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THE WORLD BANK ANNUAL REPORT 2008

YEAR IN REVIEW

THE WORLD BANK

OPERATIONAL SUMMARY | FISCAL 2008

IBRD MILLIONS OF DOLLARS	2008	2007	2006	2005	2004
Commitments	13,468	12,829	14,135	13,611	11,045
Of which development policy lending	3,967	3,635	4,906	4,264	4,453
Number of projects	99	112	113	118	87
Of which development policy lending	16	22	21	23	18
Gross disbursements	10,490	11,055	11,833	9,722	10,109
Of which development policy lending	3,485	4,096	5,406	3,605	4,348
Principal repayments (including prepayments)	12,610	17,231	13,600	14,809	18,479
Net disbursements	(2,120)	(6,176)	(1,767)	(5,087)	(8,370)
Loans outstanding	99,050	97,805	103,004	104,401	109,610
Undisbursed loans	38,176	35,440	34,938	33,744	32,128
Operating income[a]	2,271	1,659	1,740	1,320	1,696
Usable capital and reserves	36,888	33,754	33,339	32,072	31,332
Equity-to-loans ratio	38%	35%	33%	31%	29%

a. Reported in IBRD's financial statements as net income before Board of Governors–approved transfers and net unrealized (losses) gains on nontrading derivatives, loans, and borrowings measured at fair value, per Financial Accounting Standard No. 133 as amended.

IDA MILLIONS OF DOLLARS	2008	2007	2006	2005	2004
Commitments	11,235	11,867	9,506	8,696	9,035
Of which development policy lending	2,672	2,645	2,425	2,331	1,698
Number of projects	199	188	173	165	158
Of which development policy lending	29	35	30	33	23
Gross disbursements	9,160	8,579	8,910	8,950	6,936
Of which development policy lending	2,813	2,399	2,425	2,666	1,685
Principal repayments	2,182	1,753	1,680	1,620	1,398
Net disbursements	6,978	6,826	7,230	7,330	5,538
Credits outstanding	113,542	102,457	127,028	120,907	115,743
Undisbursed credits	27,539	24,517	22,026	22,330	23,998
Undisbursed grants	5,522	4,642	3,630	3,021	2,358
Development grant expenses	3,151	2,195	1,939	2,035	1,697

Note: Projects scaled up through additional financing are included in the total number of operations.

LETTER OF TRANSMITTAL

This Annual Report, which covers the period from July 1, 2007, to June 30, 2008, has been prepared by the Executive Directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—collectively known as the World Bank—in accordance with the respective bylaws of the two institutions. Robert B. Zoellick, President of IBRD and IDA, and Chairman of the Board of Executive Directors, has submitted this report, together with the accompanying administrative budgets and audited financial statements, to the Board of Governors.

Annual reports for the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID) are published separately.

CONTENTS

CD-ROM Contents

The CD-ROM contains the complete contents of the book in Arabic, Chinese, English, French, Hindi, Japanese, Portuguese, Russian, and Spanish.

International Poverty Lines and the 2008 Annual Report

Poverty estimates in this report use international poverty lines that are based on 1993 purchasing power parity (PPP) conversion factors. This was the latest measure at press time. As of August 2008, the World Bank was in the process of revising poverty estimates using more recent PPP conversion factors that are based on the 2005 round of the International Comparison Program.

Note: The complete Financial Statements, including Management's Discussion and Analysis, audited financial statements of the International Bank for Reconstruction and Development, and audited financial statements of the International Development Association, are published on the CD-ROM enclosed with this report. This Annual Report is also available on the Internet at **http://www.worldbank.org**.

All dollar amounts used in this Annual Report are current U.S. dollars unless otherwise specified. As a result of rounding, numbers in tables may not add to totals and percentages in figures may not add to 100. Throughout this report, the terms "World Bank" and "Bank" refer to IBRD and IDA. "World Bank Group" refers to IBRD, IDA, IFC, MIGA, and ICSID.

MESSAGE FROM THE PRESIDENT OF THE WORLD BANK AND CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

2008 has been an important year for the World Bank Group. I am pleased to introduce an Annual Report that captures the progress we have made so far and the work ahead of us.

This year, we have developed six strategic priorities to focus our effort.

We are giving particular attention to the poorest countries, especially in Africa. Bringing opportunity and growth to these countries means quality education, especially for girls; addressing disease, malnutrition, and clean water; and many other social development topics. It involves a growth agenda: infrastructure, energy, regional integration linked to global markets, and a healthy private sector. This past year, we achieved a record-setting IDA15 of $41.7 billion, representing a 30 percent increase over IDA14. We launched an initiative to link Sovereign Wealth Funds with equity investment in Africa, to help sub-Saharan Africa reach its potential as another pole of growth for the global economy.

The Bank Group is focused on development in states in fragile situations or affected by conflict—the modern version of the challenge the Bank faced after World War II, when the International Bank for Reconstruction and Development helped reconstruct Europe and Japan. Today, we are trying to help Liberia, Afghanistan, Haiti, Kosovo, and others.

We are addressing the challenges of Middle Income Countries. This year, we achieved the first reduction in loan prices in over a decade, along with simplification of processes, extension of maturities, and improved access to risk management tools. We are developing a host of knowledge and financial services to help these important clients, and working with them as they expand their activities in other countries, so as to broaden and diversify the stakeholders in the international economic system.

The Bank is increasing work on global public goods, from HIV/AIDs, avian influenza, malaria, TB, and health systems to pull this work together, to the challenges of global climate change, both adaptation and mitigation. We launched the Forest Carbon Partnership Facility and Carbon Partnership Facility, and the Board approved our new Climate Investment Funds. Those initiatives will help developing countries test new approaches and pursue lower-carbon growth paths.

In the Arab World, even those countries that are rich in resources are facing demographic challenges, and they will need to find ways to generate jobs, broaden their growth, and create hope. We have been advancing areas of cooperation, including Islamic finance, water, and education.

We are also forming new partnerships, gaining knowledge and valuable experience, and leveraging the best global knowledge to support development. This involves focusing on serving our clients and ensuring that we are devoting attention to solving problems, not just analyzing them. This may be our most vital task, and we have much work ahead of us.

The Bank Group has been especially focused on responding to high food and energy prices. We are working with the UN and other international partners to identify particularly vulnerable countries requiring immediate assistance. The Bank Group created a $1.2 billion Global Food Crisis Response Program to respond quickly to the needs of our clients, and we are assisting countries to increase production and productivity across the agricultural value chain, to transform today's food problem into a growth opportunity. The Bank Group is also working to address short-term needs, and scaling up public and private sector projects that enhance sustainable energy access for the poor, efficiency of energy consumption and/or supply, and diversification of energy sources to reduce risk.

We are completing the implementation of the recommendations of the Volcker Report, to enhance transparency and prevention, clarify responsibilities, strengthen follow-up actions when we discover fraud and corruption, and make us a stronger institution. We also launched our Governance and Anti-Corruption (GAC) strategy, a key foundation for our development work.

During fiscal 2008 the Bank Group committed $38.2 billion in loans, grants, equity investments, and guarantees to its members and to private businesses in member countries—an increase of $3.9 billion (11.4 percent) from fiscal year 2007.

IDA commitments were $11.2 billion, 5 percent lower than the previous year. IBRD commitments in fiscal 2008 totaled $13.5 billion. IFC committed $11.4 billion for its own account and mobilized an additional $4.8 billion for 372 private sector investments in developing countries, more than 40 percent of which were in IDA countries. Of MIGA's $2.1 billion in guarantees, $690 million went to projects in IDA-eligible countries. MIGA's exposure in IDA countries now stands at $2.3 billion, representing 35.6 percent of its portfolio.

We have built a good momentum, yet we have much to do to advance an inclusive and sustainable globalization that offers opportunities for all our client countries and their peoples.

In closing, I want to thank the dedicated staff of the World Bank Group, in Washington and in offices in over one hundred other countries, who are committed to transforming us into a more dynamic, flexible, and innovative institution. I also want to thank our Board of Directors, the Governors, and our many contributors and partners. To be most effective and successful, we will need their ongoing help and counsel.

Robert B. Zoellick

THE BOARD OF EXECUTIVE DIRECTORS

The Executive Directors are responsible for the conduct of the Bank's general operations; they perform their duties under powers delegated by the Board of Governors. As provided in the Articles of Agreement, 5 of the 24 Executive Directors are appointed by single-member countries having the largest number of shares; the rest are elected by the other member countries, which form constituencies in an election process conducted every two years. The resident Board of Executive Directors represents the evolving perspectives of member countries on the role of the Bank Group.

The Board decides on IBRD loan and guarantee proposals and on IDA credit, grant, and guarantee proposals made by the President. Directors shape policies that guide general operations of the Bank and its strategic direction. They are responsible for presenting to the Governors at the Annual Meetings audited accounts, an administrative budget, and the Annual Report on the operations and policies of the Bank, and other matters that, in their judgment, require submission to the Governors. The Independent Evaluation Group (IEG), which reports to the Board, provides independent advice on the relevance, sustainability, efficiency, and effectiveness of operations. (See **http://www.worldbank.org/boards** and **http://www.worldbank.org/ieg**.)

Directors serve on one or more standing committees: Audit, Budget, Committee on Development Effectiveness, Ethics, Governance and Administrative Matters, and Personnel. With the committees' help, the Board discharges its oversight responsibilities through in-depth examinations of policies and practices. The Executive Directors' Steering Committee, an informal advisory body, meets regularly.

Directors play an active role in preparing agendas and issue papers for the semiannual meetings of the joint World Bank–International Monetary Fund Development Committee. In fiscal 2008, Directors considered a variety of documents, including the fifth *Global Monitoring Report,* which reviewed progress toward the Millennium Development Goals (MDGs); the framework for the Bank's role in global public goods; a document on strengthening the Bank's engagement with IBRD partner countries; a strategic framework on climate change and economic development; and progress reports on the Bank Group's plans for promoting clean energy, spurring progress on Aid for Trade, and addressing food and energy prices.

Working jointly with the President of the World Bank in support of the Bank Group's goal of inclusive and sustainable globalization, the Board helped shape implementation of the six strategic themes presented at the 2007 Annual Meetings. The themes focus on the poorest countries, particularly in Africa; fragile and postconflict states; middle-income countries; global and regional public goods; expanding opportunity for the Arab world; and knowledge and learning. (See **http://www.worldbank.org**.)

During fiscal 2008, the Board approved the establishment of a State- and Peace-Building Fund. The Directors highlighted the principles of transparency and internal governance, project integrity, anticorruption efforts, and cooperation with partners. In response to the food crisis, the Board approved the Framework for a Global Food Crisis Response Program (GFRP) and establishment of the Food Price Crisis Response (FPCR) Trust Fund and the proposed transfer out of IBRD's surplus to the FPCR Trust Fund. Following the External Review Committee on Bank-IMF collaboration, Directors considered the Joint Management Action Plan, which provides a roadmap for effective collaboration by the Bretton Woods institutions to ensure consistent policy advice to member countries. During fiscal 2008, Directors visited Ethiopia, India, Madagascar, Malawi, Maldives, Mongolia, Nepal, the Philippines, Tunisia, and the Republic of Yemen to assess project implementation firsthand.

From left to right: (standing) Gino Alzetta, Svein Aass, Giovanni Majnoni, Herman Wijffels, Alexey Kvasov, James Hagan, Sid Ahmed Dib, Michael Hofmann, Masato Kanda, Mohamed Kamel Amr, E. Whitney Debevoise, Ambroise Fayolle, Michel Mordasini, Samy Watson, Felix Alberto Camarasa; (seated) Dhanendra Kumar, Abdulrahman Almofadhi, Zou Jiayi, Mat Aron Deraman, Caroline Sergeant, Jorge Humberto Botero, Mulu Ketsela, Louis Philippe Ong Seng. Not pictured: Jorge Familiar.

COUNTRY PROGRAMS

During fiscal 2008, the Board considered 49 Country Assistance Strategy (CAS) products. Of these, 12 were prepared with IFC, and several were prepared collaboratively with other donors.

POVERTY REDUCTION

The Board's work on poverty reduction continued to be heavily influenced by its determination to accelerate progress toward halving world poverty by 2015. It noted with concern that progress continued to be uneven across countries and sectors, and stressed the importance of sharpening the focus on the links needed to achieve the MDGs; coordinating donor support to ensure predictability of aid flows; supporting country training, institutional capacity building, and the results agenda; and addressing issues to help the Bank Group meet Paris Declaration on Aid objectives. Poverty Reduction Strategy Papers (PRSPs) lay out a country's own poverty reduction strategy (PRS) and specify the policies, programs, and resources needed to achieve development and poverty reduction goals. PRSPs describe the country's macroeconomic, structural, and social policies and programs over the medium to long term, as well as associated financing. PRSPs and annual progress reports are country owned, and thus are discussed, but not approved, by the Board and the IMF. In fiscal 2008, 29 PRSP products were discussed. Africa accounted for 16 PRSP products; followed by Europe and Central Asia, and Latin America and the Caribbean, with 4 each; 3 in South Asia; and 2 in East Asia and Pacific.

IDA15

Donor countries pledged a record $25.2 billion for the World Bank to help overcome poverty in the poorest countries. In total the 15th Replenishment of IDA (IDA15) will provide $41.7 billion, an increase of $9.5 billion over IDA14, the largest expansion in donor funding in IDA's history.

The Executive Directors' Advisers, the IDA Deputies, played noteworthy roles in the IDA discussion preparations, and numerous Directors and their staffs participated in the IDA Deputies' five replenishment meetings.

The Board was pleased to endorse this most successful IDA15 in February 2008. It reiterated the importance of IDA's role in building government capacity to design appropriate debt management strategies and improve debt management. The Board also reviewed one Heavily Indebted Poor Countries (HIPC) Completion Point document, one Preliminary HIPC document, three HIPC Decision Point documents, and one Interim Debt Relief document.

OVERSIGHT AND FIDUCIARY RESPONSIBILITY

The Board exercises oversight and fiduciary responsibilities, in part through its Audit Committee, which has a mandate to assist in overseeing and making decisions about the Bank Group's financial condition, its risk management and assessment processes, the adequacy of its governance and controls, and its reporting and accounting policies and procedures. This year the Board addressed significant reform and strengthening of the Bank Group's oversight and supporting systems. These included changes to the Department of Institutional Integrity, the Office of Ethics and Business Conduct, and several components of the Conflict Resolution System, and the introduction of a Whistle-Blower Policy for protected disclosures.

ADMINISTRATIVE BUDGET

The total budget for fiscal 2008 was $2,148.3 million, net of reimbursements, including $175.5 million for the Development Grant Facility and the Institutional Grant Programs. The net budget of $1,637.1 million represented a 2.9 percent increase over fiscal 2007. The Board approved a budget, net of reimbursements, of $2,179.1 million for fiscal 2009.

INSPECTION PANEL

The Inspection Panel provides a vehicle for private citizens, especially poor people, to bring claims to the Bank's Board, which decides, on the recommendation of the panel, whether to launch an investigation. This process has given voice to people who may have been adversely affected by Bank-financed projects.

In fiscal 2008, the Inspection Panel received six requests for inspection involving Bank projects, five of which were registered. The panel recommended investigations in three cases. (See **http://www.worldbank.org/inspectionpanel**.)

A GLOBAL WORKFORCE

A global community, the Bank staff represents 161 countries. The work of IBRD and IDA is performed by about 8,600 people working in Washington, DC, and in almost 120 country offices worldwide. Today 36 percent of staff work in country offices.

Staff diversity is critical to the Bank's organizational effectiveness. In 2007, the Bank Group adopted a five-year Diversity & Inclusion Strategy for staff, emphasizing four key themes—the role of leadership; more inclusive staffing processes; new learning to promote behavior change; and fresh metrics that focus on developing-country nationals, gender, and Sub-Saharan African and Caribbean nationals. The Bank Group's agenda supports staff with disabilities and those of any sexual orientation.

For more on diversity and decentralization, see the CD-ROM.

EXECUTIVE DIRECTORS, ALTERNATES, AND COMMITTEE MEMBERSHIP | JUNE 30, 2008

APPOINTED

EXECUTIVE DIRECTOR	ALTERNATE	CASTING VOTES OF
E. Whitney Debevoise[a, e]	**Ana Guevara**	United States
Toru Shikibu[b, c, i]	**Masato Kanda**	Japan
Michael Hofmann[d]	**Ruediger Von Kleist**	Germany
Alex Gibbs[b, e]	**Caroline Sergeant**	United Kingdom
Ambroise Fayolle[a, d]	**Alexis Kohler**[h]	France

ELECTED

EXECUTIVE DIRECTOR	ALTERNATE	CASTING VOTES OF
Gino Alzetta[d(C)] (Belgium)	**Melih Nemli** (Turkey)	Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey
Jorge Familiar[c, e, i] (Mexico)	**Jose Alejandro Rojas Ramirez**[h] (República Bolivariana de Venezuela)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela (República Bolivariana de)
Herman Wijffels[a(VC), c, i(VC)] (Netherlands)	**Claudiu Doltu**[h] (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine
Samy Watson[b, c] (Canada)	**Ishmael Lightbourne** (The Bahamas)	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Rogerio Studart[b, d] (Brazil)	**Jorge Humberto Botero**[h] (Colombia)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Trinidad and Tobago
Giovanni Majnoni[a, c(VC)] (Italy)	**Nuno Mota Pinto**[h] (Portugal)	Albania, Greece, Italy, Malta, Portugal, San Marino, Timor-Leste
James Hagan[a, c] (Australia)	**Do Hyeong Kim**[h] (Republic of Korea)	Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands, Micronesia (Federated States of), Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu
Dhanendra Kumar[d, e(VC)] (India)	**Zakir Ahmed Khan**[h] (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka
Mulu Ketsela[a, c, i(C)] (Ethiopia)	**Mathias Sinamenye** (Burundi)	Angola, Botswana, Burundi, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
Svein Aass[e(C)] (Norway)	**Jens Haarlov**[h] (Denmark)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden
Javed Talat[b, d] (Pakistan)	**Sid Ahmed Dib** (Algeria)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Morocco, Pakistan, Tunisia
Michel Mordasini[b(C), f] (Switzerland)	**Jakub Karnowski**[h] (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan
Merza H. Hasan[a, e, i] (Kuwait)	**Mohamed Kamel Amr** (Arab Republic of Egypt)	Bahrain, Egypt (Arab Republic of), Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)
Zou Jiayi[c(C)] (China)	**Yang Yingming** (China)	China
Abdulrahman Almofadhi[a(C)] (Saudi Arabia)	**Abdulhamid Alkhalifa** (Saudi Arabia)	Saudi Arabia
Alexey Kvasov (Russian Federation)	**Eugene Miagkov** (Russian Federation)	Russian Federation
Mat Aron Deraman[b, d] (Malaysia)	**Chularat Suteethorn**[h] (Thailand)	Brunei Darussalam, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam
Felix Alberto Camarasa[d, e] (Argentina)	**Francisco Bernasconi**[h] (Chile)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
Louis Philippe Ong Seng[b(VC), e, f] (Mauritius)	**Agapito Mendes Dias**[h] (São Tomé and Principe)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Principe, Senegal, Togo

Committees

a. Audit Committee
b. Budget Committee
c. Committee on Development Effectiveness
d. Personnel Committee
e. Committee on Governance and Executive Directors' Administrative Matters
f. Pension Benefits and Administrative Committee
g. Pension Finance
h. CODE Subcommittee
i. Ethics Committee

C = Chairman
VC = Vice Chairman

REMUNERATION OF EXECUTIVE MANAGEMENT, EXECUTIVE DIRECTORS, AND STAFF

To recruit and retain highly qualified staff, the World Bank Group has developed a compensation and benefits system designed to be internationally competitive, to reward performance, and to take into account the special needs of a multinational and largely expatriate staff. The Bank Group's staff salary structure is reviewed annually by the Executive Directors and, if warranted, is adjusted on the basis of a comparison with salaries paid by private financial and industrial firms and by representative public sector agencies in the U.S. market. After analyses of updated comparator salaries, the Board approved an average increase in the salary structure of 3.5 percent for fiscal 2008, effective July 1, 2007, for Washington-appointed staff.

The annual salaries (net of taxes) of executive management of the World Bank Group were as follows for the period July 1, 2007, through June 30, 2008:

Executive Management: Annual Salaries (Net of Taxes, in US$)

NAME AND POSITION	ANNUAL NET SALARY[a]	ANNUAL BANK GROUP CONTRIBUTION TO PENSION PLAN[b]	ANNUAL BANK GROUP CONTRIBUTION TO OTHER BENEFITS[c]
Robert B. Zoellick, President[d]	420,930	87,133	182,687
Graeme Wheeler, Managing Director	334,990	100,631[h]	85,422
Vincenzo La Via, Chief Financial Officer	334,990	69,343	74,033
Lars Thunell, Executive Vice President, IFC	334,990	69,343	74,033
Juan Jose Daboub, Managing Director	334,990	69,343	74,033
Ngozi N. Okonjo-Iweala, Managing Director[e]	334,990	100,631[h]	74,033
Vinod Thomas, Director General, IEG	306,640	92,115[h]	78,193
Marwan Muasher, Senior Vice President, External Affairs	304,440	63,019	67,281
Ana Palacio, Senior VP and World Bank Group General Counsel[f]	304,440	63,019	67,281
Yukiko Omura, Executive Vice President, MIGA	269,740	55,836	68,784
Executive Directors[g]	219,800	n.a.	n.a.
Alternate Executive Directors[g]	190,140	n.a.	n.a.

a. Because World Bank Group (WBG) staff, other than U.S. citizens, usually are not required to pay income taxes on their WBG compensation, the salaries are set on a net-of-tax basis.

b. Approximate WBG contribution made to the Staff Retirement Plan and deferred compensation plans from July 1, 2007, through July 1, 2008.

c. Other benefits include annual leave; medical, life, and disability insurance; accrued termination benefits; and other nonsalary benefits.

d. Mr. Zoellick receives a supplemental allowance of $75,350 to cover expenses as part of WBG contribution to other benefits. Because Mr. Zoellick is a U.S. citizen, his salary is taxable and he receives a tax allowance to cover the estimated taxes on his Bank salary and benefits. In addition to his pension, Mr. Zoellick receives a supplemental retirement benefit equal to 5 percent of annual salary.

e. Ms. Okonjo-Iweala's appointment was effective December 3, 2007, and her actual salary for December 3, 2007, through June 30, 2008, was $193,652. The WBG contributed approximately $58,014 to her pension and $42,680 to other benefits for the portion of the year she worked.

f. Ms. Palacio terminated her service on April 15, 2008, and her actual salary for the period June 30, 2007, through April 15, 2008, was $239,989. The WBG contributed approximately $49,933 to her pension and $53,310 to other benefits for the portion of the year she worked for the WBG.

g. These figures do not apply to the U.S. Executive Director and Alternate Executive Director, who are subject to U.S. congressional salary caps.

h. Pension benefits for these staff members are based on Staff Retirement Plan (SRP) provisions in effect prior to April 15, 1998.

Staff Salary Structure (Washington, DC)

During the period July 1, 2007, to June 30, 2008, the salary structure (net of tax) and average salaries and benefits for World Bank Group staff were as follows:

GRADE	REPRESENTATIVE JOB TITLES	MINIMUM ($)	MARKET REFERENCE ($)	MAXIMUM ($)	STAFF AT GRADE LEVEL (%)	AVERAGE SALARY/GRADE	AVERAGE BENEFITS[a]
GA	Office assistant	23,760	30,880	40,130	0.1	28,158	14,761
GB	Team assistant, information technician	29,620	38,510	53,910	1.1	39,207	20,596
GC	Program assistant, information assistant	35,550	46,220	64,720	11.6	49,821	26,188
GD	Senior program assistant, information specialist, budget assistant	41,790	54,320	76,050	9.5	60,563	31,898
GE	Analyst	55,660	72,350	101,280	9.9	70,967	37,416
GF	Professional	74,750	97,170	136,040	18.0	91,250	48,165
GG	Senior professional	99,020	128,730	180,220	29.6	125,937	66,581
GH	Manager, lead professional	136,270	177,170	239,000	16.9	172,926	91,973
GI	Director, senior advisor	188,000	245,000	282,000	2.8	226,384	120,211
GJ	Vice president	244,540	273,880	314,970	0.3	277,483	145,456
GK	Managing director, Executive vice president	268,580	304,580	334,990	0.1	317,652	149,597

Note: Because World Bank Group (WBG) staff, other than U.S. citizens, usually are not required to pay income taxes on their WBG compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relatively small minority of staff will reach the upper third of the salary range.

a. Includes annual leave; medical, life, and disability insurance; accrued termination benefits; and other nonsalary benefits.

WORLD BANK GROUP FISCAL YEAR HIGHLIGHTS

Innovation and partnership bond the five institutions of the World Bank Group (see page 9): the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), which together form the World Bank; the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. It uses financial resources and extensive experience to help poor nations reduce poverty, increase economic growth, and improve the quality of life.

The World Bank Group's work focuses on achievement of the eight Millennium Development Goals (see sidebar, page 13). The goals call for eliminating poverty and achieving inclusive and sustainable globalization. The MDGs lay out a blueprint for the World Bank Group, setting its priorities and measuring its results. The World Bank is the world's largest funder of education; the world's largest external funder of the fight against HIV/AIDS; a leader in the fight against corruption worldwide; a strong supporter of debt relief; and the largest international financier of biodiversity, water supply, and sanitation projects.

WORLD BANK GROUP ASSISTANCE

During fiscal 2008, the World Bank committed $24.7 billion in loans, credits, and grants to its member countries. IDA commitments, to the world's poorest countries, were $11.2 billion, 5 percent lower than the previous year. IBRD commitments in fiscal 2008 totaled $13.5 billion, 5 percent higher than the previous year. IFC committed $11.4 billion for its own account and mobilized an additional $4.8 billion for 372 private sector investments in developing countries, more than 40 percent of which were in IDA countries. MIGA issued close to $2.1 billion in guarantees in support of investments in the developing world, an increase of $730 million over fiscal 2007. Of the total, $690 million went to IDA-eligible countries.

Africa received the highest Bank Group support, at more than $7.2 billion in loans, grants, equity investments, and guarantees, which is a record for the region.

