



Photo: Kurmangazy Omarov

These farmers in rural Kazakhstan are participating in the Bank-funded Agricultural Competitiveness Project, which conducts agricultural research to apply innovative techniques to apple cultivation. The Bank's mission in Kazakhstan is to support long-term economic growth that translates into more jobs and better social services for all citizens.

EUROPE AND CENTRAL ASIA

Growth resumed in Europe and Central Asia in 2010 and reached 4.5 percent, following sharp declines during the global economic crisis. Projections for 2011–13 are for a slightly stronger performance, but remain below those for other regions.

Growth has been more tepid in Central and Southeastern Europe than in the Commonwealth of Independent States, where high commodity prices have raised net exports, increased remittance flows from migrants, and boosted private consumption. For net importers, higher food and energy prices threaten to increase poverty, particularly in Armenia, the Kyrgyz Republic, and Tajikistan. The region as a whole continues to be dependent on Western Europe, which is struggling with a sovereign debt crisis.

World Bank Assistance

Bank support reached \$6.1 billion this fiscal year, including \$5.5 billion from IBRD and \$655 million from IDA. Turkey (\$1.4 billion), Poland (\$1.1 billion), and Romania (\$1.1 billion) were the largest borrowers. Sectors receiving the most funding were Energy and Mining (\$1.9 billion); Public Administration, Law, and Justice (\$1.7 billion); and Health and Other Social Services (\$1.2 billion).

Increasing Competitiveness

Countries in the region need to increase competitiveness, improve productivity, and strengthen regional integration. To help them do so, the Bank supported regulatory reforms and public finance management in

Croatia and Poland; helped stabilize the financial sector in Serbia; and increased access to finance for small and medium enterprises in Armenia and Turkey. It supported road improvements in Belarus, Kazakhstan, the Kyrgyz Republic, and the South Caucasus, and public sector reforms to improve governance and transport and energy delivery in Romania. The Bank continues to work with client countries to identify their policy priorities, develop plans for recovery, improve the investment climate, and diversify exports, all with a view to creating jobs.

For the eighth year in a row, Europe and Central Asia led the world in improving business regulation for domestic firms, according to *Doing Business 2011*. Twenty-one countries in the region improved their rankings.

This fiscal year the Bank produced economic reports on the Russian Federation, the European Union (EU)¹⁰, Kazakhstan, and Moldova. It also produced studies of the informal economy in Turkey and growth and competitiveness in Poland. Its study of governance and the regulatory burden in Eastern Europe and Central Asia was based on the fourth round of the Business Environment and Enterprise Performance Surveys, which cover more than 11,000 firms in 29 countries in the region.

Supporting Social Sector Reforms and Fiscal Adjustment

Social spending in certain Europe and Central Asia countries is inefficient. Governments need to protect the poor by improving cash transfers, social pensions, and targeted antipoverty programs. Bank financing to support social sector reforms and strengthen safety nets included results-based

FIGURE 2.5

EUROPE AND CENTRAL ASIA

IBRD AND IDA LENDING BY THEME | FISCAL 2011

SHARE OF TOTAL OF \$6.1 BILLION

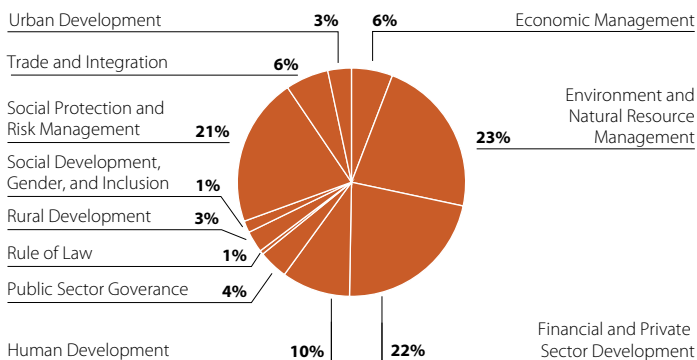
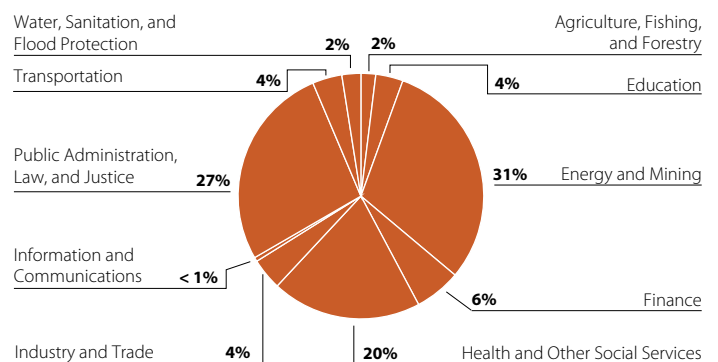


FIGURE 2.6

EUROPE AND CENTRAL ASIA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2011

SHARE OF TOTAL OF \$6.1 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Albania	Bulgaria	Latvia	Poland	Turkey
Armenia	Croatia	Former Yugoslav Republic of	Romania	Turkmenistan
Azerbaijan	Georgia	Macedonia	Russian Federation	Ukraine
Belarus	Kazakhstan	Moldova	Serbia	Uzbekistan
Bosnia and Herzegovina	Kyrgyz Republic	Montenegro	Tajikistan	
	Kosovo			

investment loans to Moldova and Romania, Rapid Social Response and IDA grants to Tajikistan, additional financing for health and social protection in the Kyrgyz Republic, a health system improvement project in Uzbekistan, and pension reforms in Romania and other countries in the region.

