

IV. IDA'S ROLE IN ADDRESSING REGIONAL AND GLOBAL PRIORITIES

75. **IDA's strengths and comparative advantages allow it to also play a pivotal role in addressing development challenges that cross national boundaries.** Examples of such challenges include the prevention and control of HIV/AIDS, environmental preservation, regional and global trade integration, and research and sharing of knowledge. Addressing these challenges would often require regional and global collective action by multiple countries and development partners. By leveraging its country-focused assistance and policy dialogue, IDA integrates regional and global priorities into country strategies. By working with multiple countries and actors on the ground, it builds constituencies that help align regional and global priorities with national priorities. IDA's role at the regional level is discussed in subsection IV.A, while subsection IV.B outlines IDA's role at the global level.

A. THE ROLE OF IDA AT THE REGIONAL LEVEL

76. **Regional programs are key vehicles for delivering regional public goods and helping small economies strengthen their competitiveness.** IDA has based its regional program support on three specific rationales:⁷⁴ (i) Achievement of common national objectives such as regional integration, where countries may be able to reap economies of scale or other efficiencies by acting collectively; (ii) Management of shared natural resources, including water basins, protection of biodiversity, and improvement in air and water quality; and, (iii) Integrated or harmonized treatment of trans-boundary issues, such as cooperation among neighboring states to control the spread of diseases like malaria and HIV/AIDS. A good example is Sub-Saharan Africa, where regionally coordinated transport development can help the continent's 15 landlocked countries connect to markets in neighboring countries and open access to the sea for trade. Similarly, regionally integrated power supply and distribution can help Africa's small economies increase their access to reliable and cheaper energy.

77. **IDA plays multiple roles in regional programs:** First, it provides direct financial resources and technical advice to countries and regional organizations in the development of regional projects and participates in the implementation of regional programs in IDA countries, in partnership with others. Second, IDA generates knowledge needed at the country and the regional level, both to underpin effective design and implementation of regional programs and to promote policy discussion among groups of countries on issues where policy harmonization and collective action can improve development outcomes. Those two aspects are covered in subsections A.1 and A.2 below. A summary of IDA's comparative advantages at the regional level is provided in subsection A.3.

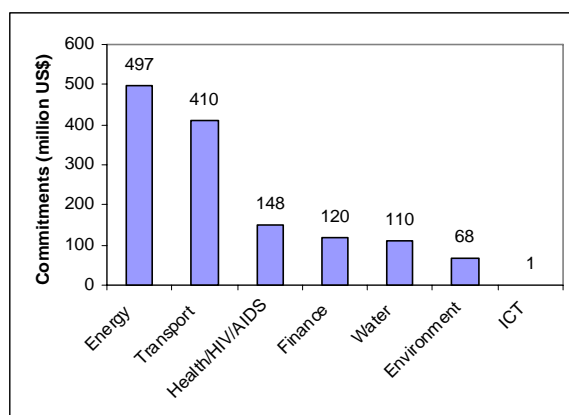
A.1. *Financing of Regional Projects*

78. **Support for regional projects has become increasingly important in IDA's work program.** IDA's commitments for regional projects have increased significantly over time, rising from US\$155 million during 1995-2000 to US\$993 million during 2001-2006. Recent

⁷⁴ See IEG, "The Development Potential of Regional Programs: An Evaluation of World Bank Support to Multi-country Operations," Washington, D.C., March 2006.

increases in IDA's financing role have to do with the introduction of the IDA Regional Pilot Program (RPP) since IDA13. This has enabled the Bank to respond more fully to rising demands for regional assistance within IDA, particularly among African countries.⁷⁵

Figure 12. IDA Commitments for Regional Projects by Sector (2001-06)



Source: World Bank Business Warehouse.