COLLABORATING TO ADVANCE AN INCLUSIVE AND SUSTAINABLE GLOBALIZATION

The World Bank, IFC, and MIGA work together and independently to eliminate poverty, foster growth, and ensure that development is inclusive and sustainable. Joint ventures that mitigate or design solutions for today's most pressing issues—the struggle with rising food prices, the impact of greenhouse gas emissions, and the battle against communicable diseases such as HIV/AIDS and malaria—are especially rewarding and serve as a model of cooperation.

The recipients of the World Bank Group's fiscal 2008 financial commitments are using the funds in more than 670 projects, many of them collaborative efforts of two or more of the affiliates. The projects are designed to overcome poverty and enhance growth by improving education and health services, promoting private sector development, building infrastructure, and strengthening governance and institutions. They are practical plans to help developing countries move from poverty and become more competitive in a globalizing world.

IFC contributed a $500 million grant to IDA in fiscal 2008 as part of an indicative program for grants to IDA15 of up to $1.8 billion. A new IDA-IFC secretariat has been established to identify and pursue opportunities for increasing joint Bank Group efforts that support private sector development in the countries IDA serves. While IDA will continue to focus on the public sector, it can now draw more readily on IFC's expertise to ensure the private sector does its part to improve lives in IDA countries.

Bank Group coordination is also evident where private investment and public policy are closely interconnected. IFC and IBRD have joint departments covering several aspects of private investment and the government activities that enable it. Joint industry departments focus on information and communication technologies; oil, gas, mining, and chemicals; and subnational finance, principally for infrastructure. IFC and IBRD also collaborate in advising on small and medium enterprises, capital markets, and corporate governance.

Joint efforts to improve the investment climate in developing countries include the annual IFC-Bank publication *Doing Business*, which compares 178 economies on the ease of starting and running a business. IBRD, IFC, and MIGA collaborate through the Foreign Investment Advisory Service, a multidonor service that advises developing and transition governments on ways to improve their investment climates.

The Bank Group is also preparing a Strategic Framework on Climate Change and Development—a plan for integrating climate change and development challenges without compromising growth and poverty reduction efforts. The framework will include priorities, approaches, and a road map for action in helping countries mitigate or adapt to climate change. In addition, the Bank Group has set a goal of scaling up its portfolio of investments in renewable energy and energy efficiency projects by an annual average of 20 percent through 2010.

The World Bank Group also has a shared commitment to results-oriented development, through the Independent Evaluation Group (IEG), which assesses the relevance, efficacy, and efficiency of Bank Group programs and their contribution to development effectiveness. IEG has evaluation units at the World Bank, IFC, and MIGA, which independently evaluate their respective institutions' financial and advisory services operations with a particular focus on accountability.

The Bank Group increasingly undertakes innovative joint initiatives. One of the farthest-reaching is a regional integration assistance strategy for Sub-Saharan Africa that seeks to strengthen collaboration among the region's countries with a focus on cross-border challenges: infrastructure; economic cooperation and harmonization; and regional approaches for addressing climate change, agricultural productivity, shared water resources, and health.

One key project is a fiber-optic cable that will connect 21 East African countries to each other and the rest of the world with high-quality broadband Internet access and international communications services. Widely considered a model for cooperation among major development finance institutions, the East African Submarine Cable System has raised a total of $70.7 million in long-term financing. The cable is expected to reduce the cost of the area's broadband services, currently among the highest in the world, and to stimulate development of new knowledge-based industries, call centers, and similar ventures.

Another joint initiative is the Bujagali Hydropower Project, designed to alleviate a severe power shortage in Uganda that daily affects the lives and livelihoods of millions. The largest independent power project in Africa, the plant will generate electricity by recycling water released from nearby hydropower facilities. The financing package includes a $130 million IFC loan, a partial risk guarantee of up to $115 million from IDA, and an investment guarantee of up to $115 million from MIGA. Seven other development finance institutions are supporting the project in recognition of its expected development impact.

The Global Emerging Markets Local Currency (Gemloc) bond program is an innovative effort through which the Bank Group promotes local currency bond markets using market-based incentives. Gemloc was designed in response to numerous governments that wanted to strengthen their bond markets and better support economic growth with stability. Under the program, PIMCO, a leading private investment manager, is developing investment strategies for local bonds. Markit, a private sector index company, has collaborated with IFC to create a new, transparent bond index, and the World Bank is providing advisory services to strengthen local markets, improve their "investability," and attract more foreign and domestic investors.

A $1 billion rehabilitation and expansion of the Queen Alia International Airport in Amman represents the largest private investment in Jordan's history and illustrates the way the Bank Group links its advisory and investment work. IFC advised the government on the competitive bidding process and more recently helped mobilize funding for the project through a syndication that attracted six European and Middle Eastern banks. The World Bank and the Islamic Development Bank also provided significant funding.

THE WORLD BANK GROUP INSTITUTIONS

The International Bank for Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries. This affiliate promotes sustainable development through loans, guarantees, risk-management products, and nonlending analytical and advisory services. IBRD's financial strength enables it to borrow in capital markets at low cost and to offer clients favorable borrowing terms.

Established 1944 | 185 Members

Cumulative lending: $446 billion*

Fiscal 2008 lending: $13.5 billion for 99 new operations in 34 countries

* Effective fiscal 2005, includes guarantees.

IBRD KEY FINANCIAL INDICATORS | FISCAL 2004–2008

MILLIONS OF DOLLARS

	2004	2005	2006	2007	2008
Operating income[a]	1,696	1,320	1,740	1,659	2,271
Loans outstanding	109,610	104,401	103,004	97,805	99,050
Total assets	228,910	222,008	212,326	208,030	233,599
Total equity	35,463	38,588	36,474	39,926	41,548

a. Reported in IBRD's financial statements as net income before Board of Governors–approved transfers and net unrealized gains (losses) on nontrading derivatives, loans, and borrowings measured at fair value, per Financial Accounting Standard No. 133 as amended.

The International Development Association (IDA) provides interest-free, long-term loans—called credits—and grants to governments of the world's 82 poorest countries, which have little or no capacity to borrow on market terms. IDA's lending is financed by contributions to IDA from donor countries, IBRD's net income transfers, grants from IFC, and IDA's credit reflows. (For information about the 15th Replenishment of IDA, see page 4.)

Established 1960 | 167 Members

Cumulative commitments: $193 billion*

Fiscal 2008 commitments: $11.2 billion for 199 new operations in 72 countries

* Effective fiscal 2005, includes guarantees.

IDA KEY FINANCIAL INDICATORS | FISCAL 2004–2008

MILLIONS OF DOLLARS

	2004	2005	2006	2007	2008
Operating income (loss)	(1,684)	(986)	(2,043)	(2,075)	1,818
Development credits outstanding	115,743	120,907	127,028	102,457	113,542
Total development resources/Equity[a]	127,930	130,378	102,871	110,212[b]	123,619

a. Up to the fiscal year ended June 30, 2007, IDA prepared special-purpose financial statements. Effective July 1, 2007, IDA's financial statements are prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP). Going forward, this line will report IDA's equity as determined under U.S. GAAP, and the June 30, 2007, amount has been restated accordingly.
b. As restated.

The International Finance Corporation (IFC) provides long-term loans, equity, structured and securitized products, and advisory and risk mitigation services to private enterprises in developing and transition countries, helping reduce poverty and improve people's lives. IFC seeks to reach businesses in regions and countries with limited access to capital and markets that are considered too risky by commercial investors in the absence of IFC participation. IFC provides services without accepting government guarantees.

Established 1956 | 179 Members

Committed portfolio: $32.2 billion (IFC's account), plus $7.5 billion in syndicated loans

Fiscal 2008 commitments: $11.4 billion committed and $4.8 billion mobilized for 372 projects in 85 countries

IFC KEY FINANCIAL INDICATORS | FISCAL 2004–2008

MILLIONS OF DOLLARS

	2004	2005[b]	2006[b]	2007[b]	2008
Operating income[a]	982	1,953	1,409	2,589	1,438
Liquid assets net of associated derivatives	13,055	13,325	12,730	13,269	14,622
Loans, equity investments, and debt securities, net	10,279	11,489	12,787	15,796	23,319
Total capital	7,782	9,821	11,141	14,017	18,261

a. Effective 2005, income after expenditures for advisory services, performance-based grants, and grants to IDA and before net unrealized gains (losses) on other nontrading financial instruments.
b. As restated.

The Multilateral Investment Guarantee Agency (MIGA) provides political risk insurance or guarantees to promote foreign direct investment into developing countries. MIGA also works to resolve disputes between investors and host governments to keep guaranteed investments, and their benefits, on track. The agency's knowledge sharing and technical assistance activities help countries define and implement strategies to promote investment, and provide information on business opportunities, investment climate conditions, and political risk insurance.

Established 1988 | 172 Members

Cumulative guarantees issued: $19.5 billion*

Fiscal 2008 guarantees issued: $2.1 billion

*Includes amounts leveraged through the Cooperative Underwriting Program.

MIGA KEY FINANCIAL INDICATORS | FISCAL 2004–2008

MILLIONS OF DOLLARS

	2004	2005	2006	2007	2008
Operating income	26	24	17	49	55
Operating capital[a]	811	830	863	950	1,019
Net exposure	3,259	3,138	3,310	3,209	3,578
Net exposure in IDA-eligible countries	1,139	1,341	1,435	1,411	1,477

a. Operating capital includes paid-in capital, retained earnings, and the insurance portfolio reserve net of corresponding reinsurance recoverable.

The International Centre for Settlement of Investment Disputes (ICSID) provides facilities for conciliation and arbitration of international investment disputes between foreign investors and host states. As evidenced by its large membership, considerable caseload, and the numerous references to its arbitration facilities in investment treaties and laws, ICSID plays an important role in the field of international investment and economic development. ICSID also conducts research and publishing activities in the areas of international arbitration and foreign investment law.

Established 1966 | 144 Members

Total cases registered | 268

Fiscal 2008 cases registered | 32

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AN INCLUSIVE AND SUSTAINABLE GLOBALIZATION

On a radio show in Côte d'Ivoire, refugees from Conakry, Guinea, discuss the challenges they face.

OVERCOMING CHALLENGES AND CREATING OPPORTUNITIES

A year that saw soaring food and commodity prices reaffirmed the role the World Bank plays in international economic development and poverty reduction worldwide. The Bank's achievements over the past year illustrate its ability to tackle global crises and support sustainable growth with care for the environment in its client countries while safeguarding and improving people's health, education, and other human development outcomes. The Bank collaborates with numerous other multilateral organizations and partners to realize the most far-reaching results possible.

Much needs to be done without delay to alleviate global crises. An estimated 2.5 billion people are trying to survive on $2 or less a day. The slide of the U.S. dollar and resulting weakening economy, together with the credit crunch, have led to a global financial crisis, which has clearly and significantly put added stress on the poorest people. Skyrocketing food prices are a harsh reality, resulting in even greater hunger and malnutrition worldwide. The World Bank responded in May 2008 with a rapid financing facility for the food crisis, addressing immediate needs with immediate action. Swift needs assessments were undertaken in the field with the World Food Program, the Food and Agriculture Organization, and the International Fund for Agricultural Development. The first grants under the facility were approved for Djibouti ($5 million), Haiti ($10 million), and Liberia ($10 million).

Other commodity costs continue to climb, with the potential to make the most basic necessities inaccessible for many. Climate change threatens agricultural productivity and consequently the world's food supply as well as the income of most of the poorest people. Natural catastrophes, such as this year's earthquake in China and cyclone in Myanmar, devastate millions who may not survive without immediate disaster relief. Communicable diseases, with HIV/AIDS and malaria being the most critical, continue to challenge us. The World Bank, in collaboration with its member countries and international partners, is making progress in the face of these challenges.

It is projected that the increase in the gross domestic product (GDP) for developing countries will decline to 7.1 percent in 2008, whereas high-income countries are predicted to grow by a modest 2.2 percent. Globally, poverty is in decline, exemplified by East Asia, where the Millennium Development Goal (MDG) of halving extreme poverty by 2015 from 1990 levels already has been achieved. Progress on poverty reduction and the other MDGs varies widely, however, and conditions are especially dire in Africa, where extreme poverty is expected to grow. Africa, especially its Sub-Saharan nations, is the Bank's priority continent for action.

The International Development Association is the Bank's arm for supporting the world's poorest countries in their efforts to boost economic growth, lower poverty, and improve people's living conditions. It is the largest multilateral channel for providing concessional financing to countries with low per capita income, with a special emphasis on Sub-Saharan Africa. For the 15th Replenishment of IDA (IDA15), 45 donor countries pledged a record $25.2 billion in December 2007 to further the cause of overcoming poverty in the poorest of the low-income countries around the world. In total, IDA15 will provide $41.7 billion, an increase of 30 percent over the IDA14 replenishment. This is the greatest expansion in donor funding in the history of IDA. The World Bank Group pledged a record $3.5 billion transfer to IDA from IBRD's net income ($1.8 billion) and designations of IFC's retained earnings for grants to IDA of up to $1.8 billion. Today the World Bank is in a strong position, with unprecedented funding, to move further toward achieving the Millennium Development Goals, chief among them, eradication of extreme poverty and hunger.

This Annual Report details the numerous activities the World Bank has pursued in the past fiscal year in the fight against poverty, concentrating on three major areas: the Bank's agenda for low-income countries, including countering the effects of rising food prices and increasing lending in agriculture and rural development; middle-income country initiatives, such as the Economic Research Forum in the Middle East and the Bank's recent innovations in lending; and global issues, including commodity prices, climate change, governance and anticorruption, and gender.

REDUCING POVERTY AND INEQUALITY

At the heart of the World Bank's work is its focus on poverty reduction and inclusive growth. Despite progress achieved over the past few years, about 1 billion people—15 percent of

MIDPOINT PROGRESS TOWARD THE MILLENNIUM DEVELOPMENT GOALS

Many achievements have brought the MDG targets for 2015 within reach in some cases. For the goals to be realized, six criteria must be met: stronger and more inclusive growth in Africa and fragile states, more effort in health and education, integration of the development and environment agendas, more and better aid, movement on trade negotiations, and stronger and more focused support from multilateral institutions like the World Bank.

1. Eradicate Extreme Poverty and Hunger

From 1990 through 2004, the proportion of people living in extreme poverty fell from almost a third to less than a fifth. Although results vary widely within regions and countries, the trend indicates that the world as a whole can meet the goal of halving the percentage of people living in poverty. Africa's poverty, however, is expected to rise, and most of the 36 countries where 90 percent of the world's undernourished children live are in Africa. Less than a quarter of countries are on track for achieving the goal of halving undernutrition.

2. Achieve Universal Primary Education

The number of children in school in developing countries increased from 80 percent in 1991 to 88 percent in 2005. Still, about 72 million children of primary school age, 57 percent of them girls, were not being educated as of 2005.

3. Promote Gender Equality and Empower Women

The tide is turning slowly for women in the labor market, yet far more women than men—worldwide more than 60 percent—are contributing but unpaid family workers. The World Bank Group Gender Action Plan was created to advance women's economic empowerment and promote shared growth.

4. Reduce Child Mortality

There is some improvement in survival rates globally; accelerated improvements are needed most urgently in South Asia and Sub-Saharan Africa. An estimated 10 million-plus children under five died in 2005; most of their deaths were from preventable causes.

5. Improve Maternal Health

Almost all of the half million women who die during pregnancy or childbirth every year live in Sub-Saharan Africa and Asia. There are numerous causes of maternal death that require a variety of health care interventions to be made widely accessible.

6. Combat HIV/AIDS, Malaria, and Other Diseases

Annual numbers of new HIV infections and AIDS deaths have fallen, but the number of people living with HIV continues to grow. In the eight worst-hit southern African countries, prevalence is above 15 percent. Treatment has increased globally, but still meets only 30 percent of needs (with wide variations across countries). AIDS remains the leading cause of death in Sub-Saharan Africa (1.6 million deaths in 2007). There are 300 to 500 million cases of malaria each year, leading to more than 1 million deaths. Nearly all the cases and more than 95 percent of the deaths occur in Sub-Saharan Africa.

7. Ensure Environmental Sustainability

Deforestation remains a critical problem, particularly in regions of biological diversity, which continues to decline. Greenhouse gas emissions are increasing faster than energy technology advancement.

8. Develop a Global Partnership for Development

Donor countries have renewed their commitment. Donors have to fulfill their pledges to match the current rate of core program development. Emphasis is being placed on the Bank Group's collaboration with multilateral and local partners to quicken progress toward the MDGs' realization.

(See **http://www.developmentgoals.org**.)

the world's population—still live on less than $1 a day, and 2.5 billion live on less than $2 a day.

The poor typically lack access to education, adequate health services, and clean water and sanitation. They are more vulnerable to economic shocks, natural disasters, violence, and crime. The Bank continues to support country-owned development strategies that seek to reduce poverty by expanding growth opportunities. It seeks to improve the ability of poor households to participate in the economy and to have better access to basic services. The Bank focuses on improving infrastructure and risk management instruments and on creating more accountable and transparent institutions.

Poverty Projections

Recent estimates suggest that over the next decade the share of the population living in extreme poverty is expected to decline in all developing regions but by greatly varying degrees. By 2015, the share of the population in developing countries living on less than $1 a day will stand at 10 percent, down from 29 percent in 1990. The absolute number of people in extreme poverty globally is tentatively projected to fall from 1.2 billion in 1990 and 970 million in 2004 to 624 million in 2015.

Although the decline in world poverty is a positive sign, poverty reduction has been highly uneven across regions. In East Asia the goal of halving extreme poverty has already been achieved: the percentage of people living on $1 a day is expected to drop to 2 percent (although the percentage of people living on $2 a day will account for a still significant 15 percent). At the other extreme is Sub-Saharan Africa. Despite a 4.7 percentage point decline in the share of people living in extreme poverty between 1999 and 2004, some 31 percent of Africa's population will still be living on less than $1 a day by 2015—higher than the MDG target of 23 percent. There are some exceptions, however; countries such as Ghana, Mozambique, Tanzania, and Uganda are making solid progress toward the MDGs.

The recent increase in food prices may set back recent gains in reducing poverty. Preliminary estimates from the World Bank indicate that the persistence of current food prices may well translate into losing almost seven years of progress in poverty reduction, with up to 105 million people in low-income countries pushed into poverty over the next three years. Higher food prices may also heighten inequality within countries, worsen malnutrition, and aggravate the vulnerability of people living with conflict, HIV, or drought conditions.

To help countries respond to this crisis, the Bank is working closely with UN agencies on a common strategy, responding in four main ways: with policy advice, expedited financing, financial market insurance products, and research. The Bank

Local farmers attend a workshop on ecology and social organization in the Amazon region of Brazil.

has launched the Global Food Crisis Response Program, a facility providing up to $1.2 billion of accelerated financial support and technical advice to especially vulnerable countries.

Employment and Inclusive Growth

Rising inequality over the 1990s has severely reduced the potential impact on poverty from the rapid growth experienced by many countries. On average, between 1990 and 2004, only one-third of growth in output transferred to growth in employment.

Demographic trends suggest that the next decades will see growing pressure to create employment opportunities in most low-income countries in response to a sustained growth in labor supply that follows from continuing sharp increases in the working-age population and in female labor market participation. Sub-Saharan Africa will have to grow more than three times faster than projected simply to maintain current employment rates.

Many of the poor are employed but earn a below-subsistence living. Recent estimates suggest that over 500 million people (18 percent of the employed) are "working poor," earning less than $2 a day—and this share is growing worldwide, with the exception of India and China. Thus, for growth to be inclusive, a multipronged approach to create jobs in selected sectors while enhancing the quality of employment, especially labor income, in others must be implemented.

The Doha Round

Despite the July 2008 failure of the Doha discussions, the World Bank continues to support the completion of an ambitious Doha Round of trade talks. Successful conclusion of the Doha agreement would improve the functioning of the multilateral trading system and help establish more efficient and resilient agricultural and nonagricultural trade globally. It would reduce the distortions in agricultural trade created by decades of subsidies by developed countries and import barriers by both developed and developing countries. The Doha agreement would increase incentives to invest in agricultural markets—including in low-income countries—and in the long run would help reduce the chance of future global food price crises. Overall, the agreement would provide a more supportive international framework for developing countries, especially the world's poorest, as they seek to improve their trade performance; integrate into the world economy; and achieve more rapid, sustainable, and inclusive economic growth. The Bank is scaling up its Aid for Trade activities to strengthen in-country programs on trade and competitiveness.

AGRICULTURE AND RURAL DEVELOPMENT

Even before the rapid rise in food prices, the World Bank had sharpened its focus on the critical role that agriculture and rural development can play in helping people move out of poverty. Agriculture is critical because some 75 percent of the world's poor live in rural areas, and the sector has a powerful influence on economic growth, poverty reduction, and environmental sustainability.

The *World Development Report 2008: Agriculture for Development*, released in October 2007, focuses on three key sets of recommendations: increasing agricultural productivity, especially in Sub-Saharan Africa; shrinking growing income inequalities between rural and urban areas in more

DEVELOPMENT MARKETPLACE

The Development Marketplace program is a small-grants program that identifies and funds innovative, early-stage projects with high potential for development impact. It is supported by many organizations, chief among them the Bill & Melinda Gates Foundation and the Global Environment Facility, and is administered by the Bank.

The program's merit-based competition attracts ideas from a range of innovators, including civil society groups and businesses. Competitions are held annually at regional, country, and global levels.

The 2008 global competition, devoted to sustainable agriculture for development, attracted over 1,700 applicants. One hundred finalists from 42 countries were selected by agriculture development experts from inside and outside the Bank Group. These finalists were invited to attend the Development Marketplace event at Bank headquarters September 24–26, 2008. At the event, 25–30 project leaders were selected to receive up to $200,000 each to implement their ideas over two years. The Bank will monitor implementation and commission independent evaluations of the projects about 18 months after they close. (See **http://www.developmentmarketplace.org**.)

urbanized and middle-income countries; and contributing to environmental sustainability everywhere. (See **http://www.worldbank.org/wdr2008**.)

Consistent with the WDR message about the need for more and better investments in agriculture for development, the Bank is planning a major scale-up of lending in agriculture and rural development in fiscal 2009, especially in Sub-Saharan Africa. Underperformance in agriculture has been a major limitation of Africa's development, according to the Independent Evaluation Group (IEG). For most of the past two decades, both governments and donors, including the World Bank, have neglected the sector. Lending from the Bank has been sprinkled across various agricultural activities such as research, extension, credit, seed provision, and policy reforms in rural space, but with insufficient recognition of the synergies among them. Drawing on its comparative advantage as a multisector lending institution and as the single largest donor to African agriculture, the Bank now has an opportunity to help ensure a coordinated and multifaceted approach to agriculture development in Africa.

The Bank is working to align client priorities and harmonize partner efforts in agricultural initiatives. The Bank is supporting the African Union's Comprehensive African Agricultural Development Plan as well as the Global Donor Platform for Rural Development, made up of 29 donor agencies active in agriculture and rural development. The Bank has also increased its dialogue and diagnostic studies with partners at the country level.

ASSISTING FRAGILE AND CONFLICT-AFFECTED COUNTRIES

Following the approval of a new Rapid Response to Crises and Emergencies policy in February 2007, the separate conflict and fragility agendas were merged with the creation of the Fragile and Conflict-Affected Countries Group in July 2007. The aim is to deliver effective programs, in collaboration with other partners, in support of sustainable growth and economic and social development, peace building, and sound governance.

Although fragile states are not necessarily afflicted with conflict, and conflict-affected countries are not always hindered by fragile governance, troubling attributes exist in both. Hence, the Bank and some of its partners recognize the commonalities and believe that they should support these at-risk countries. The assistance will be based on institutional research on conflict prevention and reconstruction as well as on studies of links between peace- and state-building and governance.

STRENGTHENING SUPPORT FOR MIDDLE-INCOME COUNTRIES

Middle-income countries are critical to the Bank's fight against global poverty, as they are home to nearly 70 percent of the world's poor (defined as people who earn less than $2 a day).

Most of these countries face constraints in mobilizing the funds needed to invest in infrastructure, health, education, and the reform of policies and institutions essential to improving the investment climate. Some middle-income countries are able to borrow on foreign markets or access risk management instruments, but often where these sources of finance are available, the maturities are usually short and the rates high. A few middle-income countries have achieved investment-grade ratings.

By implementing the strategy for middle-income countries endorsed by the Development Committee in 2006, the Bank is responding to continuing strong demand for both traditional and innovative products. Based on client demand in middle-income countries, this response could include requiring governments to make substantial contributions to financing, requiring payment for technical assistance and advisory services, and making Bank loans available to provincial and local governments. A task force, convened in fiscal 2008 to build on the work started in 2006, identified four areas of emphasis: improving client responsiveness and flexibility; expanding the range and use of financial products; building a dynamic organization leveraging Bank Group synergies; and building knowledge to take on 21st century challenges, particularly through local partnerships and enhanced South-South cooperation.

The Bank has improved the delivery of customized development solutions by introducing a range of financial and nonfinancial innovations. On the financial side, during fiscal 2008, IBRD announced the biggest simplification of and reduction in its loan pricing since the Asian financial crisis. (See **http://www.worldbank.org/ibrd**.)

Borrowers now have access to IBRD loans at longer maturities and at prices that are lower and more transparent than they had been. In response to demand for market-based instruments to address catastrophic risk, the Bank Group launched the Caribbean Catastrophic Risk Insurance Facility; it also enhanced existing contingent loan products to address countries' emergency liquidity needs following catastrophes and other exogenous shocks. The IFC's Global Index Reinsurance Facility is in place, and the Bank Group initiated the Global Emerging Markets Local Currency (Gemloc) bond program to help catalyze the development of local currency bond markets in emerging market countries. The Bank Group is also exploring other mechanisms for local currency lending and is considering innovative approaches for funding climate change and green initiatives. For example, Mexico signed the first climate change development policy loan in May 2008.

On the nonfinancial side, the Bank introduced simple projects that can be easily replicated, mechanisms for additional financing of successful projects, and revisions to emergency and rapid response lending policies. The Bank has been piloting the use of country systems, approved by the Board in April 2008, for financial management and safeguards, and it plans to pilot national procurement systems shortly. Up to 10 countries with a mix of income levels will participate in the procurement pilot, with at least one pilot country in each region. The Bank is also trying to identify ways to streamline its investment lending procedures so that it is more flexible and better equipped to deliver its products under the Bank's new business model for middle-income countries. (See **http://www.worldbank.org/middleincomecountries**.)

HEALTH, EDUCATION, AND GENDER

Complementing the Bank's strategic investment in markets, the human development agenda helps people in developing countries acquire the good health, education, and skills they need to succeed in the workplace, live better, and contribute to national cohesion and economic growth.