The Bank is supporting improvements in government finances in more than a dozen countries. This helped protect spending on social assistance programs in Albania, Latvia, and Romania, as well as vital public services, including education quality in Kazakhstan and Russia, and health care in Armenia, Bosnia and Herzegovina, Tajikistan, and Uzbekistan.

The Bank prepared several regional reports including a study of the performance of pension systems and a study of household and government responses to the recession. It also released reports on social assistance programs in the western Balkans, female participation in the labor market in Turkey, and long-term care policies for older populations in new EU member states and Croatia.

Mitigating and Adapting to Climate Change

The lingering legacy of environmental mismanagement and energy-intensive production in Europe and Central Asia has left the region ill prepared to adapt to the negative impact of climate change. Many countries are suffering from unusually severe floods and droughts, and the number of extreme events—droughts, floods, heat waves, windstorms, and forest fires—is likely to increase in the coming decades.

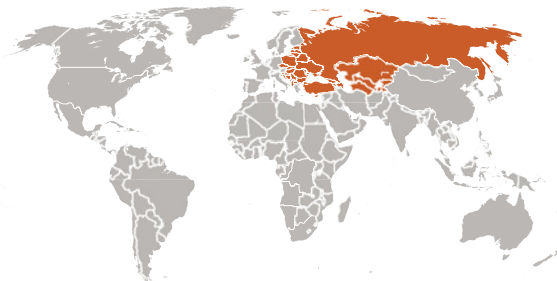
The Bank is supporting efforts to mitigate carbon emissions, build countries' climate change knowledge base, and assess consequences and adaptation approaches. It is financing energy efficiency projects in Belarus, Poland, Turkey, and Ukraine, and development policy lending in Poland. The Bank is working with the former Yugoslav Republic of Macedonia, Poland, Russia, and Ukraine on national energy efficiency strategies.

The Bank is strengthening the climate resilience aspect of its investment portfolio. It continued its pilot projects on the vulnerability of energy systems, agriculture, and water. It also initiated projects on sustainable cities and social development, and it expanded its knowledge and learning programs to a wider group of Bank staff and selected clients in the region.

Working with Partners

The Bank strengthened its partnership with the EU this fiscal year by cofinancing international reform packages, providing advisory services to member states on EU issues and to potential candidate countries on accession issues, and expanding its work on regional energy issues. To enhance its engagement, the Bank produced a strategy for the region's partnership with the EU and other key Europe-based institutions (STEP-EU).

The Bank partnered with the European Bank for Reconstruction and Development and the European Investment Bank for the Joint International Financial Institution Action Plan to support banking systems and economies of Central and Eastern Europe in response to the economic crisis. It worked with Russia as an emerging donor, partnering on the food crisis response in the Kyrgyz Republic and Tajikistan, a Rapid Social Response to the food crisis in Tajikistan, and public finance management in the region. The Bank also partnered with the EurAsEc Anti-Crisis fund to provide parallel financing for low-income countries in Europe and Central Asia.



Strengthening Regional Integration and Cooperation

Given the high level of economic integration in the region, greater cooperation—on water and energy, transport, trade, corporate finance, and social inclusion—is essential. The Bank supported the Southeastern Europe Energy Community in establishing a common regulatory framework for energy markets and helped craft regional transport solutions to meet EU transport requirements.

The Bank initiated a comprehensive Central Asia Energy–Water Development Program to support Central Asian countries in managing their water and energy resources, strengthening regional institutions, and stimulating investments. A multidonor trust fund was established with support from the U.K.'s Department for International Development and the government of Switzerland, and discussions with other donors are under way.

The Bank also worked with the European Commission on Roma inclusion and provided support through the Roma Education Fund and the Decade of Roma Inclusion.

EUROPE AND CENTRAL ASIA REGIONAL SNAPSHOT

Total population	0.4 billion
Population growth	0.4%
Life expectancy at birth	70 years
Infant mortality per 1,000 live births	19
Female youth literacy	99%
Number of people living with HIV/AIDS	1.5 million
2011 GNI per capita	\$7,214
GDP per capita index (2000 = 100)	156

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, female youth literacy, and number of people living with HIV/AIDS are for 2009; other indicators are for 2010 from the World Development Indicators database. HIV/AIDS 2009 data are from UNAIDS Report on the Global AIDS Epidemic 2010.

TOTAL FISCAL 2011

New commitments
IBRD \$5,470 million
IDA \$655 million

Portfolio of projects under implementation as of June 30, 2011: \$22.6 billion

TOTAL FISCAL 2011

Disbursements
IBRD \$6,873 million
IDA \$585 million