

3

SUMMARY OF FISCAL YEAR ACTIVITIES



WORLD BANK LENDING

The World Bank mobilizes financing from member shareholder equity 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 and utilizes lending instruments that are becoming increasingly flexible. Figures 3.1–3.3 and table 3.1 summarize combined IBRD-IDA lending in fiscal 2007.

LOW-INCOME COUNTRIES

The Role of IDA

IDA is the largest source of concessional financial assistance for the world’s poorest countries. In fiscal 2007, countries with annual per capita income of up to \$1,025 were eligible for IDA assistance. IDA also supports some countries, including several small island economies, that are above the income cutoff but lack the creditworthiness needed to borrow from IBRD. Since its inception, IDA has provided assistance in the form of highly concessional credits. Since fiscal 2003, it has expanded its use of grants, which are used to finance projects in the countries that are most vulnerable to debt.

IDA assistance helps recipient countries address complex challenges. Priorities include promoting growth and reducing poverty; enhancing public sector governance and transparency; helping countries recover from conflict; developing infrastructure; improving the quality of basic education and poor people’s access to it; strengthening the fight against HIV/AIDS, avian flu, and other communicable diseases; and building a healthy investment climate as a prerequisite for private sector investment. IDA financing is not earmarked to specific sectors or themes: it responds to the priorities and needs as identified by recipient countries themselves. The amount of IDA resources a country receives depends largely on various performance factors, which are assessed annually.

The poverty reduction strategy (PRS) approach is key to the Bank’s support for low-income countries. PRSs are country-authored, results-oriented, comprehensive road maps that articulate a country’s development priorities and then specify the steps necessary to address them. The PRS approach empowers governments to set their own priorities (and to be accountable for the results) and it encourages donors to provide predictable, harmonized assistance aligned with those priorities. Fifty-four countries have prepared national PRSs, and 41 of them have also produced at least one annual progress report. Twelve countries (Burkina Faso, Ghana, the Kyrgyz Republic, Madagascar, Malawi, Mauritania, Mozambique, Nicaragua,

FIGURE 3.1

TOTAL IBRD-IDA LENDING BY REGION | FISCAL 2007
SHARE OF TOTAL LENDING OF \$24.7 BILLION

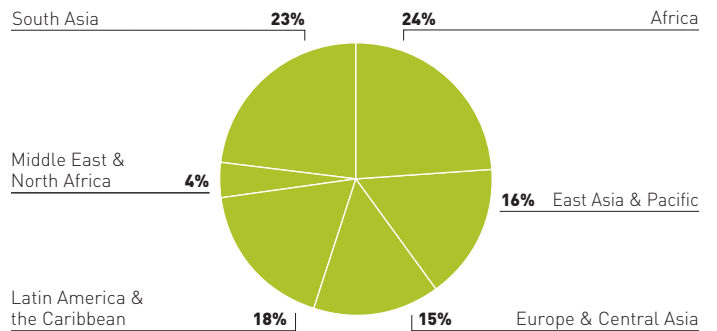


FIGURE 3.2

TOTAL IBRD-IDA LENDING BY THEME | FISCAL 2007
SHARE OF TOTAL LENDING OF \$24.7 BILLION

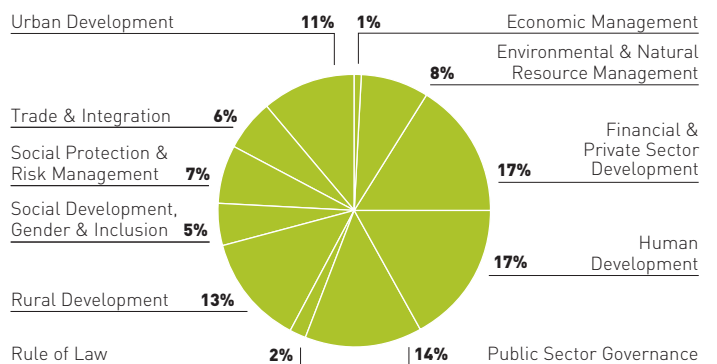


FIGURE 3.3

TOTAL IBRD-IDA LENDING BY SECTOR | FISCAL 2007
SHARE OF TOTAL LENDING OF \$24.7 BILLION

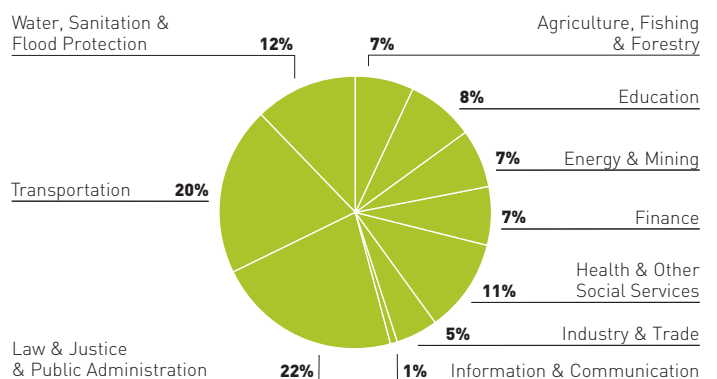
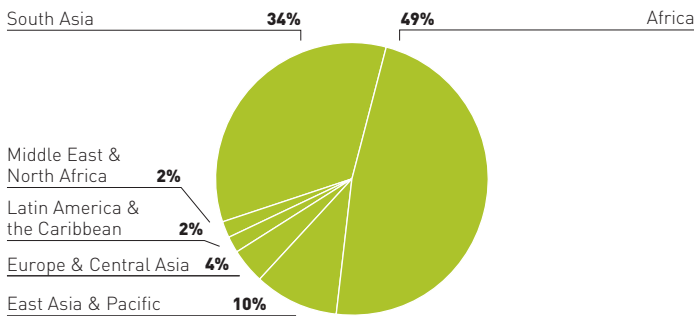