Health

In fiscal 2008, the Bank committed $948 million in its continuing efforts to significantly improve health outcomes, while also moving ahead to implement its Health, Nutrition, and Population (HNP) Strategy, "Healthy Development," approved by the Board in April 2007. The strategy reinforces the Bank's ultimate objective to improve the state of people's health, especially in poor and vulnerable groups, under the aegis of its overall mission to reduce poverty and spur opportunity. The HNP strategy calls for the Bank to focus rigorously on its key strengths in health systems–strengthening and health financing and economics, and also to help government leaders and the international community to commit to achieving and monitoring results.

Progress was made in terms of knowledge development and country-specific work in keeping with the strategy. In particular, budgets were approved to generate new knowledge products, which focused on lessons learned from country experience on good practice in health-financing reform, governance mechanisms for mandatory health insurance, analysis of restrictions and mechanism for overcoming bottlenecks in the implementation of health strategies in low-income countries, and the initiation of work on human resource constraints and fiscal space for health. In addition, as a result of a highly generous contribution from Norway, a trust fund of $100 million was set up for results-based financing in at least four low-income countries. Implementation has also started at the regional level, especially in Africa, in the areas of results-based financing, human resources for health, and harmonization and alignment of donor aid.

In addition, the Bank continued its work with client countries and global and regional partners to prevent and treat communicable diseases, which are the leading killers of children and adults in the developing world, claiming more than 12 million lives a year. Although several potentially deadly epidemics have been contained, HIV and others remain threats. Dengue and yellow fever have reappeared; tuberculosis killed 1.6 million people in 2005; and more than 1 million people die of malaria every year, mostly infants, young children, and pregnant women, and most of them in Africa.

The current food crisis is derailing recent gains in reducing malnutrition. Between 1990 and 2005, the share of children under five with moderate and severe stunting fell from 33.5 percent worldwide to 24.1 percent. While food prices are not the main driver of malnutrition, they do affect nutritional outcomes through their impact on real incomes and household purchasing behavior.

In addition to emphasizing a cross-sectoral approach for achieving the health-related MDGs, the Bank is implementing the bold agenda of the Paris Declaration on Aid Effectiveness. For example, the Health 8, an informal group of heads of health-related organizations, was formed to amplify an urgent appeal to accelerate efforts to achieve the MDGs and to share accountability for progress at the country level. The International Health Partnership (IHP+), led by the World Health Organization and the Bank, is a new and crucial development in this context. Since its initiation in 2007, this partnership has grown to include 15 African and Asian countries and 10 major donor countries. IHP+ seeks to align donors with recipient country interests through mutual accountability in a concerted quest to attain the health MDGs.

Education

The Bank provides about a fourth of global external funding for education, making it the largest donor in the world in the sector. The Bank's portfolio of education projects was $7.4 billion by the end of fiscal 2008, funding 140 operations in 92 countries. New commitments accounted for 7.8 percent of total Bank lending. Over the past four years, its lending for education has remained steady at about $2 billion a year, about half of it through IDA on concessionary terms. About 35 percent of all Bank aid for education in fiscal 2008 was provided through multisector investment projects and multisector development policy loans.

The Bank's education sector completed several important research studies in fiscal 2008. These studies—on linking education policy to labor market outcomes; science, technology, and innovation; school-based management; and educational assessment—amplified the connections among education, empowerment, opportunity, and economic growth.

Gender

During fiscal 2007, the Bank adopted an action plan to empower women economically. Gender Equality as Smart Economics was endorsed by the Group of Eight heads of state in June 2007. In April 2008, the Bank announced six new commitments on gender equality, including improving the integration of gender equality into agriculture and rural development projects by 2010, channeling through IFC at least $100 million in credit lines at commercial banks for women entrepreneurs by 2012, and increasing IDA investments for gender equality.

Fiscal 2008 saw activities launched in all developing regions to promote investments to better integrate women into the economy by increasing their access to land, labor, credit, and product markets. These activities aim to promote women's transition to good-quality employment; to increase the number of women starting agribusinesses and engaging in high-value agriculture; and to boost women's access to essential infrastructure services, particularly transportation, water, and energy.

The Bank launched a research program in fiscal 2008 as part of the Doing Business project on reforms that improve business opportunities for women. In partnership with the Nike Foundation, it began investigating ways to promote economic opportunity for adolescent girls by providing conditional cash transfers and skills training that matches labor market needs. Financial support from the governments of Australia, Canada, Denmark, Germany, Iceland, Norway, Spain, Sweden, and the United Kingdom and from the Nike Foundation continues to encourage innovation in mainstreaming gender issues in the Bank's work. (See **http://www.worldbank.org/gender**.)

Social Protection and Labor

This sector helps client countries create good jobs, provide effective assistance programs for poor and vulnerable groups, and better manage risk. It focuses on six main areas: labor markets, pensions, social safety nets, social funds, vulnerable groups (such as the disabled and child workers), and social risk management.

Through lending interventions and analytical work, the Bank is helping clients to improve the functioning of their labor markets and the creation of better jobs through improved regulations, active labor market programs, and unemployment benefit schemes. Its efforts are enhanced by a multidonor trust fund on employment creation, established at the end of calendar year 2007, which is closing knowledge gaps, supporting capacity building, and helping countries implement a multisector operations framework known as MILES (macroeconomics, investment climate, labor market institutions, education and skills, and social protection). (See **http://www.worldbank.org/sp**.)

HARNESSING THE COMMODITIES BOOM FOR SUSTAINABLE DEVELOPMENT

A commodities boom in oil, gas, and minerals in many parts of the developing world is opening opportunities for marshaling the resulting revenue windfalls for sustainable development. Commodity prices have fluctuated considerably

A public works project in Ethiopia focuses on soil and water conservation to rehabilitate the land.

since 2000; in the past year they had risen, in general, by more than 75 percent as compared with 2000 prices. Nearly half of Sub-Saharan Africa's population lives in countries that are rich in oil, gas, or hard-mineral resources. The challenge is to effectively channel the revenue into programs that fight poverty, hunger, malnutrition, illiteracy, and disease.

Transforming natural resource wealth into long-term economic growth requires sound practices across a broad set of issues, including awarding and monitoring contracts; collecting revenue; managing the economy, including price volatility; and investing revenues effectively for national development. The Bank is creating a new partnership—Extractive Industries Transparency Initiative Plus Plus (EITI++)—with multilateral, bilateral, private sector, academic, and civil society partners. This country-driven initiative will provide technical assistance and build national capacity across the natural resources value chain.

Even with efficient financial markets, a critical challenge remains for many developing countries. One of the cruel ironies today is the connection between rising energy and food prices. Higher energy prices have increased fertilizer and transport costs and stimulated biofuel production.

Food and energy prices usually represent over 70 percent of the consumption basket of the poor. In the face of even higher prices, poor households will cut back on food consumption and education—and girls will invariably be the first withdrawn from schooling. Reliance on traditional fuels will increase with damaging consequences to the environment.

CLIMATE CHANGE

In line with the World Bank Group's plan to ramp up work on climate change, the Bank significantly accelerated its efforts to help client countries cope with climate change while respecting another aspect of its core mission: promoting economic development and poverty reduction by helping provide modern energy to growing economies. Drawing on more than a decade of experience in the field, the World Bank responded to increasing calls in the international community to work faster and do more to help developing countries mitigate the increase in greenhouse gas emissions and adapt to the risks and impacts posed by climate change.

The starting point for the Bank's work is the recognition that climate change is more than an environmental challenge; it is also an economic, development, and investment challenge that calls for urgent action. For many developing countries, the impact can be enormous: they stand to suffer the most from climate change because of their geographic location and sensitivity to extreme weather events. In IDA-eligible countries, for instance, 870,000 people have been killed and almost 2.5 billion affected by climate-related disasters over the past 25 years. Apart from the immediate drama of disaster, climate change can reduce agricultural productivity, deplete already scarce water resources, increase the incidence of devastating vector-borne diseases such as malaria and dengue, and harm ecological systems and their biodiversity.

The Bank Group launched a series of global consultations with stakeholders to help formulate a Strategic Framework on Climate Change and Development by the end of 2008. This framework will outline the organization's integrated approach to the issue. The Bank had already set goals for piloting adaptation instruments and reducing greenhouse gas emissions by increasing lending for clean energy while also significantly increasing access to electricity, particularly in Sub-Saharan Africa. Overall, Bank lending for energy rose to $4.2 billion in fiscal 2008, and the share of low-carbon projects in the Bank's energy portfolio grew to about 40 percent. Low-carbon growth country case studies were launched for Brazil, China, India, Indonesia, Mexico, and South Africa. In late 2007, the Board of Directors approved the creation of two new carbon finance facilities, the Forest Carbon Partnership Facility and the Carbon Partnership Facility. These new facilities complement the more than $2 billion allocated to 10 other carbon funds and facilities the Bank currently manages. Sixteen governments and 66 private companies from various sectors have contributed to these funds. (See **http://www.worldbank.org/climatechange**.)

The Independent Evaluation Group (IEG) assessed Bank Group support for the environment to its clients in public and private sectors from 1990 through 2007. It found that this support has increased significantly and performance has

improved, especially since 2001, when the Bank Group's first explicit strategy for the environment was adopted. According to the IEG, an even greater effort is required, however, and a number of key constraints still need to be overcome, including insufficient government commitment to environmental goals and weak institutional capacity on the ground. The Bank Group also needs to update its environment strategy; further strengthen cross-sectoral collaboration; improve mechanisms to monitor and assess environmental results and impacts of its lending and nonlending services; and improve coordination both internally among the Bank, IFC, and MIGA and with its external development partners.

STRENGTHENING GOVERNANCE AND REDUCING CORRUPTION

The World Bank Group's strategy to scale up assistance to improve governance and fight corruption in client countries was unanimously endorsed by the Board in March 2007. An implementation plan was launched in December 2007, and a Governance and Anticorruption Council was created, chaired by the Managing Directors on a rotating basis, with senior-level representation from across the Bank Group. The strategy calls for action on four key fronts: supporting good governance and anticorruption at the country level, preventing corruption in Bank-financed projects, addressing the private sector's role in public sector governance and anticorruption efforts, and supporting global efforts to reduce corruption. The Bank is the leading donor globally in providing support for strengthening public sector management. In fiscal 2008, Bank support for governance and rule of law was $4.7 billion—$4.4 billion for public sector governance and $304 million to support improvements in the rule of law. This support accounted for 19 percent of total Bank lending.

IEG examined lending and other Bank support in 1999–2006 for public sector reform in four areas: public financial management, administrative and civil service, revenue administration, and anticorruption and transparency. It found that among countries borrowing for public sector reform, more than 80 percent of IBRD and 69 percent of IDA borrowers showed improved performance. IEG noted that bank lending for public sector reform was successful when reform objectives were realistic and institutional capacity was considered. Moving forward, improvements in human resource management reforms and the complex political and sequencing issues of reform efforts are key areas on which the Bank should focus, particularly in low-income and fragile settings.

The Bank is a leader in the development and application of governance diagnostics, such as *Doing Business* reports, investment climate surveys, public expenditure tracking surveys, Public Expenditure and Financial Accountability indicators, the World Bank Institute (WBI) governance and anticorruption country diagnostics, and the WBI governance indicators.

An example of WBI's assistance to build capacity was an interactive global event, "Business and the Rules of the Game," organized by WBI and InWent (Capacity Building International, Germany) for more than 300 private sector, government, civil society, and multilateral agency leaders. People from 49 countries discussed the role of business in fighting corruption, responding to climate change, and advancing the MDGs.

The Department of Institutional Integrity (INT) investigates allegations of fraud and corruption in Bank-financed projects as well as allegations of possible staff misconduct. INT reports its findings to the Bank's senior management, which in turn decides on corrective measures to be taken. Since 1999, INT has handled nearly 3,000 cases of alleged fraud, corruption, or other wrongdoing, resulting in the public debarment of 340 companies and individuals, whose names have been listed on the Bank's Web site.

THE STOLEN ASSET RECOVERY (StAR) INITIATIVE

The World Bank Group, in partnership with the UN Office on Drugs and Crime, launched StAR in September 2007. The initiative seeks to help developing countries track, freeze, and recover the proceeds of corruption and prevent government funds from being stolen. StAR helps build the capacity to request the legal assistance necessary to recover assets, urges financial centers to lower barriers that retard asset recovery, develops partnerships to share information and experience, and offers expertise on making transparent the use of recovered assets for development purposes. It also works with UN member nations to ratify and implement the United Nations Convention Against Corruption.

In fiscal 2008, an independent panel headed by former U.S. Federal Reserve Chairman Paul Volcker reviewed the work of INT within the context of the World Bank Group's governance and anticorruption strategy and affirmed that INT must play a central part in that effort. The Bank announced in January 2008 that it would implement the Volcker panel's recommendations. These include the creation of an independent advisory board composed of international anticorruption experts to protect the independence and strengthen the accountability of INT, as well as the formation of a preventive services consulting unit to help Bank staff guard against fraud and corruption in Bank projects. In addition, a vice president–level position was created to head INT. (See **http://www.worldbank.org/integrity**.)

In the spirit and interest of good organizational governance, members of the Bank Group's Executive Management team authorized public disclosure of a summary of the annual statement of their 2007 financial interests and activities filed during 2008. The Executive Managers have committed to public disclosure to help demonstrate to stakeholders that in the discharge of their official duties and responsibilities, they are not, and do not appear to be, influenced by improper consideration associated with their own private interests. The summary disclosure statements are to be posted on the Bank Group's public Web site after an internal review and certification by the Bank Group's Office of Ethics and Business Conduct, and separate external certification of accuracy by a renowned consulting firm.

FINANCIAL AND PRIVATE SECTOR DEVELOPMENT

The World Bank's Voices of the Poor project asked 60,000 people around the world how they hoped to escape poverty. For men and women alike, the two most common responses were employment in a business of their own and income earned from a job. Their answers underline why private sector and financial sector development are a critical part of the Bank Group's strategy: the private sector is the key generator of jobs and incomes that help the poor rise out of poverty.

Improving the Business Climate

The Doing Business project is a core piece of the Bank's poverty reduction strategy; it focuses on the regulatory burdens faced by small and medium enterprises. The annual *Doing Business* reports compare indicators on business regulations and their enforcement in 178 countries. (See **http://www.doingbusiness.org**.)

Country coverage of the Bank's enterprise surveys continues to expand. Results on 75,000 firms in 105 countries are now available online. This information—which includes data on business perceptions and dozens of indicators on the quality of the business environment—helps underpin Bank operational work.

In July 2007, the Board endorsed the 2008–11 strategy for the multidonor Foreign Investment Advisory Service (FIAS). The focus of FIAS has shifted from regional programs to technical advice centered on core products, from diagnostics to implementation, and from project number and volume metrics to results metrics. Its two main priority areas are simplifying regulations and generating investment.

FIAS supports regulatory simplification by providing advisory support to client governments on reforms, as well as by offering in-depth assistance on regulatory governance, licensing, tax simplification, trade logistics, and secured lending. FIAS is leading an increasing number of successful Doing Business–related reform projects throughout the world involving IFC facilities, the Bank, and other donors. (See **http://www.fias.net**.)

IEG recently undertook an evaluation of the construction, relevance, and use of the Doing Business indicators. IEG found Doing Business successful in motivating policy debate in countries but less successful as an aid in designing policies. The Group found no evidence that the indicators had distorted policy-making incentives in countries. It recommended that the indicators be interpreted within the country context, taking into consideration access to finance and infrastructure, the labor market, and corruption, as well as the level, type, and efficiency of regulations. To enhance the confidence and credibility of the indicators, IEG recommended recruiting more and more diverse informants, disclosing the number of informants, and increasing the transparency of the data.

Building Robust and Diverse Financial Sectors

The most important finance sector innovation of the fiscal year was the launch of the Global Emerging Markets Local Currency (Gemloc) bond program, approved by the Board in October 2007. Gemloc combines the comparative advantages of the Bank Group and the private sector to help develop local currency bond markets through three complementary efforts: a private sector investment manager that develops investment strategies for local currency bond markets; a new bond index (GEMX), based on market size and investability indicators; and Bank advisory services on reforms that can facilitate the creation of strong local bond markets. (See **http://www.gemloc.org**.)

Demand for participation in the Financial Sector Assessment Program—a joint World Bank–International Monetary Fund (IMF) program that helps countries identify vulnerabilities in their financial systems and determine needed reforms—remained strong across countries at all levels of development. Twenty-three countries and one regional supervisory body received initial assessments or updates during fiscal 2008, bringing the share of Bank and IMF members that have participated or volunteered to do so to 75 percent.

The Bank took over management of the Financial Sector Reform and Strengthening (FIRST) Initiative in fiscal 2008. This $100 million multidonor grant program seeks to build robust and diverse financial sectors in low- and middle-income countries. FIRST approved 30 projects, valued at $8.06 million, in fiscal 2008; 34 percent of this funding went to Africa.

IMPROVING CORPORATE GOVERNANCE

The Corporate Governance and Capital Markets Advisory Department led the development of a common approach shared by the world's leading development finance institutions for integrating corporate governance into due diligence procedures. Thirty-one institutions signed the statement at the fall 2007 meetings in Washington, DC. The department also established a program for corporate governance code development in the Middle East and North Africa, which has fostered wide acceptance of the value of sound corporate governance practices for private sector growth in the region.

Reducing the Cost of Remittances

The Bank provided support for ongoing reforms in payment, remittance, and securities systems in more than 40 countries in fiscal 2008. Its global payment system survey covers more than 140 countries and 300 technical issues in payment, remittance, and securities settlement. The survey results will help Bank staff create indicators that can be used to support advice to clients on payment system development. During fiscal 2008, the Bank also launched a remittance price database to monitor industry response to the release of international standards and provide a benchmark to consumers. The goal is to help reduce the cost of remittances services, potentially saving recipients in developing countries as much as $12 billion a year.

EXPANDING MICROFINANCE PROGRAMS

The Consultative Group to Assist the Poor (CGAP), which includes the Bank, advises and trains regulators and policy makers around the world; governments such as Cambodia, the Democratic Republic of Congo, Kosovo, the Lao People's Democratic Republic, and Malawi; and global standard-setters such as the Basel Committee on issues related to access to microfinance.

CGAP has led the charge globally on technology for access to finance and "branchless banking" (indeed, CGAP coined the term). CGAP experts are working with regulators in 10 countries to facilitate peer learning on the cutting edge of policy challenges created by the convergence of the communications and financial services industries. The CGAP Technology Program has projects under way in Kenya, Mongolia, Pakistan, the Philippines, and South Africa, and uses new technologies such as mobile phones and smart cards to provide 2 million low-income people with financial services that can help improve their lives. CGAP is also developing a model to prepare the poorest people for microfinance and has launched seven pilots in five countries—Ghana, Haiti, India, Pakistan, and Peru—over the past year. (See **http://www.cgap.org**.)

MIGRATION AND REMITTANCES

The Bank's involvement in international migration increased substantially over the past four years, with an expanded research program, an increase in international consultations on migration issues, and support for improved handling of remittances by client countries' financial systems. In fiscal 2008 the Bank published *Migration and Remittances Factbook 2008* (also available online); an edited volume, *The International Migration of Women*; and more than 25 working papers, including papers on diaspora bonds and securitization of remittances.

Data sets covering high-skilled emigration and bilateral migration and remittances were expanded in fiscal 2008. The Bank also completed or is conducting surveys of migration and remittance behavior at the household level in Brazil, Ghana, India (Kerala), Samoa, Tajikistan, and Tonga; conducted a study of the Indonesia-Malaysia remittance corridor; and initiated studies on the development implications of

human trafficking and a possible role for the Bank in preventing trafficking, and on the implications of climate change for migration flows in Central America. Country assistance strategies in many countries have discussed the implications of large-scale migration. A fiscal 2008 country economic memorandum for Kenya, for example, included recommendations for mobilizing the resources of the diaspora.

During fiscal 2008 the Bank continued to support refugees in postconflict environments in Africa, facilitate temporary migration to more developed neighbors in the Pacific Islands, and study how regional transport corridors can be used to control HIV transmission in Sub-Saharan Africa. Globally, the Bank continued its efforts to provide social protection to emigrants through training, provision of information, and regulation of recruitment as well as by strengthening health, education, and incentives to reduce the impact of the brain drain.

IMPROVING THE QUALITY OF INTERNATIONAL STATISTICS

Because reliable statistics are essential for formulating policy and measuring development progress, the Bank's Development Data Group maintains several large international databases that provide key statistical information for operational activities and support critical management decisions. These data are compiled from a variety of sources, including the United Nations and its specialized agencies, the Organisation for Economic Co-operation and Development, the IMF, regional development banks, private organizations, and national statistical offices. Adherence to internationally accepted standards and norms results in a consistent, reliable source of information.

To improve the quality of international statistics, the Development Data Group works with its partners to improve statistical methods, promote data collection activities, compile global data sets, and help countries increase their statistical capacity. Some of this work takes place through the Partnership in Statistics for Development in the 21st Century (PARIS21) and the International Comparison Program (ICP). As one of the founding members, the Bank supports PARIS21 and provides financial support to countries through a Trust Fund for Statistical Capacity Building (TFSCB). As of July 2008, 72 projects had been approved for financing from TFSCB II, and seven for financing from TFSCB III. Of these, 40 are active. (See **http://www.paris21.org**.)

The ICP is a worldwide statistical initiative that collects comparative price data and estimates purchasing power parities of the world's economies. The program, which involves partners from national, regional, and international

agencies, analyzes data from 146 economies, making it the largest statistical initiative in the world. It is overseen by the World Bank.

The Bank makes development data available through online databases and monitoring systems, such as those used to measure progress toward the MDGs and IDA Results Measurement System. (See **http://www.worldbank.org/data**.)

IMPACT EVALUATION

The Development Impact Evaluation (DIME) Initiative is a Bank-wide collaborative effort involving thematic networks, regional units, and the research group under the guidance of the World Bank's Chief Economist. Its three primary purposes are to add to the number of World Bank–supported impact evaluations, particularly in strategic areas; to increase the ability of staff to design and carry out such evaluations in close collaboration with government agencies in developing countries; and to build a process of systematic learning on effective development interventions based on lessons from completed evaluations.

Through the combined efforts of DIME, regional initiatives (for example, the African Impact Evaluation Initiative), and sector-based strategies (such as the Human Development Network), 158 impact evaluations are being conducted. In comparison, a total of 106 impact evaluations were completed by the World Bank between 1990 and 2007. DIME's current list of themes includes early childhood development, education service delivery, conditional cash transfers, HIV/AIDS treatment and prevention, local development, malaria control, pay-for-performance in health services, rural roads, rural electrification, urban upgrading, and youth employment and service. (See **http://www.worldbank.org/dime**.)

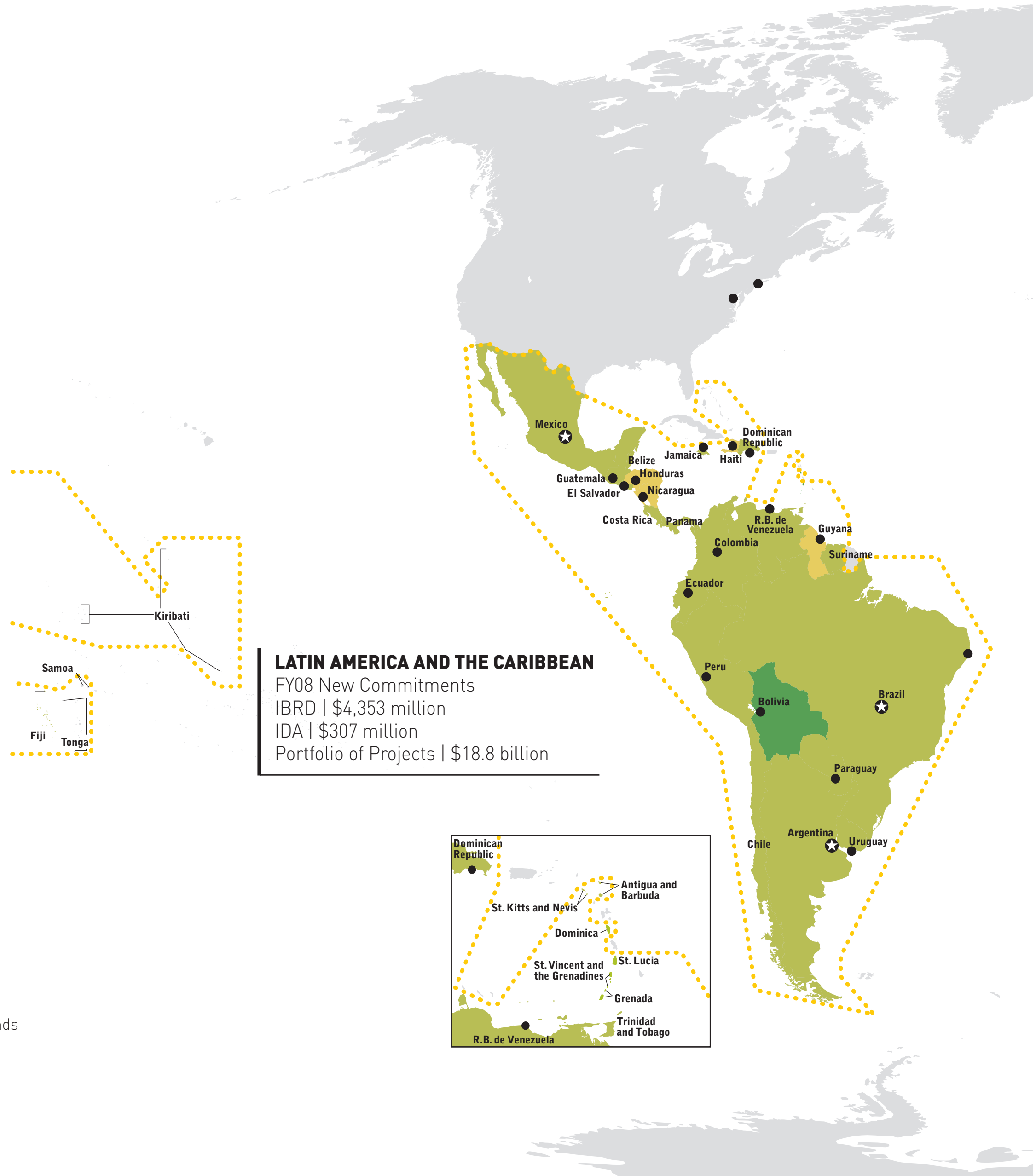
CIVIL SOCIETY

Bank relations with civil society continued to intensify as reflected in the greater numbers of civil society organization (CSO) representatives accredited to attend the Annual and Spring Meetings during fiscal 2008. CSOs also increased their involvement in the Civil Society Policy Forum by sponsoring dialogue sessions on such issues as extractive industries, climate change, and debt relief. Important policy consultations were held with civil society on country systems for procurement and the strategic framework for climate change. The Bank began the process of reviewing its approaches to civil society engagement and policy consultation in order to improve consistency and the quality of these interactions. Bank-CSO relations continued to expand at the country level through CSO participation in project appraisals (73 percent), country assistance strategy consultations (91 percent), and Poverty Reduction Strategy participation (73 percent). (See **http://www.worldbank.org/civilsociety**.)

