





A VISION FOR DEVELOPMENT

The World Bank's mission is to work for a world free of poverty. This year, as world leaders and development partners have taken stock of progress toward achieving their vision for development, they have seen that without bold actions, the Millennium Development Goals (MDGs) they adopted at the turn of the century will not be reached. To focus global attention on the world's poor people, they have proclaimed 2005 the year of development.

There is a growing realization that lack of sufficient progress toward these goals has immediate and tragic consequences. Every week 10,000 women in the developing world die giving birth, and 200,000 children under age five die of disease. More than 8,000 people die every day from AIDS-related conditions, and 2 million people will die of AIDS this year in Africa alone. As many as 115 million children in developing countries are not in school.

For hundreds of millions of people, a future without poverty, disease, and illiteracy depends on development. For the world, long-term security and peace depend upon it.

Stepped-up action toward meeting the MDGs is thus necessary. The urgency of this need is highlighted in the second *Global Monitoring Report*, which assesses progress and proposes ways to build momentum toward achieving the goals (see page 23). The Bank is a central partner in the effort—through its knowledge, its lending, and its support for country-owned poverty reduction strategies.

The Bank has sharpened its support for the development agenda through a two-pillar strategy for reducing poverty that is based on building the climate for investment, jobs,

and sustainable growth and on investing in poor people and empowering them to participate in development.

The strategy recognizes the vital relationship between long-term growth and human development: without human development, economic growth cannot be sustained; and a healthy economic climate provides a setting in which people can thrive.

BUILDING THE CLIMATE FOR INVESTMENT, JOBS, AND SUSTAINABLE GROWTH

Growth is an essential and powerful instrument for reducing poverty and improving living standards. If developing countries are to meet the MDGs, economic growth in these countries must accelerate.

Strong growth requires an economic climate that is conducive to investment, job creation, and higher productivity. To foster a climate for equitable growth, the Bank conducts economic analysis and provides country lending and policy advisory assistance for a variety of programs (see chapter 3). These programs aim to help maintain economic and financial stability, improve investment climates and enable private sector development, facilitate better governance and effective efforts to combat corruption, develop and maintain infrastructure, support environmental sustainability, and promote openness to trade and access to world markets for goods.

Improving the Investment Climate and Enabling Private Sector Development

The Bank's analytic work on investment climates provides countries with valuable information and tools. Now in its

second year, the Doing Business project, which is supporting reform work in more than 30 countries, provides objective, quantifiable indicators of business regulation in 145 countries. It provides tools for benchmarking that enable governments to compare their investment climates to those of their neighbors and their performance to global best practices. This year's report, *Doing Business in 2005*, expands the indicators of business constraints to include property registration and investor protection. The report also helps identify reform priorities.

The new Investment Climate Surveys Database, with data from 30,000 firms in 58 countries, offers additional indicators to inform governments contemplating reforms. This year the Bank and IFC completed an analysis of corporate governance in 10 countries, bringing the number of analyses to 48. Drawing on this research, the Bank's *World Development Report 2005: A Better Investment Climate for Everyone* has elevated the importance of improving the investment climate within the development agenda.

The Bank Group's advisory services and lending are turning diagnostic work into action in many countries. Commitments for 109 new projects with private sector

development components in fiscal 2005 amount to more than \$3.8 billion. With 23 country investment climate assessments completed this year, country assessments are now being used to guide reforms or support Bank projects in over 40 countries. For example, in El Salvador the investment climate assessment helped shape the Bank's Growth Development Policy Loan by identifying challenges in the investment climate and infrastructure. In Cambodia the Bank-IFC Foreign Investment Advisory Service is working with the garment industry to create a socially responsible brand image that will help it compete globally.

Facilitating Good Governance and Combating Corruption

Research shows that open and transparent governments are more likely to generate economic growth. For this reason, the Bank now requires all Country Assistance Strategies to address governance (see chapter 3).

In fiscal 2005 Bank lending for governance totaled \$2.6 billion, 12 percent of new lending (see chapter 3). This lending supports reforms in public financial management, procurement, service delivery, tax policy, customs administration, and law and justice. (See www1.worldbank.org/publicsector/index.cfm.)

THE MILLENNIUM DEVELOPMENT GOALS

- **Eradicate extreme poverty and hunger**
Halve the proportion of people in extreme poverty, and the proportion of people who suffer from hunger, by 2015
- **Achieve universal primary education**
Ensure by 2015 that all children will be able to complete a full course of primary schooling
- **Promote gender equality and empower women**
Eliminate gender disparity in primary and secondary education by 2005, and in all levels of education by 2015
- **Reduce child mortality**
Reduce by two-thirds the under-five mortality rate by 2015
- **Improve maternal health**
Reduce by three-quarters the maternal mortality rate by 2015
- **Combat HIV/AIDS, malaria, and other diseases**
Halt the spread of HIV/AIDS, malaria, and other major diseases, and begin to reverse the spread, by 2015
- **Ensure environmental sustainability**
Halve the proportion of people without sustainable access to safe drinking water by 2015
- **Develop a global partnership for development**
Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system, and address the special needs of the least developed countries

Integrity of Financial Systems The Bank's program to fight money laundering and the financing of terrorism focuses on helping countries strengthen the integrity of their financial systems. The Bank works with the intergovernmental Financial Action Task Force, similar regional bodies, and the United Nations to promote policies that encourage transparency in financial sectors and help detect and prosecute corruption. In fiscal 2005 the Bank more than doubled its assistance in this area, providing training programs and long-term expert mentors for regulators, organizing global dialogues with the public and private sectors, conducting assessments of country compliance with international best practices, and publishing reference guides and practical manuals.