FIGURE 3.4

TOTAL IDA COMMITMENTS BY REGION | FISCAL 2007
SHARE OF TOTAL LENDING OF \$11.9 BILLION



Senegal, Tanzania, Uganda, and Vietnam) prepared their second full national PRSs; many others are in the process of doing so.

IDA Commitments

IDA commitments in fiscal 2007 reached \$11.9 billion. This funding, including \$9.6 billion in credits, \$2.2 billion in grants, and \$0.1 billion in guarantees, supported 189 operations. The volume of IDA commitments was 25 percent higher than in fiscal 2006 and the highest in IDA's history. Figures 3.4–3.8 summarize IDA lending.

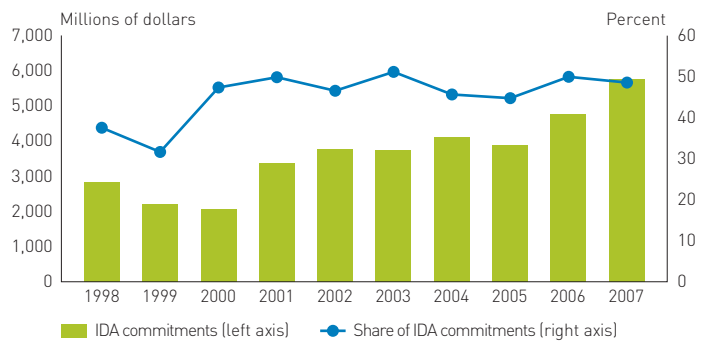
The largest share of IDA resources was committed to Africa, which received a record \$5.8 billion, or 49 percent of total IDA commitments. South Asia (\$4 billion) and East Asia and Pacific (\$1.2 billion) also received large shares of total funding. India (\$2.3 billion), Pakistan (\$0.9 billion), and Nigeria (\$0.8 billion) were the largest single recipients of funding.

Among sectors, the largest share of commitments went to Law and Justice and Public Administration, which received \$2.7 billion in funding (23 percent of the total). IDA has become a major source of financing for infrastructure (see figure 3.8), a sector whose share in total official development assistance flows has declined in recent years despite enormous need. Significant support was also provided to the Health and Other Social Services (\$1.9 billion) and Education (\$1.6 billion) sectors.

The themes receiving the most funding were Human Development (\$2.6 billion) and Public Sector Governance (\$1.8 billion). Major attention was also paid to Rural Development (\$1.7 billion); Financial and Private Sector Development (\$1.7 billion); Urban Development (\$980 million); Social Development, Gender, and Inclusion (\$919 million); and Social Protection and Risk Management (\$896 million).

