



## **SHARING KNOWLEDGE**

The Bank assists client countries not only by funding projects and programs but also by providing access to its development knowledge resources. The Bank's knowledge activities range from conducting country research, to developing analytic and conceptual frameworks for country assistance, to building the capacity for sustainable development within client countries.

### **Research**

The Bank's research program supports studies on the implications of a range of development issues. The resultant findings facilitate a deeper understanding of development challenges and can be used to influence policy, thereby leading to better outcomes for poor people. For example, a Bank survey revealing the extent of absenteeism among teachers and health workers in Bangladesh, Ecuador, India, Indonesia, Uganda, and Zambia led to vigorous government campaigns in India to ensure that teachers and health service providers report to work, and to the inclusion of "citizen report cards" on health and education services in Africa as part of the Bank's development assistance strategies in that region.

Environmental research has led to significant pollution reductions by industrial plants in Asia. Armed with evidence that public disclosure of factory emissions increases public pressure to reduce those emissions, the Bank supported trials in China, India, Indonesia, and Vietnam in which polluters' emissions were monitored and performance ratings disclosed. In all four countries, rates of compliance with pollution regulations in test areas increased by 10 to 50 percent.

### **Economic and Sector Work and Nontending Technical Assistance**

Most of the Bank's analytic and advisory activities consist of economic and sector work and nontending technical assistance. Analytic and advisory activities are an integral part of overall country assistance programs, which increasingly emphasize country ownership, participatory processes, capacity building, partnerships, and results. For that reason, the Bank has sought to strengthen its capacity to share knowledge with the donor community, looking to harmonize its policies and procedures with those of other donors and

produce joint analytic work in partnership with them. The Bank delivered 601 economic and sector work products and 307 technical assistance activities in fiscal 2006. Financial and private sector development and public sector governance were the leading themes for both economic and sector work and technical assistance.

### **Sector Strategies**

In fiscal 2006, the Bank produced the second Sector Strategy Implementation Update, which provides an integrated assessment of progress across all sectors and thematic areas in which the Bank is engaged. This update also focused on strategies in four specific sectors: water supply and sanitation, health, rural development, and public sector governance. The Bank's efforts also concentrated on implementing the HIV/AIDS action plan and the multisectoral Africa Action Plan, and two newly updated strategies in the social development and education sectors.

### **CAPACITY DEVELOPMENT**

For development programs to be effective and sustainable, country partners must have the capacity to manage them. The Bank supports upgrading the skills of its partners through the World Bank Institute (WBI) and specific capacity-building projects.

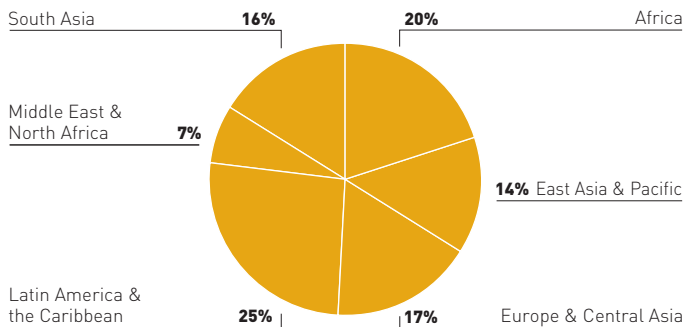
### **World Bank Institute**

The World Bank Institute identifies countries' capacity needs and provides capacity development services that include technical assistance, thematic learning activities, cabinet-level retreats, and other leadership development programs. In fiscal 2006, nearly 100,000 people took part in WBI training and capacity-building activities.

WBI supports long-term capacity development in 45 focus countries through multiyear programs. Fourteen of these countries are in Africa, where WBI will play a key role in the Bank's Africa Action Plan (see chapter 1). WBI's Global Governance Program supports the Bank's governance and anticorruption agenda by conducting empirical research and publishing worldwide indicators of the prevalence and socioeconomic impact of corruption in more than 200 countries and territories (see chapter 1). It also works with the

FIGURE 3.1

**TOTAL IBRD-IDA LENDING BY REGION | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$23.6 BILLION



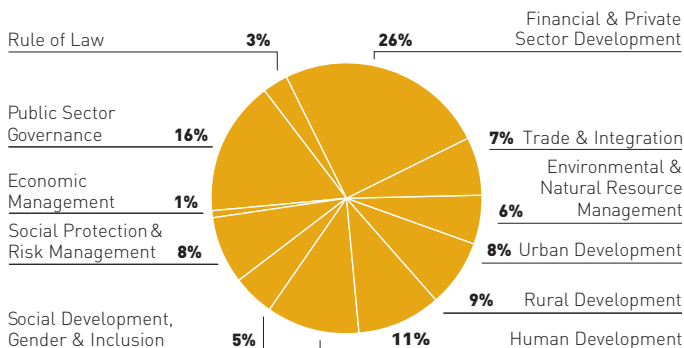
media, legislatures, and civil society to support public demand for good governance. In fiscal 2006, the program worked with more than 30 countries. (See [www.worldbank.org/wbi/governance](http://www.worldbank.org/wbi/governance).)