79. **In addition to its own financing, IDA leverages additional funds committed by other development partners.** IDA's partners in regional programs have included the ADB, EU, IDB, USAID, the Kuwait Fund and French, British, German, Japanese and South African bilateral agencies. Levels of co-financing are comparable with levels achieved in national IDA programs. In addition to external partnerships, IDA also benefits from strong partnerships and complementarities within the Bank Group. Examples include the West Africa Capital Markets Development Project, where MIGA has provided US\$70 million in guarantees; the East Africa Transport and Trade Facilitation Project, where IFC has invested US\$32 million; and the Regional Communications Infrastructure Program where both IFC and MIGA are partnering with IDA. The complementary nature of Bank Group engagements and instruments has been instrumental in helping develop complex programs which have achieved policy alignment and mobilized private sector investment and co-financing.

80. **Africa is the main recipient of IDA's support to regional projects.** Within IDA financing of regional projects during 2001-06, approximately 89 percent went to Africa, about 9 percent to Europe and Central Asia, with the remaining 2 percent going to Latin America and the Caribbean. East Asia and Pacific and South Asia did not receive any IDA funding for regional projects during 2001-06.⁷⁶

⁷⁵ A comprehensive review of the experience with the Pilot Program was recently undertaken as part of the mid-term review of IDA14 in "IDA14 mid-term review of the IDA pilot program for regional projects," Washington, D.C, 2006.

⁷⁶ For the purpose of funding from the Regional Pilot, IDA defines regional projects as those involving at least three countries --and this in part explains the lack of viable regional projects in South Asia as well as in the East Asia and Pacific Region. Further, the regional development banks have played a greater role in financing of regional projects in East Asia and Pacific, and Latin America and the Caribbean.

81. **By sector, the bulk of IDA's support to regional projects goes to infrastructure (75 percent)** (Figure 12). Within infrastructure, the energy sector has been the strongest source of demand, followed by the transport sector. In the energy sector, regional projects⁷⁷ have interconnected the electricity grids of neighboring countries to begin development of regional power pools and energy markets. In transport, regional projects⁷⁸ have facilitated transport connectivity and created conditions for improved trade between neighboring countries. Regional health sector projects⁷⁹ have focused mainly on preventing the spread of HIV/ AIDS across borders. Regional projects in finance⁸⁰ have supported regional payment systems and capital market development. Regional water, environment and ICT projects similarly supported trans-border development issues such as the Senegal River Basin Multipurpose Water Resources, and investments in international communications and connectivity.

82. **The performance of regional programs supported by IDA overall is satisfactory.** From its review of regional programs completed between 1995 and 2005,⁸¹ IEG concluded with cautious optimism that the proportion of regional programs having successful outcomes can be comparable with national programs which IDA supports. IEG noted the generally greater technical complexity of regional programs and highlighted the need for investment engagements to be underpinned by thorough analytic work and policy reform.

83. **IDA's pipeline of regional projects has grown rapidly, reflecting in part an increase in demand, particularly in Africa.** Total commitment under the Regional Pilot Program stood at US\$477.6 million in FY06. In FY07 commitments are estimated at about US\$650 million in Africa alone. Going forward, Africa's annual demand for regional financing for the period of IDA15 is projected to be even stronger.⁸² The growing demand is not restricted to Africa and also includes – although to a lesser extent – Europe and East Asia (e.g., regional power trading and water resource management for the Greater Mekong Sub-region), and the Caribbean countries (e.g., a CARICOM-wide catastrophic risk insurance initiative). In view of these growing demands, a strong replenishment of IDA15 would help support a range of critical regional infrastructure projects (energy, transport, water resources), investment in financial and

⁷⁷ The projects included: the West Africa Power Pool, the Southern Africa Power Market, the West African Gas Pipeline, and the Energy Community of South Eastern Europe (Albania, Bosnia-Herzegovina, Serbia, Montenegro).

⁷⁸ The projects included Africa Trade Facilitation, which covered several countries of Southern and Eastern Africa, and the West and Central Africa Air Transport Safety project. The countries covered are: Rwanda, Burundi, Uganda, Kenya, Malawi, Tanzania, and Zambia.