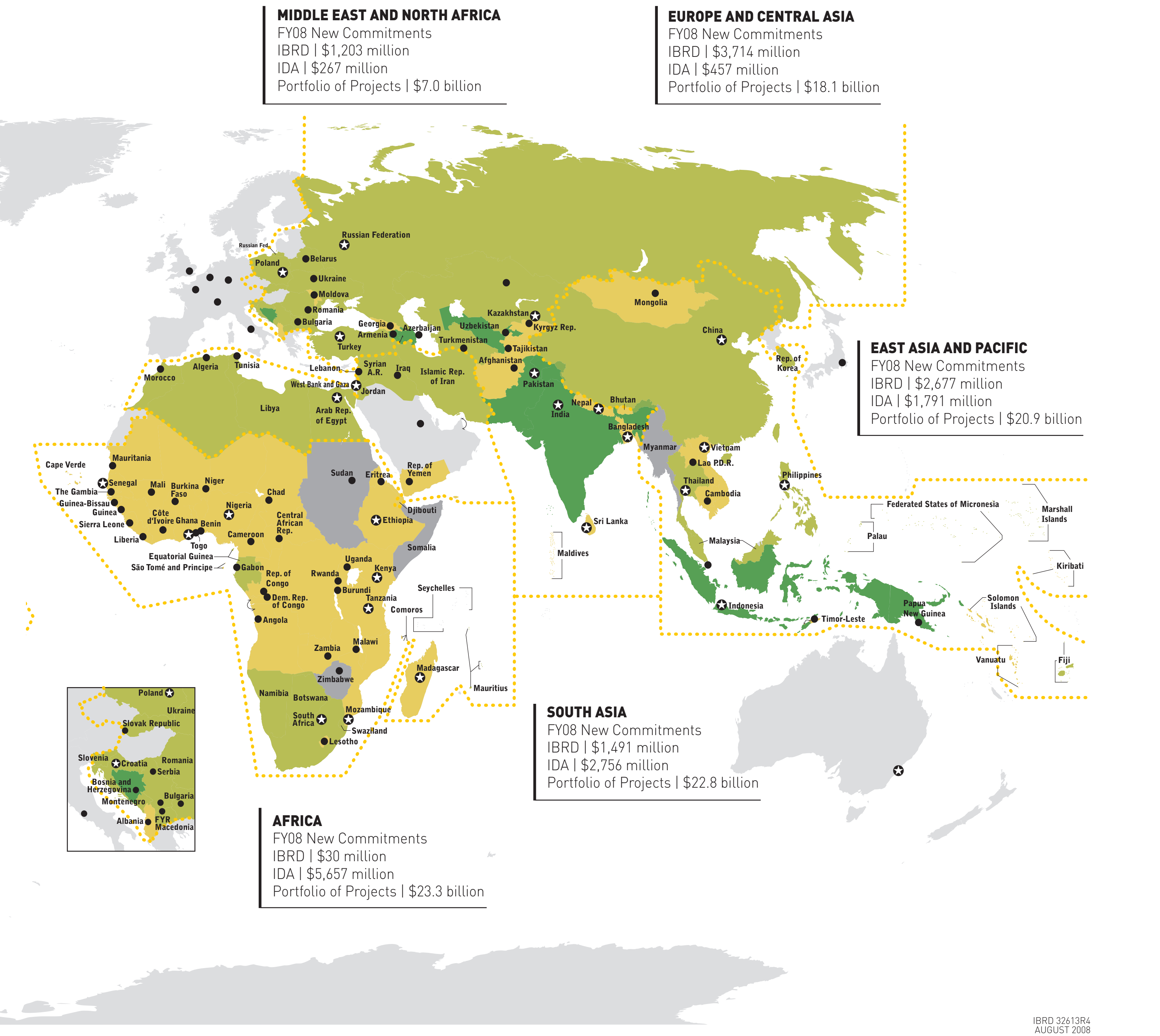
2
REGIONAL PERSPECTIVES

WORLD BANK REGIONS, COUNTRY OFFICES, AND BORROWER ELIGIBILITY

The World Bank today operates out of more than 100 offices worldwide. Increased presence in client countries is helping the Bank to better understand, work more closely with, and provide faster service to clients. Three-fourths of outstanding loans are managed by country directors located away from the Bank's Washington, DC, headquarters. Thirty-six percent of staff are now based in country offices.



- Countries eligible for IBRD funds only
- Countries eligible for blend of IBRD and IDA funds
- Countries eligible for IDA funds only
- Inactive IDA-eligible countries
- Countries not receiving Bank funds
- Offices of the World Bank
- Offices with the Country Director present
- Bank region boundaries


MIDDLE EAST AND NORTH AFRICA
FY08 New Commitments
IBRD | $1,203 million
IDA | $267 million
Portfolio of Projects | $7.0 billion
EUROPE AND CENTRAL ASIA
FY08 New Commitments
IBRD | $3,714 million
IDA | $457 million
Portfolio of Projects | $18.1 billion
EAST ASIA AND PACIFIC
FY08 New Commitments
IBRD | $2,677 million
IDA | $1,791 million
Portfolio of Projects | $20.9 billion
SOUTH ASIA
FY08 New Commitments
IBRD | $1,491 million
IDA | $2,756 million
Portfolio of Projects | $22.8 billion
AFRICA
FY08 New Commitments
IBRD | $30 million
IDA | $5,657 million
Portfolio of Projects | $23.3 billion
Russian Federation
Russian Fed.
Poland
Belarus
Ukraine
Moldova
Romania
Bulgaria
Georgia
Armenia
Azerbaijan
Turkey
Kazakhstan
Uzbekistan
Kyrgyz Rep.
Turkmenistan
Tajikistan
Afghanistan
Mongolia
China
Rep. of Korea
Morocco
Algeria
Tunisia
Libya
Lebanon
Syrian A.R.
Iraq
Islamic Rep. of Iran
West Bank and Gaza
Jordan
Arab Rep. of Egypt
Pakistan
India
Nepal
Bhutan
Bangladesh
Myanmar
Vietnam
Lao P.D.R.
Thailand
Cambodia
Philippines
Sri Lanka
Maldives
Malaysia
Indonesia
Timor-Leste
Papua New Guinea
Federated States of Micronesia
Palau
Marshall Islands
Kiribati
Solomon Islands
Vanuatu
Fiji
Cape Verde
Mauritania
Senegal
The Gambia
Guinea-Bissau
Guinea
Sierra Leone
Liberia
Mali
Burkina Faso
Niger
Côte d'Ivoire
Ghana
Togo
Benin
Nigeria
Chad
Cameroon
Central African Rep.
Equatorial Guinea
São Tomé and Principe
Gabon
Rep. of Congo
Dem. Rep. of Congo
Angola
Sudan
Eritrea
Rep. of Yemen
Djibouti
Ethiopia
Somalia
Uganda
Kenya
Rwanda
Burundi
Tanzania
Seychelles
Comoros
Zambia
Malawi
Zimbabwe
Madagascar
Mauritius
Namibia
Botswana
Mozambique
South Africa
Swaziland
Lesotho
Poland
Ukraine
Slovak Republic
Slovenia
Croatia
Romania
Serbia
Bosnia and Herzegovina
Bulgaria
Montenegro
Albania
FYR Macedonia
IBRD 32613R4
AUGUST 2008

AFRICA

Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo, Democratic Republic of
Congo, Republic of
Côte d'Ivoire
Equatorial Guinea
Eritrea
Ethiopia
Gabon
The Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar

For more than a decade, Africa—still the Bank's top priority—has posted healthy growth. Its GDP has expanded at an average rate of 5.4 percent a year. This rapid growth has been fueled, on the one hand, by decisive and deft management of the macroeconomy of a majority of countries and, on the other hand, by more careful management of the global commodities boom. As a result, Africa has become an attractive investment destination for foreign capital, notably in the oil, gas, and mining sectors. The upward trend has awakened memories of the boom of the 1970s, leading to calls on African countries to make sure that their current fortune is not wasted, as it was then. Riots in several African countries, triggered by rising fuel and food prices, have served notice that growth must be inclusive—ensuring that the poor participate in and benefit from its fruits—if the region is to accelerate progress toward meeting the Millennium Development Goals.

During fiscal 2008, the Bank expanded its support to African countries eager to improve management of their natural resources sector. The Bank has helped build their capacity to secure just and fair deals when extraction concessions are awarded, deepening transparency in the management of revenues, and ensuring that revenue from the commodities boom fuels sustainable development. Recognizing the potential of agriculture to curb poverty, particularly in rural Africa, the Bank scaled up support for the sector in fiscal 2008 and agreed to increase lending for agriculture in Africa from $368 million in fiscal 2008 to $650 million in fiscal 2009 and to $800 million in fiscal 2010. The Bank also pursued regional solutions for Africa's most demanding development challenges: bridging the infrastructure gap in the provision of the energy indispensable for growing economies through initiatives such as the West Africa Power Pool, and supporting Africa's efforts to expand intra-African trade through the expansion of transport corridors and customs reform and harmonization. It boosted Africa's efforts to access global markets and to use new trade platforms such as the Internet (under the East African Submarine Cable System, for example) and funded efforts to combat HIV/AIDS, malaria, tuberculosis, avian flu, and other pandemics.

WORLD BANK ASSISTANCE

The Bank—the world's largest provider of development assistance to Africa—provided $5.7 billion in loans, credits, and grants to Africa in fiscal 2008. The Bank approved 91 projects. It also completed 108 economic and sector work activities and 80 nonlending technical assistance activities, many of which focused on strengthening the commitment of countries to reforms. Two African countries—the Central African Republic and Liberia—reached the decision point (when debt relief is revocable) under the enhanced Heavily Indebted Poor Countries (HIPC)

AFRICA FAST FACTS

Total population:	0.8 billion
Population growth:	2.4%
Life expectancy at birth:	50 years
Infant mortality per 1,000 births:	94
Female youth literacy:	64%
2007 GNI per capita:	$952
Number of people living with HIV/AIDS:	22.5 million

Note: Life expectancy at birth and infant mortality rate per 1,000 live births are for 2006; female youth literacy is for 2005; HIV/AIDS data are from the *UNAIDS/WHO 2007 AIDS Epidemic Update;* other indicators are for 2007 from the World Development Indicators database.

TOTAL FISCAL 2008

New Commitments
IBRD $30 million
IDA $5,657 million

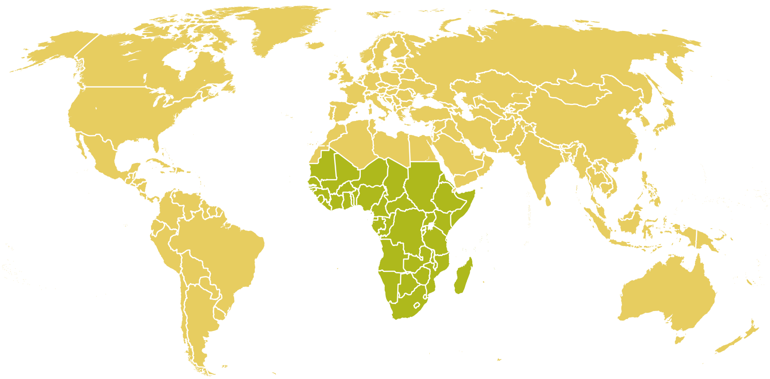
TOTAL FISCAL 2008

Disbursements
IBRD $42 million
IDA $4,848 million

Portfolio of projects under implementation as of June 30, 2008: $23.3 billion

Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Niger
Nigeria
Rwanda
São Tomé and Principe
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Sudan
Swaziland
Tanzania
Togo
Uganda
Zambia
Zimbabwe

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING



Initiative in fiscal 2008. At completion point, they would benefit from additional relief under the Multilateral Debt Relief Initiative. Liberia benefited from interim debt relief estimated at $2.8 billion in nominal terms for an external public and publicly guaranteed debt estimated at $4.7 billion in net present value terms. The nominal amount of HIPC debt relief provided to the Central African Republic is estimated at $823 million. The country's public and publicly guaranteed external debt was estimated at $1.1 billion. No African country reached the completion point (when debt relief is irrevocable) under HIPC in fiscal 2008, and none, therefore, benefited from the Multilateral Debt Relief Initiative in fiscal 2008. Under that initiative, $37 billion in debt, the bulk of it owed by African countries, will be written off over the next 40 years for countries with sound financial management and a commitment to poverty reduction. The Bank warned predatory lenders in developed countries that it is working to stop them from preying on the poor and reversing the benefits achieved through debt relief initiatives.

In response to the food crisis, the Bank provided $10 million in three special financing projects to help some of the most vulnerable countries cope with rising prices in fiscal 2008. It engaged more than 40 countries in policy discussions on the crisis.

COMBATING DISEASE

To address pandemics, the Bank expanded funding to several landmark regional projects, including the Great Lakes Initiative on AIDS Support Project, the Inter-Governmental Authority on Development HIV/AIDS Partnership Program Support Project, the Regional HIV/AIDS Treatment Acceleration Project, and the Senegal River Basin Water Resource Development Project (malaria). It also established a new agenda for action in preventing and dealing with the consequences of HIV/AIDS through 2011 (see **http://www.worldbank.org/afr/aids**). Through its booster program for malaria control in Africa, the Bank committed about $470 million in IDA resources and trust funds to Sub-Saharan Africa from fiscal 2005 to fiscal 2008—more than nine times the volume of resources committed between 2000 and 2005. The funds will be used to purchase and distribute more than 21 million long-lasting insecticidal bed nets, provide more than 42 million doses of artemisinin-based combination therapy, support indoor residual spraying, and strengthen health systems.

SLOW BUT CERTAIN PROGRESS

Over the past decade, Africa has shown that it can expand and sustain economic growth. It now needs to reduce income disparities by sharing the fruits of growth more equitably through policies that pull in the poor—particularly rural dwellers, women, and youth.

Deficiencies in infrastructure—as measured by limited roads, power shortages, and inefficient ports, among other things—remain a major challenge, stifling the continent's capacity to compete in world markets and raising the costs of doing business globally. Export costs in Africa account for 18–35 percent of total costs; in China, by contrast, they represent just 8 percent.

Recognizing the challenge of working in a continent prone to conflict, the Bank Group adopted a new Rapid Response Policy in fiscal 2008, under which the Bank can swiftly deliver

FIGURE 2.1

AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL OF $5.7 BILLION

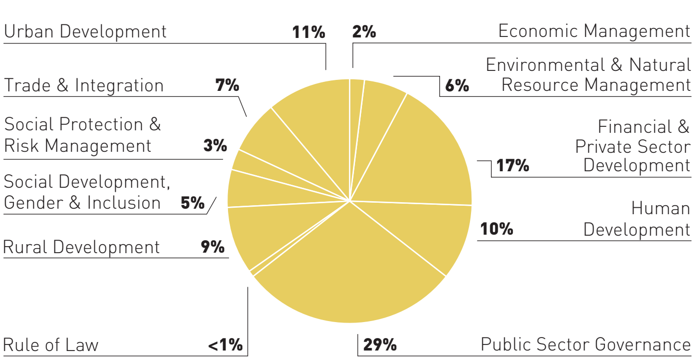
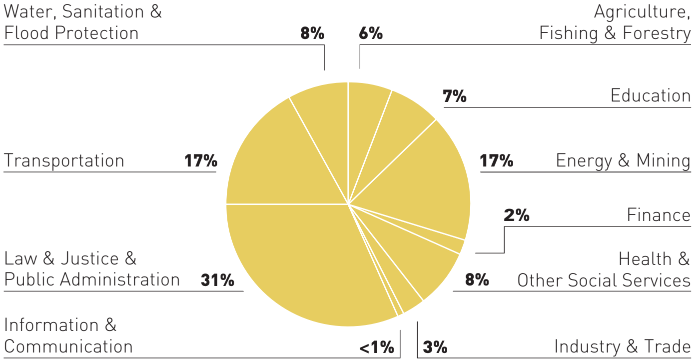


FIGURE 2.2

AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL OF $5.7 BILLION



assistance to countries emerging from or severely affected by conflicts or disasters. Through a $250 million Forest Carbon Partnership Facility, the Bank encourages investment to stop deforestation and minimize the negative impact of climate change in return for access to carbon credits. In fiscal 2008, the Bank launched the Lighting Africa Plan, which seeks to provide inexpensive, safe, and cleaner lighting to 250 million people.

The Independent Evaluation Group's new report, *The Welfare Impact of Rural Electrification,* confirmed the benefits are significant enough to justify the investment. The evaluation also shows, however, that the larger share of benefits from rural electrification continue to be captured by the nonpoor, although the gap is closing with the expansion of electrification. Two factors explain this pattern: which communities get connected and which households can afford the connection once the grid is available. By not enabling poorer households to connect to the grid, and by not providing information to consumers so they obtain their maximum benefit, the potential benefits of providing electricity to the poor are not being fully realized. Moreover, households themselves are willing to pay for these benefits, so grid extension into rural areas can be financially viable. The Bank is starting to investigate "smart subsidies" of the sort already used for off-grid electrification programs (such as solar home systems). However, IEG's report shows that the costs of off-grid electrification are higher than those of grid extension, and the benefits less. Directing funds to connection subsidies for grid extension can reach more poor people at lower cost.

The Bank will continue to support initiatives like these to ensure that aid is effective, predictable, and supportive of results-oriented, country-led programs. It will continue to help minimize transaction costs, in keeping with the March 2005 Paris Declaration. Toward that end, in fiscal 2008 the Bank approved a major simplification of and reduction in loan charges for the 79 creditworthy low- and middle-income countries that are clients and shareholders of IBRD. The move has returned loan pricings to the levels in effect before the price increases of 1998. (See **http://www.worldbank.org/afr**.)

TABLE 2.1

WORLD BANK LENDING TO BORROWERS IN AFRICA BY THEME AND SECTOR | FISCAL 2003–2008

MILLIONS OF DOLLARS

THEME	2003	2004	2005	2006	2007	2008
Economic Management	37.8	68.0	46.5	31.4	94.6	139.4
Environmental and Natural Resource Management	227.0	195.2	217.2	250.6	212.0	338.0
Financial and Private Sector Development	383.6	810.9	768.2	979.1	962.7	982.1
Human Development	811.4	618.2	620.2	673.3	1,104.5	572.2
Public Sector Governance	432.4	818.4	708.0	964.7	859.2	1,612.1
Rule of Law	34.5	28.3	30.9	179.7	13.1	22.7
Rural Development	384.1	360.7	537.2	528.6	780.0	526.4
Social Development, Gender, and Inclusion	420.0	374.3	221.8	198.5	314.3	275.2
Social Protection and Risk Management	543.7	209.2	294.3	262.7	272.3	169.0
Trade and Integration	37.2	371.5	232.0	413.1	449.7	407.3
Urban Development	425.5	261.1	211.4	304.9	734.5	642.2
Theme Total	**3,737.2**	**4,115.9**	**3,887.5**	**4,786.6**	**5,796.9**	**5,686.5**
SECTOR						
Agriculture, Fishing, and Forestry	303.4	268.5	215.3	585.5	369.7	367.6
Education	423.6	362.9	369.0	339.3	706.6	373.0
Energy and Mining	324.4	365.8	509.5	524.5	773.0	939.4
Finance	67.2	165.7	68.6	142.3	26.3	129.7
Health and Other Social Services	775.9	723.1	590.3	614.0	687.3	467.5
Industry and Trade	92.7	95.4	253.8	348.4	144.2	196.2
Information and Communication	41.4	52.9	20.0	5.0	146.0	0.8
Law and Justice and Public Administration	721.8	1,004.2	1,077.5	1,263.0	1,352.5	1,748.0
Transportation	690.5	716.6	507.2	602.7	870.8	986.5
Water, Sanitation, and Flood Protection	296.3	360.8	276.2	361.9	720.5	477.9
Sector Total	**3,737.2**	**4,115.9**	**3,887.5**	**4,786.6**	**5,796.9**	**5,686.5**
Of which IBRD	15.0	0.0	0.0	40.0	37.5	30.0
Of which IDA	3,722.2	4,115.9	3,887.5	4,746.6	5,759.4	5,656.5

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

EAST ASIA AND PACIFIC

Cambodia
China
Fiji
Indonesia
Kiribati
Korea, Republic of
Lao People's Democratic Republic
Malaysia
Marshall Islands

Growth in the low- and middle-income economies of the East Asia and Pacific region picked up from 9.8 percent in 2006 to 10.2 percent in 2007, but was expected to decline by up to 2 percentage points in 2008 because of the global slowdown. Nonetheless, sustained growth and propoor policies have produced dramatic reductions in poverty in many of the Bank's client countries in the region. In 2007, the proportion of poor people (with consumption below $2 a day) fell to 25 percent, compared with 69 percent in 1990. For the region's fast-growing countries, growth has been accompanied by exceptionally rapid urbanization. By 2025, the region's urban population is likely to increase by 500 million people, or 68 percent, placing stress on urban infrastructure and increasing the need for social safety nets.

While many countries in the region have reached, or will soon reach, the human development targets set under the Millennium Development Goals, stark differences between countries remain. Indonesia, the Philippines, and Vietnam still have to catch up with some of the wealthier middle-income countries, while Cambodia, the Lao People's Democratic Republic, Timor-Leste, and some fragile Pacific Island economies may fall short of some of the 2015 targets.

Most East Asian countries are well positioned to navigate the global slowdown because of investments made in structural reforms in the past 10 years, but the food price crisis and climbing oil prices have dealt a blow to poor people in a number of the region's client countries. The Bank is advising several client countries in the region on safety nets for protecting the poorest people and on policy of directions for securing rice supplies, expanding sources of renewable energy, and mitigating the short-term impact of high oil prices.

WORLD BANK ASSISTANCE

The Bank in fiscal 2008 adopted a new strategy for the region that reflects the evolving challenges of such a diverse range of economies. It focuses on scaling up the Bank Group's engagement to address the changing demands of middle-income countries while also working to support countries dealing with fragility and conflict.

In fiscal 2008, the Bank delivered $4.5 billion in lending for the region, including $2.7 billion in IBRD loans and $1.8 billion in IDA credits and grants.

SUPPORTING COUNTRIES TO MAKE THE MIDDLE-INCOME SHIFT

The Bank is supporting a number of East Asian countries that are addressing the challenges that come with moving into middle income, including developing sources of clean energy, planning for better urban transport systems, providing social safety nets, and managing the human impacts of rural-urban

EAST ASIA AND PACIFIC FAST FACTS

Total population:	1.9 billion
Population growth:	0.8%
Life expectancy at birth:	71 years
Infant mortality per 1,000 births:	24
Female youth literacy:	98%
2007 GNI per capita:	$2,180
Number of people living with HIV/AIDS:	2.2 million

TOTAL FISCAL 2008

New Commitments
IBRD $2,677 million
IDA $1,791 million

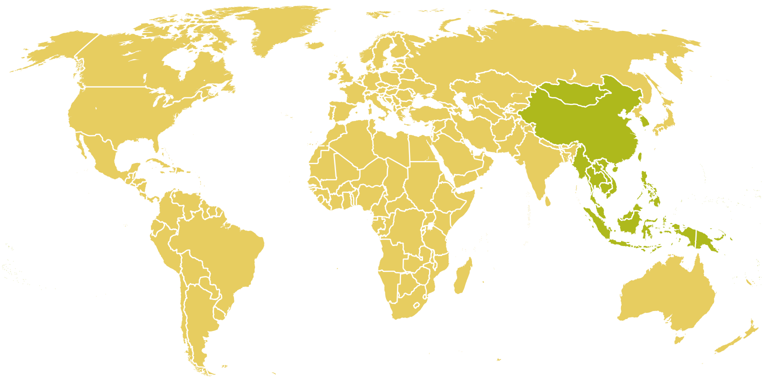
TOTAL FISCAL 2008

Disbursements
IBRD $2,401 million
IDA $1,111 million

Portfolio of projects under implementation as of June 30, 2008: $20.9 billion

Note: Life expectancy at birth and infant mortality rate per 1,000 live births are for 2006; female youth literacy is for 2005; HIV/AIDS data are from the *UNAIDS/WHO 2007 AIDS Epidemic Update;* other indicators are for 2007 from the World Development Indicators database.

Micronesia, Federated States of
Mongolia
Myanmar
Palau
Papua New Guinea
Philippines
Samoa
Solomon Islands
Thailand
Timor-Leste
Tonga
Vanuatu
Vietnam



migration. A $200 million development policy loan to Indonesia is designed specifically to support policy reforms in the country's infrastructure sector. It is helping the government to map infrastructure needs across sectors and regions and pursue reforms that will benefit people with the lowest access to infrastructure. In China, where energy demand is almost outstripping supply, a $200 million loan will help catalyze large-scale domestic financing to increase the efficiency of energy-intensive industries, while a $191 million loan in Liaoning Province will finance a project to demonstrate energy efficiency and environmental performance of heating and gas services in selected cities. In Vietnam, a $155 million IDA credit and a $9.8 million grant from the Global Environment Facility are helping the city of Hanoi to improve urban air quality and expand its mass transit public transport system. Meanwhile, a $50 million Bank loan is supporting government efforts in China to help millions of rural migrants to shift into urban employment through skills development programs and social protection schemes.