**Global Development Learning Network**

The urgency of connecting people with knowledge for development led the World Bank to initiate the Global Development Learning Network (GDLN) with 11 Affiliates in June 2000. Initially conceived as a one-directional learning channel, GDLN today is a community dedicated to just-in-time knowledge exchanges that use interactive videoconferencing and e-learning techniques through more than 100 Affiliates worldwide. Three-quarters of GDLN clients are government agencies, civil society organizations, and donor institutions. In fiscal 2006, GDLN Affiliates hosted more than 900 activities on behalf of their clients, providing expert facilitation, event coordination, and technology services.

FIGURE 3.2

**TOTAL IBRD-IDA LENDING BY THEME | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$23.6 BILLION



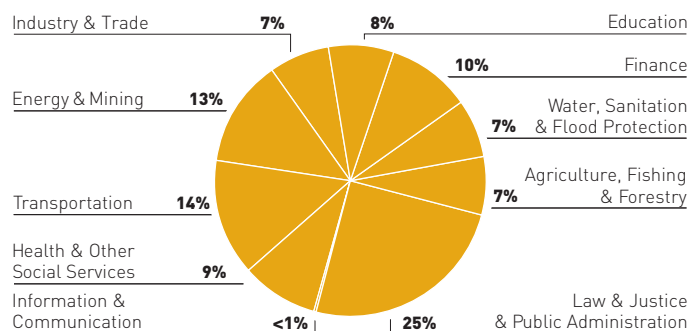
**Initiatives to Improve Statistical Capacity**

To develop programs targeting specific development results, reliable and timely statistics are needed. However, many national statistical systems are underfunded and unable to produce basic indicators. In fiscal 2005, the Bank introduced a new lending program, STATCAP, which simplifies the process of investing in statistical systems so that project quality can ultimately be improved. STATCAP complements the Trust Fund for Statistical Capacity Building.

The Bank is also supporting a new global partnership through the Development Grant Facility. This partnership aims to implement the Marrakech Action Plan for Statistics, which was agreed to at the Second Roundtable on Managing for Development Results. The action plan helps countries develop and implement national strategies for improving official statistics, and it better supports the efforts of international statistical agencies working in priority areas such as population censuses, education statistics, and household surveys. (See [www.worldbank.org/data/statcap](http://www.worldbank.org/data/statcap).)

FIGURE 3.3

**TOTAL IBRD-IDA LENDING BY SECTOR | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$23.6 BILLION



**WORLD BANK LENDING**

The World Bank comprises cooperative institutions that mobilize financing from member shareholder equity by borrowing from international capital markets (for IBRD) and by means of outright contributions from the richer member countries (for IDA). It channels these resources to benefit poor people in borrowing countries. Figures 3.1–3.3 and table 3.1 provide a summary of this year’s IBRD-IDA lending.

**Country Lending**

Country lending reflects the Bank’s focus on achieving the Millennium Development Goals (MDGs). It is tailored to meet

TABLE 3.1

**WORLD BANK LENDING BY THEME AND SECTOR | FISCAL 2001–2006**  
 MILLIONS OF DOLLARS

<b>THEME</b>	<b>2001</b>	<b>2002<sup>a</sup></b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Economic Management	895.3	1,408.0	777.8	428.6	594.6	213.8
Environmental and Natural Resource Management	1,354.6	924.0	1,102.6	1,304.6	2,493.8	1,387.3
Financial and Private Sector Development	3,940.9	5,055.4	2,882.9	4,176.6	3,862.0	6,137.8
Human Development	1,134.7	1,756.1	3,374.0	3,079.5	2,951.0	2,600.1
Public Sector Governance	2,053.7	4,247.2	2,464.1	3,373.9	2,636.4	3,820.9
Rule of Law	410.0	273.2	530.9	503.4	303.8	757.6
Rural Development	1,822.3	1,600.0	1,910.9	1,507.8	2,802.2	2,215.8
Social Development, Gender, and Inclusion	1,469.7	1,385.7	1,003.1	1,557.8	1,285.8	1,094.1
Social Protection and Risk Management	1,651.0	1,086.4	2,324.5	1,577.0	2,437.6	1,891.7
Trade and Integration	1,059.9	300.9	566.3	1,212.7	1,079.9	1,610.9
Urban Development	1,458.6	1,482.4	1,576.3	1,358.1	1,860.0	1,911.2
<b>Theme Total</b>	<b>17,250.6</b>	<b>19,519.4</b>	<b>18,513.2</b>	<b>20,079.9</b>	<b>22,307.0</b>	<b>23,641.2</b>
<b>SECTOR</b>						
Agriculture, Fishing, and Forestry	695.5	1,247.9	1,213.2	1,386.1	1,933.6	1,751.9
Education	1,094.7	1,384.6	2,348.7	1,684.5	1,951.1	1,990.6
Energy and Mining	1,530.7	1,974.6	1,088.4	966.5	1,822.7	3,030.3
Finance	2,246.3	2,710.8	1,446.3	1,808.9	1,675.1	2,319.7
Health and Other Social Services	2,521.2	2,366.1	3,442.6	2,997.1	2,216.4	2,132.3
Industry and Trade	718.3	1,394.5	796.7	797.9	1,629.4	1,542.2
Information and Communication	216.9	153.2	115.3	90.9	190.9	81.0
Law and Justice and Public Administration	3,850.2	5,351.2	3,956.5	4,978.6	5,569.3	5,857.6
Transportation	3,105.2	2,390.5	2,727.3	3,777.8	3,138.2	3,214.6
Water, Sanitation, and Flood Protection	1,271.7	546.0	1,378.3	1,591.6	2,180.2	1,721.0
<b>Sector Total</b>	<b>17,250.6</b>	<b>19,519.4</b>	<b>18,513.2</b>	<b>20,079.9</b>	<b>22,307.0</b>	<b>23,641.2</b>
Of which IBRD	10,487.0	11,451.8	11,230.7	11,045.4	13,611.0	14,135.0
Of which IDA	6,763.6	8,067.6	7,282.5	9,034.4	8,696.1	9,506.2