⁷⁹ The projects are: West Africa HIV/AIDS and transport project, the Abidjan Lagos Transport/ HIV/AIDS Corridor, Regional HIV/AIDS Treatment Acceleration Project, Regional Capacity Building Network for HIV/AIDS Prevention Care and Treatments, The Great Lakes Initiative on HIV/AIDS Support, the Central Asia AIDS Control project, the Pan-Caribbean Partnerships Against HIV/AIDS, and the Central America HIV/AIDS project.

⁸⁰ The projects are: Central Bank of West African States (BCEAO) Regional Payment Systems; Bank of Central African States (BEAC) Regional Payment System; and, West African Economic and Monetary Union Capital Markets Development.

⁸¹ See IEG, *The Development Potential of Regional Programs: An Evaluation of World Bank Support to Multi-country Operations*, Washington, D.C.

⁸² See the paper: "The Demand for IDA15 Resources and Strategy for their Effective Use" for further details on projected financing requirements under various scenarios for the IDA15 period.

capital market development, and investment in the management of shared natural resources, including river basins.

A.2. Knowledge Support for Regional Programs

84. **IDA also provides regional analytical and advisory services.** Over the four-year period (FY02-05) covered in a recent IEG review, the Bank supported a total of 865 regional and global analytic and advisory activities,⁸³ with a total cost of about US\$145 million. Over time, the activities have grown from 140 tasks and US\$16 million in FY02 to 239 tasks and US\$56 million in FY05 – a quadrupling in dollar terms. Through these analytic and advisory activities (AAA), IDA supports development of sector knowledge on a regional basis and *inter alia* provides the intellectual underpinnings to distill priorities among competing regional investment projects.

85. **IDA is at the forefront of development of regional integration strategies that are aligned with regional priorities.** Commencing in 2000, IDA has developed four Regional Integration Assistance Strategies (RIAS) to set strategic frameworks for regional IDA support in Africa. A RIAS for West Africa was discussed with the Board in August 2001 and a RIAS for Central Africa in February 2003. Similar analyses were prepared for East Africa and Southern Africa. Both the IEG and Africa Region reviews confirmed the continuing validity of strategic priorities identified in the RIAS. Based on experience implementing the strategies under the IDA Regional Pilot Program, the Africa Region is now preparing a RIAS at the continental level, to be discussed by the Board in FY08.

86. **IDA's recent and ongoing regional diagnostic studies address issues of trade and regional integration, infrastructure and shared water resources.** Studies in FY06 included a review of implementation of customs unions; analyses of gaps in regional infrastructure (especially trade corridors, regional power systems and international telecommunications links); and three regional assessments of financial sector integration, with emphasis on access to trade-related financial instruments.⁸⁴ Ongoing studies during FY07-FY08 include, among others, the Zambezi Basin study,⁸⁵ and the East African energy market study, among others. In work on Africa, large analytical activities increasingly are undertaken jointly with other partners, with AfDB in particular.

87. **Finally, IDA also supports several regional partnerships.** An example is the Nile Basin Initiative (NBI), where 10 countries that share the Nile River have come together to jointly develop and manage their shared resource to fight poverty, catalyze socio-economic development, and promote peace and stability in the region. IDA has supported the NBI since its inception in 1997 by facilitating dialogue and cooperation, coordinating donor contributions

⁸³ A recent IEG review of regional and global AAA shows that overall quality is good: 87 percent of the AAA were rated as moderately satisfactory or better (IEG, "Quality of Global and Regional AAA", November 2006).

⁸⁴ See "East African Community (EAC) Financial Integration Report, June 2006; "Southern African Development Community (SADC) Financial Integration Report," June 2006; and "Economic Community of West African States (ECOWAS) Financial Market Integration Report," June 2006. (P096471, P099076, P096472).

⁸⁵ The study provides the analytical foundations for defining a long-term support strategy for investments within the 8 Zambezi riparian countries: Angola, Botswana, Malawi, Mozambique, Namibia, Tanzania, Zambia and Zimbabwe.

through the multi-donor Nile Basin trust fund, promoting institutional development, and providing technical assistance and advisory services.