Capacity Building and Diagnostics The World Bank Institute (WBI) helps policy makers from client countries develop the knowledge, skills, and abilities that will enable them to improve governance and stem corruption. In cooperation with the Bank's lending program and partner institutions, the Institute delivers participatory learning programs that help local government leaders formulate specific institutional reforms. In fiscal 2005 WBI helped civil society organizations from Benin, Guatemala, Guinea, Sierra Leone, and Zambia to develop governance and anticorruption assessments.

WBI and the Bank's Development Economics Group produce the Worldwide Governance Indicators, which assess more than 200 countries and territories on key dimensions of governance. These indicators are widely used by policy makers, donor agencies, and social science researchers. (See "Capacity Development" in chapter 3.) (See www.worldbank.org/wbi/governance.)

Law and Justice Courts and other justice institutions are vital to good governance and the fight against corruption, as they enforce the rules governing economic and social interaction. Since 1991 the Bank has funded more than 1,500 law and justice activities in 140 countries. These include 17 freestanding justice projects that were active in fiscal 2005.

Institutional Integrity The Bank is a leader among international institutions in resources committed to fighting fraud and corruption in its own operations and in client countries. The Department of Institutional Integrity was created in 2001 to investigate allegations of fraud and corruption within the Bank and in Bank-funded projects. The Bank issued its first *Annual Report on Investigations and Sanctions of Staff Misconduct and Fraud and Corruption in Bank-Financed*



Projects in February 2005. The report provides detailed data for fiscal 2004 and summary data for fiscal 1999–2004. Since 1999 the department has investigated and closed more than 2,000 cases. As of the end of fiscal 2005, these investigations had led to the debarment of more than 300 firms and individuals. The Bank publishes all of its debarments at www.worldbank.org/procurement. Allegations can be received at the Bank's 24-hour hotline (1-800-831-0463), by e-mail

(investigations_hotline@worldbank.org), and through Bank staff and other sources.

Revitalizing Infrastructure

The World Bank supports activities in a wide array of infrastructure services, including energy, transport, water supply and sanitation, urban services, telecommunications, oil, gas, and mining. It helps clients improve infrastructure service delivery through policy dialogue and institution building, support for reform, and physical investment. It also acts as a catalyst for leveraging financial and other assistance from development partners and the private sector.

Significant progress was made in fiscal 2005 toward implementing the Infrastructure Action Plan, which commits the Bank to enhancing its support by providing country analytic work in response to client demand for infrastructure strengthening, and by refining its lending instruments and advisory approaches. Infrastructure lending grew from \$5.4 billion in fiscal 2003 to \$6.5 billion—about a third of total lending commitments—in fiscal 2004, to \$7.3 billion in fiscal 2005—remaining at a third of total lending.

The Board approved 77 infrastructure projects in fiscal 2005, a 7 percent increase over the number of commitments in fiscal 2004. Transportation projects received the largest share of commitments, at almost 43 percent, followed by energy and mining, water supply and sanitation, and information and communication technologies.

The Bank delivered 188 regionally managed economic and sector work or analytic infrastructure products in fiscal 2005. Significant changes have been made in the way this work is done, with greater emphasis on the linkages between infrastructure and other sectors. Examples include work in Colombia and Indonesia as well as a flagship infrastructure study on East Asia carried out jointly with the Asian Development Bank and the Japan Bank for International Cooperation. Similar analytic work is envisaged for Africa, Europe and Central Asia, and Latin America and the Caribbean.

The Bank is making substantial investments in new areas. Together with IFC, it is exploring opportunities for engaging with clients more effectively at the subnational level through





the Municipal Fund Joint Pilot Program. It is also partnering with the International Monetary Fund (IMF) to find ways to address the lack of adequate fiscal resources for infrastructure investment once ongoing expenditure commitments in country budgets are met. The Bank and IFC are offering guidance to staff and clients on the role of the private and public sectors in providing infrastructure services and are fine-tuning approaches to public-private partnerships. The Bank is also continuing to pilot output-based aid approaches, in which governments delegate service delivery to third parties under contracts that tie disbursement of public funding to the outputs and services actually delivered to target groups.

The Bank remains committed to having a significant impact in client countries by scaling up infrastructure activities and will continue to engage other development partners, including the private sector, in this work.

Tackling Risks and Uncertainties Affecting Developing Countries

Poor countries face risks and vulnerabilities that stand in the way of sustainable development. Water insecurity, commodity price volatility, extreme weather variability, and natural disasters affect growth prospects. Ecological risks—caused by climate change, biodiversity loss, depletion of fisheries stock, and unsustainable practices such as illegal logging—threaten the availability of natural resources for productive purposes and wealth creation. Social imbalances, weak institutions, and political instability lead to conflicts, which deter development efforts.

