



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



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**UPDATE TO THE DEVELOPMENT COMMITTEE
ON KEY ISSUES AND WORLD BANK GROUP ACTIVITIES**

Attached for the October 12, 2008, Development Committee Meeting is an update on key issues and World Bank Group activities since the past meeting for the Development Committee members.

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DEVELOPMENT COMMITTEE MEETING, OCTOBER 12, 2008

I. Introduction

1. Since the Committee's last meeting in April, the global economic environment has become more complex and challenging, with slowing growth, deepening financial turmoil, and deteriorating macro conditions. This outlook is very different from the relatively stable environment of just a year or two ago. The large surge in food and energy prices—and an associated rise in inflation—present major policy challenges for most countries, further compounded by the uncertain global conditions as the financial crisis continues to unfold. The macroeconomic and distributional impact on developing countries, initially limited, has become more severe, presenting a medium-term threat to growth, poverty reduction and progress on meeting the Millennium Development Goals (MDGs).
2. At the same time, the inability to reach agreement on the Doha trade round points to an important opportunity for positive international policy action that has not been seized. And while there has been significant progress in advancing the Financing for Development agenda outlined in Monterrey, with a record IDA 15 replenishment of \$41.6 billion, continued progress on debt relief, and the recent adoption of the Accra Agenda for Action, additional resources must be mobilized and effectively deployed in light of an increasingly pressing MDG agenda and timetable.
3. Strong leadership and multilateral cooperation are needed to address the short-term challenges coherently, to avoid self-defeating unilateral actions or beggar-thy-neighbor policies, and to maintain a focus on the longer-term internationally agreed development objectives. The global community must also follow through on the Bali commitment to agree on a viable set of actions, policies and support to avert the risk and mitigate the consequences of climate change, integrating these policies and actions with those needed to secure successful growth and development.
4. This note provides a summary update on World Bank Group (WBG) actions to address these issues as well as on activities on other key issues which the Committee has discussed in the past.

II. Current Economic Environment and Implications for Meeting the MDGs

5. During the course of 2008, international commodity prices hit record highs, sparking a surge of inflation in both developing and developed countries. High food, fuel and metals prices have strained social safety nets in developing countries and led to concerns about long-term supply prospects. While the slowing of economic growth and financial market turmoil has contributed to some recent easing in commodity prices from historic highs, they are expected to remain elevated for some time. A difficult and protracted period lies ahead—tightening credit conditions, slower growth and lower but still uncomfortably high inflation. The downside risks have also increased significantly, including the possibility of a sharper global

slowdown. While developing country fundamentals as a group are stronger than they were a decade ago, individual countries remain exposed and vulnerable to shocks.

6. World Bank Group estimates suggest that up to one hundred million people are at risk of falling into poverty because of recent food price increases, marking a setback equivalent to seven years of progress toward meeting the poverty MDG. Higher food prices are also increasing inequalities within countries, with the urban poor most affected. High food prices put the most vulnerable segments of the population at risk, increasing levels of malnutrition even in high-growth countries, and limiting progress on human development goals. While the direct effect on poverty levels of higher oil prices is smaller, they indirectly raise the prices of a wide range of products, which adds to pressure on food prices. Higher food and energy prices are also causing severe balance of payments problems, particularly for energy-importing countries, most immediately for those—mainly in Africa—with the lowest capacity to import. Adjustment will be particularly difficult for those countries for which the terms-of-trade effect is large. Small island economies and landlocked countries with higher than average transportation costs are especially vulnerable, and most IDA countries are adversely affected. Many of the poorer countries that are more exposed to international food and fuel price shocks are also constrained in their fiscal capacity to respond to these shocks, and have limited means to cope with inflationary pressures.
7. Policymakers in developing economies face daunting challenges. Governments are now faced with slowing growth and, at the same time, a narrowing of policy options. Dealing with the redistributive effects of the commodity price shocks, controlling inflation, financing the shock (or for commodity exporters, investing its proceeds), and maintaining the soundness of the financial system and the sustainability of growth need strong policy coherence to succeed. All these policy challenges need to be addressed at the country level, but the task will be made easier if the international community acts in a coordinated and supportive fashion. The Bank, working with the Fund, has been supporting a number of relevant actions and initiatives to provide support at both the country and global levels, and efforts to enhance collaboration and policy coherence with the Fund and OECD are underway.
8. In this context, given its role as a development institution and its mandate, the WBG stands ready to support developing countries' policies by providing the full range of its financial, analytical and technical assistance resources and policy advice, in close coordination with the Fund. The Bank is already active in several areas and plans to intensify its analytic and diagnostic work in the financial sector. Beyond near-term needs, a significant increase in the demand for elements of the medium-term reform agenda can be expected, including in regulatory-related advisory work, consolidated and risk-based supervision, financial infrastructure, assistance in the design of workout schemes, emergency liquidity assistance, resolution of financial institution failures, depositor and investor protection, and agency coordination and the restructuring of supervisory architecture.
9. On the current food crisis, the Bank's call for a *New Deal for Global Food Policy*, endorsed by the Committee in April, has been widely supported by development partners, and the Bank is collaborating closely with the UN agencies on a common strategy to confront the food crisis. The lessons learned from the World Development Report (WDR) 2008 on Agriculture for Development underline the need for a renewed commitment across the WBG and with partners and clients to raising agricultural productivity, especially in Sub-Saharan