A DUAL CHALLENGE FROM CLIMATE CHANGE

In a region that both contributes to global greenhouse emissions and is highly vulnerable to the effects of climate change, the Bank is working on many fronts. A climate change and disaster risk management strategy is being developed for Papua New Guinea, and, with support from the Global Environment Facility and the Global Fund for Disaster Relief and Rehabilitation, the Bank is helping six Pacific Island countries to draw up plans for adapting to potential impacts from climate change. In China, five major carbon-trade agreements are bringing financial resources to support the introduction of cleaner technology in the steel sector, innovations in biogas reduction from agriculture, and broader use of lower-carbon liquefied natural gas. At the same time, the Bank is working with China to reduce greenhouse emissions by improving energy efficiency, restoring forests, and investing in renewable sources of energy. In Indonesia, a major agreement, brokered by the Bank, provides local government with credits for preventing around 250,000 tons of carbon dioxide–equivalent emissions every year for the next 15 years by collecting and flaring methane gas from a solid waste landfill site on the main island of Java.

IMPROVING GOVERNANCE ON THE GROUND

Groundbreaking work on governance and anticorruption continues in the East Asia and Pacific region. A new four-year country assistance strategy for Papua New Guinea has put the

FIGURE 2.3

EAST ASIA AND PACIFIC

IBRD AND IDA LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL OF $4.5 BILLION

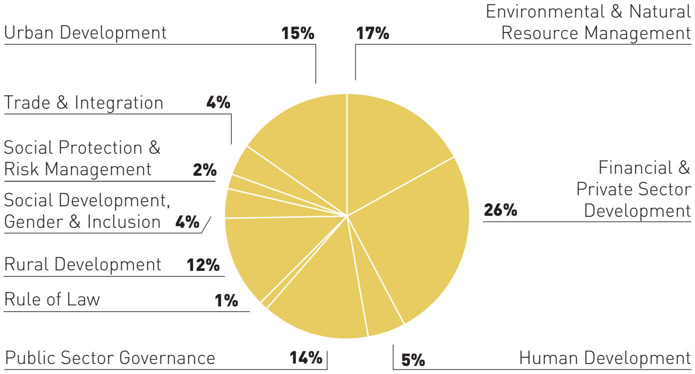
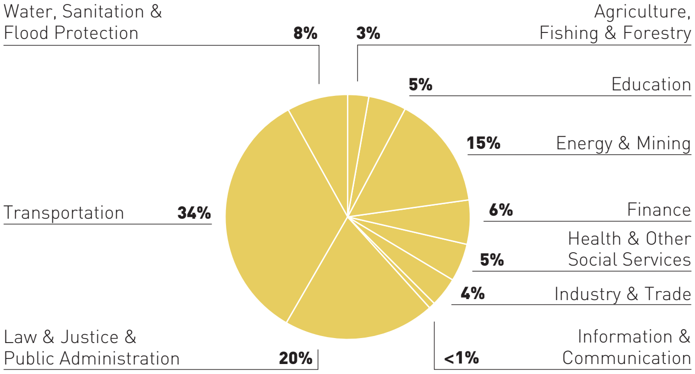


FIGURE 2.4

EAST ASIA AND PACIFIC

IBRD AND IDA LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL OF $4.5 BILLION



transparent management of the country's natural resources and revenue stream at the top of its priority list. Through a $17 million loan, the Bank is supporting the country's work to strengthen governance and accountability in mining sector institutions and to empower local people in mining communities to monitor the delivery of programs and services. In Mongolia, which is on the verge of a major minerals boom, the Bank is supporting the government to implement the Extractive Industries Transparency Initiative and is finalizing preparation of an IDA project to help the government set up an appropriate financial and regulatory framework for managing the mining and extractive industries sector in an environmentally sustainable and transparent way.

Communities across Indonesia are being empowered to oversee and manage their own development plans through the government's National Community Empowerment Program. Two Bank-supported urban and rural poverty reduction interventions worth a total of $409 million (of which over $315 million is on IDA terms) will support the government's effort to reach all of Indonesia's 70,000 villages with the community-driven and -monitored service delivery program. Meanwhile in Cambodia, a new Poverty Reduction and Growth Operation, supported by a $15 million IDA grant, focuses on improving public financial management.

ADDRESSING FRAGILITY AND IMPROVING HUMAN DEVELOPMENT

As Timor-Leste emerges from a recent series of security and political setbacks, the Bank is working with its donor partners on key areas of immediate priority: improving health services, and building skills and employment opportunities for the country's large youth population. A Bank study, "Timor-Leste's Youth in Crisis," recommended six priority actions aimed at empowering young people and expanding job opportunities. At the end of the fiscal year, an IDA grant was being prepared to support the government's effort to bring young people, especially in urban areas, into mainstream employment. Another Bank study, "Opportunities to Improve Social Services: Human Development in the Pacific Islands," also highlights the challenges to growth and development posed by increasing numbers of youth and rising male unemployment. In Indonesia, an $86 million Bank loan is supporting the government's effort to upgrade the qualifications of over 1.4 million teachers and create world-class educational institutions. Meanwhile, a new Bank-supported rural health program in China will test new ideas and approaches for broadening rural people's access to quality health services.

BUILDING PARTNERSHIPS AND EXCHANGING KNOWLEDGE

The Bank is working closely with the China Export-Import Bank to bring China's development experience to other developing countries through staff exchanges and joint pilot projects in Africa. A new Bank-managed trust fund worth $15 million, provided by the Republic of Korea, is helping East Asian countries fight poverty and deliver government services more effectively. And a $37 million Infrastructure for Growth trust fund provided by the Australian government is supporting the Bank's analytical studies, policy dialogue, and investment projects in energy, transport, water and sanitation, telecommunications, infrastructure finance, and urban development. In partnership with the Association of Southeast Asian Nations (ASEAN), the Bank is holding a series of dialogues with renowned Asian leaders on their views of development. The "Catalysts of Change" series connects 12 sites via video across the Asia Pacific through the Global Development Learning Network and has featured high-profile regional personalities. (See **http://www.worldbank.org/eap**.)

TABLE 2.2

WORLD BANK LENDING TO BORROWERS IN EAST ASIA AND PACIFIC BY THEME AND SECTOR | FISCAL 2003–2008

MILLIONS OF DOLLARS

THEME	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Economic Management	29.7	0.0	87.0	78.7	82.5	0.0
Environmental and Natural Resource Management	232.3	432.2	446.9	396.4	565.0	746.0
Financial and Private Sector Development	458.8	553.9	340.6	720.7	999.1	1,132.9
Human Development	152.7	164.6	184.6	543.7	213.4	229.0
Public Sector Governance	341.5	299.0	344.5	385.9	705.4	644.4
Rule of Law	7.3	67.3	45.8	13.4	0.0	23.5
Rural Development	411.7	400.9	484.1	465.7	608.2	555.4
Social Development, Gender, and Inclusion	143.7	167.2	241.1	83.3	189.9	197.1
Social Protection and Risk Management	161.5	5.5	88.7	144.9	43.8	99.3
Trade and Integration	138.0	82.9	126.5	112.1	233.0	177.3
Urban Development	233.6	399.2	493.5	456.9	403.7	663.2
Theme Total	**2,310.8**	**2,572.7**	**2,883.3**	**3,401.6**	**4,043.9**	**4,468.1**
SECTOR						
Agriculture, Fishing, and Forestry	106.7	290.4	207.9	373.3	268.6	112.8
Education	225.7	118.6	228.0	287.9	125.3	234.3
Energy and Mining	254.3	67.2	359.1	425.2	118.5	666.1
Finance	22.7	49.0	213.1	197.6	230.1	263.0
Health and Other Social Services	184.1	84.3	204.3	160.6	132.7	213.0
Industry and Trade	32.5	78.7	159.1	29.3	102.0	189.5
Information and Communication	6.6	0.0	5.0	5.3	0.0	10.0
Law and Justice and Public Administration	385.1	257.5	436.6	693.6	887.7	888.8
Transportation	684.3	1,209.9	306.7	652.3	1,554.7	1,531.7
Water, Sanitation, and Flood Protection	408.7	417.1	763.7	576.5	624.3	359.0
Sector Total	**2,310.8**	**2,572.7**	**2,883.3**	**3,401.6**	**4,043.9**	**4,468.1**
Of which IBRD	1,767.1	1,665.5	1,809.8	2,344.3	2,806.6	2,676.7
Of which IDA	543.7	907.2	1,073.6	1,057.2	1,237.4	1,791.4

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

SOUTH ASIA

Afghanistan
Bangladesh
Bhutan
India

South Asia has experienced rapid economic growth, declining poverty, and progress in human development for more than a decade. As a result, for the first time in its history, the region with the world's largest concentration of poor people has a real chance of ending mass poverty in a generation. Thanks to the economic reforms of the past two decades, annual GDP growth in the region has averaged 6 percent since 2000. This growth has translated into a significant drop in poverty rates across the subcontinent. In the next decade, South Asia is expected to contribute more to global poverty reduction than any other region. If it can accelerate growth to 8–10 percent a year and sustain it, it can reduce income poverty to the single digits.

Rapid growth alone will not necessarily end poverty, however. Economic growth has been accompanied by rising inequality, and the region continues to suffer from some of the worst levels of human deprivation in the world. Corruption, confrontational politics, and conflict threaten to derail the process of economic development. The region has also been hard hit by the recent increase in world food prices, especially for rice and wheat, the two main staples in South Asia. To address all of these issues, the World Bank's strategy for South Asia comprises three pillars—accelerating and sustaining growth, making development inclusive, and strengthening human development—and the cross-cutting theme of improved governance.

The Bank's program also reflects an emerging new reality: South Asia can no longer be characterized as a uniformly low-income region. Growth is propelling several Indian states, along with Bhutan, Maldives, and parts of Sri Lanka, into middle-income status. At the same time, per capita incomes and human development indicators in Bangladesh, Nepal, most of Pakistan, and the lagging regions of India and Sri Lanka are those of low-income countries. In addition, some 71 million South Asians live in conflict, and violence is escalating in Afghanistan, northern Sri Lanka, and parts of India and Pakistan. In recognition of the diverse needs of the region, the Bank is differentiating its engagement. In education, for example, the Bank is working with partners to improve quality in aspiring middle-income countries and states, while in low-income countries and states, its focus is on increasing both access to and the quality of primary schools.

WORLD BANK ASSISTANCE

The Bank approved nearly $4.3 billion for South Asia in fiscal 2008, $1.5 billion in loans from IBRD and $2.8 billion in IDA credits and grants.

SOUTH ASIA FAST FACTS

Total population:	1.5 billion
Population growth:	1.4%
Life expectancy at birth:	64 years
Infant mortality per 1,000 births:	62
Female youth literacy:	65%
2007 GNI per capita:	$880
Number of people living with HIV/AIDS:	2.7 million

TOTAL FISCAL 2008

New Commitments
IBRD $1,491 million
IDA $2,756 million

TOTAL FISCAL 2008

Disbursements
IBRD $1,175 million
IDA $2,379 million

Portfolio of projects under implementation as of June 30, 2008: $22.8 billion

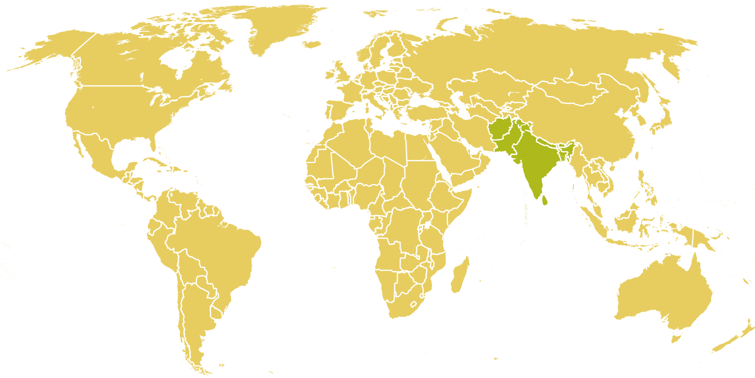
Note: Life expectancy at birth and infant mortality rate per 1,000 live births are for 2006; female youth literacy is for 2005; HIV/AIDS data are from the *UNAIDS/WHO 2007 AIDS Epidemic Update;* other indicators are for 2007 from the World Development Indicators database.

Maldives

Nepal

Pakistan

Sri Lanka



An important component of the Bank's strategy is its analytic and advisory work. A recent report on gender in Bangladesh documented significant improvements in gender equality and women's status while pointing to the need to increase female participation in the labor force and give women greater voice in society. A study on education in Punjab, Pakistan, concluded that the dramatic increase in private schools requires policy makers to reexamine education policies. The Bank also published a report proposing economic incentives and development initiatives to reduce opium production in Afghanistan, conducted a study on labor issues in India, and performed an environmental assessment in Pakistan.

SUPPORTING LAGGING REGIONS AND SECTORS

In recent years, the Bank has sharpened its focus to ensure that lagging regions such as Bihar in India and Baluchistan Province in Pakistan, sectors such as agriculture, and groups such as women and disadvantaged minorities participate in growth. Inclusion is critical if the lives of the region's 400 million poor people are to improve. In fiscal 2008, the Bank approved a $225 million loan/credit to the state of Bihar to support implementation of critical structural reforms for attaining sustainable and inclusive development while improving the delivery of key public services.

About 1 billion people live in rural areas in South Asia. As a result, the region's economy depends on agriculture—and hence irrigation—more than any other region in the world. The Bank provides assistance to South Asian governments in many aspects of the management of water resources, including watersheds, groundwater, international waters such as the Indus Waters Treaty, and river basins. In fiscal 2008, the Bank approved a $150 million credit to enhance water distribution in Pakistan's Sindh Province. In neighboring Baluchistan, it approved a $25 million credit to boost agricultural production and improve the use of water in irrigation. In Bangladesh, it supported a $62.6 million project to improve agricultural productivity and farm income by revitalizing the national agricultural technology system.

ENSURING SERVICE DELIVERY AMID ARMED CONFLICT

Continuing its support for developing Afghanistan's rural economy and improving rural livelihoods, the Bank provided $250 million in grants to improve access to basic services, increase equitable access to quality basic education, expand microfinance services, and help curb the spread of HIV/AIDS. It also supported a program of contracting out health services to nongovernmental organizations, increasing the number of people with access to health care by some 6 million.

STRENGTHENING INFRASTRUCTURE

The Bank is working to address South Asia's vast urban and rural infrastructure deficits, often cited as the greatest constraint to foreign investment. Half of the region's population still lacks access to electricity. To help address the problem, the Bank provided a $400 million loan for the Rampur Hydropower Project in the state of Himachal Pradesh that will provide renewable, low-carbon energy to India's overstretched northern electricity grid. It also extended a $600 million loan to the Power Grid Corporation of India, backed by a guarantee from the government of India, designed to increase reliable power exchange between regions and states.

MAKING DEVELOPMENT INCLUSIVE

The Bank has innovated and scaled up rural livelihood and empowerment programs that provide microfinance, access to markets, and self-employment opportunities to millions of poor people, especially women and marginalized groups. In fiscal 2008, it extended its largest support package to Nepal, providing $253 million in IDA grants, $100 million of which were allocated to the second phase of the Poverty Alleviation Fund, which has reached more than 900,000 rural Nepalese in 25 districts. Thanks to this program, more than 15,600 households now have access to paved roads for the first time, and more than 32,000 new households now have access to water supply, bridges, and sanitation.

Some 10,000 community infrastructure projects have been completed under the Pakistan Poverty Alleviation Fund, touching the lives of more than 2.5 million people in about

FIGURE 2.5

SOUTH ASIA

IBRD AND IDA LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL OF $4.2 BILLION

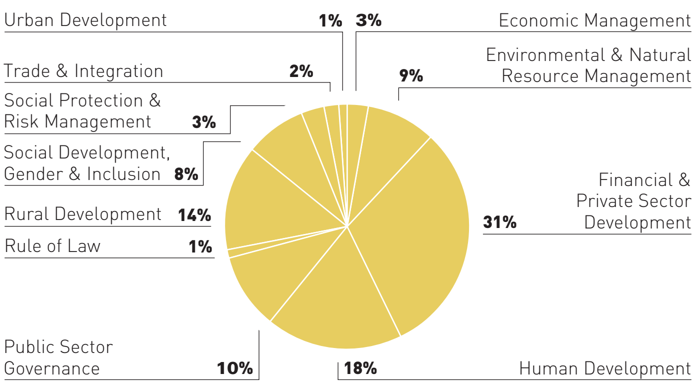
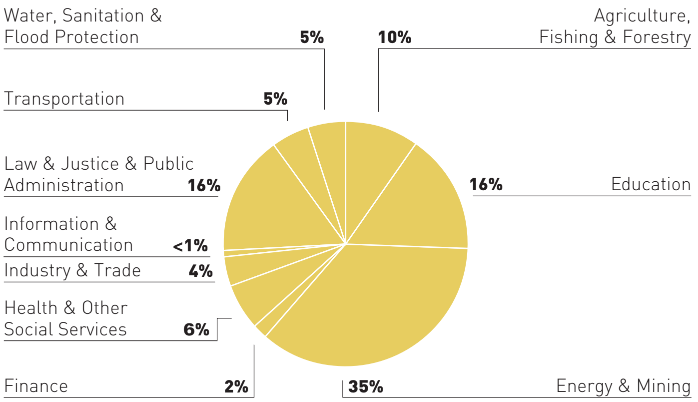


FIGURE 2.6

SOUTH ASIA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL OF $4.2 BILLION



5,000 villages. More than half of these projects provide safe drinking water or access to safe sanitation. In fiscal 2008, the fund received additional financing of $75 million from the Bank to mobilize 5 million people in 25 of the country's poorest districts into community organizations and local support organizations.

In Andhra Pradesh, India, Bank-funded projects have helped some 8 million women build incomes, improve living standards, and gain political influence by banding together in some 630,000 self-help groups. The Bank continued its support of this program in fiscal 2008 by providing $65 million to finance critical investments in institution and capacity building that will allow community institutions of poor women to become sustainable and self-reliant.

RESPONDING TO CLIMATE CHANGE

Few regions in the world are at greater risk from climate change than South Asia. The 2007 floods in Bangladesh, India, and Nepal, which claimed several thousand lives, were a reminder that climate change is already beginning to have an impact. The Bank's response has been to significantly scale up its activity on adapting to and mitigating climate change. It is providing assistance and advocacy for national programs in urban development, rural areas, coastal zone, and ecosystem management. It is also embarking on a long-term program to strengthen water cooperation among Bangladesh, India, and Nepal for flood control and hydropower generation. Cooperation among Bangladesh, India, and Nepal on flood mitigation could benefit 400 million people.

Bangladesh is one of the most vulnerable countries in the world to extreme weather events. The Bank is working with various partners to help develop a major disaster preparedness program for the country. In fiscal 2008, the Bank helped Bangladesh recover from the dual shocks of the August flooding and the November cyclone by approving $245 million for flood and cyclone response, $175 million of which was quick disbursing. Total World Bank assistance to Bangladesh for flood and cyclone relief is expected to exceed $400 million.

IMPROVING GOVERNANCE

Governance lies at the heart of the Bank's work in South Asia. Over the past five years, it has been working with client countries at the economy, sector, and project levels to strengthen governance, increase public accountability for results, and mitigate corruption. The Governance Country Assistance Strategy for Bangladesh and governance reforms in irrigation, the financial sector, and education in Pakistan are two examples.

The January 2008 India Detailed Implementation Review, which revealed serious indicators of fraud and corruption in five Bank-financed health projects in India, has implications for how the Bank promotes better governance—in country systems and within Bank-financed operations. The Bank's response to the review seeks to straddle the twin challenges of strengthening country systems while enhancing the Bank's own supervision framework. (See **http://www.worldbank.org/sar**.)

TABLE 2.3

WORLD BANK LENDING TO BORROWERS IN SOUTH ASIA BY THEME AND SECTOR | FISCAL 2003–2008

MILLIONS OF DOLLARS

THEME	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Economic Management	123.5	7.7	87.5	56.6	11.2	122.8
Environmental and Natural Resource Management	94.2	94.8	433.9	93.0	309.7	386.6
Financial and Private Sector Development	689.1	689.9	923.0	550.4	809.9	1,344.5
Human Development	546.9	760.6	1,041.6	391.7	1,476.3	788.3
Public Sector Governance	467.3	669.8	639.5	597.9	916.6	423.7
Rule of Law	12.5	2.9	10.5	7.2	50.4	26.0
Rural Development	403.7	314.1	1,132.5	568.6	1,095.5	574.1
Social Development, Gender, and Inclusion	197.3	642.8	265.3	366.9	372.5	321.5
Social Protection and Risk Management	184.4	98.6	337.0	472.3	550.5	145.4
Trade and Integration	197.3	52.7	63.7	138.8	31.3	68.8
Urban Development	2.6	87.8	59.0	553.7	7.7	45.2
Theme Total	**2,918.7**	**3,421.6**	**4,993.3**	**3,797.2**	**5,631.6**	**4,246.8**
SECTOR						
Agriculture, Fishing, and Forestry	212.6	251.9	940.8	368.9	733.6	420.5
Education	364.6	665.8	286.4	377.2	724.7	694.5
Energy and Mining	150.6	130.8	83.6	483.0	243.7	1,481.4
Finance	185.8	331.4	461.8	73.0	678.1	86.6
Health and Other Social Services	369.0	334.6	493.2	195.9	1,006.2	247.5
Industry and Trade	144.9	46.1	485.2	306.5	292.9	167.5
Information and Communication	11.5	16.9	91.9	50.0	2.8	13.2
Law and Justice and Public Administration	372.3	925.5	885.7	1,101.4	1,165.8	699.6
Transportation	1,067.6	444.8	1,181.0	520.1	559.9	229.9
Water, Sanitation, and Flood Protection	40.0	273.7	83.7	321.3	223.9	206.1
Sector Total	**2,918.7**	**3,421.6**	**4,993.3**	**3,797.2**	**5,631.6**	**4,246.8**
Of which IBRD	836.0	439.5	2,095.9	1,231.0	1,599.5	1,490.6
Of which IDA	2,082.7	2,982.1	2,897.4	2,566.2	4,032.1	2,756.2

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

EUROPE AND CENTRAL ASIA

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Georgia
Kazakhstan
Kyrgyz Republic
Macedonia, former Yugoslav Republic of

The Europe and Central Asia region enjoyed robust economic growth of 6.7 percent in 2007, continuing the strong growth and poverty reduction it has experienced since the mid-1990s. Nearly 50 million of the region's 480 million people moved out of poverty between 1999 and 2006. Large gains in productivity—the result of continued enterprise restructuring, technology diffusion, and double-digit growth in investment (supported by rapid credit expansion through lending by domestic and foreign banks)—as well as increased hydrocarbon production have driven rapid growth in some of the region's countries. Along with strong growth in remittance inflows in many countries, these factors have also boosted private consumption.

Despite these gains, by the end of 2006, some 180 million people—more than a third of the region's population—continued to subsist on less than $2.15 a day (the definition of poverty in this region because of the additional expenditures for heating and warm clothing necessitated by the cold climate), and millions more were living on less than $4.30 a day (the portion of the population that is "economically vulnerable" and could become poor in the event of an economic downturn).

Rising food and energy prices have complicated the conduct of macroeconomic management across the region. In 2007, food prices rose about 12 percent in Central and Eastern Europe and nearly 20 percent in the Commonwealth of Independent States (CIS); energy prices rose about 8 percent in Central and Eastern Europe, 18 percent in middle-income CIS countries, and more than 30 percent in low-income CIS countries. Overall, inflation concerns are back on the front burner for policy makers in the region, as the CIS countries are now facing an average of 13.4 percent and the Central and Eastern European countries 6.1 percent in inflationary pressures.

WORLD BANK ASSISTANCE

The Bank approved a total of 47 IBRD/IDA projects for $4.2 billion in the region, including two food-crisis responses (one regular project and one additional financing) in the Kyrgyz Republic. In addition, the Bank approved one special financing operation and one special financing—additional financing in Tajikistan to respond to the food crisis. The Bank also completed 80 economic and sector work activities and delivered 88 nonlending technical assistance activities focusing on building country capacity. The Bank's newest flagship report on the region, *Unleashing Prosperity: Productivity Growth in Eastern Europe and the Former Soviet Union,* emphasizes the importance of continued policy reform—particularly in infrastructure, finance, and institutional quality—for increasing economic productivity, which drives growth.

EUROPE AND CENTRAL ASIA FAST FACTS

Total population:	0.4 billion
Population growth:	0%
Life expectancy at birth:	69 years
Infant mortality per 1,000 births:	23
Female youth literacy:	98%
2007 GNI per capita:	$6,051
Number of people living with HIV/AIDS:	1.6 million

Note: Life expectancy at birth and infant mortality rate per 1,000 live births are for 2006; female youth literacy is for 2005; HIV/AIDS data are from the *UNAIDS/WHO 2007 AIDS Epidemic Update;* other indicators are for 2007 from the World Development Indicators database.

TOTAL FISCAL 2008

New Commitments
IBRD $3,714 million
IDA $457 million

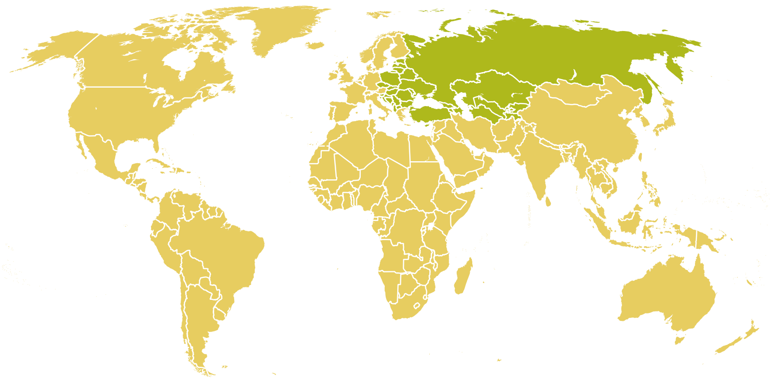
TOTAL FISCAL 2008

Disbursements
IBRD $2,696 million
IDA $527 million

Portfolio of projects under implementation as of June 30, 2008: $18.1 billion

Moldova
Montenegro
Poland
Romania
Russian Federation
Serbia
Slovak Republic
Tajikistan
Turkey
Turkmenistan
Ukraine
Uzbekistan

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING



Regional initiatives are particularly important to countries that have their sights set on joining the European Union (EU). The Bank is supporting the Energy Community of Southeastern Europe, which is establishing a market to share energy efficiently. Albania, Croatia, the former Yugoslav Republic of Macedonia, and Serbia are part of this effort.