A.3. IDA's Comparative Advantage in Regional Programs

88. IDA's comparative advantage in supporting regional programs arises from its combination of regional expertise, strong national level policy engagements and longstanding role as a convener of governments and donors. The specific comparative advantages include its:

- **Capacity to deliver complex regional projects and analytical work:** Getting multiple countries to buy into a shared objective is often complex. IDA is well-positioned to meet this challenge.
- **Ability to leverage resources within and outside the World Bank Group for regional projects:** IDA can mobilize financing from other sources, combine it with support from IFC and MIGA, and deliver the financing needed to unlock large scale regional projects. Examples include the Regional Communications Infrastructure Program, East Africa Transport and Trade Facilitation and West Africa Gas Pipeline. In each of these large programs the participation of IDA has been key to unlocking the potential for private investment to support development of regional infrastructure.
- **Ability to link regional integration and country assistance strategies (CASs):** The extensive engagement of IDA in country policy dialogue and supporting economic sector work offers IDA significant advantages in terms of integration of regional issues with country priorities as well as policy harmonization among groups of countries in sectors where regional approaches offer opportunities for wider markets, linking the supply and distribution of electrical power, controlling HIV/AIDS, and managing trans-boundary water resources.
- **Ability to scale up support for regional infrastructure, particularly in Africa.** Bank analyses show that while in many sectors Africa can compete at the factory gate, competitiveness at a port is badly eroded by weaknesses in infrastructure. A range of critical regional infrastructure activities that would help remove some key bottlenecks to development (energy, transport, water and sanitation) remain inadequately financed. These are critical to help Africa sharpen competitiveness and leverage additional trade related growth. These issues are addressed from a regional standpoint because this is the most effective way to focus on competitiveness or environmental sustainability at the country level. In addition to infrastructure, further investment in the management of shared natural resources and river basins is essential for countries to sustain livelihood, productivity and growth.⁸⁶

⁸⁶ The 47 countries of Sub-Saharan Africa share 69 major water basins. Acting purely nationally, no country can assure its own water security.

B. ADDRESSING GLOBAL PRIORITIES AND INVESTING IN GLOBAL PUBLIC GOODS⁸⁷

89. **Global economic integration, coupled with emerging development challenges that cross national boundaries, has led to the emergence of several global programs and initiatives.** These programs often address global public goods such as prevention and control of HIV/AIDS and Avian Flu, environmental preservation (climate change, ozone depletion, land degradation, biodiversity loss; protecting water and forest resources; promoting agricultural research), trade integration, and research and sharing of knowledge.

90. **The Bank has long supported global priorities and programs** (see Table 2). Its first involvement in global programs dates back to the establishment, in 1972, of the Consultative Group on International Agricultural Research. Since then, the Bank's participation in global programs has steadily grown. The 1990s and early 2000s especially saw a substantial increase in the number of global programs. These include: the Global Environment Facility (GEF), the Multilateral Fund to Implement the Montreal Protocol (MFIMP), the International AIDS Vaccine Initiative (IAVI), the Global Alliance for Vaccines and Immunization (GAVI) and the Global Fund for Aids, Tuberculosis and Malaria (GFATM). In FY 2006, the Bank participated in over 160 global programs and partnerships.⁸⁸

91. **The Bank Group plays multiple roles in global programs** (see Box 10). Historically, these multiple roles of the Bank at the global level have been combined with IDA's presence on the ground to support effective implementation of global programs and priorities in poor countries. Indeed, most global programs have fostered country-level investments, standards, technical assistance, and capacity building.⁸⁹

Box 10. The World Bank Group's Role in Global Programs and Partnerships

The Bank Group as a whole plays multiple roles in global programs and partnerships, which IDA leverages in its country-based operation:

Convening role. The Bank brings together multiple parties and actors to respond to global issues requiring collective action. An example is the recent Avian Flu initiative. Spurred on by the potentially catastrophic nature of the threat of avian flu, the World Bank –in partnership with the European Commission, and the Chinese Government – cosponsored a pledging conference in Beijing, which generated US\$ 1.9 billion to support efforts to prevent the spread of the disease. Subsequently, the Bank helped establish a global program – known as the Global Program for Avian Influenza (GPAI) – which would channel some of the resources pledged at the Beijing Conference, with the Bank managing the fund to fill emerging gaps as needed.