Africa, and to ensuring that the poor have timely access to adequate food for a healthy and productive life. The Bank's response is articulated around four main pillars.

- *Policy advice and dialogue with member countries.* Bank staff are currently involved in discussions in 40 countries on how best to address the crisis, as well as assessing the food security and trade implications at the regional level. In collaboration with other agencies and institutions, the Bank is also working to address critical knowledge gaps in a number of areas: global food markets; improving food reserves management for humanitarian purposes; poverty, distributional and nutritional impacts; fiscal and macroeconomic implications and responses; trade impact and responses at country and global level; facilitating an agricultural supply response; and expanding use of safety nets to alleviate the social impact of the crisis.
 - *Expedited financial support to address short and medium term needs.* In May, the World Bank Board of Directors approved the Global Food Crisis Response Program (GFRP), which is providing technical advice and \$1.2 billion of financial support to countries affected by the food crisis. The program offers an umbrella facility that complements the short-term emergency responses of WFP and other donors, with access under fast-track procedures to trust fund grants (including \$200 million of grant financing from the World Bank's own income), IDA credits, and IBRD loans that respond to the short and medium term needs of clients stemming from the food crisis. Total GFRP-funded projects to date (Board approved and pipeline) amount to \$851 million in Bank funds, of which \$200 million are from the Food Price Crisis Response (FPCR) Trust Fund set up out of the IBRD Surplus Account, \$451 million from IDA and \$200 million from IBRD. The FPCR Trust Fund now has funded or advanced pipeline projects in 27 countries, 17 of which are in Africa. The \$1.2 billion ceiling authorized under GFRP likely will be reached before its first anniversary in May 2009.
 - *Increased financial support to release structural bottlenecks in supply chains* The WBG is also working to help countries take advantage of the development opportunities that high food prices create: IBRD, IDA and IFC together are committed to increase new annual lending to food and agriculture to \$6 billion over the next year, for production items such as support to smallholder farmers on irrigation, fertilizers, and crop diversification, for the development of agribusiness activities and supply chains, and for safety nets and other forms of social protection for the poor. In FY08, IFC invested more than \$1.3 billion along the agribusiness supply chain to boost agricultural production, increase liquidity in supply chains, improve logistics and distribution, and increase access to credit for small farmers.
 - *Financial market insurance products and risk management strategies.* Since June 2008, IBRD and IDA have offered index-based weather derivatives to help clients transfer the financial risk of severe weather events. The Bank is also providing support for integrating national level agricultural risk management strategies into new country operations in a number of countries, and IFC is planning to support crop and livestock insurance for smallholders in developing countries.
10. Following on ideas formulated at the June 2008 Jeddah Energy Conference, the Bank has also begun work on an *Energy for the Poor Initiative* (EFPI), to provide support to the poor households most severely impacted by high fuel prices and address the causes of vulnerability to high and volatile fuel prices. The first component is expected to provide

rapid support to social safety nets in the most affected countries to alleviate the impact of higher fuel prices on the budgets of poor households to prevent an irreversible erosion of household and human capital. The second component would provide co- or parallel financing, in partnership with other donors, for energy-sector projects intended to reduce countries' longer-term vulnerability to high and volatile fuel prices.

