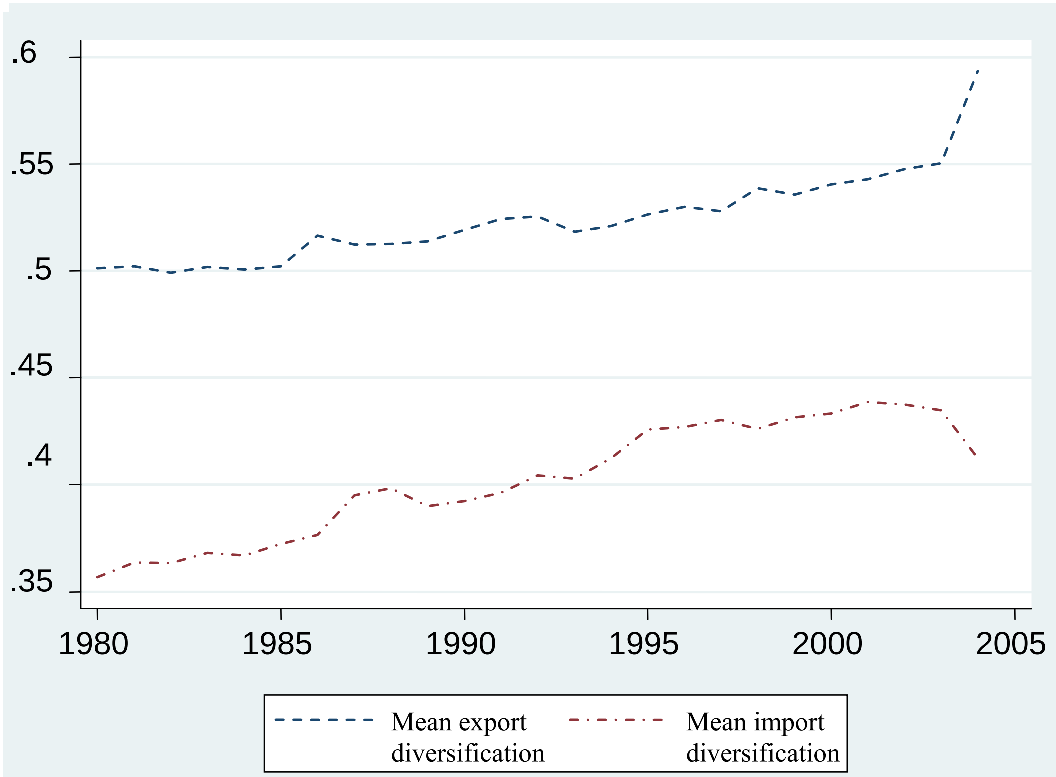
Source: Direction of Trade Statistics CD-ROM of 2005 by the IMF

Figure 8: Diversification effects

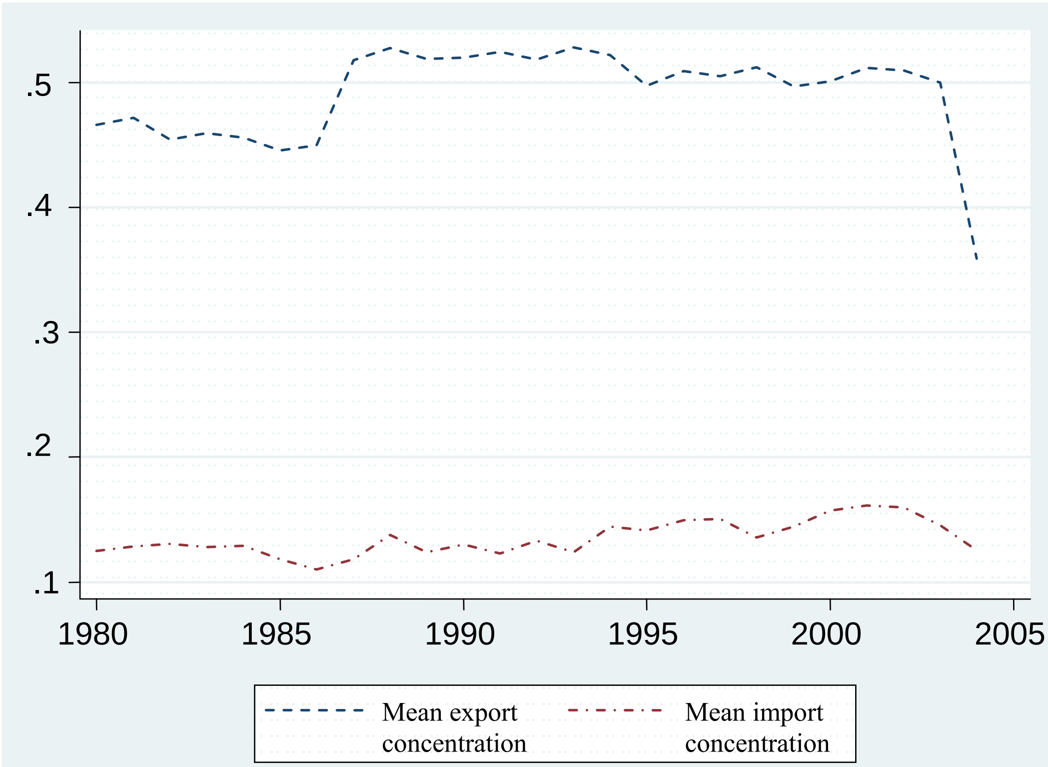
8 – A: Mean number of exports and imports