FIGURE 3.5

IDA COMMITMENTS TO AFRICA | FISCAL 1998–2007



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

FIGURE 3.6

TOTAL IDA COMMITMENTS BY THEME | FISCAL 2007
SHARE OF TOTAL LENDING OF \$11.9 BILLION

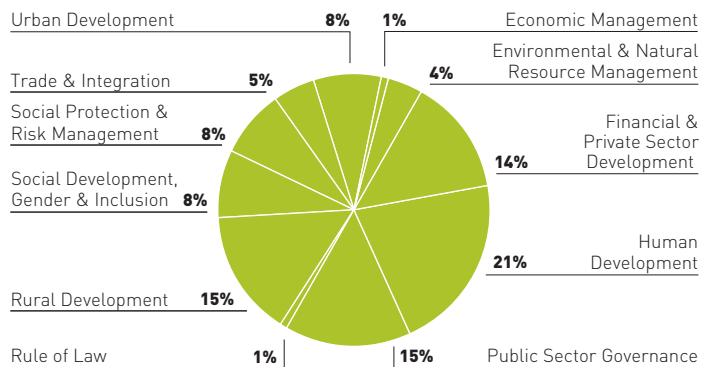


FIGURE 3.7

TOTAL IDA COMMITMENTS BY SECTOR | FISCAL 2007
SHARE OF TOTAL LENDING OF \$11.9 BILLION

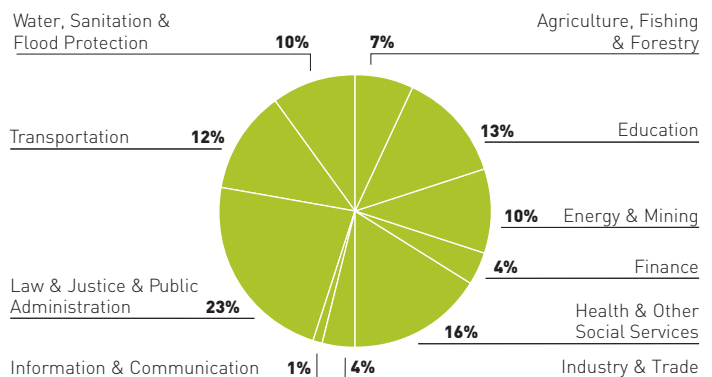


TABLE 3.1

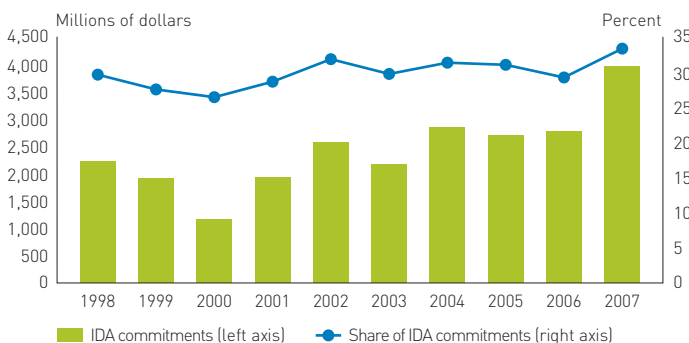
WORLD BANK LENDING BY THEME AND SECTOR | FISCAL 2002–2007
 MILLIONS OF DOLLARS

THEME	2002	2003	2004	2005	2006	2007
Economic Management	1,408.0	777.7	428.8	594.6	213.8	248.3
Environmental and Natural Resource Management	924.0	1,102.6	1,304.6	2,493.8	1,387.3	2,017.0
Financial and Private Sector Development	5,055.4	2,882.9	4,176.6	3,862.0	6,137.8	4,260.8
Human Development	1,756.1	3,374.0	3,079.5	2,951.0	2,600.1	4,089.4
Public Sector Governance	4,247.2	2,464.1	3,373.9	2,636.4	3,820.9	3,389.7
Rule of Law	273.2	530.9	503.4	303.8	757.6	424.5
Rural Development	1,600.0	1,910.9	1,507.8	2,802.2	2,215.8	3,175.7
Social Development, Gender, and Inclusion	1,385.7	1,003.1	1,557.8	1,285.8	1,094.1	1,250.3
Social Protection and Risk Management	1,086.4	2,324.5	1,577.0	2,437.6	1,891.7	1,647.6
Trade and Integration	300.9	566.3	1,212.7	1,079.9	1,610.9	1,569.9
Urban Development	1,482.4	1,576.3	1,358.1	1,860.0	1,911.2	2,622.7
Theme Total	19,519.4	18,513.2	20,080.1	22,307.0	23,641.2	24,695.8
SECTOR						
Agriculture, Fishing, and Forestry	1,247.9	1,213.2	1,386.1	1,933.6	1,751.9	1,717.4
Education	1,384.6	2,348.7	1,684.5	1,951.1	1,990.6	2,021.8
Energy and Mining	1,974.6	1,088.4	966.5	1,822.7	3,030.3	1,784.0
Finance	2,710.8	1,446.3	1,808.9	1,675.1	2,319.7	1,613.6
Health and Other Social Services	2,366.1	3,442.6	2,997.1	2,216.4	2,132.3	2,752.5
Industry and Trade	1,394.5	796.7	797.9	1,629.4	1,542.2	1,181.3
Information and Communication	153.2	115.3	90.9	190.9	81.0	148.8
Law and Justice and Public Administration	5,351.2	3,956.5	4,978.8	5,569.3	5,857.6	5,468.2
Transportation	2,390.5	2,727.3	3,777.8	3,138.2	3,214.6	4,949.0
Water, Sanitation, and Flood Protection	546.0	1,378.3	1,591.6	2,180.3	1,721.0	3,059.4
Sector Total	19,519.4	18,513.2	20,080.1	22,307.0	23,641.2	24,695.8
Of which IBRD	11,451.8	11,230.7	11,045.4	13,610.8	14,135.0	12,828.8
Of which IDA	8,067.6	7,282.5	9,034.6	8,696.2	9,506.2	11,866.9

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

FIGURE 3.8

IDA'S CONSISTENT COMMITMENT TO INFRASTRUCTURE
| FISCAL 1998–2007



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

IDA Resources

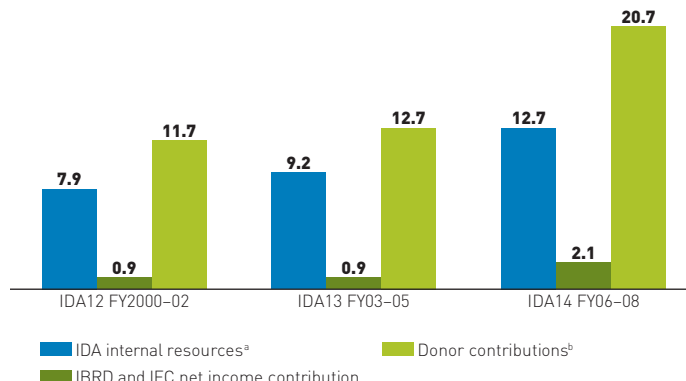
IDA is financed by its own resources and by donor governments (figure 3.9). It also receives annual transfers from IBRD net income and, for the first time in fiscal 2007, it received a grant from IFC to support private sector development in IDA countries.