III. Stronger, Sustainable and More Inclusive Economic Growth

11. **Economic Growth and Social Progress.** Stronger, sustainable and more inclusive economic growth is central both to mitigating the impact of these crises and to achieving the MDGs. For many developing countries, the challenge is to maintain the good track record on macroeconomic and structural policies that have brought growth and stability in recent years. For others it means following the example set by those achieving success. And for the development community, it means providing appropriate international assistance in the form of aid, debt relief, support for capacity building and security enhancement, investment and trade opportunities. In this context, the Financing for Development conference in Doha later this year provides an opportunity to review progress and renew commitment to the mutual accountability framework in a rapidly changing and more demanding global environment.
12. **Trade.** Completing the Doha Round would enhance inclusive and sustainable growth. A Doha Round success would also send a powerful signal of confidence amidst a world economic slowdown, decelerating international trade, and widening financial turmoil in major markets. Building on years of solid technical work, a good Doha deal is within reach, and it would be damaging for developing countries—and the world economy—to let it slip away. But it is also important to help developing countries reap the benefits of existing global trade opportunities. The WBG is expanding its Trade Facilitation programs, which include supporting country programs on trade and competitiveness, improving infrastructure, such as the ports and roads that connect producers to markets, promoting access to trade finance, supporting trade facilitation reforms to reduce transportation and logistics costs, providing training and capacity building, including to help exporters meet international standards, and developing knowledge and research to inform trade policy debates. Maintaining momentum on the global Aid for Trade agenda is critical if firms and farmers in developing countries are to benefit from trade opportunities.
13. **Debt.** A recent joint Bank/Fund report “Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation 2008”, indicated that more than three-quarters of eligible countries (33 out of 41) have passed the decision point and qualified for HIPC Initiative assistance. Of those, 23 countries have reached the completion point and qualified for irrevocable debt relief under the HIPC Initiative and MDRI. The overall assistance committed to the 33 post-decision-point HIPC countries amounts to US\$117 billion (in nominal terms), including US\$49 billion under the MDRI. Once additional beyond-HIPC-and-MDRI relief is included, the debt burden for these post-decision point countries is expected to be reduced by about 90 percent.
14. Despite these achievements, a number of challenges remain to be addressed for countries to fully benefit from debt relief and for the initiatives to be fully financed over the years ahead. Recent changes made to IDA’s Debt Reduction Facility are expected to catalyze further participation of other creditors in the HIPC Initiative. Although the HIPC Initiative and MDRI debt relief have reduced substantially the debt burden of many HIPCs, maintaining

debt sustainability beyond the completion point remains a concern. Post-completion-point countries' debt sustainability remains vulnerable to shocks and changes in new financing terms, and only about 40 percent face a low risk of renewed debt distress. This highlights the need for these countries to implement sound borrowing policies and strengthen their capacity in public debt management to maintain debt sustainability in the long term, areas where the Bank and the Fund have stepped up their efforts to assist their low-income members.