**Note:** Includes all adjustment, development policy, and investment loans. Effective fiscal 2005, lending includes guarantees and guarantee facilities. Numbers may not add to totals due to rounding.

a. Due to a recoding of a Lao People's Democratic Republic project, there is a discrepancy between these figures and the figures in the 2002 *Annual Report* (table 2.2). This discrepancy of \$2.2 million shows up in the commitment amounts in fiscal 2002 for Social Protection and Risk Management and Rural Development (with the two themes showing \$2.2 million higher and \$2.2 million lower, respectively).

individual country needs and uses lending instruments that are becoming increasingly flexible. The Bank has eased access to country lending information for country partners by developing a Web site that compiles all country lending data into a user-friendly format. More than 5,000 individuals working for member governments and project-implementing entities (representing more than 75 percent of current Bank lending operations) are accessing information from and conducting business with the World Bank through the site. This secure site, launched with 10 pilot countries in 2003 and opened to all countries in 2004, offers current data on projects, loans, and trust funds and allows users to transmit procurement documents to the Bank for review. (See [clientconnection.worldbank.org](http://clientconnection.worldbank.org).)

### **Country Assistance Strategies**

A country assistance strategy (CAS) guides World 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 of support tailored to meet the country's needs. The objective is to identify areas in which Bank Group support can best assist the country's own efforts to achieve sustainable development and reduce poverty. During fiscal 2006, the Bank prepared 31 CAS products, including 7 CAS Progress Reports and 6 interim strategy notes, which are prepared when a country assistance strategy cannot be completed because of specific country circumstances. Of these, 17 were prepared jointly with IFC, and two (Bangladesh and Uganda) were prepared collaboratively with other donors. (See [www.worldbank.org/cas](http://www.worldbank.org/cas).)

### **LOW-INCOME COUNTRIES**

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 redefined aid by empowering governments to set their own priorities (and holding them accountable for the results) and encouraging donors to provide predictable, harmonized assistance aligned with those priorities. Currently 50 countries, of which half are in Africa, have prepared a Poverty Reduction Strategy Paper.

The 2005 PRS review examined implementation experience over the past five years. While experiences have been varied, the need to implement challenging development agendas in environments with little capacity and weak institutions is common. In many countries, the PRS approach has increased

the focus on setting clear goals that are linked to public actions, improving budget and monitoring systems, opening space for discussion of national priorities and policies that will lead to poverty reduction and growth, filling country-specific analytic gaps, and aligning and harmonizing donor assistance with national priorities. (See [www.worldbank.org/prspreview](http://www.worldbank.org/prspreview).)

### **The Role of IDA**

IDA is the largest source of concessional financial assistance for the world's poorest countries. In fiscal 2006, countries with annual per capita income of up to \$965 were eligible for IDA assistance. IDA also supports some countries, including several small island economies, that are above the income cutoff but lack sufficient creditworthiness to borrow from IBRD. The amount of IDA resources a country receives depends largely on performance factors such as the quality of governance and of policies to promote growth and reduce poverty, which are assessed annually.

IDA recipient countries face complex challenges in meeting the MDGs. Policy priorities include promoting growth and reducing poverty; enhancing public sector governance and transparency; helping countries recover from conflicts; 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; building a healthy investment climate as a prerequisite for private sector investment; and increasing access to financing.

Traditionally, IDA provided assistance in the form of highly concessional credits. Since fiscal 2003, it has expanded the use of grants, and with the 14th Replenishment of IDA (IDA14), it began to use them to finance projects in the most debt-vulnerable IDA countries. (See "IDA Resources" and [www.worldbank.org/ida](http://www.worldbank.org/ida).)

### **IDA Commitments**

Fiscal 2006 marked the first year of IDA14 and the highest volume of IDA commitments in history. Commitments reached \$9.5 billion for 167 operations, consisting of \$7.6 billion in credits, \$1.8 billion in grants, and \$60 million in guarantees. The largest share went to Africa, with \$4.7 billion, constituting 50 percent of total IDA commitments. South Asia and East Asia and Pacific followed with \$2.6 billion and \$1.1 billion, respectively. Among countries, Pakistan represents the largest single recipient. In fiscal 2006, about 19 percent of total IDA financing was provided in the form of grants.