The Bank is addressing these issues with a suite of interrelated sector strategies on agriculture and rural

development, forests, water resources, the environment, and social development. This set of strategies takes an integrated approach to growth based on social and environmental responsibility. It also focuses resources on conflict-affected countries.

Agriculture and Rural Development Seventy percent of the world's poor live in rural areas. The Bank's renewed focus on rural development is therefore timely, and is reflected in Bank lending of \$2.8 billion in fiscal 2005.





Social Development During fiscal 2005 the Bank's Board of Executive Directors discussed "Empowering People by Transforming Institutions: A Social Development Implementation Plan for the World Bank." This action plan focuses on the core values of inclusion, cohesion, and social accountability. (See "Sector Strategies" in chapter 3.)

Environment Investment in environmental and natural resource management projects was \$2.5 billion in fiscal 2005, representing 11 percent of Bank lending. This year's Global Development Marketplace also focused on finding solutions for a sustainable environment. (See box 1.1.)

Multidisciplinary Approaches To take full advantage of synergies on cross-sectoral issues, the Bank has formed natural resource management teams to ensure that land, fisheries, biodiversity, and forests projects are managed collaboratively. Implementation of the Water Resources Strategy, work on agricultural commodities and international trade, and work with TerrAfrica, a regional partnership that promotes sustainable land management in Africa, also involve such collaboration.

Global Partnerships The Bank advances its sustainable development agenda through key global partnerships, including partnerships with the Global Environment Facility and the

Consultative Group on International Agricultural Research. The World Bank–World Wildlife Fund Alliance for Forest Conservation and Sustainable Use renewed its commitment to slowing the depletion of the world's forests by committing to phase two of the partnership, which sets new targets for reducing forest depletion. The Global Program on Fish will seek to improve sustainable livelihoods in the fisheries sector and in rural coastal communities in response to the current crisis in capture fisheries. Public-private partnerships for carbon finance surpassed \$800 million, representing a major effort to generate a stable global market for carbon emissions trading. Through the Critical Ecosystem Partnership Fund, the Bank, together with Conservation International, the Global Environment Facility, the government of Japan, and the John D. and Catherine T. MacArthur Foundation, is conserving the Earth's biodiversity hotspots. It is supporting the work of the Com+ Alliance of Communicators for Sustainable Development, a global communications platform aimed at bringing sustainable development closer to the people. (See www.cgiar.org, www.thegef.org, www.worldbank.org, and www.complusalliance.org.)

Conflict-Affected Countries and Fragile States More than one-third of the Bank's borrowers are affected by conflict. Poor countries suffer disproportionately from civil war: a

BOX 1.1

2005 GLOBAL DEVELOPMENT MARKETPLACE

Seventy-eight finalists from 42 countries showcased innovative approaches to improving the lives of poor people while promoting environmental conservation at the Global Development Marketplace competition in Washington, DC, in May. Titled *Innovations for Livelihoods in a Sustainable Environment*, this year's call for proposals attracted more than 2,600 entries from 136 countries in the areas of renewable energy, biodiversity conservation, sustainable agriculture, and mitigation of air and water pollution. Thirty-one finalists received funding of up to \$150,000 each from an award pool of nearly \$4 million.

The award pool is cofinanced by the World Bank Group, the Global Environment Facility, the John D. and Catherine T. MacArthur Foundation, and Conservation International, among others.

The Development Marketplace identifies and supports local ideas that deliver results. In addition to the global event, nine country-level Development Marketplaces were held in 2005, covering a total of 14 countries. These country-led programs reach out to truly grassroots projects and focus on key local development themes. (See www.developmentmarketplace.org.)



The Bank is helping communities to rebuild after the devastating tsunami of December 2004.

country whose annual per capita gross domestic product (GDP) is \$250 has an average 15 percent risk of civil war in the next five years, whereas a country whose per capita GDP is \$5,000 has less than a 1 percent risk. A typical civil war lasts seven years and causes an estimated 30 percent increase in poverty and a 13 percent increase in infant mortality.

The Bank increasingly uses tools related to conflict sensitivity in its operational work, with 15 countries using conflict analysis frameworks and completing postconflict needs assessments and recovery plans. IDA had committed more than \$3 billion in exceptional postconflict assistance by fiscal 2005. Since 1998 the Post-Conflict Fund has also approved \$71.2 million for 142 grants in 38 countries and territories. Most of these grants are implemented by civil society organizations and United Nations agencies. Forty-two percent of all such funds have gone to Africa. The poorest conflict-affected countries are also supported through the Low-Income Countries under Stress Initiative. (See chapter 3 and www.worldbank.org/licus.)

Responding to Disasters

The tsunami in the Indian Ocean on December 26, 2004, had a devastating—and disproportionate—effect on poor people. The Bank responded quickly, assisting with recovery planning, helping coordinate rehabilitation and recovery support requested by national authorities, and mobilizing financial support.