Financing role. The Bank, through its Development Grant Facility (DGF), the main mechanism for grant funding of innovative global programs and partnerships, has contributed about US\$170 million a year to global programs and partnerships since 1998.

⁸⁷ This section draws on ongoing Bank work on Global Public Goods, entitled: "Global Public Goods: A Framework for the Role of the World Bank", Global Programs and Partnerships (GPP).

⁸⁸ The Bank is also involved in about 58 additional programs and partnerships, which are regional in nature.

⁸⁹ See IEG, "Addressing the Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs", January 10, 2005.

Box 10 (cont'd)

Implementation role. The Bank is playing a key role in global programs and priorities, in terms of mainstreaming and integrating global programs into national development strategies; and investing directly in global commons at the country level.

Catalytic role. The Bank's grant financing catalyzes and leverages substantial additional resources from other donors. In total, the typical Bank's grant contributions of about 15 percent of total program budget would help mobilize more than US\$1 billion annually from international organizations, bilateral donors, developing country governments, NGOs, foundations and the private sector.

Trustee or fiduciary role. The Bank also serves as a trustee for many of the global programs and partnerships, including the Global Environment Facility (GEF), the Global Fund to Fight AIDS Tuberculosis and Malaria (GFATM), Education For All - Fast Track Initiative (EFA-FTI), and others. Nearly two-thirds of the annual resources associated with global programs and partnerships – are channeled through trust funds administered by the Bank. The Bank's role in these trust funds ranges from accounting and reporting to management and supervision, including allocation decisions (for Bank-executed trust funds).

92. **IDA's role in global programs and priorities is twofold:** mainstreaming and integrating global programs into national development strategies; and investing directly in global commons at the country level. Over the years, IDA has played these twin roles with regard to protection of environmental commons, communicable diseases, reforms in international trade system, production and dissemination of global development knowledge, and the fostering of global financial stability, which are discussed in B.1-B.5 below. A summary of IDA's comparative advantages at the global level is provided in subsection B.6.

B.1. Environmental Commons

93. **IDA has invested in environmental protection for more than two decades.** IDA's engagement on the global environment commons has focused on its direct link to sustainable development at the country level. Over the past two decades, IDA's aggregate commitments under the environment theme have been approximately US\$9 billion. In addition, IDA has leveraged significant amount of resources through trust funds and funding. Over the last five years alone, environment-related trust fund disbursements exceeded US\$2.4 billion. In addition, IDA has partnered with the GEF in the implementation of a number of environmental projects, thus demonstrating IDA's complementary role to vertical funds. This support has helped mitigate air pollution in urban and industrial areas; provided cleaner and more reliable supplies of water; made land management more sustainable; built environmental institutions; dealt with climate change; and protected biodiversity. Internal evaluations have shown that this lending has been delivered with high quality.

94. **In recent years, climate change has emerged as a significant development issue.** Two key recent reports – the *Stern Report on the Economics of Climate Change* and the *Intergovernmental Panel on Climate Change (IPCC): Fourth Assessment Report* – underscore the need for quick measures to slow down climate change. There is growing evidence that the Earth's climate is changing due to human activities, such as use of fossil fuels and land management practices (e.g., deforestation). The changing climate – warmer temperature, increasing sea level, melting mountain glaciers, changing precipitation patterns, and more extreme weather events – is expected to have significant global and country-level consequences.

95. **The impact of climate change is expected to be even more severe for developing countries, putting the achievement of the MDGs at risk, and requiring an appropriate response by the international aid community and in particular IDA.** The IPCC Fourth Assessment points out that “*over the next half-century, climate change could impede achievement of the MDGs.*”⁹⁰ Climate change is expected to have tremendous cross-sectoral consequences, in view of the anticipated adverse impact on water availability, agriculture, health, the durability of major infrastructure, and the sustainable use of natural resources. IDA’s work on climate change going forward is discussed in Section V.