USING A DIFFERENTIATED BUSINESS MODEL

The Bank supports poor countries and fragile states in a number of ways, including by decentralizing more staff to locations where capacity constraints are severe and by helping with donor coordination, harmonization, and alignment. On the other hand, Europe and Central Asia's middle-income countries, given their diversity, also receive tailored support. For example, in lower-middle-income countries, investment climate issues are important and require Bank assistance, while in resource-rich countries, the Bank provides support for diversifying the economic base of clients. In EU-candidate countries, the Bank supports the EU accession agenda, whereas in new EU member states, the Bank supports countries in their aim to achieve convergence with EU average income levels.

IMPROVING INFRASTRUCTURE

The Bank extended several loans for infrastructure in the region. Among these were $200 million to improve housing in the Russian Federation, $450 million for railroad rehabilitation in Azerbaijan, $200 million to improve power transmission in Ukraine, $105 million to improve regional and local roads in FYR Macedonia, and $140 million to improve urban infrastructure in Ukraine.

CREATING AN ATTRACTIVE BUSINESS ENVIRONMENT

Structural reforms in most countries have driven the region's ongoing success in creating an attractive business climate. Europe and Central Asia is reforming more rapidly than any other region in the world, surpassing even East Asia in terms of the ease of doing business. Four countries (Croatia, FYR Macedonia, Georgia, and Bulgaria) were among the top 10 reformers worldwide in 2007.

In November 2007, the World Bank opened the Centre for Financial Reporting Reform in Vienna. Its goal is to help countries, primarily in Southeast Europe and the new EU member states, to enhance the quality of financial reporting standards in order to improve their investment climates.

STRENGTHENING THE LEGAL, INSTITUTIONAL, AND STRUCTURAL FRAMEWORK

The Bank approved a $400 million Public Sector Development Policy Loan to Turkey to support a sustained medium-term process of legal, institutional, and structural development via improved quality of fiscal adjustment as well as social protection through pension reform, implementation of administrative reforms intended to strengthen administrative capacity, and support of efficiency-increasing and cost-saving measures in the health system to sustain implementation of the Public Financial Management and Control Law. The law has underpinned the outstanding improvements in Turkey's public expenditure management system.

IMPROVING GOVERNANCE AND FIGHTING CORRUPTION

The Bank continues to work with the European Bank for Reconstruction and Development in conducting the Business Environment and Enterprise Performance Survey (BEEPS). BEEPS data have been used in studies of corruption, judicial systems, and other areas. These data provided the backbone for the *Anticorruption in Transition* series of studies as well as for *Judicial Systems in Transition Economies*. Both studies monitor changes over time to gain insights into what is working and what challenges, notably corruption, remain in areas that affect the business environment.

ADDRESSING GLOBAL AND REGIONAL ISSUES

The Bank is also addressing a few broad strategic themes, such as climate change and energy, at the regional level by

FIGURE 2.7

EUROPE AND CENTRAL ASIA

IBRD AND IDA LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL OF $4.2 BILLION

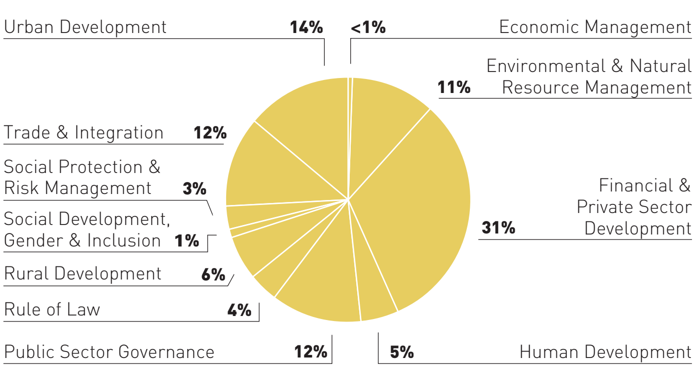
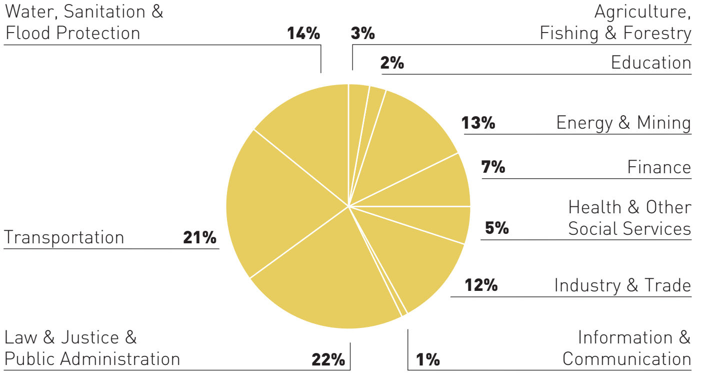


FIGURE 2.8

EUROPE AND CENTRAL ASIA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL OF $4.2 BILLION



building up its stock of knowledge and expertise and then operationalizing on a case-by-case basis. Through lending and advisory services, the Bank is also increasingly supporting activities on energy efficiency, cleaner production, and waste management.

DEVELOPING LIFETIME SKILLS

After the political and economic transitions of the past, countries in the region now face a third transition: aging populations, which will lead to a declining working-age population and the challenge of how to pay for the necessary social safety nets while dealing with development progress. The region produced a flagship study, *Red to Gray: The "Third Transition" of Aging Populations in Eastern Europe and the Former Soviet Union*, that sets the analytical basis for policy reforms that should help client countries deal with issues from pension policies to technology absorption and innovation. (See **http://www.worldbank.org/eca**.)

BOX 2.1 IMPROVING THE LIVES OF PEOPLE IN EUROPE AND CENTRAL ASIA

The Bank held its first annual "Improving the Lives of People in ECA: A Week of Celebration and Learning" in March 2008. Awards of recognition were granted to 22 Bank activities, including projects for improving dam safety in Armenia, increasing access to health services in the Kyrgyz Republic, providing higher-quality education for rural students in Romania, and restoring the Northern Aral Sea.

TABLE 2.4

WORLD BANK LENDING TO BORROWERS IN EUROPE AND CENTRAL ASIA BY THEME AND SECTOR | FISCAL 2003–2008

MILLIONS OF DOLLARS

THEME	2003	2004	2005	2006	2007	2008
Economic Management	19.5	242.0	17.4	4.6	5.7	2.6
Environmental and Natural Resource Management	122.7	309.4	394.4	148.8	397.6	461.4
Financial and Private Sector Development	483.3	950.2	933.9	1,461.1	823.6	1,295.9
Human Development	550.4	297.1	539.4	360.3	258.3	228.8
Public Sector Governance	317.7	895.1	272.3	589.1	328.8	515.0
Rule of Law	289.8	132.3	66.8	401.6	230.4	170.6
Rural Development	194.9	117.4	161.5	238.5	150.1	260.2
Social Development, Gender, and Inclusion	55.9	33.9	246.6	95.1	23.2	24.4
Social Protection and Risk Management	288.5	305.3	668.8	335.9	346.7	125.6
Trade and Integration	130.6	182.6	424.4	226.6	539.5	497.9
Urban Development	216.7	93.6	368.0	183.0	658.2	588.8
Theme Total	**2,670.0**	**3,559.1**	**4,093.5**	**4,044.6**	**3,762.2**	**4,171.1**
SECTOR						
Agriculture, Fishing, and Forestry	335.4	168.6	107.0	117.9	53.4	126.3
Education	395.0	164.0	263.8	126.7	81.9	67.4
Energy and Mining	262.9	352.2	657.9	1,108.3	337.6	546.7
Finance	195.8	836.9	259.1	374.5	353.5	311.5
Health and Other Social Services	415.3	244.3	484.9	339.9	192.9	215.9
Industry and Trade	269.0	126.3	253.5	274.8	395.5	499.0
Information and Communication	1.0	7.0	10.9	0.0	0.0	23.6
Law and Justice and Public Administration	698.9	1,176.8	1,160.6	1,271.7	812.6	919.0
Transportation	30.6	321.2	557.9	416.7	712.3	893.7
Water, Sanitation, and Flood Protection	66.3	162.0	337.9	14.2	822.4	568.0
Sector Total	**2,670.0**	**3,559.1**	**4,093.5**	**4,044.6**	**3,762.2**	**4,171.1**
Of which IBRD	2,089.2	3,012.9	3,588.6	3,531.9	3,340.1	3,714.3
Of which IDA	580.8	546.2	504.9	512.8	422.1	456.8

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

LATIN AMERICA AND THE CARIBBEAN

Antigua and Barbuda	Costa Rica
Argentina	Dominica
Belize	Dominican Republic
Bolivia	Ecuador
Brazil	El Salvador
Chile	Grenada
Colombia	Guatemala

In 2007, the Latin America and the Caribbean region marked a fourth straight year of growth in excess of 5 percent—its healthiest spurt since the 1970s. Governments in the region have put in place solid macroeconomic policies and have taken advantage of favorable external developments to reduce vulnerabilities. Financial markets are recognizing the region's stronger economic and fiscal position. Brazil and Peru joined Chile and Mexico this year in achieving investment grade.

Poverty rates have fallen, albeit modestly. These declines are linked to the steady economic growth of the past few years coupled with more propoor public expenditures, including targeted cash transfer programs. The challenge for the region today is to sustain growth and continue to provide economic and social opportunities for all while facing a less favorable global environment. Of most concern in the immediate term is management of the impacts of the twin challenges of the economic slowdown in the United States and rising fuel and food prices.

The rising global price of food, fuel, and other commodities is having differing effects across and within countries. In broad terms, the boom in commodity and agricultural prices benefits South America but hurts countries in Central America and the Caribbean (with the exception of Trinidad and Tobago). Within countries—especially net importers—food and fuel are especially sensitive and their rising costs are causing sociopolitical stress. Declining remittances from abroad could also reduce growth and negatively affect antipoverty strategies, especially in Mexico and Central America.

WORLD BANK ASSISTANCE

The Bank's strategic partnership with Latin America and the Caribbean focuses on achieving broad-based, sustainable growth to reduce poverty and inequality. Although this goal applies to all countries in the region, the diversity of the countries means that priorities and solutions are tailored carefully to individual circumstances. For middle-income countries, the Bank offers an integrated package of services, including analytic advice, technical assistance, policy dialogue, new customized financial products, and a platform for global issues management such as trade and climate change. For low-income countries, it provides concessional financing, donor coordination, and specialized support for fragile states.

In fiscal year 2008, World Bank financing for Latin America and the Caribbean reached \$4.7 billion, with \$4.4 billion in loans from IBRD and \$0.3 billion in credits from IDA. Brazil, Colombia, and Mexico were the largest borrowers. Transportation, public administration and law, and education were the largest sectors. The region was responsible for

LATIN AMERICA AND THE CARIBBEAN FAST FACTS

Total population:	0.6 billion
Population growth:	1.2%
Life expectancy at birth:	73 years
Infant mortality per 1,000 births:	22
Female youth literacy:	96%
2007 GNI per capita:	$5,540
Number of people living with HIV/AIDS:	1.8 million

Note: Life expectancy at birth and infant mortality rate per 1,000 live births are for 2006; female youth literacy is for 2005; HIV/AIDS data are from the *UNAIDS/WHO 2007 AIDS Epidemic Update;* other indicators are for 2007 from the World Development Indicators database.

TOTAL FISCAL 2008

New Commitments
IBRD $4,353 million
IDA $307 million

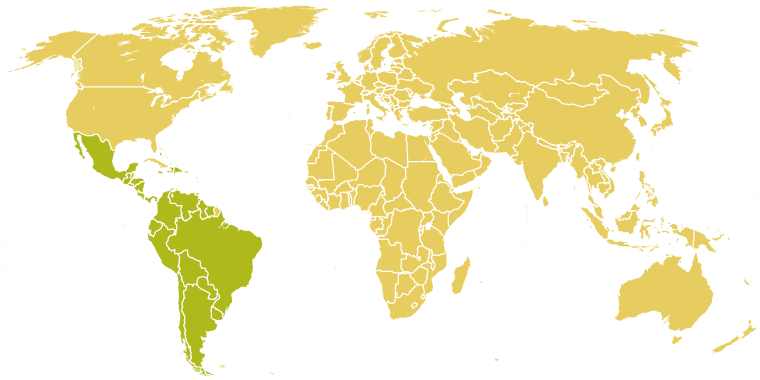
TOTAL FISCAL 2008

Disbursements
IBRD $3,210 million
IDA $159 million

Portfolio of projects under implementation as of June 30, 2008: $18.8 billion

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela, República Bolivariana de



19 percent of total Bank IBRD/IDA lending and for 32.3 percent of total IBRD lending.

WORKING WITH THE POOREST COUNTRIES

In December 2007, donor countries—including for the first time Brazil and Mexico—pledged a record $25.2 billion to the World Bank to help overcome poverty in the world's poorest countries. Part of these resources will support the Bank's ongoing efforts in five IDA countries in the region: Bolivia, Guyana, Haiti, Honduras, and Nicaragua.

Special resources are being devoted to Haiti, which has recently emerged from civil conflict. In May, the Board approved a $10 million grant from the newly introduced Fast-Track Food Facility to help Haiti respond to the food price crisis and to support implementation of the country's poverty reduction strategy.

Nicaragua will receive funding and debt relief under a new, five-year strategy. The strategy calls for $240 million in IDA assistance aimed at spurring economic development; enhancing productivity and increasing competitiveness; building human capital; and developing state institutions that will strengthen governance, accountability, and citizen participation in government. The World Bank's Debt Reduction Facility also is supporting a $1.4 billion cash buyback of Nicaragua's external commercial debt.

SUPPORTING THE MIDDLE-INCOME COUNTRIES' AGENDA

In March 2008, Colombia became the first country to benefit from a new Bank policy that significantly extends loan maturities; Board approval of a $300 million loan with longer maturities will help the country match the terms of student loans with its borrowings from the Bank and thus will support Colombia's efforts to finance higher education for low-income students.

Supporting the efforts of middle-income countries to address global issues in individual country contexts has also been an important priority. In fiscal 2008, the Bank approved a Development Policy Loan for $501 million to support Mexico's efforts under its National Climate Change Strategy to mainstream climate change considerations in public policy. The loan is designed to decrease the adverse environmental impacts of greenhouse gas emissions and concentrations on a voluntary basis in key sectors.

PROVIDING TIMELY ANALYSIS, SHARING KNOWLEDGE

Latin America is the region that receives the largest volume of remittances, estimated at about $60 billion in 2007. To better understand the impact of remittances, the region produced a report, *Remittances and Development: Lessons from Latin America,* which shows that the money migrant workers send back to their home countries is linked to lower poverty levels and improvements in education and health indicators. Remittances also contribute to higher growth and investment and are associated with lower economic volatility. Because remittance income is equivalent to 10–20 percent of GDP in many small countries in the Caribbean and Central America and to 3–10 percent in some larger ones (Colombia, Ecuador, Mexico), the economic slowdown in the United States could adversely affect poverty, particularly among recipient households.

BOOSTING GROWTH AND JOB CREATION

The Bank continued to support innovative programs in the region to stimulate the investment and competitiveness that sustain high rates of economic growth and job creation. The overriding priority over the medium- and long-term for the region is to maintain growth by creating quality jobs for a larger proportion of the population and by increasing productivity.

Examples of work in this area include policy advice on reducing costs of freight transport and logistics services for Argentina, Brazil, Colombia, and El Salvador; a regional hydro-energy investment feasibility study for Central America; agricultural technology and research projects in Nicaragua and Peru; youth employment programs in the Caribbean and Honduras; labor markets analytical and

FIGURE 2.9

LATIN AMERICA AND THE CARIBBEAN

IBRD AND IDA LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL OF $4.7 BILLION

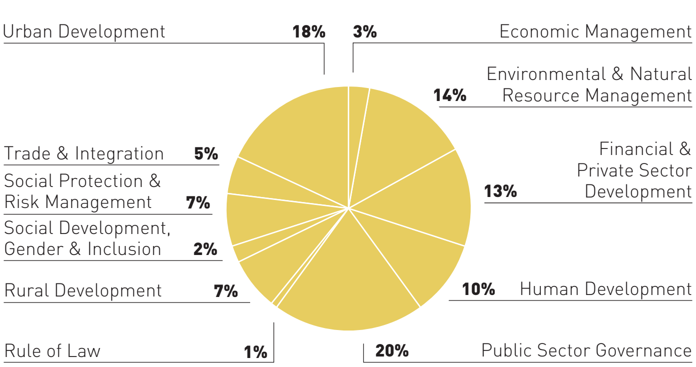
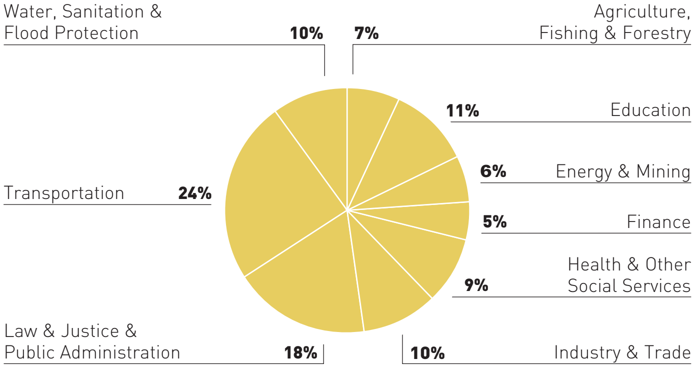


FIGURE 2.10

LATIN AMERICA AND THE CARIBBEAN

IBRD AND IDA LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL OF $4.7 BILLION



advisory assistance in the Andean countries; and the Brazil Knowledge and Innovation for Competitiveness study.

BRIDGING THE SOCIAL GAP

Creating equal opportunities for all citizens is crucial to reducing the social divide in Latin America and the Caribbean. The World Bank is working with countries across the region to develop universal and affordable social protection; to support programs that reduce poverty directly; and to increase access to education, health, and public infrastructure. Major new lending in fiscal 2008 included $83 million to the Brazil Family Health Extension program to train family health care workers to provide basic health care to urban residents, a $15.7 million grant to the Haiti Community Driven Development Project, and an $18.5 million IDA loan to Bolivia to expand the quality and coverage of health care services to women and children. The Bank also provided support in this area through a major regional study on youth at risk.

STRENGTHENING GOVERNANCE

The World Bank is helping countries in Latin America and the Caribbean develop effective and sustainable ways to promote good governance and transparency through the strengthening of country systems, improving accountability for service delivery, and monitoring and evaluating results. In Guatemala, the Bank is continuing to support government efforts to increase transparency in public procurement and fiscal management with a $100 million development policy loan. In Mexico, the Bank is supporting an ongoing effort to implement, administer, and publicize the country's Freedom of Information Act, one of the first laws of its kind in Latin America.

LEVELING THE PLAYING FIELD ON GLOBAL ISSUES

Countries in the region are emerging as key players on issues of global concern, and the Bank's role has been to support their efforts by partnering through innovative platforms for an enlightened dialogue and action on the ground, as well as by supporting South–South cooperation.

In February 2008, more than 100 legislators from the Group of Eight (G8) countries and five emerging economies (Brazil, China, India, Mexico, and South Africa) gathered in Brasilia to participate in a major international forum on climate change, the GLOBE G8+5 Legislators Forum. Participating lawmakers discussed and agreed on a Post-2012 Climate Change Framework and a Bio-Fuels Statement.

The Bank has been working closely with the World Trade Organization on the Aid for Trade agenda and has participated in several subregional gatherings that addressed the competitiveness challenges facing the region.

Along with other partners, the Bank participated in *The Lancet*'s series on maternal and child undernutrition, which was launched in Lima, Peru, in February 2008. The meeting, cohosted by the Bill & Melinda Gates Foundation and Johns Hopkins University, highlighted the urgent need to address malnutrition in such countries as Bolivia, Guatemala, Nicaragua, and Peru. (See **http://www.worldbank.org/lac**.)

TABLE 2.5

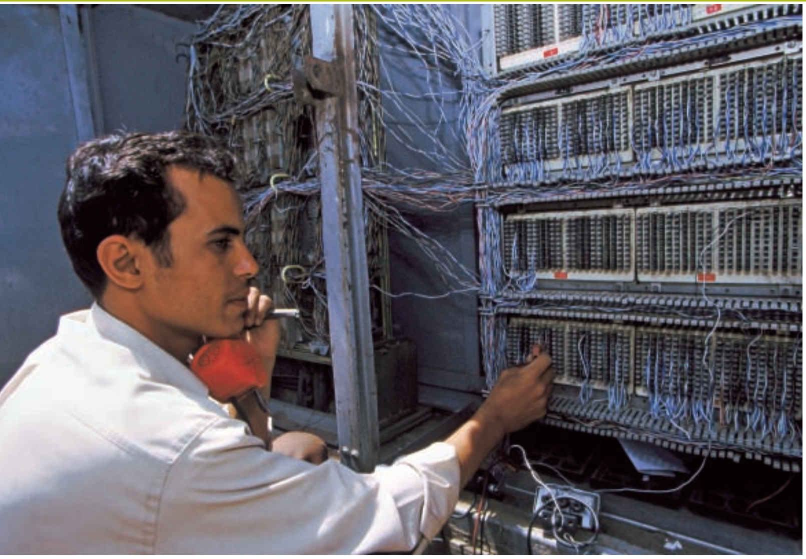
WORLD BANK LENDING TO BORROWERS IN LATIN AMERICA AND THE CARIBBEAN BY THEME AND SECTOR | FISCAL 2003–2008

MILLIONS OF DOLLARS

THEME	2003	2004	2005	2006	2007	2008
Economic Management	567.2	111.2	310.4	42.5	54.3	131.8
Environmental and Natural Resource Management	240.3	159.1	841.2	454.0	353.0	664.8
Financial and Private Sector Development	819.8	912.4	729.6	1,518.7	498.9	622.7
Human Development	1,171.7	1,046.7	469.8	502.6	1,022.5	445.5
Public Sector Governance	798.6	672.0	506.2	1,054.2	519.9	943.4
Rule of Law	138.8	270.9	147.9	108.8	97.5	50.1
Rural Development	415.9	249.6	331.7	236.5	415.4	307.5
Social Development, Gender, and Inclusion	123.1	268.9	187.9	282.6	175.4	109.2
Social Protection and Risk Management	1,050.3	926.9	950.4	606.2	419.0	307.0
Trade and Integration	59.6	364.6	233.4	720.3	300.5	224.8
Urban Development	435.2	337.6	457.1	384.1	696.9	853.1
Theme Total	**5,820.5**	**5,319.8**	**5,165.7**	**5,910.5**	**4,553.3**	**4,660.0**
SECTOR						
Agriculture, Fishing, and Forestry	58.4	379.6	233.4	291.0	83.4	333.5
Education	785.5	218.3	680.0	712.7	369.1	525.3
Energy and Mining	96.2	50.5	212.6	172.8	19.5	266.8
Finance	973.0	405.1	530.0	907.3	286.4	249.5
Health and Other Social Services	1,574.1	1,558.9	443.4	821.8	649.1	436.7
Industry and Trade	183.4	428.0	199.9	569.2	236.3	462.0
Information and Communication	52.4	14.0	44.7	20.8	0.0	0.0
Law and Justice and Public Administration	1,564.9	1,521.3	1,776.0	1,278.8	1,187.8	851.4
Transportation	146.4	675.7	556.4	785.4	1,223.9	1,083.4
Water, Sanitation, and Flood Protection	386.2	68.4	489.5	350.7	497.8	451.3
Sector Total	**5,820.5**	**5,319.8**	**5,165.7**	**5,910.5**	**4,553.3**	**4,660.0**
Of which IBRD	5,667.8	4,981.6	4,904.4	5,654.1	4,353.3	4,353.5
Of which IDA	152.7	338.2	261.3	256.4	200.0	306.5

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

MIDDLE EAST AND NORTH AFRICA



Algeria	Iran, Islamic Republic of
Djibouti	Iraq
Egypt, Arab Republic of	Jordan

This section also reports on the West Bank and Gaza.

For the fifth consecutive year, the Middle East and North Africa region experienced strong economic growth, with real GDP increasing 5.7 percent in 2007. Growth was almost evenly distributed between the resource-rich and resource-poor economies in the region. As a result of skyrocketing global oil prices, the region's export revenues increased 11.6 percent in 2007, reaching $632 billion. The food crisis has hit the region, a net food importer, hard.

WORLD BANK ASSISTANCE

The Bank committed $1.5 billion in loans, credits, and grants to the region in fiscal 2008. The Bank is providing technical support and emergency financial assistance to Djibouti and the Republic of Yemen to help them respond to the food crisis. In countries with ample food reserves and access to capital markets, it is providing advice on agriculture and food policies.

The Bank delivered 44 economic and sector work activities and 85 nonlending technical assistance activities in fiscal 2008. This work included a public expenditure review of Iraq, a development policy review and country financial accountability assessment of the Arab Republic of Egypt, a gender assessment for Lebanon, a policy note on women and microfinance in Iraq, a report on women workers and competitiveness in Egypt, and several regional reports focusing on public financial management. The Bank also launched a flagship report on education in the region, *The Road Not Traveled*, which emphasizes the central role of incentives and public accountability in increasing the effectiveness of reform efforts and meeting sector goals. Work also began on the Arab World Initiative (see box 2.2).

IMPROVING EDUCATION AND TRAINING AND REDUCING YOUTH UNEMPLOYMENT

The Bank is implementing a significant portfolio of activities that seek to increase access to education, lift quality, and provide market-relevant skills to graduates. In fiscal 2008, the Bank approved a $20 million credit to the Republic of Yemen to improve secondary education and increase girls' access. It also approved a $7.5 million loan to Jordan that will focus on strengthening skills for development. The *MNA Education Flagship Report* was launched during the year. It has already had significant impact: its message on the need for higher quality education and greater accountability of education systems reverberated throughout the region. A Regional PISA Analysis and the Syria Education Strategy furthered this important agenda. Technical assistance and policy advice complement an active lending program.