Within days the Bank had teams in India, Indonesia, the Maldives, and Sri Lanka, the four most severely affected countries. Staff in Bank country offices worked side by side with government counterparts and other partners, notably the Asian Development Bank, to assess the extent of the damage and loss and to develop recovery strategies. In the Maldives the Bank quickly established a country presence. In the Seychelles and Somalia, where the Bank does not have active programs, Bank staff in the region provided assistance to the lead support agencies and identified financing options outside the Bank. Three principles guided Bank support for tsunami recovery: government leadership of the recovery efforts, community involvement in assessing needs and designing

recovery programs to ensure that they will benefit poor people, and efficient coordination among members of the donor community. (See www.worldbank.org/tsunami.)

Disaster reduction is at the core of the Bank's mission of fighting poverty. Since its establishment, the Bank has been a leader in providing postdisaster reconstruction assistance. Its expertise in recovery and reconstruction and its efforts to promote more effective disaster risk management allowed it to respond to the tsunami in a strategic and comprehensive way.

Since 1998 the Bank has provided training and technical assistance on integrating disaster risk reduction into development programs. Bank staff and representatives of client countries are trained in disaster-related topics, drawing on case studies to promote sustainable recovery processes and reduce the vulnerability of communities to future disasters. (See www.worldbank.org/hazards.)

There is a growing recognition that disaster-prone countries need to develop a more proactive approach to disaster risk management. That was highlighted in this year's Bank publication, *Natural Disaster Hotspots*. The approach includes reducing risk before disasters hit and strengthening preparedness and response capacities to enable full and effective utilization of resources after a catastrophe. In most cases, humanitarian aid and reconstruction assistance are not sufficient for full recovery from disaster events. Often, absorptive capacity is very weak, and only a fraction of committed funds are disbursed, even years after the disaster.

To address these problems, the Bank has been promoting a comprehensive risk management framework. This framework includes developing a better understanding of the risks facing a country and the scale of potential losses, taking steps to mitigate the potential effects of disasters, and examining the potential to use existing lending products more creatively to support ex ante recovery financing mechanisms.

Fostering International Trade

The Bank seeks to promote a world trading system that is more conducive to economic development, and to help developing countries capture the benefits of global trade. In fiscal 2005 it advocated for World Trade Organization members to



achieve as ambitious an outcome as possible in the current Doha Round of trade negotiations. It emphasized the importance of a successful round of talks to the health of the world economy and the fight against poverty.

The Bank works at both the multilateral and country levels to support clients in their trade integration strategies and to help them manage the transition to the environment that would emerge from a successful Doha Round. This work focuses on three areas: supporting investment and technical assistance projects to help countries identify the gains from trade facilitation reforms; making resources available to support trade policy reforms; and generating the analysis needed to anticipate, measure, and ameliorate the special adjustment costs countries could face as a result of multilateral trade liberalization.

In fiscal 2005 the Bank approved 15 new projects with trade facilitation components, for a total of \$381 million. These projects focus on infrastructure, services, financial systems, and other sectors of the economy essential to advancing trade and development. The Bank also helped several countries prepare for accession to the World Trade Organization. The World Bank Institute promoted 60 trade-related learning events.

The Bank published several important reports on trade in fiscal 2005. *Global Economic Prospects 2005: Trade, Regionalism, and Development* concludes that regional trade agreements can improve prospects for rapid poverty reduc-

tion, but only if developing countries liberalize trade unilaterally, multilaterally, and regionally. Other key trade research publications include *Global Agricultural Trade and Developing Countries* and the *Customs Modernization Handbook*. In the past two years, the Bank has launched studies on how to improve trade policies and develop trade opportunities in more than 50 countries as well as some 15 regional studies. (See www.worldbank.org/trade.)

INVESTING IN POOR PEOPLE AND EMPOWERING THEM TO PARTICIPATE IN DEVELOPMENT

Investments in education, health, and gender equality are critical to attaining the Millennium Development Goals. These investments help empower people to participate in decisions about development projects that affect their lives and the lives of their families. Working with civil society organizations can also help empower people to have an impact on the local delivery of education and health services. The Bank is the world leader in investing in people's empowerment. (See www.developmentgoals.org.)

Focusing on Children and Youth

Nearly half the people of the world today are under 25 years old. Ninety percent of these young people live in developing countries. The Bank is the world's largest lender for education and health, the two sectors most directly related to the well-being of children and youth. The Bank has contributed

significantly to addressing the issues of poverty, HIV/AIDS, nutrition, social protection, and social development, all of which affect the lives of young people. In September 2004 the Bank held the second Youth, Development, and Peace conference in Sarajevo, co-organized with the European Youth Forum and the World Organization of the Scout Movement, which together represent more than 20 million young people and 28 million scouts. Participants gathered to discuss how to better collaborate on issues important to young people, and agreed to establish an informal network of dialogue and regular interaction.

Supporting Education

The Bank assists countries working toward meeting the goal of universal primary education through the Education for All Initiative. It also supports the development of the higher-level skills that are essential to economic growth and competitiveness.

In fiscal 2005 IBRD lent \$356 million for pre-primary and primary education and \$492 million for secondary, vocational, and tertiary education. IDA provided \$297 million

in support of pre-primary and primary education and \$294 million in support of pre-primary, secondary, and tertiary education. This funding helped, for example, to expand coverage of early childhood education in the Arab Republic of Egypt, particularly for poor families and girls; to strengthen rural education in the Kyrgyz Republic; and to improve the quality of basic education and access by poor and disadvantaged children in Nepal.