15. **Private Sector Development.** A thriving and competitive private sector is critical to inclusive growth. Private firms provide jobs for the poor and also play a critical role in providing basic infrastructure and social services to low-income households in many countries. A successful private sector needs macroeconomic stability, appropriate regulation and low costs of doing business, access to a broad range of financial services, and adequate infrastructure. The latest Doing Business Survey shows that 113 economies have implemented reforms to reduce the cost of doing business, with the most numerous reforms in the Starting a Business category. The WBG is helping governments improve the business environment, increasingly exploiting synergies between the different parts of the Group—for example, joint efforts between IFC and IDA to expand private sector investment, especially in Sub-Saharan Africa—and also with external partners. In FY08, more than 40% of IFC projects were in IDA countries. The increasing focus on infrastructure, regional approaches, and public private partnership calls for a more integrated strategic approach across the WBG institutions. This will mean experimenting with new approaches to joint IFC/IDA assistance strategies, overcoming differences in procedures and policies across the institutions to minimize transactions costs, and exploiting the opportunities that exist for increased leverage in a number of instruments, ranging from output-based aid to guarantee instruments.
16. **Development Assistance.** Increased and more effective aid also remains critical if many poor countries are to continue to progress toward meeting the MDGs. The magnitude of the MDG challenge remains daunting and the environment in which poverty reduction efforts are undertaken has become more difficult as countries now cope with new challenges. Following the successful replenishment, IDA is now in a position to make its largest ever contribution to these efforts. But this is only part of the story, and increased assistance from bilateral donors is also needed. While contributions from new and emerging donors are welcome, it is important for all aid partners to meet the commitments they have made to double aid flows, and double flows to Africa, by 2010. Action to raise aid effectiveness is as important as an increase in aid levels. The 2005 Paris Declaration set out the key principles for improving aid effectiveness, but implementation has been mixed. The Accra Agenda for Action endorsed by 130 countries and 40 institutions in September 2008 should help accelerate and deepen progress toward meeting the Paris commitments by 2010. The Agenda contains measures to address aid fragmentation and predictability, improve the division of labor among development agencies, strengthen ownership, align technical cooperation, and expand the use of strengthened country systems. Moreover, Accra has paved the way for working more effectively with non-traditional providers of development assistance, and global program funds at the country level. The World Bank is strongly committed to the Paris Declaration and the Accra Agenda for Action. Attention in the coming year will be focused on translating these commitments into actions in our country programs.
17. **Improving Governance and Management of Natural Resources.** The forthcoming Governance and Anti Corruption (GAC) Progress Report (mid October 2008) will note

acceleration of GAC mainstreaming at the country, project and global levels. For example, country-level Governance and Anti-Corruption strategies are now in place for some 27 countries. At the project level, the WGB is enhancing upstream diagnostics and 'smart project design' and improving 'core' country systems in public management, procurement and accountability institutions. At the global level, the Stolen Asset Recovery (StAR) initiative, jointly launched with the UN Office on Drugs and Crime (UNODC), is already showing results. In Bangladesh and Indonesia, for example, StAR has helped establish national asset recovery teams which are following up on cases. Sixteen countries have participated in regional and country-level training courses to build capacity of national authorities and – equally important – to build the mutual trust needed for successful international asset recovery. And the Extractive Industries Transparency Initiative Plus Plus (EITI++) is rapidly expanding to develop national capability to manage the boom in commodity prices and channel the growing revenue streams into fighting poverty and hunger.

18. Within the WBG, the recommendations of the *Volcker Report* are being implemented and will help set a higher standard for integrity and performance. These initiatives will enhance transparency and prevention, clarify responsibilities, and strengthen follow-up actions where fraud and corruption are discovered. A year after the completion of the Volcker Report, there is progress in implementation on all recommendations. Among the key actions taken are: the recent appointment of four distinguished members to an Independent Advisory Board (IAB), which aims to protect the independence and strengthen the accountability of INT and advise the President, the World Bank Group Audit Committee and INT VP; the appointment of the first Vice President of INT; and the establishment of a Preventive Services Unit within INT to help mainstream lessons learned from INT investigations into Bank operations and provide upstream risk-mitigation support to task teams.
19. **Gender Action Plan.** Since its launch in late FY07, the WBG's Gender Action Plan – Gender Equality as Smart Economics – has mobilized significant resources from both Bank funds and contributions from 12 donors. By September 2008, pledges had reached \$54 million. One hundred and ten specific projects that seek to increase women's access to land, agriculture, labor and finance markets, and to infrastructure services, have been supported in 56 countries, mostly through competitive calls for proposals. In April 2008, the Bank President announced six new gender-related commitments on behalf of the Bank, including pledges to channel at least \$100 million in new credit lines for women entrepreneurs before 2012, to measurably increase the Bank's activities in agriculture and rural development that benefit women by 2010, and to launch a public-private initiative to expand economic opportunities for adolescent girls and young women in low-income and post-conflict countries. The first project in this Adolescent Girls Initiative was launched in 2008 in Liberia in collaboration with the Government and the Nike Foundation, and will be followed by interventions in at least five other countries, mostly in sub-Saharan Africa. The Adolescent Girls Initiative was developed to smooth the transition from schooling to salaried jobs by providing needs-based skills training, and by creating incentives for trainers to place trainees. A launch event is scheduled for October 10, 2008.