8 – B: Mean export and import diversification

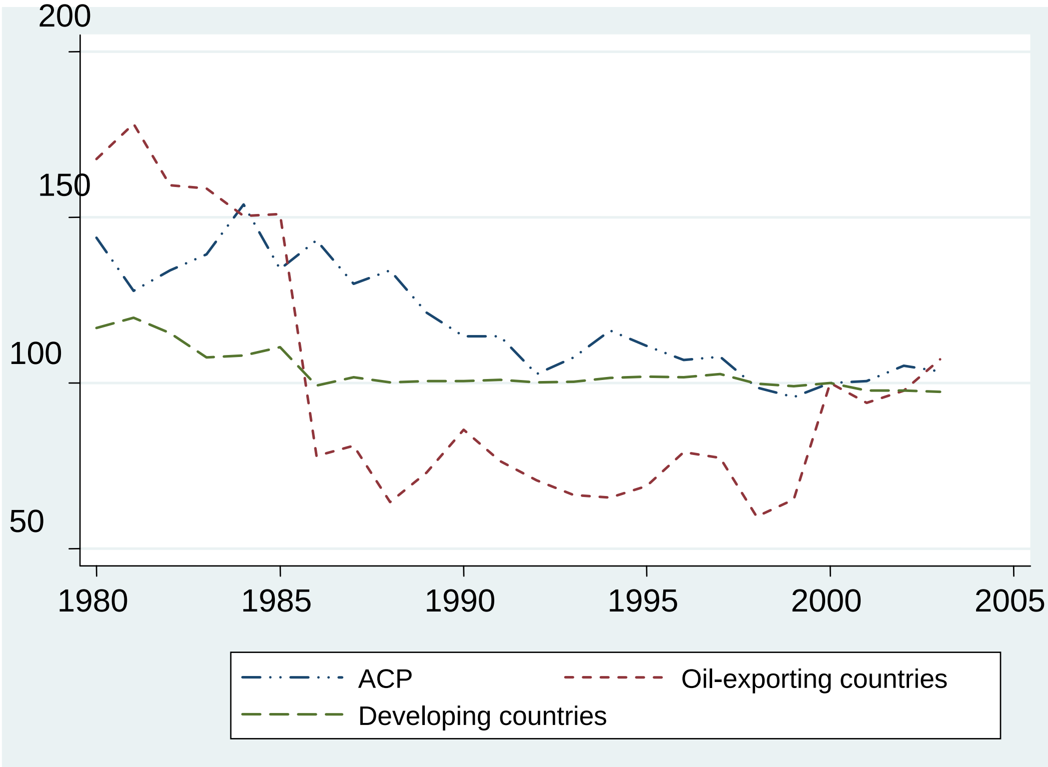


8 – C: Mean export and import concentration



Source: Handbook of Statistics CD-ROM of 2005 by the United Nations Conference on Trade and Development (UNCTAD)

Figure 9: Terms of Trade (2000 = 100)



Source: World Development Indicators CD-ROM of 2006 by the World Bank