Globally, the Fast-Track Initiative (FTI) is the key instrument for donor cooperation and support for Education for All. As of June 30, 2005, more than \$900 million in official development assistance had been mobilized worldwide in support of primary education in the initial 12 countries in the Fast-Track partnership; and \$350 million of this was mobilized in 2005. Two new funds were launched in fiscal 2005. The Catalytic Fund, with pledges of \$290 million through 2007, provides transitional funding to countries with FTI-endorsed programs. The Education Program Development Fund, with \$6 million committed to date, helps countries with sector program development and capacity building in preparation for FTI endorsement. Significant financing gaps





must be filled to ensure sustainable flows to countries already participating in the FTI as well as the many other countries expected to do so over the next few years. (See www.worldbank.org/education.)

Achieving Gender Equality

Both research and experience show that helping women and men become equal partners in development—with equal voice and equal access to resources—accelerates economic growth.

In fiscal 2005 Bank staff conducted economic and sector work on the effects of gender-based barriers to development. Through innovative research in such areas as public expenditure, pensions, and land reform, the Bank is building practical knowledge that can help countries address gender issues.

Bank-funded projects increasingly incorporate qualitative and quantitative gender analysis in their design, particularly in the health, education, and social protection sectors. Governance, labor, judicial reform, and trade projects are also beginning to address gender issues. The Bank-administered Trust Fund for Gender Mainstreaming, financed by the Dutch and Norwegian governments, continues to support innovative projects, including such cross-regional projects as Incorporating Gender Issues into Parliament, and Mainstreaming Women with Disabilities through Community Health Care.

During fiscal 2005 the Bank held its first workshop on gender-based violence. It also monitored and evaluated its progress in promoting gender equality. The publication *Improving Women's Lives: World Bank Actions Since Beijing* reviews the Bank's contributions toward improving women's access to resources, reducing gender disparities in rights, and strengthening women's voice and empowerment. It renews the Bank's commitment to the 1995 Beijing Platform of Action and the MDGs. (See www.worldbank.org/gender.)

Reducing Child Mortality

Each year 10.4 million children die before they reach age five; of these, 4 million die in their first month of life and more than 3 million babies are stillborn. Ninety-nine percent of these deaths occur in the poorest countries. Child mortal-

ity has dropped rapidly in the past 25 years, but progress everywhere slowed in the 1990s, and a few countries experienced increases. The HIV/AIDS pandemic has contributed to these increases in some countries, especially in Africa (see chapter 2).

At current rates of progress, and without a substantial reduction in neonatal mortality, only a few countries are likely to achieve the MDG of reducing child mortality to one-third the 1990 level by 2015.

Bank lending for child health has steadily increased. In fiscal 2005, total lending was \$174.4 million, and \$129 million was provided for projects in South Asia and Africa alone. The Bank continues its analytic work and has intensified its policy dialogue with countries to make child health a priority, improve service delivery, strengthen health systems (to accelerate progress on scaling up the implementation of cost-effective interventions for maximum impact on poor people), strengthen private and public partnerships, and improve linkages among the various health care sectors. (See www.developmentgoals.org.)

Improving Maternal Health

Maternal mortality is an important measure of women's health and is an indicator of the performance of health care systems. Globally, modest progress has been made in the proportion of births assisted by a skilled health care worker, with an annual increase of 1.7 percent between 1989 and 1999. But each year more than 500,000 women die from pregnancy-related causes. Access to skilled care, especially for poor people, remains a major obstacle.

The Bank has made reducing maternal mortality one of its priorities. It provided \$191.6 million in fiscal 2005 to improve maternal and reproductive health, and provided \$160 million to South Asia and several African countries, where the majority of maternal deaths occur. In addition to increasing financial support, the Bank has intensified its efforts to improve health systems and health financing in order to address human resources issues and facilitate capacity building in program management and service delivery. Bank support in other areas, such as infrastructure,



Ugandan AIDS orphans.



Participatory development is taking root, even in the world's poorest nations. World Bank community-driven project in Haiti.

girls' education, and gender equality, will accelerate progress in reducing maternal mortality in the long run. The Bank is also forging strategic partnerships to build political commitment for equitable access to maternal health services. (See www.developmentgoals.org.)

Fighting Communicable Diseases

HIV/AIDS With 40 million people infected with HIV and more than 15 million AIDS orphans worldwide, HIV/AIDS continues to negate the development efforts of many countries, particularly in Africa. In all, the Bank has committed more than \$2.5 billion to fighting HIV/AIDS in 67 countries. It provides support for expanding prevention, care, treatment, and advisory services available to countries and promotes leadership through its global partnerships, especially as a cosponsor of the Joint United Nations Programme on HIV/AIDS.

Tuberculosis Multidrug-resistant tuberculosis is spreading, particularly in the Europe and Central Asia region. The disease is the most common opportunistic infection associated with HIV, increasing the number of people with tuberculosis in many countries in Africa. The Bank supports effective tuberculosis control through the Stop TB Partnership and through program financing in several of the 22 countries with high incidence of the disease. Efforts have been particularly successful in China and India. Cumulative Bank commitments to tuberculosis control since 1991 total more than \$600 million in more than 30 countries.