Public administration, including law and justice, was the leading sector receiving IDA support, with \$2.8 billion, or 28 percent of the total. The transportation and health and social services sectors received significant support: \$1.1 billion and

\$1 billion, respectively. The two most prominent themes were public sector governance and financial and private sector development, accounting for 19 percent of IDA commitments each. Human development (15 percent), rural development (14 percent), and social protection and risk management (9 percent) also attracted major attention. Figures 3.4–3.6 show IDA lending by region, theme, and sector. Also see figure 3.7.

### IDA Resources

IDA is financed by its own resources and by donor governments (see figure 3.8). Every three years, IDA 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 IDA’s lending program for the following three years. Historically, the major industrial nations have been the largest contributors to IDA. Donor nations also include developing and transition countries—some of them current IBRD borrowers and former IDA borrowers.

Fiscal 2006 was the first year of IDA14, which will fund commitments for fiscal years 2006 through 2008. During this three-year period, concessional financing commitments of special drawing rights (SDR) 21.9 billion (about \$32 billion) will be made to IDA-eligible countries. This amount includes SDR 12.1 billion (about \$17.7 billion) in new donor contributions; SDR 8.7 billion (about \$12.7 billion) in internal resources, including repayments of principal from past credits and investment income; and SDR 1.1 billion (about \$1.5 billion) in IBRD net income transfers, subject to annual approval by IBRD’s Board of Governors. Under the Multilateral Debt Relief Initiative (MDRI), donors have committed to providing additional resources in the amount of SDR 24.8 billion (about \$37 billion) over 40 years. (See “Multilateral Debt Relief Initiative” in chapter 1.) The debt relief initiative went into effect on July 1, 2006. For fiscal 2006, debt relief programs were ongoing from past years through the Heavily Indebted Poor Countries (HIPC) Initiative (see figures 3.9 and 3.10).

### Fragile States

Analytic work suggests that there is a need to increase fragile states’ capacity and accountability; to forge peace, security, and development links; to harmonize donor assistance; and to develop strong and flexible institutional responses.

In fiscal 2006, the Bank collaborated with United Nations system partners to better coordinate postconflict recovery processes and to integrate the political, security, economic, and social aspects of reconstruction. As cochair of the Development Assistance Committee Fragile States Group,