MIDDLE EAST AND NORTH AFRICA FAST FACTS

Total population:	0.3 billion
Population growth:	1.7%
Life expectancy at birth:	70 years
Infant mortality per 1,000 births:	34
Female youth literacy:	84%
2007 GNI per capita:	$2,794
Number of people living with HIV/AIDS:	0.4 million

TOTAL FISCAL 2008

New Commitments
IBRD $1,203 million
IDA $267 million

TOTAL FISCAL 2008

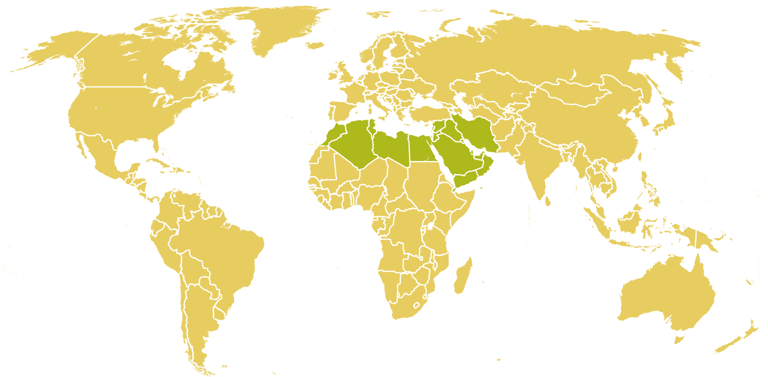
Disbursements
IBRD $966 million
IDA $137 million

Portfolio of projects under implementation as of June 30, 2008: $7 billion

Note: Life expectancy at birth and infant mortality rate per 1,000 live births are for 2006; female youth literacy is for 2005; HIV/AIDS data are from the *UNAIDS/WHO 2007 AIDS Epidemic Update;* other indicators are for 2007 from the World Development Indicators database.

Lebanon
Libya*
Morocco
Syrian Arab Republic
Tunisia
Yemen, Republic of

*Libya graduated in May 2008.



To address the continued problem of youth unemployment, the Bank completed a regional policy note on youth and conducted several dissemination and consultation events in the region in fiscal 2008. In Egypt, a pilot project addressing child labor and school dropout interventions resulted in a national high-level workshop to review policies in this area. The Bank is also conducting similar activities to incorporate gender concerns in Bank operations and to enhance women's participation in public life.

SUPPORTING SUSTAINABLE DEVELOPMENT AND MANAGEMENT OF NATURAL RESOURCES

Half of the region's population lives under conditions of water stress—and rapid population growth and climate change will further constrict the availability of water. To address the problem, the Bank is stepping up its activities in the sector and deepening sector policy dialogue. About half of all commitments to the water sector in the region focus on water supply and sanitation, with the other half supporting water resource management, irrigation, and related fields. Analytical work and country water assistance strategies have been prepared or are under way in most countries in the region.

IMPROVING GOVERNANCE

Governance and administrative reform have moved to the forefront of the development debate in the region. Core issues are the size of the public sector, the lack of adequate transparency and accountability, the mixed quality of regulation, the variable levels of service delivery, and the limited voice for civil society. In response to these challenges, the Bank is supporting governance aspects of public financial management and civil service reform in Iraq, Morocco, the West Bank and Gaza, and the Republic of Yemen. It is providing analytical services and technical assistance in anticorruption, fiscal federalism and decentralization, demand-side governance, and right-to-information legislation. The Bank has conducted Public Expenditure and Financial Accountability assessments in most countries in the region, and it is currently conducting country governance and anticorruption assessments in Iraq, Lebanon, and the Republic of Yemen. It has also increased the use of its standard fiduciary evaluation tools at the project level.

FOSTERING PRIVATE SECTOR AND FINANCIAL SECTOR DEVELOPMENT

During fiscal 2008, the Bank approved a $500 million loan to support Egypt's financial sector reform program; a $51 million institutional reform grant to the Republic of Yemen, a large component of which addresses enhancing the business environment; and a $6 million loan to support the development of exports in Tunisia. It conducted investment climate assessments or updates in Algeria, Egypt, Jordan, Lebanon, Morocco, the West Bank and Gaza, and the Republic of Yemen and performed advisory work on industrial land reform and industrial land markets, fiscal reforms, access to finance, and the business regulatory environment in Egypt, Morocco, and the Republic of Yemen. Private and financial sector development also constitutes an important element of fee-based programs in Libya and the Gulf Cooperation Council countries.

Efforts to improve the business environment continued in 2007, with 59 percent of the region's countries instituting at least one positive reform. Egypt and Saudi Arabia ranked among the world's top reformers.

ASSISTING PEOPLE IN CONFLICT-AFFECTED COUNTRIES

The Bank remains active in Iraq, Lebanon, and the West Bank and Gaza. In Iraq, it manages a portfolio of more than $800 million. Activities focus on strengthening service delivery in a broad range of sectors and assisting the government in its efforts to improve its public financial management. The Bank is also working to improve the livelihoods of displaced Iraqis in the Syrian Arab Republic, Lebanon, and Jordan and to enhance their integration with surrounding communities. In Lebanon, the Bank scaled up its technical and financial assistance in support of the

FIGURE 2.11

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL OF $1.5 BILLION

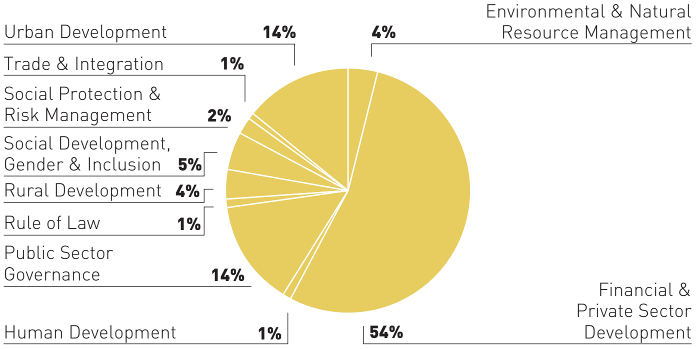
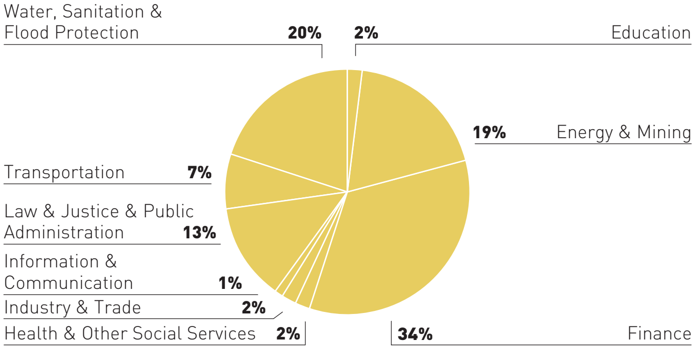


FIGURE 2.12

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL OF $1.5 BILLION



country reform program through the First Reform Implementation Development Policy Loan. Combined with a technical assistance grant, the loan will address reforms in the electricity and social insurance sectors. The Bank is also assisting the government of Lebanon in improving the livelihoods of Palestinian refugees in Nahed el-Bared camp. The Bank's portfolio in the West Bank and Gaza includes 13 projects whose goals are to improve the living conditions for Palestinian people, such as water and sanitation, education, and municipal finance. In fiscal 2008, the Bank approved $40 million in budget support as part of a package of donor support for the Palestinian Reform and Development Plan for 2008–2010.

EXPANDING FEE-BASED PROGRAMS

Rising demand for the Bank's knowledge services led to the establishment of fee-based programs in Algeria, Egypt, and Libya and the opening of a Bank office in Kuwait in fiscal 2008. In the Gulf Cooperation Council countries, where it has long provided fee-based services, the Bank is aiming to engage more strategically. Toward that end, the Kuwaiti and Saudi technical cooperation programs are transitioning to a multi-sectoral programmatic approach that aims to increase policy implementation support. Similar approaches are gaining momentum in Bahrain, Oman, and Qatar and are being explored in the United Arab Emirates. (See **http://www.worldbank.org/mna**.)

BOX 2.2 THE ARAB WORLD INITIATIVE

The Arab World Initiative aims to accelerate the integration of the Arab world into the global economy to spur growth, create better jobs, reduce disparities within the region, increase social inclusion, and better manage natural resources. Recognizing that countries in the Arab world have been underserved, the Bank Group has launched consultations with a broad range of stakeholders to identify development priorities. To further this initiative, Bank activities in the Arab world will focus on support for the following main goals:

- Development of physical and institutional infrastructure for trade and economic diversification
- Private job creation
- Efficient, effective, and transparent allocation and management of public resources for development
- Inclusion of women, youth, minorities, and the poor
- Higher quality and relevance of education
- Better management of natural resources, especially water

Achievements to date include support for the establishment of the Arab Water Academy and the cosponsoring of a conference on Strengthening the Pan Arab Free Trade Area.

TABLE 2.6

WORLD BANK LENDING TO BORROWERS IN THE MIDDLE EAST AND NORTH AFRICA BY THEME AND SECTOR | FISCAL 2003–2008

MILLIONS OF DOLLARS

THEME	2003	2004	2005	2006	2007	2008
Economic Management	0.0	0.0	45.8	0.0	0.0	0.0
Environmental and Natural Resource Management	186.0	113.8	160.2	44.5	179.7	65.0
Financial and Private Sector Development	48.3	259.3	166.6	907.8	166.7	778.0
Human Development	140.9	192.1	95.4	128.5	14.3	17.2
Public Sector Governance	106.6	19.6	166.0	229.0	59.8	208.0
Rule of Law	48.0	1.7	1.8	46.9	33.0	11.2
Rural Development	100.6	65.1	155.3	177.9	126.6	53.3
Social Development, Gender, and Inclusion	63.1	70.7	123.0	67.8	174.9	75.5
Social Protection and Risk Management	96.1	31.6	98.5	69.7	15.4	35.7
Trade and Integration	3.6	158.3	0.0	0.0	16.0	17.2
Urban Development	262.7	178.7	271.1	28.5	121.6	208.8
Theme Total	**1,056.0**	**1,091.0**	**1,283.6**	**1,700.6**	**907.9**	**1,469.8**

SECTOR	2003	2004	2005	2006	2007	2008
Agriculture, Fishing, and Forestry	196.7	27.2	229.2	15.3	208.5	0.0
Education	154.3	154.9	124.0	146.8	14.3	32.0
Energy and Mining	0.0	0.0	0.0	316.5	291.6	280.0
Finance	1.9	20.8	142.5	625.0	39.2	500.3
Health and Other Social Services	124.2	52.0	0.3	0.0	84.3	27.3
Industry and Trade	74.3	23.4	277.9	14.0	10.3	29.4
Information and Communication	2.3	0.0	18.5	0.0	0.0	9.0
Law and Justice and Public Administration	213.6	93.6	232.9	249.2	61.9	189.6
Transportation	107.9	409.6	29.0	237.6	27.4	104.7
Water, Sanitation, and Flood Protection	180.9	309.5	229.3	96.4	170.5	297.6
Sector Total	**1,056.0**	**1,091.0**	**1,283.6**	**1,700.6**	**907.9**	**1,469.8**
Of which IBRD	855.6	946.0	1,212.1	1,333.6	691.9	1,202.5
Of which IDA	200.4	145.0	71.5	367.0	216	267.3

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

3 SUMMARY OF FISCAL YEAR ACTIVITIES

WORLD BANK LENDING

The World Bank mobilizes financing by borrowing from international capital markets (for IBRD) and by allocating grants and credits using contributions from richer member countries (for IDA). It channels these resources to benefit poor people in borrowing member countries.

Lending is tailored to individual country needs, using lending instruments that are becoming increasingly flexible. Figures 3.1–3.3 and table 3.1 summarize combined IBRD-IDA lending in fiscal 2008.

LOW-INCOME COUNTRIES

The Role of IDA

IDA is the largest multilateral channel of concessional financing to the world's poorest countries. In fiscal 2008, countries with annual per capita income of up to $1,065 were eligible for IDA assistance. In addition, IDA supports some countries, including several small island economies, that are above the income cutoff but lack the creditworthiness needed to borrow from IBRD. To date, 23 countries have graduated from IDA. Some of these, most recently China and the Arab Republic of Egypt, have now become IDA donors. The allocation of IDA's resources is determined primarily by each recipient's rating in the annual Country Policy and Institutional Assessments. The chief IDA concern is Sub-Saharan Africa; therefore, its countries are recommended for priority in the allocation process. In the case of countries that are eligible for both IDA and IBRD funds, IDA allocations must also take into account those countries' creditworthiness for and access to other sources of funds.

IDA supports countries' efforts to boost economic growth, reduce poverty, and improve the living conditions of the poor. In its operational work, it faces a full spectrum of country conditions, including postconflict reconstruction, economic transition, vulnerability, and rapid and sustained growth. While continuing to support all low-income countries, IDA is expected to direct half of its financial assistance in the next three years to Sub-Saharan Africa, subject to performance. Significant assistance will also be directed to the poorest countries in South and East Asia.

IDA commitments in fiscal 2008 reached $11.2 billion (see figure 3.4). This funding, including $7.8 billion in credits and $3.4 billion in grants, supported 199 operations.

The largest share of IDA resources was committed to Africa, which received $5.7 billion, or 50 percent of total IDA commitments. South Asia ($2.8 billion) and East Asia and Pacific ($1.8 billion) also received large shares of total funding. Vietnam and India were the largest single recipients of funding.

FIGURE 3.1

TOTAL IBRD-IDA LENDING BY REGION | FISCAL 2008

SHARE OF TOTAL LENDING OF $24.7 BILLION

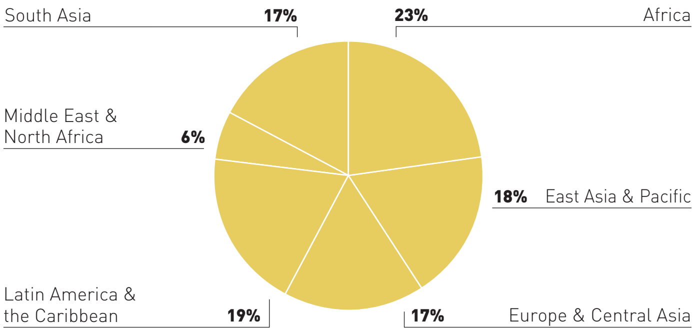


FIGURE 3.2

TOTAL IBRD-IDA LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL LENDING OF $24.7 BILLION

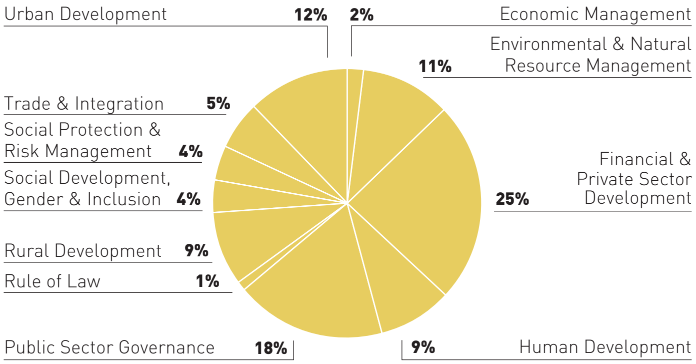


FIGURE 3.3

TOTAL IBRD-IDA LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL LENDING OF $24.7 BILLION

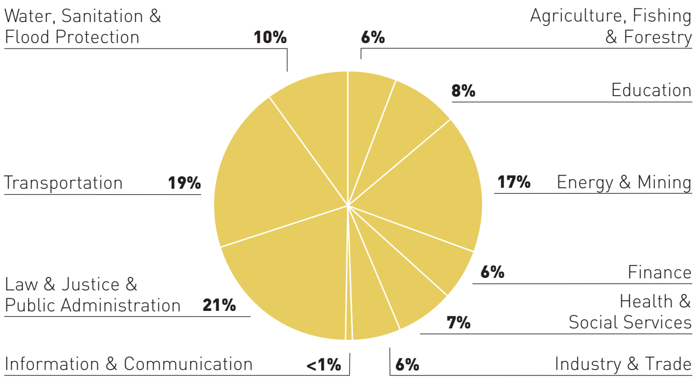


FIGURE 3.4

TOTAL IDA COMMITMENTS BY REGION | FISCAL 2008

SHARE OF TOTAL LENDING OF $11.2 BILLION

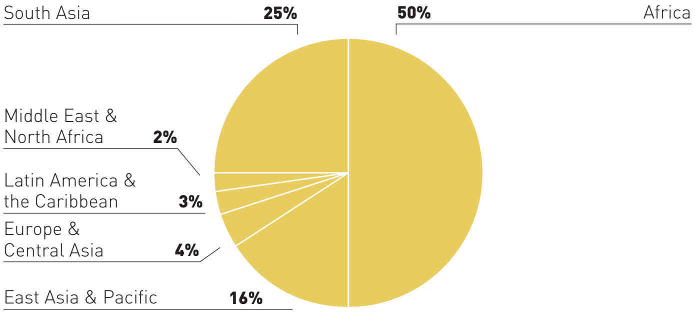
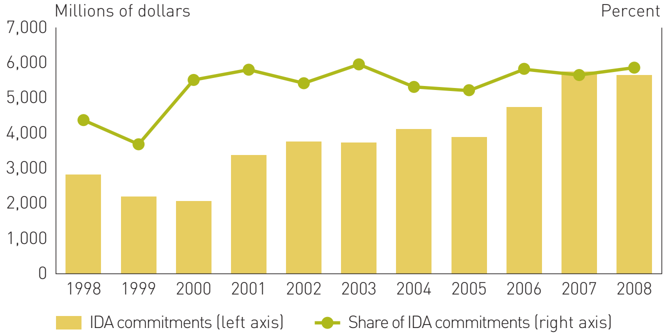


FIGURE 3.5

IDA COMMITMENTS TO AFRICA | FISCAL 1998–2008



Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

The largest commitments went to the public administration sector (including law and justice), which received $2.9 billion in financing (26 percent of the total). IDA has become one of the major sources of financing for infrastructure, including energy and mining; transportation; water, sanitation, and flood protection; and information and communications technologies sectors, whose share in total official development assistance flows has declined in recent years despite enormous need. Combined, these sectors received $4.3 billion, 39 percent of the total IDA commitments. Significant support was also provided to the education ($1.2 billion) and agriculture ($1 billion) sectors.

The themes receiving the most funding were public sector governance ($2.3 billion), financial and private sector development ($1.7 billion), and rural development ($1.6 billion). Major attention was also paid to human development ($1.7 billion) and urban development ($1.1 billion). Figures 3.4–3.7 summarize IDA lending for fiscal 2008, and figure 3.8 looks at IDA lending in relation to infrastructure.

IDA Resources

IDA is financed largely by contributions from donor governments (figure 3.9). Additional financing includes transfers from IBRD's net income, grants from IFC, and borrowers' repayment of earlier IDA credits.

Every three years, donor governments and representatives of borrower countries meet to discuss IDA's policies and priorities and to agree on the amount of new resources required to fund its lending program over the following three years. The major issues discussed during this fiscal year's replenishment meetings were climate change, IDA's role in strengthening harmonization and alignment to enhance country-level effectiveness, and a focus on results by evaluating the IDA14 measurement system and by establishing

FIGURE 3.6

TOTAL IDA COMMITMENTS BY THEME | FISCAL 2008

SHARE OF TOTAL LENDING OF $11.2 BILLION

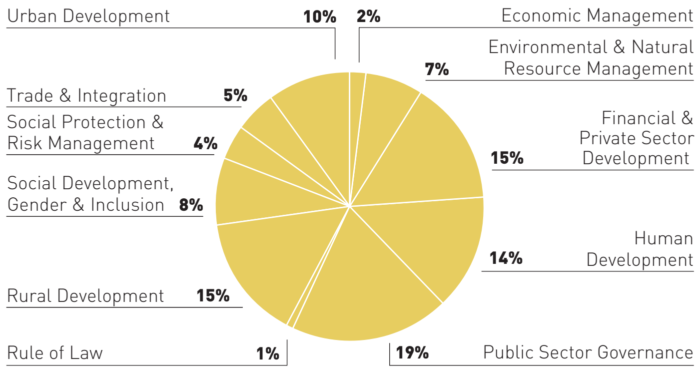


FIGURE 3.7

TOTAL IDA COMMITMENTS BY SECTOR | FISCAL 2008

SHARE OF TOTAL LENDING OF $11.2 BILLION

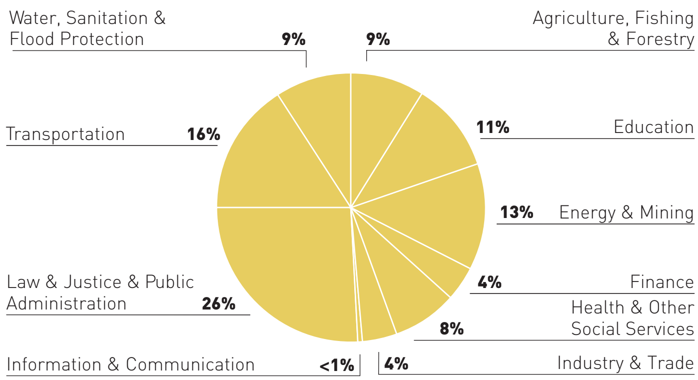


TABLE 3.1

WORLD BANK LENDING BY THEME AND SECTOR | FISCAL 2003–2008

MILLIONS OF DOLLARS

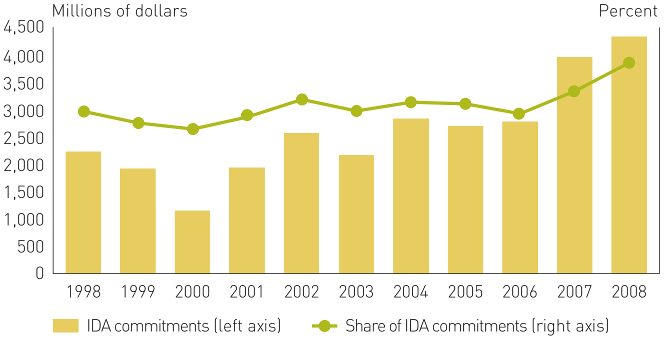
THEME	2003	2004	2005	2006	2007	2008
Economic Management	777.7	428.8	594.6	213.8	248.3	396.6
Environmental and Natural Resource Management	1,102.6	1,304.6	2,493.8	1,387.3	2,017.0	2,661.8
Financial and Private Sector Development	2,882.9	4,176.6	3,862.0	6,137.8	4,260.8	6,156.2
Human Development	3,374.0	3,079.5	2,951.0	2,600.1	4,089.4	2,280.9
Public Sector Governance	2,464.1	3,373.9	2,636.4	3,820.9	3,389.7	4,346.6
Rule of Law	530.9	503.4	303.8	757.6	424.5	304.2
Rural Development	1,910.9	1,507.8	2,802.2	2,215.8	3,175.7	2,276.8
Social Development, Gender, and Inclusion	1,003.1	1,557.8	1,285.8	1,094.1	1,250.3	1,002.9
Social Protection and Risk Management	2,324.5	1,577.0	2,437.6	1,891.7	1,647.6	881.9
Trade and Integration	566.3	1,212.7	1,079.9	1,610.9	1,569.9	1,393.2
Urban Development	1,576.3	1,358.1	1,860.0	1,911.2	2,622.7	3,001.2
Theme Total	**18,513.2**	**20,080.1**	**22,307.0**	**23,641.2**	**24,695.8**	**24,702.3**
SECTOR						
Agriculture, Fishing, and Forestry	1,213.2	1,386.1	1,933.6	1,751.9	1,717.4	1,360.6
Education	2,348.7	1,684.5	1,951.1	1,990.6	2,021.8	1,926.6
Energy and Mining	1,088.4	966.5	1,822.7	3,030.3	1,784.0	4,180.3
Finance	1,446.3	1,808.9	1,675.1	2,319.7	1,613.6	1,540.7
Health and Other Social Services	3,442.6	2,997.1	2,216.4	2,132.3	2,752.5	1,607.9
Industry and Trade	796.7	797.9	1,629.4	1,542.2	1,181.3	1,543.5
Information and Communication	115.3	90.9	190.9	81.0	148.8	56.5
Law and Justice and Public Administration	3,956.5	4,978.8	5,569.3	5,857.6	5,468.2	5,296.4
Transportation	2,727.3	3,777.8	3,138.2	3,214.6	4,949.0	4,829.9
Water, Sanitation, and Flood Protection	1,378.3	1,591.6	2,180.3	1,721.0	3,059.4	2,359.9
Sector Total	**18,513.2**	**20,080.1**	**22,307.0**	**23,641.2**	**24,695.8**	**24,702.3**
Of which IBRD	11,230.7	11,045.4	13,610.8	14,135.0	12,828.8	13,467.6
Of which IDA	7,282.5	9,034.6	8,696.2	9,506.2	11,866.9	11,234.7

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.

FIGURE 3.8

IDA's CONSISTENT COMMITMENT TO INFRASTRUCTURE

| FISCAL 1998–2008

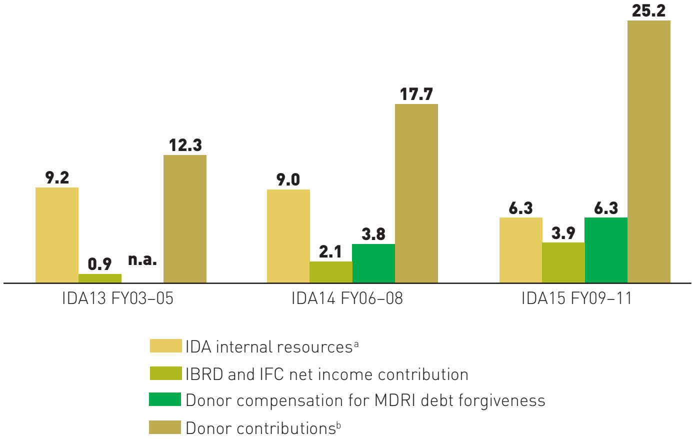


Note: Fiscal 2005–2008 includes guarantees and guarantee facilities.

FIGURE 3.9

SOURCES OF IDA FUNDING

BILLIONS OF DOLLARS



Note: n.a. = not applicable.

a. IDA internal resources include principal repayments, charges less administrative expenses, and investment income.

b. Net of structural financing gap.

evaluation directions for the current replenishment to make IDA more effective.

Historically, the major industrial nations have been the largest contributors to IDA, but donor nations also include developing countries and transition economies—some of them current IBRD borrowers and former IDA borrowers. Negotiations over the 15th Replenishment of IDA (IDA15) were concluded in December 2007, with record pledges of $41.7 billion (equivalent to special drawing rights of 27.3 billion). Donors pledged new financing of an unprecedented $25.2 billion, with 30 percent of donors raising their contributions. These contributions were complemented by $16.5 billion of funding from previous pledges for financing the cost of debt relief; IDA's credit reflows and investment income; and internal financing from the World Bank Group, which pledged to contribute $3.5 billion from IBRD net income and IFC retained earnings, more than twice the amount provided under IDA14. In IDA15, $9.1 billion of the total financial envelope comes from donor-financed compensation of credit reflows forgone by IDA's provision of debt relief. This includes costs incurred during IDA14 related to IDA's Multilateral Debt Relief Initiative (MDRI) ($6.3 billion); IDA's Heavily Indebted Poor Countries (HIPC) Initiative ($1.7 billion); and to the financing of arrears clearance operations ($1.1 billion). This illustrates the increased dependence of IDA on donor financing necessitated by debt relief initiatives.