Malaria Every year more than 500 million people contract malaria, and 1.1 million die from the disease. Within the Roll Back Malaria Partnership framework, the Bank collaborates closely with countries, partner agencies, and civil society organizations, and has been a key contributor to malaria control successes in Brazil, Eritrea, and Vietnam. But in many parts of the world, the burden of the disease remains very high, and drug-resistant forms of the parasite are spreading. Recognizing that progress has been too slow and uneven, the Bank launched a new malaria booster program

in April 2005, marking Africa Malaria Day. The aim is to bring malaria under control faster and on a large scale. The booster program will combine country leadership, Bank resources, and cofinancing from multiple partners with technically sound interventions for prevention and treatment. (See www.developmentgoals.org.)

Engaging with Civil Society

This year the Bank continued to work with civil society on a variety of activities, ranging from policy consultations on the Bank's extractive industry review to funding civil society efforts for HIV/AIDS prevention in thousands of African communities. Civil society participation in poverty reduction strategies and consultation on Country Assistance Strategies increased, and civil society organizations were involved in 72 percent of new Bank commitments.

The Bank carried out research on and supported programs by civil society organizations to strengthen the provision of public services and improve governance through citizen oversight and participatory budgeting initiatives at the local level. It is supporting thousands of civil society organizations managing community development, environmental protection, and postconflict reconstruction initiatives in nearly 100 countries. The Bank's work with civil society over the past few years is described in a new report, *World Bank—Civil Society Engagement: Review of Fiscal Years 2002–2004*.

In fiscal 2005 the Board of Executive Directors discussed the paper "Issues and Options for Improving Engagement between the World Bank and Civil Society Organizations," which outlines 4 key challenges and proposes 10 action items to improve the quality of the Bank's engagement with civil society. In April 2005 the Civil Society Global Policy Forum brought together almost 200 civil society leaders, government officials, donor agency representatives, and Bank managers from 50 countries to discuss ways to improve engagement between the Bank and civil society at the global level. The Bank also held global conferences with various civil society constituencies, including youth, labor unions, and people with disabilities. (See www.worldbank.org/civilsociety.)



During the UN International Year of Microcredit, the Bank has helped develop frameworks that have enabled savings and credit services such as these in Mexico.

TOWARD EFFECTIVE DEVELOPMENT

The Bank is helping to build a global framework for effective development and attainment of the Millennium Development Goals, addressing its own institutional efficiency, and examining the effectiveness of its programs.

The Global Monitoring Report

The second *Global Monitoring Report, Millennium Development Goals: From Consensus to Momentum*, published jointly by the Bank and the IMF, sets out a five-point agenda of actions that can help developing and developed countries build the momentum needed to attain the MDGs. Recommendations include anchoring actions in country-led development strategies; improving the environment for stronger, private sector-led economic growth; scaling up education and health services; dismantling barriers to trade in developing and developed countries; substantially increasing the level and effectiveness of aid by at least doubling the level over the next five years and aligning the pace of the increase with recipient countries' absorptive capacities; and improving the quality of aid. Special attention must be given to accelerating progress in Africa, the region farthest from attaining the goals. (See www.worldbank.org/globalmonitoring.)

Managing for Results

The need to use information to improve decision making and steer country-led development processes toward clearly defined goals is now at the forefront of the global development agenda. During fiscal 2005 the pilot phase of the results-based Country Assistance Strategy methodology was completed, and a stocktaking paper was reviewed by the Board. Efforts to strengthen country-level statistical capacity continued, and the IDA14 (14th Replenishment of IDA) Results Measurement System was developed. (See chapter 3 for more on IDA.) At the global level, the Bank coordinated the preparation of a sourcebook on managing for development results with the Joint Venture on Managing for Development Results. (See www.mfdr.org/sourcebook.html.)

Increasing Internal Efficiency

The Bank's review of the effectiveness of its operating units sought to identify ways to enhance their performance in the context of a changing external environment with increasingly differentiated client demands. The review looked at the Bank's client service delivery model, the effectiveness of the Bank's thematic networks, and issues related to Bank decentralization, staffing, and staff skills.

The findings of the review were discussed and endorsed during the Bank's annual Strategic Forum, attended by senior managers. Recommendations under consideration include ways to strengthen both the Bank's services to country clients and its work on global issues; options for further Bank decentralization; and options for enhancing the effectiveness of thematic networks by strategically managing staff skills, improving knowledge sharing, and reducing overlapping mandates.

Promoting Budget Reform

The Bank's recent budget reform initiative, launched during fiscal 2005, builds on improvements made over the past several years and supports the Bank's long-term focus on results. Corporate and unit strategic decision making and performance management will increasingly be driven by a process of setting clear strategic objectives and deploying resources to achieve desired impacts. The three core goals of the reform are to strengthen the new multiyear budget framework, to give management the flexibility and room to manage effectively, and to hold management accountable for its performance. Business planning and monitoring processes will be simplified, and the focus of attention will gradually shift from hitting absolute targets at the end of each fiscal year toward supporting continually improved resource management in pursuit of medium-term goals.