B.2. Communicable Diseases

96. **HIV/AIDS.** AIDS is a major threat to global health, and a roadblock to lasting development, especially in sub-Saharan Africa. UNAIDS estimates that almost 25 million of the 39.5 million people infected with HIV worldwide live in Sub-Saharan Africa. In 2006, about 2.9 million people died of HIV-related illnesses in Africa.

97. **IDA was the first source of substantial funding for HIV/AIDS**⁹¹ in Sub-Saharan Africa, the Caribbean, and India, and remains the most flexible financing source. Beginning in the late 1980s, IDA has committed over two billion dollars to support HIV and AIDS responses in 67 countries, and has helped scale up HIV prevention, treatment, and care, benefiting millions of people, especially in Sub-Saharan Africa and South Asia.

98. **IDA’s Multi-Country AIDS Program (MAP) – especially the grant resources set aside under IDA13 – paved the way for other global health initiatives focused on AIDS.** It helped to increase total resources for HIV in developing countries from US\$300 million in 1996 to US\$8 billion in 2005 (including US\$2 billion in domestic public and private spending). An independent evaluation by IEG during 2005 concluded that “IDA assistance has induced governments to act earlier or in a more focused and cost effective way. It has helped raise political commitment, create or strengthen AIDS institutions, enlist NGO and prioritize activities”.

99. **Currently, with the large grant resources of GFATM and the US President’s Emergency Plan for AIDS Relief (PEPFAR), IDA is no longer the principal financier for AIDS, but it remains a key source of support.** It continues to strengthen national and sub-national capacity for planning, managing, and monitoring HIV responses and thus enabling countries to use other sources of global funding effectively. IDA is also a valued source of funding because it can be used flexibly to complement other sources, deliver sustained support to strengthen health systems, and support investments and outreach outside the health sector that are key for preventing HIV transmission – for example, in education, transport, income generation, for grassroots initiatives that reach poor and remote communities, and marginalized groups that often drive HIV epidemics.

100. **Avian Flu.** The outbreak of Avian Flu has brought to the forefront the new challenge of confronting the potential human health impacts of animal diseases. It has focused the attention

⁹⁰ *Intergovernmental Panel on Climate Change (IPCC): Fourth Assessment Report, Summary for Policymakers*, p. 20.

⁹¹ See: <http://siteresources.worldbank.org/IDA/Resources/IDA-HIV.pdf>.

of the international community on the need to develop better country level systems to monitor these types of diseases and to respond to outbreaks when they occur in order to minimize the chances of widespread human contagion.

101. **Since the emergence of the Avian Flu as a threat, IDA has invested – through projects – to minimize the threat at the country level.** By the end of 2006, more than 30 countries have already received financing under the Avian Flu program, with a total commitment of US\$147.4 million in IDA credits.⁹² These projects have financed public awareness and information campaign, focusing on risk and behavior change communications; animal health, including short and long term virus prevention, containment, and control; and human health, including enhancing the coordination, surveillance and response capacities of the public health sector. On average, 40-60 percent of project costs have consisted of measures to deal with animal health and 30-40 percent of those costs have been for human health aspects.⁹³

B.3. International Trading System

102. **IDA has played a significant advocacy role at the global level in trade liberalization and improving trade policy capacity at the country level.** The global welfare gains from full liberalization of merchandise trade are estimated at US\$280 billion a year by 2015, of which US\$86 billion would accrue to developing countries.⁹⁴ At the global level, IDA has been a strong advocate of a more liberal and nondiscriminatory trade regime, calling for trade reforms. It has worked with the donor community to make a case for additional development assistance to be allocated to strengthen trade capacity and help countries adjust to and benefit from global trade liberalization.

103. **At the country level, IDA has increased efforts to more fully integrate and strengthen trade policy and facilitation issues in national development strategies.** Aid for trade can support policy reform and infrastructure investments. In sub-Saharan Africa, for example, a typical import transaction takes 58 days (versus 14 days in the OECD), and each day of delay reduces export volumes by 1 percent on average.⁹⁵ This is mainly due to poor roads and ports, as well as poorly performing customs. One vehicle through which IDA has directed greater attention to trade issues is through the Integrated Framework for Trade-related Technical Assistance. The latter has been key in cutting the delays of goods in ports and customs, and addressing trade policy reforms. IDA lending on trade-related projects has seen a substantial rise in the past 5 years.