Debt Issues in Low-Income Countries

Since 1996, when the Bank and the IMF launched the HIPC Initiative, IDA has provided more than $5 billion in debt relief to 33 countries. It has also provided more than $27 billion in debt forgiveness of principal under MDRI, introduced in 2006. For the 41 countries currently identified as HIPCs, the total debt relief to be delivered by IDA under HIPC and by MDRI is estimated at $18 billion and $37 billion, respectively.

Under the Debt Reduction Facility for IDA-only countries, two implementation grants (for Mozambique and Nicaragua) were closed in fiscal year 2008, extinguishing just under $1.5 billion of commercial external debt in terms at least as favorable as those provided by other creditors under the HIPC Initiative. In the case of Mozambique, 100 percent of the eligible claims were tendered and extinguished. In the case of Nicaragua, creditors representing 95 percent of the eligible claims participated in the operation, including the four creditors that had obtained court judgments against Nicaragua.

To help countries maintain debt sustainability, IDA has developed a system—already adopted by some other multilateral development banks—for allocating grants based on countries' risk of debt distress as assessed under the Debt Sustainability Framework for Low Income Countries. The approach helps mitigate the risk of debt distress in the future. IDA is also working with the IMF to support debt management in IDA-only countries through the provision of technical assistance in designing medium-term debt management strategies. This work has been complemented by IDA's Debt Management Performance Assessment tool, a methodology for identifying strengths and weaknesses in debt management operations through a comprehensive set of indicators.

Regional and Global Efforts

IDA's strengths at the country level enable it to address regional and global issues. Issues such as prevention and control of HIV/AIDS, environmental preservation, regional and global trade integration, and global financial stability ultimately need to be tackled at the country level. By leveraging its country-focused assistance and policy dialogue, IDA helps to integrate regional and global priorities into country strategies. At the same time, through its involvement in global policy making, coupled with its intensive activities in the field, IDA supports the alignment of national, regional, and global priorities.

IDA has the strengths to help raise the effectiveness of official development assistance and tackle the new challenges created by the shifting aid architecture. To achieve these objectives, IDA must focus on improvement in four main areas: strengthening complementarity with vertical approaches to aid delivery; ensuring appropriate sectoral funding; addressing critical global challenges, particularly climate change; and enhancing alignment and harmonization. IDA is working to reform and update its operational policies to improve effectiveness and therefore its ability to meet these challenges.

Fragile and Conflict-Affected Countries

Following the approval in February 2007 of a new policy framework on rapid response and on strengthening the Bank's engagement in fragile and conflict-affected countries, the Fragile and Conflict-Affected Countries Group was created in July 2007, subsuming the conflict and fragility agendas. During fiscal 2008, the Bank deepened its cooperation with international partners in addressing the needs of countries facing such challenges. At the Annual Meetings in October 2007, the Heads of Multilateral Development Banks agreed on a more harmonized approach to their engagement in fragile situations. During the year, the United Nations Development Group and the Bank consolidated their work on joint postconflict needs assessments and finalized a joint guidance note on integrated recovery planning. The Bank also engaged actively in deliberations of the United Nations Peace Building Commission. Consultations with the UN on a partnership framework were also initiated.

As part of the IDA15 replenishment process, the period of exceptional allocation was extended from seven to ten years for postconflict countries and from three to five years for reengaging countries. Furthermore, a systematic approach to arrears clearance was approved that will facilitate the process of normalization with the Bank for conflict-affected countries with arrears.

Between July 2007 and June 2008, Bank commitments to fragile and postconflict countries exceeded $2.2 billion. During the same period, the Post Conflict Fund and Low Income Countries Under Stress Trust Fund financed 25 projects worth $29.8 million. These two funds were merged into a new, multiyear State- and Peace-Building Fund, approved in April 2008. The fund's first-year budget of $33 million was approved in June 2008.

The Bank is implementing a strategy to increase field presence, strengthen the ability in sectors to document lessons learned and deploy experienced staff between regions and country programs, establish specialized institutional backup teams for emergency projects, and enhance incentives for staff working in and on fragile and conflict-affected countries. Finally, the Board approved the Bank's new compensation policy, which supports decentralization and facilitates the placement of staff in fragile states through an enhanced compensation package. Work on a complementary package of nonfinancial incentives is under way.

MIDDLE-INCOME COUNTRIES

Middle-income countries face substantial development challenges. They must sustain growth that provides productive employment while reducing poverty and inequality. They must manage macroeconomic risks stemming from volatile capital flows, contingent liabilities, financial markets, and pensions. They must build crisis-management capability to deal with global threats. They must enhance their

ECONOMIC RESEARCH FORUM

As part of an initiative to strengthen the Bank's engagement with the Arab world and enhance the Bank's knowledge and learning agenda, the Development Economics Vice Presidency and regional partners launched a new initiative in fiscal 2008. Partly funded through a Development Grant Facility grant, the Research Initiative for Arab Development will be implemented by the Economic Research Forum, a regional network of researchers based in Cairo.

The expected outcomes are a broader and higher-quality knowledge base that is relevant for high-priority themes, such as increasing economic growth and diversification in the presence of large oil rents; achieving stronger and more vibrant regional integration; understanding and responding to the challenges of increased inequality; and dealing with water scarcity, climate change, and other severe environmental problems. An important component of the initiative is the dissemination of this knowledge in order to build consensus and encourage better policy making in the region. Through the initiative, a broader cadre of researchers from the region will become actively involved in policy debates, strengthening the platform for better decision making.

competitiveness, adopt clean energy, ensure environmental sustainability, and strengthen the institutional and governance structures that underpin viable market-based economies. The Bank is uniquely placed to help middle-income countries deal with all of these challenges through IBRD.

The Role of IBRD

IBRD is a triple-A-rated financial institution with some unusual characteristics. Its shareholders and clients are sovereign governments, each of which has a voice in setting IBRD's policies. As a global development cooperative, IBRD's purpose is to help members achieve equitable and sustainable growth in their economies and find solutions to regional and global problems in economic development and environmental sustainability, all with a view to reducing poverty and improving standards of living. IBRD pursues these goals by providing financing, risk management products, and other financial services; specialized expertise; and strategic and convening services as requested by its members.

IBRD Financial Services

New lending commitments by IBRD rose in fiscal 2008 to $13.5 billion for 99 operations. Development-policy lending represented 29 percent of total IBRD lending, up slightly from 28 percent in fiscal 2007.

Latin America and the Caribbean received the largest share of IBRD lending, with $4.4 billion (32 percent of total IBRD commitments). It was followed by Europe and Central Asia, which received $3.7 billion (28 percent) in funding, and East Asia and Pacific, which received $2.7 billion (20 percent). Lending was less concentrated in fiscal 2008. Whereas the largest five countries received 56 percent of total lending in fiscal 2007, five countries—Azerbaijan, Brazil, China, India, and Turkey—received combined commitments of 53 percent of total IBRD lending in fiscal 2008.

The transportation sector received the largest share of IBRD lending ($3 billion), followed by the energy and mining sector ($2.8 billion) and the public administration, including law and justice, sector ($2.4 billion). The thematic composition of lending was led by financial and private sector development ($4.5 billion), followed by public sector governance ($2.1 billion), urban development ($1.9 billion), and environmental and natural resource management ($1.9 billion).

Figures 3.10–3.12 show IBRD lending by region, theme, and sector. Development policy–based lending commitments are shown on the accompanying CD-ROM.

IBRD offers risk management products for clients to manage risks related to currency, interest rate, commodity price, and natural disasters. In fiscal 2008, it executed

FIGURE 3.10

TOTAL IBRD LENDING BY REGION | FISCAL 2008

SHARE OF TOTAL LENDING OF $13.5 BILLION

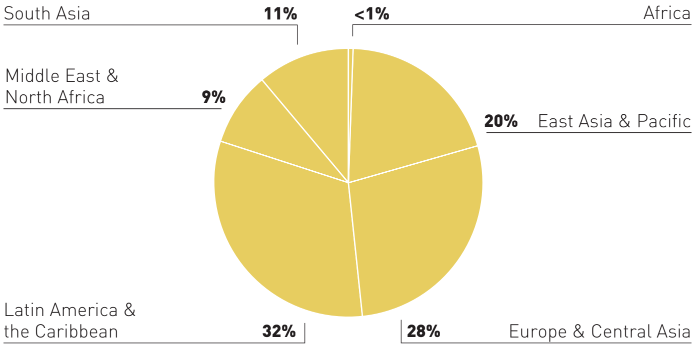


FIGURE 3.11

TOTAL IBRD LENDING BY THEME | FISCAL 2008

SHARE OF TOTAL LENDING OF $13.5 BILLION

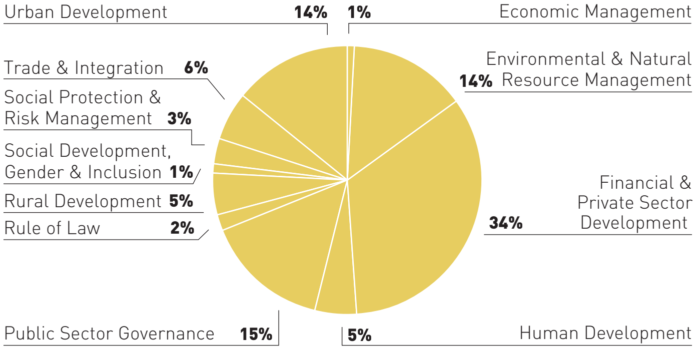
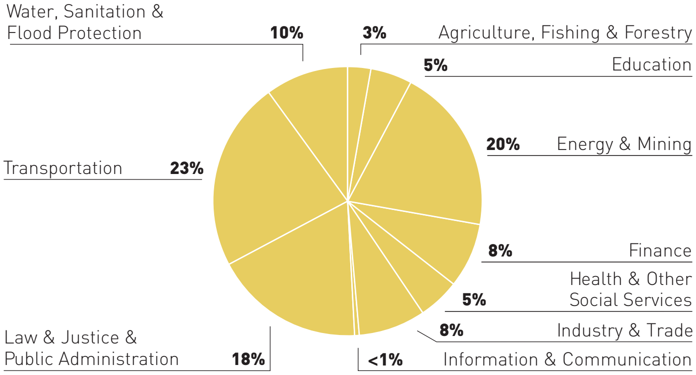


FIGURE 3.12

TOTAL IBRD LENDING BY SECTOR | FISCAL 2008

SHARE OF TOTAL LENDING OF $13.5 BILLION



USDeq (US dollar equivalent) 4.2 billion hedging transactions on behalf of clients. This included interest rate hedges of USDeq 3.3 billion, and currency hedges of USDeq 0.9 billion, of which USDeq 154 million were local currency conversions.

IBRD Resources

IBRD obtains most of its funds by selling bonds in international capital markets. In fiscal 2008, it raised $19 billion at medium- to long-term maturities. Debt securities, with a wide range of maturities and structures, were issued in 19 currencies.

IBRD is able to borrow high volumes on very favorable terms. IBRD's strength is based on its prudent financial policies and practices, which help maintain its high credit rating. As a cooperative institution, IBRD seeks not to maximize profit but to earn enough income to ensure its financial strength and to sustain its development activities. IBRD's operating income was $2,271 million in fiscal 2008.

IBRD retained $811 million in its general reserve, $117 million in its pension reserve, and $10 million in its externally financed outputs adjustment account, and it added $750 million to the surplus account. In August 2007, the Executive Directors proposed that the Board of Governors approve a transfer of $583 million to IDA from allocable net income in fiscal 2008 (see "Financial Statements" on the CD-ROM).

IBRD maintained adequate liquidity in fiscal 2008 to ensure its ability to meet its obligations. As of June 30, 2008, it held about $23 billion in liquid assets. Also as of June 30, 2008, IBRD's outstanding borrowings from capital markets were about $80.7 billion (net of swaps) (figure 3.13). Total disbursed and outstanding loans were $99 billion.

Consistent with IBRD's development mandate, the principal risk it takes is the country credit risk inherent in its portfolio of loans and guarantees. Risks related to interest and exchange rates are minimized. One summary measure of the Bank's risk profile is the ratio of equity to outstanding net loans, which is closely managed in line with the Bank's financial and risk outlook. This ratio stood at 37.6 percent as of June 30, 2008 (figure 3.14).

FIGURE 3.13

IBRD'S BORROWINGS AND INVESTMENTS | AS OF JUNE 30, 2008

BILLIONS OF DOLLARS

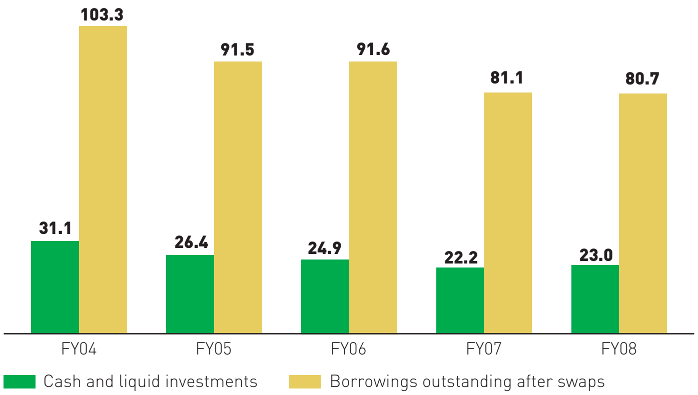
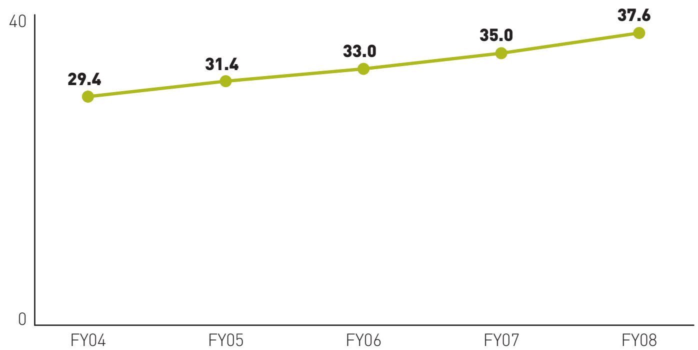


FIGURE 3.14

EQUITY-TO-LOANS RATIO | AS OF JUNE 30, 2008

PERCENT



NONLENDING ACTIVITIES

Country Assistance Strategies

A country assistance strategy (CAS) guides Bank Group activities within a borrowing member country. Starting with a country's vision of its development goals, a CAS is prepared in close cooperation with the government and in consultation with civil society organizations, development partners, and other stakeholders. It assesses the country's development challenges and priorities and lays out a program of lending and nonlending activities to support the country's development efforts. During fiscal 2008, the Bank prepared 49 CAS products, including 18 CAS progress reports and nine interim strategy notes, which are prepared when a country assistance strategy cannot be prepared because of specific country circumstances. Of these, 12 were prepared jointly with IFC, and several were prepared collaboratively with other donors.

Strategy Development

In September 2007, the "Sector Strategy Implementation Update" (SSIU) was presented to the Executive Directors' Committee on Development Effectiveness. The SSIU provides an overview of the Bank's strategic focus and the delivery of the work program across all 17 sectors and thematic areas in which the Bank is engaged. In addition, the fiscal 2008 SSIU reported on the strategies for four sectors: environment, forestry, social protection, and transport.

A concept and issues note, "Towards a Strategic Framework on Climate Change and Development for the World Bank Group," was presented to the Development Committee in February 2008. The document included a progress report on the Clean Energy Investment Framework. The Bank also published a draft "Sustainable Infrastructure Action Plan, FY09–10," which was presented to the Development Committee in April 2008. In addition, the Governance and Anticorruption Implementation Plan went to the Board in September 2007, and a first-year progress report on the Gender Action Plan was discussed in March 2008. Finally, an approach paper to revamp sector and results reporting was submitted to the Development Committee in June 2008 and discussed in July 2008.

Economic and Sector Work and Nonlending Technical Assistance

Economic and sector work (ESW) and nonlending technical assistance (TA) are the Bank's two largest nonlending product lines. The Bank delivered 489 ESW and 513 TA activities in fiscal 2008. TA deliveries have been increasing, surpassing the total number of ESW activities this year. More than half of total TA activities focused on providing operational guidance on formulating and implementing policies and programs. Law and justice and public administration, and finance were the two leading sectors for both ESW and TA activities. The Bank continues to coordinate ESW with development partners and clients as committed in the Paris Declaration. Preparation of about half of all ESW delivered in fiscal 2008 was coordinated, compared with approximately 40 percent in fiscal 2007.

Research

The Bank's research group aims to provide practitioners with original knowledge to inform policy discussions and ultimately to help solve development problems. Bank research is a key source of information and understanding on development issues for outside researchers and the policy community.

In fiscal 2008, the research group conducted in-depth research on over 70 developing countries as well as cross-country comparative work. The group published 25 new books, 175 journal articles, and 90 book chapters. The topics included China and India in the global economy; volatility and growth; terrorism, political openness, and development; postconflict transitions; donor fragmentation; access to finance; finance in Africa; microenterprises; various aspects of trade; migration and women; child health; land reform; inequality of opportunity; the urbanization of poverty; and the impacts of climate change.

Evaluative research has become a theme of the group's work. During the year, the group's impact evaluations advanced across a range of sectors, including groundbreaking work to measure the effectiveness and reach of conditional cash transfer programs and other social service delivery mechanisms.

The group puts great weight on its data and software products. New and updated data sets were further improved in fiscal 2008 to help users monitor poverty, assess trade and financial regulations, and measure governance. (See **http://www.econ.worldbank.org/research**.)

World Bank Institute

The World Bank Institute (WBI) is one of the World Bank's capacity development instruments. It identifies countries' capacity needs and develops learning activities to address

HOW WELL DID BANK ACTIVITIES PERFORM?

According to the Bank's Quality Assurance Group, drawing on data from the Independent Evaluation Group, 76 percent of projects completed in fiscal 2007 had satisfactory development outcomes, compared with 83 percent in fiscal 2006, 81 percent in fiscal 2005, and 77 percent in fiscal 2004. Declines in outcomes were evident in the Africa region, as well as in health, nutrition, and population; public sector governance; and finance and private sector development. Fragile states continue to pose challenges, with only 62 percent of completed operations between fiscal years 2004 and 2007 producing satisfactory development outcomes. The fiscal 2008 *Annual Report on Portfolio Performance* (ARPP) will be available in early 2009.

The fiscal 2007 ARPP notes the apparent inconsistency between the somewhat better aggregate performance of lending and the much weaker performance of country programs, which were rated about 60 percent satisfactory based on the country assistance evaluations conducted during the past 10 years. It also finds outcomes at the sector level to be lower than project outcomes, especially in rural development, public sector governance, and private sector development. Weaknesses in program design were the main factors leading to lower sector outcomes.

While the overall quality of analytic and advisory activities was satisfactory, the likely impact was considered weak, mainly because of inadequate dialogue and dissemination of results to country partners. Given that the share of analytic and advisory activities in country services expenditures now surpasses that of lending, improving their efficiency and impact requires greater management attention.

them. Courses and retreats cover numerous topics, from the environment to financial sector regulation, from public-private partnerships in infrastructure to water resources management and rural development. In fiscal 2008, WBI delivered some 570 learning activities and reached more than 39,500 participants, 34 percent of whom were women and 27 percent of whom were from Africa.

Among the most prominent of WBI's global programs are those in governance, anticorruption, and knowledge for development (K4D). The K4D program assesses the preparedness of a country or region to compete in the global knowledge economy on the basis of WBI's Knowledge Assessment Methodology (KAM). The 2008 KAM identifies specific areas where policy makers may need to focus more attention to increase their countries' competitiveness. (See **http://go.worldbank.org/AW9KZWJB10**.) In fiscal 2008, the K4D program published a comprehensive global report on *Building Knowledge Economies: Advanced Strategies for Development*, and a report on *Enhancing China's Competitiveness through Lifelong Learning*.

With the Development Economics group, WBI launched the seventh release of the Worldwide Governance Indicators, representing a decade-long effort by researchers to build the most comprehensive cross-country set of governance indicators currently available to the public. Covering 212 countries and territories, the indicators are widely used by policy makers and researchers. (See **http://www.govindicators.org**.)

WBI also provides an environment for knowledge innovation on frontier issues in development. One such topic is Diaspora Networks—highly skilled people who have emigrated from developing countries. The members of such networks can provide a bridge between developing countries and global state-of-the-art solutions in policy, technological, and managerial expertise by sharing knowledge and leading investment initiatives in their countries of origin. WBI is piloting a number of operational mechanisms for leveraging a country's expatriate talent abroad by identifying and nurturing these networks of highly successful professionals. Some have already shown results in the area of innovation systems, for example, in Argentina, Armenia, Chile, Mexico, and South Africa.

In addition, WBI published a unique interactive trade database: the "World Trade Indicators." This tool benchmarks a country's historical and current trade performance through 2007 along multiple policy, institutional, and outcome dimensions. (See **http://www.worldbank.org/wti2008**.)

Project-Based and Client Training

IEG evaluated client training activities in *Using Training to Build Capacity for Development: An Evaluation of the World Bank's Project-Based and WBI Training*—the Bank's primary instrument for capacity building. Bank-financed client training resulted in individual learning gains but had less impact in affecting workplace behavior or strengthening institutional capacity. One key lesson here is that organizational and institutional context must be conducive to individual learning if development capacity is to be achieved. The evaluation also highlighted the importance of well-designed and -targeted training content and strong country commitment.

GLOBAL CONNECTIONS

Global and regional partnerships are increasing because of the growing integration of the world's economies and the existence of development challenges that cut across national boundaries. These partnerships promote collaboration in areas of common concern such as combating communicable diseases, preserving the environment, fostering agricultural research, acquiring and sharing knowledge, integrating trade, addressing international migration issues, and developing infrastructure. The Bank is also continuing its work with development partners on cooperative measures that minimize the cost of delivering aid and thereby increase aid effectiveness. The Bank currently participates in some 194 global and regional partnerships; nearly $187 million from the Bank's own resources has been disbursed in fiscal 2008 to support global and regional partnerships as of the end of fiscal 2008.

The Bank plays different roles in these initiatives, including as a trustee of donor funds, a financial contributor, and an implementing agency.

Global Development Learning Network

Launched in 2000, the Global Development Learning Network (GDLN) is a partnership of more than 120 learning centers (known as Affiliates) in 80 countries. GDLN Affiliates collaborate in designing customized learning solutions for people working in development around the world. Offering formal training courses, multicountry dialogues, and virtual conferences that blend face-to-face and distance-learning approaches, GDLN Affiliates enable individuals, teams, and organizations anywhere in the world to communicate, share specialized knowledge, and learn from each others' experiences in a timely and cost-effective manner.

The GDLN hosted more than 1,000 learning events in fiscal 2008, reaching some 100,000 people worldwide in government agencies, private sector entities, academia, and nongovernmental organizations. (See **http://www.gdln.org**.)

Trust Funds

Trust funds administered by the Bank Group have emerged as key vehicles for channeling official development assistance. As of the end of fiscal 2008, the Bank Group held a total of $26.3 billion in trust ($16.9 billion in cash and $9.4 billion in promissory notes), which it administered through 1,021 active

TABLE 3.2

TOP TEN TRUST FUND DONORS | FISCAL 2008

MILLIONS OF DOLLARS

DONOR	2007	2008
United Kingdom	1,190	1,075
United States	747	760
Italy	79	749
France	288	736
European Commission	652	685
Netherlands	766	677
Canada	533	516
Germany	332	505
Norway	209	443
Japan	412	402
Others	2,126	2,215
Total	**7,334**	**8,763**

Note: All figures are reported on a cash basis, unlike previous reports in which some were reported on an accrual basis. Fiscal 2007 figures have been restated accordingly.

funds. These trust funds accepted $8.8 billion in cash contributions from donors (table 3.2) and disbursed $6.7 billion to recipients in fiscal 2008. At the end of the fiscal year, annual trust fund disbursements accounted for 26 percent of total disbursements from IDA, IBRD, and trust funds, up from just 12 percent at the end of fiscal 2003.

Trust funds support a variety of development objectives at the country, regional, and global levels, ranging from more traditional country-based investments to vertical approaches that target specific global priorities or support thematic areas of interest to the international development community. For country-based investments, which are executed by the recipient, a large part of disbursements during fiscal 2008 supported public administration and law, health and social services, and education. For global programs, most disbursements were made through vertical funds such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria; the Global Alliance for Vaccines and Immunization; the Global Environment Facility; and Carbon Finance.

In recognition of the rapidly growing trust funds portfolio and the need to strengthen its management, the Bank's Board of Executive Directors approved a Trust Fund Management Framework in October 2007. This framework aims to promote a more strategic approach to ensure relevance and rigor in the selection of different types of trust funds, consistent with the Bank's business needs; to strengthen risk management and controls; and to enhance operational efficiency and sustainability, including through a new trust fund fee structure. Reforms and policies implemented by the framework are being mainstreamed into the Bank's operational policies and procedures.

Cofinancing

Cofinancing is any arrangement under which funds from the Bank are associated with funds provided by sources outside the recipient country for a specific lending operation. In fiscal 2008, 84 Bank projects leveraged $4.29 billion in cofinancing. Major cofinanciers were the Japan Bank for International Cooperation ($690 million) and the UK Department for International Development ($590 million). The three regions that benefited the most were East Asia and Pacific ($940 million), Middle East and North Africa ($880 million), and Africa ($870 million). Education, transport, and energy and mining sector projects received $930 million, $780 million, and $770 million, respectively. Bilateral agencies contributed $1.95 billion in cofinancing.

Enhancing World Bank–IMF Collaboration

By drawing on complimentary expertise and institutional comparative advantage, collaboration between the World Bank and IMF improves Bank effectiveness and helps eliminate overlap. The Board strongly supported implementation of the Joint Management Action Plan (JMAP) for enhancing collaboration, prepared in response to recommendations of the External Review Committee on IMF-Bank collaboration (The Malan Report). Board members highlighted the value of encouraging greater mobility between the Bank and the IMF. They called for ongoing support from senior management for JMAP implementation and diligent monitoring of progress.

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