IV. Strengthening the World Bank Group Contribution: Strategic Directions

20. **Results for 2007/08.** World Bank Group commitments grew in fiscal 2008 by 11 percent to \$38.2 billion in 694 projects, an increase of \$3.9 billion from fiscal 2007. IBRD commitments totaled \$13.5 billion for 99 operations, up from \$12.8 billion the previous year,

while IDA commitments were \$11.2 billion for 199 projects. IFC financing for private sector development increased by 34 percent to \$16.2 billion, which included \$4.8 billion mobilized through syndications and structured finance. Finally, MIGA had an exceptional year as it celebrated its 20th anniversary, issuing \$2.1 billion in guarantees, a 50 percent increase over last year. In March, the Board approved a strategic framework for managing capital, which has since been reviewed and endorsed by an informal advisory panel of external experts. There have also been several brainstorming sessions across the Bank and consultation with the Board in September to get early guidance regarding potential additional uses of capital while maintaining IBRD's income-generating capacity.

21. **Strategic Directions for the World Bank Group.** At its last two meetings the committee discussed a vision of the WBG contributing to inclusive and sustainable globalization with strategic directions encompassing six themes:

- Helping overcome poverty and spur sustainable growth in the poorest countries, especially in Africa.
- Addressing the special challenges of states coming out of conflict or seeking to avoid breakdown of the state.
- Developing a competitive menu of development solutions and customized services for middle income countries.
- Playing a more active role in regional and global public goods.
- Supporting development and opportunity in the Arab world.
- Expanding role in global knowledge management and learning.

22. This strategic vision is having a visible impact on the WBG through greater innovation, responsiveness, and synergies across its institutions. Future development challenges as well as recent experience in responding to a rapidly changing economic environment confirm the need for a more nimble organization that better exploits synergies across the WBG, innovates, networks, and becomes more client-oriented. This means going beyond the provision of finance to help build markets and institutions at the country, regional, and global levels, and to become more flexible and global in its reach while retaining strong local roots.

23. ***Spurring growth and poverty reduction in the poorest countries, especially in Africa.*** Earlier sections have described the Bank's response to rises in food and energy prices, and the actions that countries and the international community can take to sustain growth over the medium and longer term. To date some 28 countries in Africa and elsewhere have emergency support approved or under preparation. To accelerate these trends, and in view of significant underinvestment in public goods and services for agricultural growth in Africa, as described in the 2008 World Development Report Agriculture for Development, the World Bank has committed to scaling up the financing available for agriculture investment in Sub-Saharan Africa from an annual average of \$450m in 2005-07, to \$800m in FY09, and \$1b from FY10 onwards. This increase goes hand in hand with NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP).

24. The record IDA replenishment provides an exceptionally strong foundation on which to expand the Bank's support for poor countries, and the Accra Agenda for Action will serve as a roadmap for stronger country ownership and accountability for results. The WBG has increased its support to African countries eager to build on the achievements of recent years, for example, by helping countries improve management of their natural resources sector and

scaling up support for agriculture. In addition to assistance at the country level, support for regional projects is on the rise to promote better trade, infrastructure, and power links. Power transmission interconnection between Malawi and Mozambique, trade and transit facilitation in central Africa, and power transmission connecting Central and South Asia are just some of the examples. The focus on regional integration also requires public private partnerships and closer synergies between IDA and the IFC. In FY08, total commitments to countries in Sub-Saharan Africa – the WBG’s top priority – stood at \$7.3 billion. These commitments included \$5.7 billion from IDA, or slightly more than 50 percent of total IDA commitments; \$1.4 billion from IFC, \$218 million in MIGA guarantees for projects in the region, and \$30 million from IBRD. The Africa Region accounted for just over half of total IDA commitments, and the IFC has expanded the number of African countries where it does business from 17 to 25.