FIGURE 3.4

**TOTAL IDA COMMITMENTS BY REGION | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$9.5 BILLION

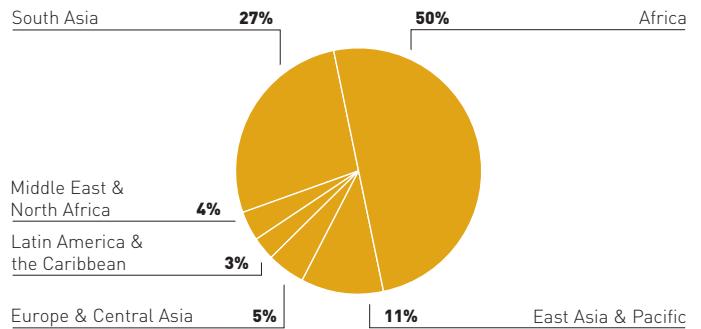


FIGURE 3.5

**TOTAL IDA COMMITMENTS BY THEME | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$9.5 BILLION

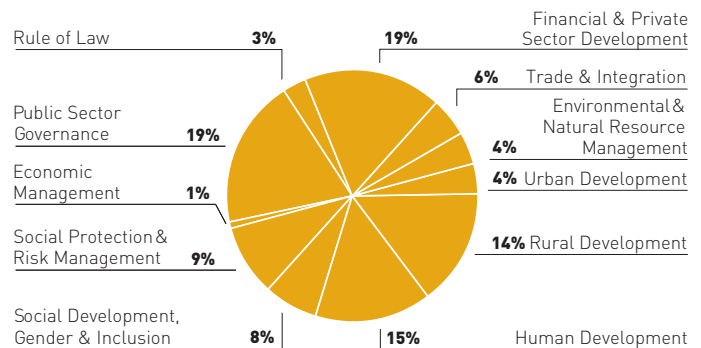


FIGURE 3.6

**TOTAL IDA COMMITMENTS BY SECTOR | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$9.5 BILLION

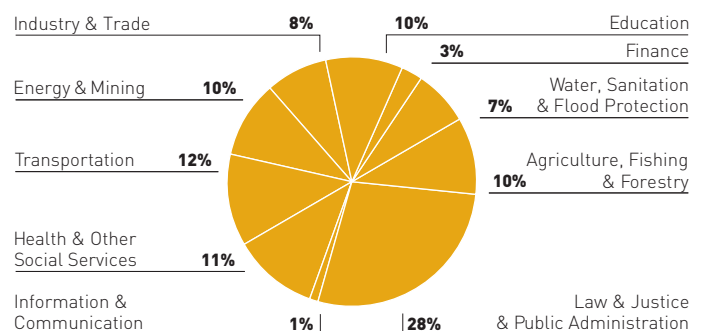
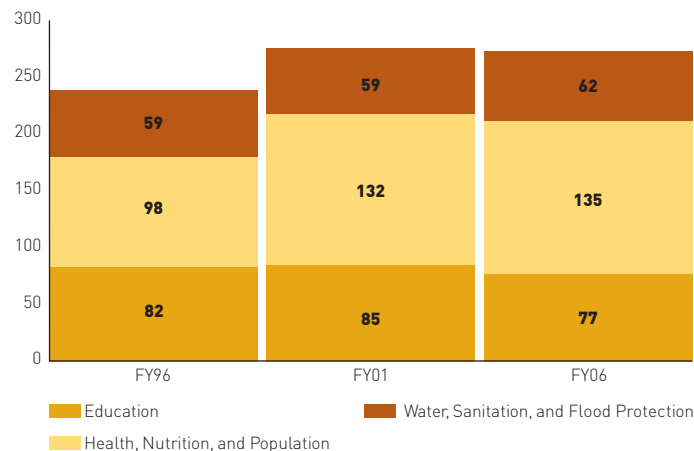


FIGURE 3.7

**IDA'S STEPPED-UP EFFORTS IN THE SOCIAL SECTORS**

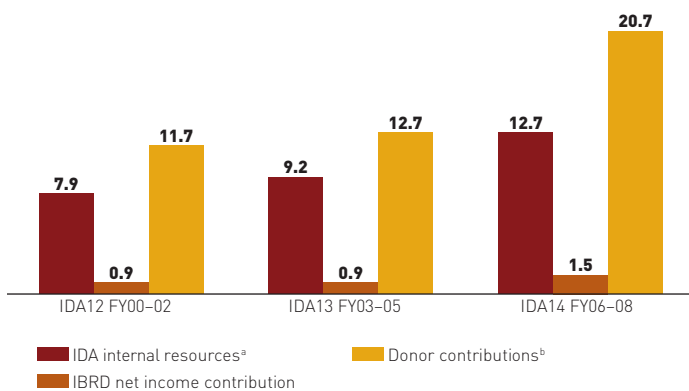
273 PROJECTS ONGOING (COMPARED WITH 239 A DECADE AGO)



**Note:** Number of projects under implementation includes projects in both IDA-only and blend countries. IDA commitment value of ongoing social sector projects: fiscal 1996, \$12.2 billion; fiscal 2001, \$14.2 billion; fiscal 2006, \$15 billion.

FIGURE 3.8

**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 \$0.8 billion, which will be financed by donor contributions through the MDRI.  
 b. Includes structural financing gap.

the Bank continued to build policy consensus on state building as the central objective, integrated approaches for effective donor programs, fast and flexible responses, and long-term engagement through nine country pilots of the Principles for Good International Engagement in Fragile States. These points were incorporated into a new fragile states strategy that was approved by the Board along with a \$25 million replenishment of the LICUS Trust Fund, which supports reform and transition efforts. (See [www.worldbank.org/licus](http://www.worldbank.org/licus).)

**Small States**

Since 2000, when the Development Committee discussed the small states agenda set out in a joint World Bank–Commonwealth task force report, the Bank has been engaged in a new partnership with the world’s 45 smallest developing countries (most with populations of less than 1.5 million) and the international community to respond to the development needs of small states. In this partnership, the Bank committed to hosting a Small States Forum each year during the World Bank–International Monetary Fund Annual Meetings in order to give small states an opportunity to exchange information and set priorities for future work. The forum complements the substantial lending and advisory assistance provided to small states as part of the Bank’s regular country programs. In 2005, the forum reviewed the small states agenda and discussed the Bank’s proposal for an innovative mechanism to provide catastrophe insurance, which would help vulnerable small states—especially those in the Caribbean, Indian Ocean, and Pacific regions—better cope with mobilizing adequate and timely financing following natural disasters such as hurricanes and earthquakes. (See [www.worldbank.org/smallstates](http://www.worldbank.org/smallstates).)

**MIDDLE-INCOME COUNTRIES**

Middle-income countries continue to face substantial development challenges: achieving sustained growth that provides productive employment; reducing poverty and inequality; reducing volatility, particularly in their access to private financial markets; and strengthening the institutional and governance structures that underpin viable market-based economies. The Bank is uniquely placed to help these countries craft institutional reforms, attract infrastructure investment across the public-private spectrum, improve social service delivery, and cope with volatility. Middle-income countries are generally eligible to receive IBRD assistance.

**The Role of IBRD**

IBRD is a AAA-rated financial institution—with some unusual characteristics. Its shareholders are sovereign

governments, each of which has a voice in setting IBRD policies and many of which are eligible to borrow from it. IBRD's main goal is to reduce poverty by promoting sustainable economic development in middle-income and creditworthy low-income borrowing countries. It provides financing (loans, guarantees, and related risk management tools) and expertise in development-related technical disciplines.

IBRD helps clients gain access to capital and financial risk management tools in larger volumes, on better terms, at longer maturities, and in a more sustainable manner than they could receive from other sources. Unlike commercial banks, IBRD is driven by development impact rather than profit maximization. (See [www.worldbank.org/mic](http://www.worldbank.org/mic).)