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. 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.

The 14th replenishment of IDA (IDA14) will fund commitments for fiscal years 2006–08. During this period, IDA expects to provide concessional financing commitments of 22.2 billion special drawing rights (SDRs) to eligible countries (the equivalent of about \$32.5 billion). During fiscal 2007, this amount increased from the original IDA14 framework of SDR 21.9 billion (about \$32.1 billion) as the result of an additional transfer to IDA of SDR 0.2 billion (about \$0.3 billion) from the IBRD surplus and the designation for grants of SDR 0.1 billion (about \$0.15 billion) from IFC's retained earnings. Total IDA14 resources for financing commitments consist of SDR 12.1 billion (about \$17.7 billion) in new donor contributions (excluding the structural financing gap); SDR 8.7 billion (about \$12.7 billion) in internal resources, consisting primarily of repayments of principal from past credits and investment income; SDR 1.3 billion (about \$1.9 billion) in IBRD net income transfers, subject to annual approval by IBRD's Board of Governors; and SDR 0.1 billion (about \$0.15 billion) in grants from IFC. With the implementation of the Multilateral Debt Relief Initiative

FIGURE 3.9

SOURCES OF IDA FUNDING
BILLIONS OF DOLLARS



- a. IDA internal resources include principal repayments, charges less administrative expenses, and investment income. For IDA14, this amount includes principal repayments that are no longer available due to IDA's implementation of the MDRI as of July 1, 2006. These lost reflows will be replaced by additional donor contributions under the MDRI replenishment.
- b. Includes structural financing gap.

(MDRI), some internal resources are no longer available and will be replaced by donor contributions under the MDRI replenishment. Under the MDRI, donors have committed to providing additional resources of SDR 25 billion (about \$37 billion) over 40 years to ensure that IDA's future financial support for poor countries is not reduced as a result of debt cancellation.

Negotiations for the 15th replenishment of IDA (IDA15) were launched in Paris in March 2007. The main issues under discussion included the global aid architecture, IDA's performance-based allocation system, and IDA's financial position (box 3.1).

Debt Relief

To date, IDA has provided about \$4 billion under the Heavily Indebted Poor Countries (HIPC) Initiative, the process through which heavily indebted poor countries can gain debt relief from their external creditors to bring their debts down to the HIPC threshold levels, and \$28 billion in debt forgiveness under the MDRI, which was introduced in 2006 and built on the HIPC Initiative. In aggregate, IDA will provide about \$18 billion under HIPC and \$36 billion under MDRI. To help countries maintain debt sustainability, IDA has developed a system for allocating grants based on countries' risk of debt distress. This approach, also adopted by some other multilateral development banks, helps mitigate the risk of debt distress in the future. IDA also works with partners to support countries' management of their external debts.

Fragile States

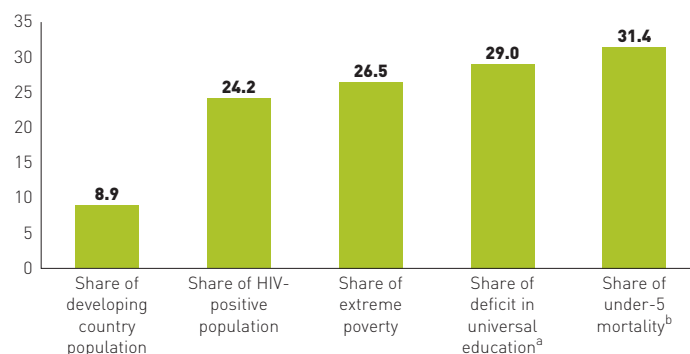
The past three years have seen increasing international interest in strengthening donor engagement in and response to challenges facing fragile states (figure 3.10). In 2002, the Bank's Task Force on Low-Income Countries Under Stress (LICUS), in its final report, recommended the need for stronger political analysis, innovative operational approaches, closer donor partnerships, and a series of institutional reforms to improve the Bank's responsiveness. Since then, the Bank has made significant advances in deepening its understanding of the particular challenges facing these fragile states and in developing a differentiated approach to strengthen its support and assistance. The Bank has recently adopted a framework for rapid response in crises and emergencies (see page 15), which is supported by organization and staffing measures designed to ensure greater field presence and to mobilize the most experienced people across the institution to advance the fragile states agenda.

In 2006, the Bank provided intensive strategic and operational support to country programs facing crises or new opportunities. The emphasis was on bridging operational gaps in programs in Afghanistan, the Central African Republic, and the Democratic Republic of Congo and on supporting strategy formulation in Liberia, Sudan, and Timor-Leste.

The LICUS trust fund, established in March 2004 through a \$25 million transfer from IBRD surplus, targets the most

FIGURE 3.10

FRAGILE STATES FACE THE LARGEST DEFICIT IN MOST MDGs PERCENT



Source: World Bank estimates.

a. Children of relevant age that did not complete primary school in 2005.

b. Children born in 2005 not expected to survive to age five.

marginalized and fragile states in nonaccrual status. The Bank replenished the LICUS trust fund with \$25 million in 2006 and with another \$30 million in January 2007.