B.4. Development Knowledge

104. **IDA produces and disseminates global knowledge on development.** It does so both through direct (project and program) experience as well as through developing and disseminating comparative data that would enable better benchmarking and understanding of development.

⁹² The countries include: Albania (\$5 million), Armenia (\$6.25 million), Azerbaijan (\$5.1 million), Georgia (\$7 million), Kyrgyz Republic (\$4 million), Lao PDR (\$4 million), Moldova (\$8 million), Nigeria (\$50 million), Tajikistan (\$5 million), Turkey (\$34.4 million IBRD loan), and Vietnam (\$18.6 million).

⁹³ The program documents are available at www.worldbank.org/avianflu.

⁹⁴ See World Bank, *Global Monitoring Report 2006*, p. 93, Washington, D.C.

⁹⁵ Ibid.

Examples of comparative data and knowledge produced and disseminated by IDA include measurement of poverty and inequality based on household surveys, the quality of the business environment, costs of doing business, transparency and corruption indicators, trade restrictiveness indicators, tracking the flows of public resources, pollution disclosure data, debt data and debt sustainability analysis, and other regular reports such as the World Development Report, and the Global Monitoring Report. This service is of relevance to international markets, the development community at large, and countries and their citizens who can themselves assess their economic performance relative to comparator countries. IDA can provide this service because of its country-level involvement, its objectivity and quality control, and capacity to design and implement comparative measurement methods across countries.

105. As pointed out before, IDA's ability to provide sound development advice and knowledge benefits from the Bank Group's ability to operate in a full range of countries – not just IDA countries. In other words, some of the lessons that IDA applies (or makes available for application by others) in IDA countries have been generated through IBRD's experience and dialogue with middle-income countries.

106. One recent area of focus has been on international migration and remittances. In the past, the impact of migration on sending and receiving countries has been under-researched, due mainly to data unavailability and political sensitivities. However, international migration has significant economic, social, and cultural implications. In 2004, migrant remittances stood at US\$160 billion, far surpassing development aid and representing the largest source of foreign exchange for some developing countries. In view of the importance of international migration, IDA's knowledge work has included efforts to improve data and indicators; study the developmental and financial impacts of remittances and migration; and develop a better understanding of the policies and institutions that would enhance the benefits of migration.

B.5. Global Financial Stability.

107. IDA also plays an important role in fostering global financial stability through surveillance of and capacity building in financial sectors in IDA eligible countries. The joint Bank-Fund Financial Sector Assessment Program (FSAP) and joint Bank-Fund Reports on the Observation of Standards and Codes help to identify areas of vulnerability and propose reforms. The identification of reforms is often followed-up by project and program support for implementation that would help strengthen a country's resilience to financial crises.

B.6. IDA's Comparative Advantage in Global Priorities

108. IDA's comparative advantage in supporting global programs and priorities are its:

- **Ability to link global issues with country strategies.** A solid understanding of country-level sectoral and cross-sectoral development issues, as well as access to a range of financial instruments, places IDA in a strong position to assist governments in merging global interests into national development strategies. When applicable, IDA can link global issues to country programs through country strategies, AAA, lending/grants, and global program and trust fund activities.
- **Ability to invest in global public goods at the country level.** IDA also directly finances investment in global public goods at the country level, in particular in

preventing the spread of communicable diseases (HIV/ AIDS, avian flu); in protecting the environment; in integrating trade policy and capacity issues in national development strategies; and in generating comparative development data and knowledge, and disseminating such data worldwide.

- **Capacity to play a leading role in tackling emerging global priorities such as climate change and clean energy.** IDA is positioned to take a leading role (in partnership with the GEF and other multilateral and bilateral partners) in financing investments in clean energy necessary to reduce emissions of greenhouse gas and help decelerate climate change, as well as help poor countries adapt to climate change.