### IBRD Lending

At \$14.1 billion for 112 operations, new lending commitments by IBRD in fiscal 2006 exceeded the previous year's level by \$0.5 billion. This represents the highest volume of IBRD lending in the past seven fiscal years. The share of policy-based lending was slightly higher than in fiscal 2005. Latin America and the Caribbean received the highest level of IBRD lending, with \$5.7 billion, or 40 percent of total IBRD commitments, followed by Europe and Central Asia with \$3.5 billion and East Asia and Pacific with \$2.3 billion. Five countries—Brazil, China, India, Mexico, and Turkey—received a combined commitment volume equaling 52 percent of total IBRD lending in fiscal 2006.

Among sectors, public administration, including law and justice, received the highest volume of IBRD lending (\$3.1 billion), followed by transportation (\$2.1 billion), and energy and mining (\$2.1 billion). The thematic composition of lending in fiscal 2006 was led by financial and private sector development, followed by public sector governance and urban development. Figures 3.11–3.13 show IBRD lending by region, theme, and sector. Development policy-based lending commitments are shown on the accompanying CD-ROM.

### IBRD Resources

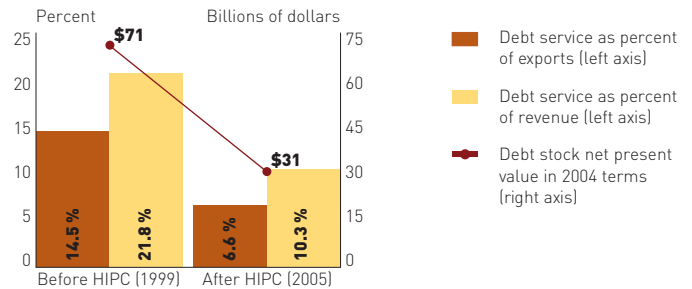
IBRD obtains most of its funds by selling bonds in international capital markets. In fiscal 2006, it raised \$10 billion at medium- to long-term maturities, lower than the \$13 billion raised in fiscal 2005. Debt securities, with a wide range of maturities and structures, were issued in 11 currencies.

IBRD is able to borrow high volumes for long maturities on very favorable terms. IBRD's financial strength is based on its prudent financial policies and practices, which help it maintain its high credit rating.

As a cooperative institution, IBRD seeks not to maximize profit but to earn enough income to ensure its financial

FIGURE 3.9

### HEAVILY INDEBTED POOR COUNTRIES DEBT RELIEF REDUCED DEBT STOCK AND IMPROVING DEBT SERVICE RATIOS

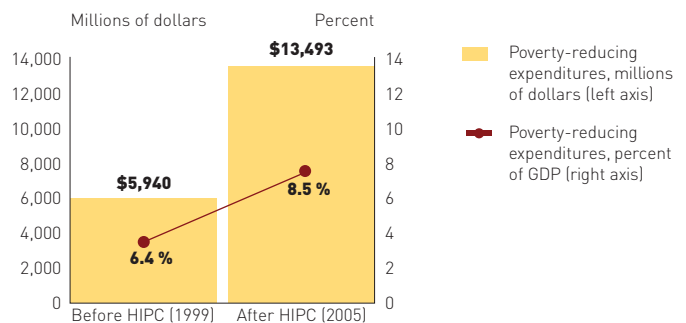


**Note:** Weighted averages for the 28 countries that had reached the decision point as of end-July 2005.

**Source:** World Bank. 2005. *Heavily Indebted Poor Countries (HIPC) Initiative—Status of Implementation*. IDA/SecM2005-0442. Washington, DC: World Bank.