A principal element of the new system is the Strategy and Performance Contract, which summarizes each unit's strategic direction, explains the trade-offs and choices it makes in allocating its resources, discusses the risks it faces in achieving its objectives, and identifies key performance indicators, which will be used to track results and performance.



Participants at the GDLN Center in Guizhou, China.

Simplifying Bank Processes

The Bank continued its program to simplify and modernize its instruments, processes, and policies this year. Adjustment lending was renamed *development policy lending* to emphasize and reflect country ownership and support the efforts of client governments to meet their countries' needs. Changes were introduced in documents and procedures to allow for faster processing, so that borrowers receive funds and can address needs more promptly. As part of its work to support new ways of doing business, the Bank began implementing an updated policy on expenditure eligibility that makes it easier to finance expenditures that borrowers must make to implement projects. (See www1.worldbank.org/operations/eligibility.)

The Bank has also begun to simplify and modernize legal agreements that underpin IBRD loans and IDA credits and grants, with a view to clarifying their content, facilitating negotiations with member countries, and harmonizing them with the legal agreements of other international financial institutions in the long term.

Simplification is an ongoing process, and although the focus is now on implementation, the Bank will continue to readjust its policies, procedures, and instruments as necessary to meet borrowers' changing needs.

Harmonizing with Other Donors

During fiscal 2005 the Bank helped organize the High-Level Forum on Aid Effectiveness, held in Paris. The Forum brought together 620 participants representing 90 donor and partner countries, 27 aid institutions, and a range of civil society organizations. It adopted the Paris Declaration, which commits parties to improving ownership, harmonization, alignment, managing for results, and mutual accountability. It also agreed on 12 indicators for monitoring progress, with targets for 2010 to be set by September 2005.

Bank support that pools funds with other donors and governments through common mechanisms, often under sectorwide and program-based approaches, accounted for \$773 million in 9 projects in fiscal 2005, including support for health in Bangladesh and Nepal, and education in Morocco and Vietnam. The Bank also coordinated 17 Poverty Reduction

Support Credits worth \$1.4 billion with other donors, including credits for Ethiopia, Ghana, and Rwanda. It collaborated with other donors to produce analytic reports on poverty assessment and governance, and fiduciary diagnostics in Kenya, Tanzania, and several Central American countries. (See www.aidharmonisation.org and www.countryanalyticwork.net.)

Increasing Transparency

Fiscal 2005 was a landmark year for the Bank's transparency and disclosure agenda. In March the Board approved a number of revisions to the Bank's disclosure policy that will extend and simplify information disclosure, reaffirming the Bank's commitment to ensuring transparency about its activities. These changes included adopting a unified Country Assistance Strategy disclosure policy for IBRD and IDA; disclosing Board minutes (except those of executive sessions), the staff manual, the budget paper, and the staff compensation paper; and simplifying the disclosure clearance procedures.

This fiscal year also witnessed the introduction of more open policies on the disclosure of development-policy lending documents and Country Policy and Institutional Assessment (CPIA) ratings. CPIA ratings assess the quality of a country's policy and institutional framework and its suitability for fostering sustainable, poverty-reducing growth and effectively using development assistance. (See "Institutional Integrity" in this chapter, and "Low-Income Countries under Stress" in chapter 3.)

Evaluating the Bank's Work

The Operations Evaluation Department (OED) is an independent unit within the World Bank that reports directly to the Bank's Board of Executive Directors. Its evaluations seek to ensure accountability, provide an objective basis for assessing the Bank's work, and allow Bank staff to learn from experience.

OED's 2003 *Annual Review of Development Effectiveness* found that developing countries have improved their policies. Moreover, countries whose policies improved over the period 1999–2003 tended to grow at more than twice the rate of those whose policies did not improve. However, growth is not enough to reduce poverty. The 2004 review reported that the Bank's poverty reduction strategy appropriately highlights

both growth and the social aspects of development. But it may downplay sectors that cut across and complement these pillars, such as infrastructure, rural and urban development, and environment.

OED has evaluated a wide range of activities relevant to these development and poverty reduction issues. A review of Country Assistance Evaluations found that successful country programs are tailored to the country context. The Bank needs to deepen its country knowledge and link its assistance programs more closely with progress on country reforms.

OED's review of global programs found that the Bank is exploiting its comparative advantage more effectively at the global level than at the country level. But linkages between global programs and the Bank's country operations are weak.

A joint evaluation with the IMF's Independent Evaluation Office found that the poverty reduction strategy process has helped focus stakeholders in low-income countries on poverty, results, and an overarching framework for aid management. In many cases, however, countries have focused more on completing documents that give them access to resources than on improving their poverty reduction efforts.

Finally, OED assessed the relevance and effectiveness of Bank support for building public sector capacity in Africa. It found that the Bank's success varies across sectors as well as from country to country. Most capacity-building support is designed and managed project by project, the report concluded, making it difficult to capture cross-sector issues and learn lessons across operations.

REACHING OUT TO CLIENTS

The Bank increased its outreach and accessibility in client countries with a number of initiatives this year, including expansion of its Public Information Centers worldwide. It also launched a number of Web-based information resources, and continued its work through the Global Development Learning Network (see box 1.2).