The Bank has maintained old and created new relationships, including partnerships with the UN system, the new UN Peace-Building Commission, and the Organisation for

BOX 3.1

THE 15TH REPLENISHMENT OF IDA

IDA is a revolving fund in which donor contributions are complemented by reflows from IDA's highly concessional credits. IDA provides \$10 billion to \$11 billion a year in interest-free loans and grants. It needs additional resources to maintain this level of financial support for poor countries, particularly since debt relief has reduced IDA's available credit reflows, thus increasing the reliance of both IDA and poor countries on future donor contributions.

Adequate replenishment of IDA is critical because of the enormity of the challenges facing the 2.5 billion people who live in IDA-recipient countries. These countries face a variety of conditions—some are emerging from conflict, some are in the midst of economic transition, some are vulnerable to crisis, and some are experiencing rapid and sustained growth. IDA's ability to address the complex and diverse needs of these countries can help them achieve their development goals.

IDA donors convened in Paris in March 2007 and in Maputo in July 2007 to discuss IDA's 15th replenishment. During the negotiations, they identified three special themes for further discussion. The first is the role of IDA in the global aid architecture at the sectoral, country, regional, and global levels, including its support for debt sustainability. The second is the effectiveness of IDA's assistance at the country level, including analysis of resource allocation and development outcomes, achievement and measurement of results, and progress in harmonizing and aligning assistance. The third encompasses IDA's strategy, instruments, and operational response in supporting fragile states; its financing for fragile states; and a systematic approach to arrears clearance. Two more meetings will be held to discuss the 15th replenishment, at which donors will be expected to confirm their contributions.

Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), to address the need for integrated approaches in fragile and conflict-affected countries. The Bank continues to cochair and actively participate in meetings of the OECD-DAC Fragile States Group.

The Bank also continues to invest in increasing the stock of knowledge on fragile states. In 2006, this investment resulted in two reports: *Aid that Works: Successful Development in Fragile States*, published in December 2006, and *The Economic Impact of Peacekeeping*, published in March 2006.

The Bank's Independent Evaluation Group (IEG) found that the Bank's work in fragile states has contributed to improving macroeconomic stability and to delivering significant amounts of physical infrastructure, especially in postconflict environments. Substantial progress has also been made on donor coordination at the international policy level. However, reforms in some fragile states have lacked selectivity and prioritization. While the Bank has made state-building a central focus, it has not adequately demonstrated how past weaknesses will be avoided or how better capacity development and governance outcomes will be ensured, according to the IEG. The Bank has yet to address the allocation of aid for fragile states in a way that reflects its objectives for these countries and ensures that fragile states are not under- or over-aided.

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 pandemics, such as avian flu. They must enhance their 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 an AAA-rated financial institution—with some unusual characteristics. Its shareholders are sovereign governments, each of which has a voice in setting IBRD's policies. Many of them are eligible to borrow from it. IBRD provides financing (loans, guarantees, and related risk-management tools); expertise in development-related technical disciplines; and assistance in gaining access

FIGURE 3.11

TOTAL IBRD LENDING BY REGION | FISCAL 2007
SHARE OF TOTAL LENDING OF \$12.8 BILLION

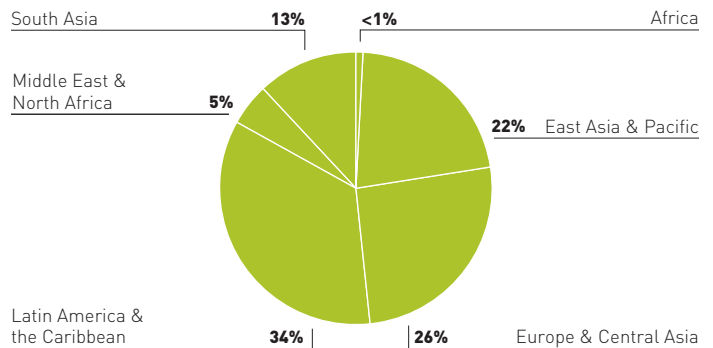


FIGURE 3.12

TOTAL IBRD LENDING BY THEME | FISCAL 2007
SHARE OF TOTAL LENDING OF \$12.8 BILLION

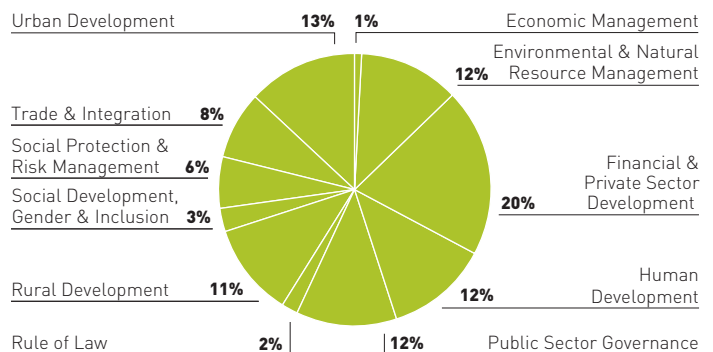
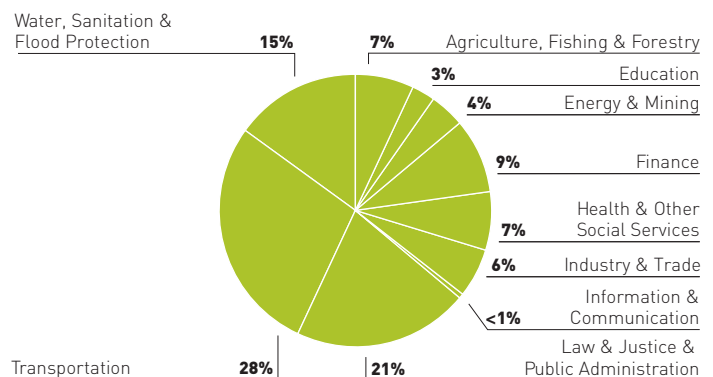