FIGURE 3.10

### TRENDS IN POVERTY-REDUCING EXPENDITURES BEFORE AND AFTER ASSISTANCE UNDER THE HIPC INITIATIVE



**Note:** Weighted averages for the 29 countries that had reached the decision point as of March 2006.

**Source:** World Bank. March 2006. *Heavily Indebted Poor Countries (HIPC)—Statistical Update*. Washington, DC.

FIGURE 3.11

**TOTAL IBRD LENDING BY REGION | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$14.1 BILLION

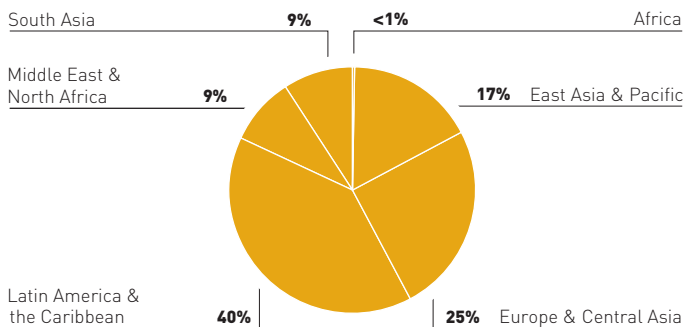


FIGURE 3.12

**TOTAL IBRD LENDING BY THEME | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$14.1 BILLION

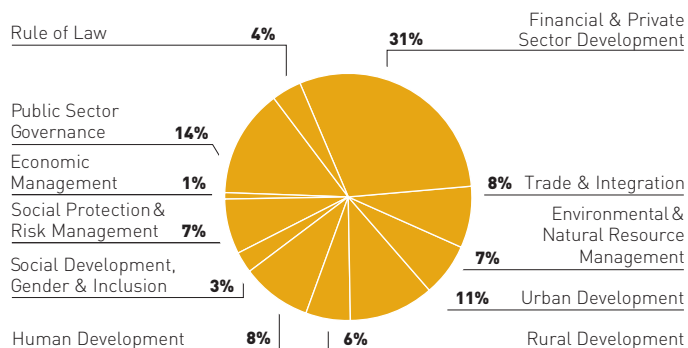
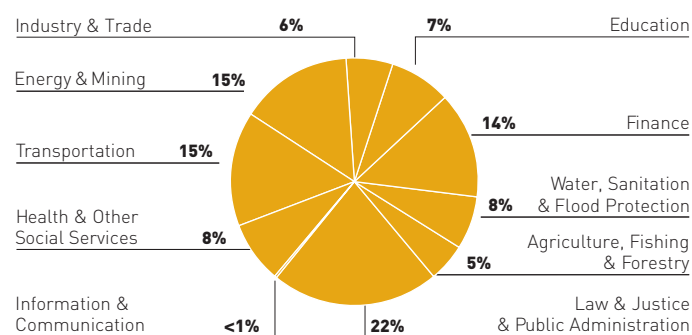


FIGURE 3.13

**TOTAL IBRD LENDING BY SECTOR | FISCAL 2006**  
SHARE OF TOTAL LENDING OF \$14.1 BILLION



strength and sustain its development activities. IBRD's operating income was \$1,740 million in fiscal 2006. IBRD retained \$1,036 million in its general reserve and \$64 million in its pension reserve and added \$140 million to the surplus account. In August 2006, the Executive Directors proposed that the Board of Governors approve a transfer of \$500 million to IDA from allocable net income in fiscal 2006 and an additional transfer of \$300 million to IDA from the surplus account. (See "Financial Statements" on the accompanying CD-ROM.)

IBRD maintained adequate liquidity in fiscal 2006 to ensure its ability to meet its obligations. As of June 30, 2006, it held about \$24.9 billion in liquid assets. Also as of June 30, 2006, IBRD's outstanding borrowings from capital markets were about \$91.6 billion (net of swaps) (see figure 3.14). Borrowings exceeded equity by a factor of about three.

Total disbursed and outstanding loans were \$103 billion. In addition to variable-spread loans (40 percent of total loans) and fixed-spread loans (with variable rate, 19 percent, and with fixed rate, 8 percent) that are available for new commitments, IBRD's loan portfolio includes old legacy loans: multicurrency pool loans, 12 percent; single currency pool loans, 9 percent; and fixed-rate single currency loans, 8 percent. On May 2, 2006, the Executive Directors approved the adoption of a lower and more transparent lending rate for multicurrency pool loans and dollar single-currency pool loans at the London Interbank Offered Rate plus 100 basis points (or the fixed-rate equivalent) for borrowers that agree to execute an omnibus amendment to their existing loan agreements.

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 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 stood at 33 percent as of June 30, 2006 (see figure 3.15).

**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 participates in some 160 global and regional partnerships, for which it committed more than \$170 million from its own resources in fiscal 2006.

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

### Trust Funds

World Bank-administered trust funds foster partnerships by mobilizing and directing concessional resources to support poverty reduction across a wide range of sectors and regions, thereby supporting clients in achieving development results at the global, regional, and country levels. Much of this growth responds to the international community's desire for the Bank to help manage broad global initiatives through multilateral partnerships, such as the Global Fund to Combat AIDS, Tuberculosis and Malaria; the Global Environment Facility; and the HIPC Initiative. Trust funds also support the World Bank Group's own development operations and work programs. Many of these activities are further described in the World Bank's *Trust Funds Annual Report*. (See site index at [www.worldbank.org](http://www.worldbank.org).)

### Contributions, Funds Held in Trust, and Disbursements

The Bank's trust fund portfolio expanded in fiscal 2006. Contributions from donors totaled \$5.3 billion, an increase of 9.5 percent over fiscal 2005. Funds held in trust rose to \$10.3 billion, a 10.5 percent increase. The top 10 donors accounted for 80 percent of all contributions (see table 3.2).

### Major New Trust Fund Programs

In response to emerging development challenges, the donor community agreed to establish several new major trust fund programs during fiscal 2006, including the four highlighted here.

**The Avian and Human Influenza Facility** This facility comprises several trust funds to address unmet financing needs and has pledges of more than \$70 million. Funds support integrated country action plans and other activities as endorsed by the facility's advisory board.

**The Africa Catalytic Growth Fund** This fund was established as a mechanism for growth with an initial contribution of £200 million from the United Kingdom. The fund seeks to leverage funds from other partners and support ongoing government programs to achieve the MDGs.