25. ***Fragile and conflict affected situations.*** Deepening WBG engagement in fragile states is pushing the frontier in addressing early recovery gaps, handling emergency responses, coordination with partners, and improved understanding of the nexus between security, governance, and development. The strengthened support to fragile states under the IDA 15 framework has been an important contribution. Overall, the commitments to countries in fragile and post-conflict situations in FY08 stood at more \$3 billion, including assistance to Afghanistan, Cambodia, Kosovo, Timor, Togo, PNG, West Bank and Gaza and the Solomon Islands. Moreover, Afghanistan, CAR, Guinea Bissau, Liberia, Haiti, Sierra Leone, Sudan, and Tajikistan all benefited quickly from the Global Food Price Crisis Response Trust Fund. Effective and non-bureaucratic collaboration with partners is most needed in fragile states, particularly in post-conflict situations. Recent agreement with 12 UN agencies on a UN-WB Fiduciary Principles Accord is an important step. The WBG has also moved ahead with efforts to improve skills, staff incentives and decentralization.
26. ***Cooperation with middle-income countries.*** For middle-income countries, the WBG continues to adapt its business model to be more responsive, flexible, and innovative, implementing the strategy discussed by the Committee a year ago. Progress is accelerating, partly building on the earlier policy changes in loan pricing, structure of the Deferred Drawdown Option (DDO), and extension of IBRD loan maturity. A new model of engagement is being tested with large middle-income countries, such as Brazil and Mexico, which provides substantial flexibility for “just in time” adjustments to rapidly changing needs. The Africa Region has developed the first-ever strategy for its nine middle-income countries that taps into the full range of services from the different WBG institutions. Such efforts are starting to show results. In addition to finance and knowledge support, the WBG is working with these countries as responsible stakeholders that must increasingly play a global role on issues such as climate change, energy security, trade, or food production.
27. Over the last year the WBG has introduced a number of programs that demonstrate its evolving role, from primarily a lender to a provider of customized financial solutions for development, and clients have responded with strong demand for customized financial services. The Reserves Advisory and Management Program (RAMP) provides capacity building and portfolio management to thirty-five central banks, sovereign wealth funds and national pension funds across all regions on a full cost recovery basis. Catastrophic risk products (deferred draw-down options and weather derivatives) have been approved by the Board. Significant cross-WBG collaboration has also led to an expanding pipeline of sub-

national business, including in Russia, Colombia, Morocco, the Philippines, Peru, Brazil, Argentina, Turkey, and India. Finally, innovations originating from work with middle-income countries, such as derivative products, GEMLOC, or a new South-South Knowledge Exchange Facility, are beginning to yield benefits for low-income countries as well.

28. ***Regional and global public goods (GPGs).*** The engagement on GPGs is emerging as a long-term driver of the WBG's business. The WBG's combination of global reach and country presence allows for constructive action and credible advocacy in integrating country and global perspectives on GPGs. The WBG has continued to provide support and leadership on global negotiations related to trade, health, and finance and has played a significant role as part of the international system to bring climate change to the development agenda. From advocacy and research in support of the multilateral trading system, national strategies and regional trade agreements, to rolling out the "People's IDA" database with remittance prices and speed data for 124 corridors, establishing the Climate Investment Funds, and finalizing the Advanced Market Commitment pilots in health, the level of engagement in the analysis, design and provision of global and regional public goods is rising. At the same time, these areas also point to the future organizational challenges in combining country-based priorities with global interests.
29. ***Strategic Framework on Development and Climate Change for the WBG.*** At its meeting, the Committee will discuss the new document, Development and Climate Change: A Strategic Framework for The World Bank Group, which will guide the WBG's work in this area over the next three years. The WBG has significantly expanded its work in development-climate change linkages, with increasing attention to the needs of developing countries to adapt to climate risks. The launch of two new facilities, the Forest Carbon Partnership Facility and the Carbon Partnership Facility, was endorsed by the Board of Executive Directors. The establishment of a portfolio of climate investment funds (CIF) to finance national projects and programs with mitigation and adaptation benefits has further strengthened the ability to support client needs and actions in the context of their sustainable development strategies. On September 26, 2008, ten member countries pledged \$6.1 billion to two CIFs. Designed as an interim instrument with specific sunset clauses, these funds, approved by the Board in July, allow the WBG and other multilateral development banks, together with developing country and donor country partners, to support developing countries in their efforts to address climate change today. The IFC has signed its first Carbon Delivery Guarantee agreements, in Sub-Saharan Africa and South Asia, for 1.7 million carbon credits in total. The Bank has initiated the preparation of the World Development Report 2010 on climate change.
30. ***Expanding opportunity in the Arab world.*** Over the past five years, growth across the Arab world has averaged over 5 percent per annum - the highest since the 1970s. While in part due to oil revenues, even more important have been domestic-driven reforms that are creating greater opportunities for participation in and benefit from global economic activity. For example, Egypt has been ranked among the top ten reformers in three of the last four Doing Business Reports, and many other Arab countries are introducing wide-ranging economic reforms (Saudi Arabia, Morocco, Tunisia, Jordan) that have direct implications on growth and development. By enhancing coordination across the WBG as well as with Arab institutions and other development partners, the Arab World Initiative (AWI) aims to strengthen development and opportunity in the Arab world by advancing the integration of the region with the global economy, expanding opportunities for South-South cooperation,