FIGURE 3.13

TOTAL IBRD LENDING BY SECTOR | FISCAL 2007
SHARE OF TOTAL LENDING OF \$12.8 BILLION



to capital and financial risk-management tools in larger volumes, on better terms, at longer maturities, and in a more sustainable manner than countries could receive from other sources. Unlike commercial banks, IBRD is driven by development impact rather than profit maximization.

IBRD Lending

New lending commitments by IBRD fell in fiscal 2007, to \$12.8 billion for 112 operations. Development policy lending represented 28 percent of total lending.

Latin America and the Caribbean received the most IBRD lending, with \$4.4 billion (34 percent of total IBRD commitments). It was followed by Europe and Central Asia, which received \$3.3 billion (26 percent) in funding, and East Asia and Pacific, which received \$2.8 billion (22 percent). Lending was more concentrated than in fiscal 2006. Whereas in fiscal 2006, 52 percent of total lending went to the five largest borrowers, in fiscal 2007, combined commitments amounting to 56 percent of total lending went to the five largest borrowers—Argentina, China, India, Turkey, and Colombia.

Transportation received the highest volume of IBRD lending (\$3.6 billion); followed by Law and Justice and Public Administration (\$2.7 billion); and Water, Sanitation, and Flood Protection (\$1.9 billion). The thematic composition of lending was led by Financial and Private Sector Development (\$2.6 billion), followed by Urban Development (\$1.6 billion).

Figures 3.11–3.13 show IBRD lending by region, theme, and sector. Development policy lending commitments are shown on the accompanying CD-ROM.

IBRD Resources

IBRD obtains most of its funds by selling bonds in international capital markets. In fiscal 2007, it raised \$11 billion at medium- to long-term maturities. Debt securities, with a wide range of maturities and structures, were issued in 11 currencies.

IBRD is able to borrow high volumes on very favorable terms. IBRD's financial 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 maintained adequate liquidity in fiscal 2007 to ensure its ability to meet its obligations. As of June 30, 2007, it held about \$22.2 billion in liquid assets. Also as of June 30, 2007, IBRD's outstanding borrowings from capital markets were about \$81.1 billion (net of swaps) (figure 3.14). Borrowings exceeded equity by a factor of about three. Total disbursed and outstanding loans were \$97.8 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

FIGURE 3.14

IBRD'S BORROWINGS AND INVESTMENTS | AS OF JUNE 30, 2007
BILLIONS OF DOLLARS

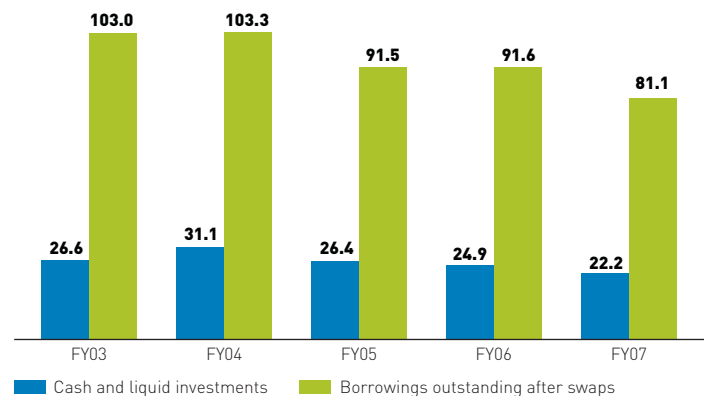
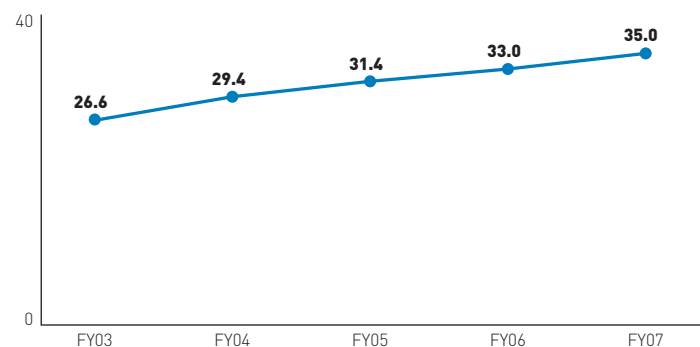


FIGURE 3.15

EQUITY-TO-LOANS RATIO | AS OF JUNE 30, 2007
PERCENT



rates are minimized. One summary measure of the Bank's risk profile is the ratio of balance sheet equity to outstanding net loans, which is closely managed in line with the Bank's financial and risk outlook. This ratio, excluding the reserve allocation from allocable net income in fiscal 2007, stood at 35 percent as of June 30, 2007 (figure 3.15).