Development Information Services in Client Countries

Transparency, accountability, and the sharing of information promote good governance and are essential for sustainable



development. To increase all three, the World Bank is strengthening its Public Information Centers and services worldwide. By providing access to information on Bank projects and development in general, the centers encourage public participation in dialogue and help citizens make informed decisions about issues affecting their lives. In 2004 more than 90,000 people used public information services, and the number is expected to triple in 2005.

Public Information Centers are located in 75 capital cities throughout the world. Staff help visitors find information through a variety of methods, depending on the technology available. Staff also respond to public inquiries, listen to public concerns, and arrange seminars, dialogues, Webcasts, and radio programs that address development topics. Where Internet access remains limited, the Bank, in partnership with local learning institutions, has set up more than 60 satellite centers to provide countrywide access to information.

Fiscal year 2005 saw the establishment of five new Development Information Centers, which operate as clearinghouses for information on development from various

- “The challenges we face in the Caribbean today are the same ones Africa faced 10 years ago,” reflected Nancy George, chair of the HIV/AIDS Steering Committee for Jamaica’s technical university, in a videoconference that connected health practitioners in Jamaica’s Global Development Learning Network (GDLN) Center with colleagues in Barbados, Ghana, St. Lucia, Tanzania, and Uganda. “We can learn so much from your experience!”
- Federico Macaranas, executive director of the Asian Institute of Management Policy Center, and his colleagues in the Philippines linked with experts from four countries to discuss ways of improving data collection. “GDLN allows us to harness expertise from all over the world,” he said. Interactive technologies and learning methods allow development practitioners in different locations to communicate as if they were in the same room.

The Network is a global partnership of over 70 learning centers in more than 60 countries. In fiscal 2005 more than 35,000 people worldwide, in more than 900 videoconference-based activities, used it to learn from one another’s efforts to fight poverty. Policy makers coordinated humanitarian aid efforts in Côte d’Ivoire; mayors in Bosnia and Herzegovina took a course on delivering basic services to poor people; private companies in eight Latin American countries debated their social responsibility; and indigenous people in Alaska, Peru, and the Philippines discussed rural poverty.

At the launch of GDLN in June 2000, former World Bank President James D. Wolfensohn declared, “This is the end of geography as we know it.” Through GDLN, distance is no longer a constraint to transferring knowledge and experience from the people who have it to those who need it. (See www.gdln.org.)

organizations, including the Bank. These partnerships between the Bank, other multilateral development banks, civil society organizations, academic institutions, and government agencies are transforming the goal of disseminating and sharing information crucial to the sustainability of development into a reality. (See www.worldbank.org/publicinformation.)

Client Connection Web Site

Client Connection, a secure Web site for World Bank borrowers and project-implementing agencies, was launched in September 2003 to promote informed decision making and reduce the cost of doing business with the Bank. Since then, over 4,000 users in more than 130 countries have registered with Client Connection. Users can access public Bank information, secure information on their loan portfolios, and check on the status of procurement, disbursement, and repayment transactions through a user-friendly, client-focused interface.

Informal feedback and client surveys show a high level of satisfaction with the service, and daily usage rates have steadily increased. Clients welcome the transparency of the Web site and the ease of access to portfolio information, and many report that it has increased efficiency and reduced costs. New features will be added in the coming years, allowing online requests for the withdrawal of loan funds and other financial transactions. (See <http://clientconnection.worldbank.org>.)

Multilingual Web Sites

The Bank’s public Web site, with more than 1.5 million visitors a month, has become a primary conduit for communication and knowledge dissemination. Roughly a third of the Web site visitors are from non-Anglophone countries and make up the Bank’s fastest-growing audience online. In an effort to better reach these clients and support the Bank’s new Translation Framework, the Bank initiated the Multilingual Web Pilot

in fiscal 2005. The pilot created a new corporate Web site in French and expanded the existing Arabic and Spanish Web sites to include material beyond regional information. Three months after relaunching the Web sites, visitor numbers doubled to the Arabic and French sites and increased by one-third to the Spanish site. The Bank also publishes Russian and Chinese Web sites. (See www.worldbank.org.)

Youth Web Site

Youthink! is the World Bank’s online resource for students, teens, and kids on development and global issues. Written in age-appropriate language, Youthink! tackles development subjects by exploring those angles that young people care about and can relate to. Youthink! also invites young people to share their thoughts, opinions, and experiences by submitting material for publication to the Web site. (See <http://youthink.worldbank.org>.)

AIDS Media Center Web Site

The Bank launched the innovative AIDS Media Center in fiscal 2005 to provide journalists in developing countries with a global source for the most recent HIV/AIDS news, information, and analysis, and to help increase the accuracy, quality, and effectiveness of their reporting on the disease and related issues. The strength of the Web site comes from its broad coalition of contributing partners, including the BBC Trust, the International AIDS Vaccine Initiative, InterNews, the Johns Hopkins Bloomberg School of Public Health, the Kaiser Family Foundation, One World, the Panos Institute, PlusNews (run by the Integrated Regional Information Network of the United Nations), the Joint United Nations Programme on HIV/AIDS, the World Health Organization, and a growing list of regional journalists’ associations. (See www.aidsmedia.org.)