and achieving faster growth, better jobs, lower disparities, greater social inclusion, and better management of natural resources in the Arab world. Building on ongoing work, total WBG commitments to the Arab world have increased from about \$1 billion in FY02 to over \$3 billion in FY08 (IDA/IBRD lending tripled from \$600m to \$1.8 billion). As part of the GFRP, the WBG has already provided support to Yemen and Djibouti and is currently working on support for West Bank/Gaza, Mauritania, Sudan, Somalia, and the Comoros.

31. **Knowledge and learning.** The WBG remains the premier source of development knowledge in a range of areas. The challenge is to enhance its capacity to share knowledge globally, and help build partnerships and expertise in client countries by becoming a more open, networked organization. Work is underway to develop “Global Excellence” practices that can distill and disseminate best practice and policy learning from inside and outside the WBG. To strengthen South-South and South-North cooperation, more than 70 existing partnerships are being reviewed and a new South-South Experience Exchange Facility has been established. For the first time, ‘traditional’ and ‘new’ donors will be working together under this facility through a joint Multi-donor Trust Fund. The Bank is also moving towards an open data platform that will make it the first development institution to open its key data resources for public use. Renewing the WBG’s leadership position as a global development knowledge organization will be a multi-year effort. The recent appointment of a Director for Knowledge and Learning Strategy will accelerate progress. The Bank’s role in knowledge and learning is tied to the skills available in the organization, and their effective and timely deployment.

V. World Bank Group Governance and Key Partnerships

32. **Voice and Participation of Developing and Transition Countries.** The Spring 2008 Development Committee Communiqué encouraged “the Bank to advance work on all aspects of voice and participation, keeping in mind the distinct nature of the Bank’s development mandate, and the importance of enhancing voice and participation for all developing and transition countries in the WBG...and to receiving concrete options from the Bank's Board by our next meeting with a view to reaching consensus on a comprehensive package by the 2009 Spring”. Since then Bank shareholders have engaged in intensive discussions about options for voice reform, actively facilitated by Management.
33. **Strengthening Bank/Fund Cooperation.** Cooperation between the WBG and the IMF remains essential to the effectiveness of both institutions. The current economic and financial environment underscores the need for the WBG and the IMF to work closely together, cooperating and coordinating while each plays its different but important roles in the global economic architecture. The Joint Management Action Plan (JMAP) on Bank-Fund collaboration - launched one year ago - provides a useful framework for moving ahead with deeper collaboration in a complex and interconnected policy environment. JMAP implementation is underway, including through regular meetings between Bank and Fund country teams to discuss work programs and priorities as well as through the establishment of joint intranet workspaces to facilitate information sharing. A comprehensive assessment of implementation of JMAP recommendations will be prepared for the Boards of both institutions for next year's Annual Meeting.