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 consultation with the government, civil society organizations, development partners, and other stakeholders. It assesses the country's development situation and suggests a program

to meet its needs. During fiscal 2007, the Bank prepared 38 CAS products, including 10 CAS progress reports and 12 interim strategy notes, which are prepared when a country assistance strategy cannot be completed because of specific country circumstances. Of these, 19 were prepared jointly with IFC, and several were prepared collaboratively with other donors.

Strategy Development

In fiscal 2007, the World Bank produced two sector strategy papers: *Healthy Development: The World Bank's Strategy for Health, Nutrition, and Population Results*, and *Financial Sector Strategy for the World Bank*. In addition, other strategy-related papers, including a paper on the strategy for strengthening the World Bank's engagement with IBRD partner countries, were discussed in fiscal 2007 by the Development Committee. In February 2007, the Executive Directors approved a new policy framework for strengthening the World Bank's rapid response to crises and emergencies, which was accompanied by a new strategy for strengthening the Bank's institutional support and long-term engagement in fragile states. The Bank also produced a governance and anticorruption strategy that was endorsed by the Executive Directors.

Analytic and Advisory Services

Analytic and advisory activities are an integral part of the Bank's nonlending client services. The core group of products consists of economic and sector work and technical assistance (nonlending). Economic and sector work aims to influence client-country policies and programs. Technical assistance helps client countries implement policies and programs. To strengthen outcome orientation, ensure country ownership, and work within a harmonized donor approach, analytic and advisory activities are increasingly prepared in close collaboration with client countries and other multilateral and bilateral donors.

The Bank delivered 531 economic and sector work and 430 technical assistance products in fiscal 2007.

Research

The Bank's research group investigates a wide range of development issues. Its studies are designed to inform and influence researchers, academics, and the policy community—and to lead to better outcomes for poor people.

In fiscal 2007, the group produced new data sets on poverty, international migration, and access to finance. These data sets include new household surveys conducted as part of the Living Standards Measurement Study; an interactive tool (PovcalNet) that allows users to access data from 600 household surveys to replicate the Bank's global \$1-a-day poverty measure; and a Poverty Analysis Toolkit. Other products developed in fiscal 2007 include a database that provides estimates of international migration of skilled workers, and a cross-country data set on financial indicators that shows the extent to which enterprises and households use financial services.

In September 2006, an independent panel released the results of its review of Bank research conducted between 1998 and 2005. After examining more than 200 research projects and reports, it concluded that 61 percent of its sample was of above-average or superior quality, and it singled out the Bank's role as collector of development data as especially valuable. The report offered two main recommendations for strengthening research at the Bank: statistical capacity needs to be reinforced, and the borderline between advocacy and research needs to be carefully respected. Further discussion by the Board stressed the importance of enhancing data collection and management capacity.

World Bank Institute

The World Bank Institute (WBI) focuses on knowledge sharing and learning. It identifies countries' capacity development needs and provides relevant services and

QUALITY ASSURANCE GROUP FINDINGS

In its annual review of the Bank's active lending portfolio, the Quality Assurance Group estimated that the share of well-performing Bank projects at completion reached 81 percent in fiscal 2006, a level unmatched in the past 25 years. From fiscal 2003 through fiscal 2006, Transportation was the top performer among sectors, with more than 90 percent of outcomes rated as satisfactory. East Asia and Pacific was the top-performing region, with 83 percent of projects rated as satisfactory. And whereas IDA's share of World Bank commitments in 2001 was about one-third of the total, today it makes up 42 percent of the portfolio.

The report cautioned that underreporting of portfolio risks remained a serious concern: while Bank staff report problems in 11 percent of projects in the active portfolio, the actual share may be closer to 25 percent. Fragile states continue to represent critical challenges for the Bank, with a low satisfactory outcome rating of 56 percent during the four-year period from fiscal 2003 through fiscal 2006. Bank performance in terms of quality at entry and of quality of supervision in these countries, which are fully within the Bank's control, remain areas of concern. Bank management is taking a number of actions to enhance the Bank's organizational response to fragile states.

products, including technical assistance, thematic learning activities, cabinet-level retreats, and other programs.

In addition to providing critical knowledge and educational programs, WBI supports long-term capacity development by delivering multiyear programs, particularly in 45 focus countries specially designated for capacity development and to which 70 percent of WBI's annual budget is dedicated. Fourteen of these countries are in Africa, where WBI plays a key role in implementing the Bank's Africa Action Plan.

In fiscal 2007, WBI delivered some 700 learning activities and reached more than 75,000 participants, 33 percent of whom were women and 26 percent of whom were from Africa. WBI also increased its attention to organizational strengthening and reform. As part of a long-term program with the Central Bank of Bangladesh, it helped set up a policy analysis unit in the Central Bank's research department. That unit published its first-ever financial sector review. In response to a request from the newly elected government of Liberia, WBI and the United Nations Development Programme organized two seminars on the budget process for the executive branch and the legislature. WBI has been engaged in a long-term program with the government of Sudan to meet the country's postconflict transitional needs. This work is integrated with ongoing technical assistance funded by multidonor trust funds.

WBI has been supporting the Bank's strategy on middle-income countries by facilitating knowledge exchanges between developing countries, leveraging the expertise of countries that are world leaders in areas such as clean energy, HIV/AIDS, conditional cash transfers, and agricultural research. It has also facilitated the exchange of knowledge among European Union (EU) accession countries. In Bosnia and Herzegovina and in Turkey, for example, WBI has been bringing leaders from EU countries together with leaders from non-EU countries to share their experiences with developing plans for the EU accession or convergence process.

WBI's most prominent global programs are in governance and anticorruption and in 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 2007 KAM identifies sectors or specific areas where policy makers may need to focus more attention or increase investments.

GLOBAL CONNECTIONS

Partnerships

Global partnerships are increasing because of the growing integration of the world's economies and the existence of development challenges that cross national boundaries.

These partnerships promote efforts in areas of common concern such as combating communicable diseases, preserving the environment, 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 participates in some 170 global and regional partnerships, for which it committed more than \$170 million from its own resources in fiscal 2007.

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

The Global Development Learning Network

Launched in 2000, the Global Development Learning Network (GDLN) is a partnership of more than 110 learning centers (known as Affiliates) in 60 developing countries. GDLN Affiliates collaborate in holding events that connect people across countries and regions for learning and dialogue on development issues. Offering a combination of distance-learning tools, such as interactive videoconferencing and the Internet, and expert facilitation and learning techniques, GDLN Affiliates enable individuals, teams, and organizations anywhere in the world to communicate, share knowledge, and learn from each others' experiences in a timely and cost-effective manner.

The GDLN hosted approximately 1,000 videoconferences in fiscal 2007, reaching some 90,000 people worldwide. A majority of these conferences were organized by small government agencies and nongovernmental organizations.

Trust Funds

The World Bank has been mobilizing concessional resources for poverty reduction and sustainable development for nearly 50 years. IDA continues to be the primary channel for such resources. However, in recent years there has been strong growth in complementary channels that are also administered by the Bank, both at the country level and in support of global priorities. The Bank takes on this role largely in response to the international community's desire that it help leverage donor resources for a broad range of development initiatives. These initiatives vary significantly in size and complexity, ranging from multibillion dollar arrangements—such as Carbon Finance; the Global Environment Facility; the Heavily Indebted Poor Countries Initiative; and the Global Fund to Fight AIDS, Tuberculosis, and Malaria—to much smaller and simpler freestanding ones. These activities are further described in the World Bank's Trust Funds Annual Report. Table 3.2 lists the top 10 trust fund donors.

TABLE 3.2

TOP TEN TRUST FUND DONORS

MILLIONS OF DOLLARS

DONOR	2006	2007
United Kingdom	654	1,190
Netherlands	514	766
United States	735	747
European Commission	493	652
Canada	217	533
Japan	392	412
World Bank Group	421	408
Germany	165	332
France	177	288
Serbia	—	234
Others	1,446	1,772
Total cash contributions	5,214	7,334

Note: All figures are reported on a cash basis, unlike previous reports in which some were reported on an accrual basis. Fiscal 2006 figures have been restated accordingly.

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 project or program. In fiscal 2007, 130 Bank projects leveraged \$6.3 billion in cofinancing. Major cofinanciers were the United Kingdom's Department for International Development (\$1 billion) and the African Development Bank (\$0.6 billion). The regions that benefited the most were Africa (\$3 billion), the Middle East and North Africa (\$1.1 billion), and South Asia (\$1 billion). Energy and Mining; Health, Nutrition, and Population; and Transportation received \$1.8 billion, \$1.1 billion, and \$0.8 billion, respectively. Multilateral agencies contributed \$2.4 billion in cofinancing.

Enhancing World Bank–IMF Collaboration

Although there are many examples of good collaboration between the Bank and the International Monetary Fund, room remains for further improvement according to a report released in February 2007 by the External Review Committee on IMF–World Bank Collaboration. Its main recommendations are to strengthen the culture of collaboration between the two institutions, to promote cooperation in crisis management, to improve integration and harmonization of work on fiscal issues, to better coordinate technical assistance undertaken by the institutions, and to continue to improve collaboration and clarify roles in financial sector development.

COOPERATION ACROSS THE WORLD BANK GROUP: IMPROVING THE INVESTMENT CLIMATE

The Foreign Investment Advisory Service (FIAS) plays a lead role in the Bank Group's work on the business environment. In February 2007, FIAS welcomed MIGA's team and technical assistance programs as part of an integration approved by MIGA's Board of Directors. Funded by IFC, MIGA, the World Bank, and external donors, FIAS promotes investment (domestic and foreign) by helping countries improve their business climates.

Due in part to FIAS' efforts in Sierra Leone, average business registration costs there were reduced from \$1,500 to about \$50. In Kenya, 110 business licenses were eliminated in 2006, and the government has

committed to eliminating over 300 more following advice from FIAS. After three years of collaboration with FIAS and IFC, China and Vietnam each passed legislation that will improve access to credit for small businesses.

The Aceh Investor Outreach Office, a joint IFC and FIAS project launched in March 2007, has assisted more than a dozen potential investors to date. The outreach office acts as a gateway to Aceh for foreign and domestic investors, providing companies with information, contacts, advice on regulatory requirements, and policy advocacy. (See www.fias.net.)