**Trust Fund for Anti-Money-Laundering and Combating Financing of Terrorism for Asia-Pacific and for Central America and the Caribbean** This Canadian-financed fund strengthens the skills of agencies responsible for anti-money-laundering activities and combating terrorism financing.

FIGURE 3.14

**IBRD'S BORROWINGS AND INVESTMENTS** | AS OF JUNE 30, 2006  
BILLIONS OF DOLLARS

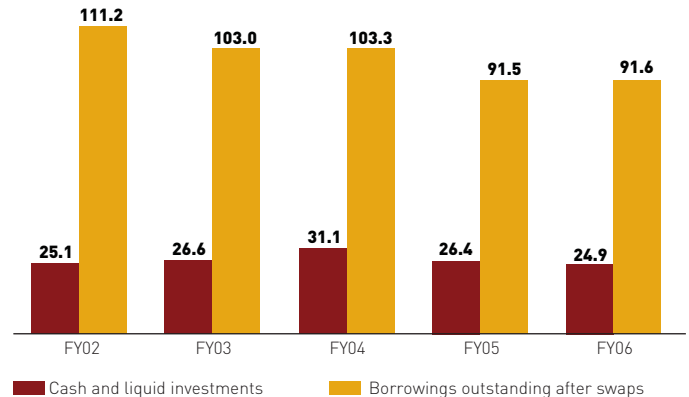
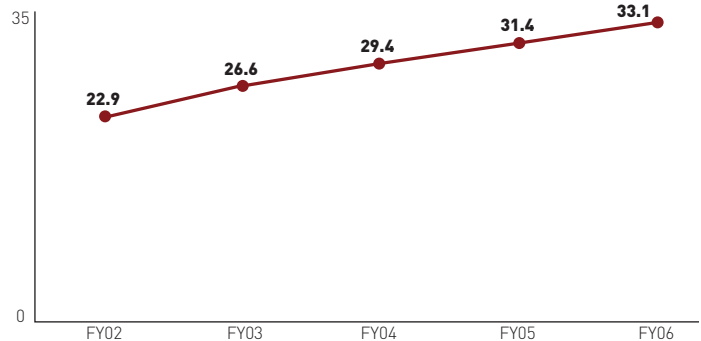


FIGURE 3.15

**EQUITY-TO-LOANS RATIO** | AS OF JUNE 30, 2006  
PERCENT



**Red Sea–Dead Sea Water Conveyance Feasibility Study** This \$15.5 million multidonor trust fund finances studies on possible solutions to the declining level of the Dead Sea through a determination of whether the transfer of water from the Red Sea to the Dead Sea is feasible. (See [www.worldbank.org/cfp](http://www.worldbank.org/cfp).)

### Cofinancing

Cofinancing is any arrangement under which funds from the Bank are associated with funds provided by sources from outside the recipient country for a specific lending project or program. In fiscal 2006, 141 Bank projects leveraged \$4.9 billion in cofinancing. Major cofinanciers were the Inter-American Development Bank (\$1.3 billion) and the United Kingdom's Department for International Development (\$0.5 billion). Multilateral agencies contributed \$3.5 billion in cofinancing. The regions benefiting most from these cofinancing arrangements were Latin America and the Caribbean (\$1.5 billion), East Asia and Pacific (\$1.2 billion), and Africa (\$1 billion).

### Furthering Bank-Fund Collaboration

In March 2006, the Bank President and the IMF Managing Director agreed to establish a six-member External Review Committee comprising current and former Bank and IMF officials, senior international finance executives, and government finance officials. The committee will solicit views from member countries on Bank-Fund collaboration, which has increased significantly over time. The committee is expected to recommend specific improvements in Bank-Fund collaboration in such areas as policy advice, lending operations, technical assistance, and ways to tailor programs to meet specific country needs.

### Financial Management Framework Agreement

Harmonizing and aligning donor assistance occurs at the country level through, for example, participation in joint analytic work, collaborative preparation of country and sector strategies, and development of common arrangements to finance projects and programs. The Bank made further progress with other donors on this agenda by signing a Financial Management Framework Agreement with the United Nations in March 2006. This agreement represents a significant milestone in the Bank's ongoing program of financial management harmonization, which had, until now, focused on bilateral and multilateral development agencies. This new agreement allows the Bank to rely on the UN's financial management regulations within a framework that continues to provide the Bank with reasonable assurance that its funds will be used for the intended purposes.

TABLE 3.2

### TOP TEN TRUST FUND DONORS MILLIONS OF DOLLARS

DONOR	FY05	FY06
United States	358	713
United Kingdom	552	664
Netherlands	411	488
European Commission	408	459
World Bank Group	462	422
Japan	405	339
France	373	335
Italy	211	315
Norway	202	272
Sweden	193	193
Others	1,236	1,069
<b>Total contributions</b>	<b>4,811</b>	<b>5,269</b>
Funds held in trust	9,322	10,293
Contributions <sup>a</sup>	4,811	5,269
Cash disbursements	4,235	4,374

**Note:** Donor ranking shown above is based on fiscal 2006 contributions.

a. Contributions are reported on a cash basis except for Global Environment Facility; the Global Fund to Combat AIDS, Tuberculosis and Malaria; and HIPC, which are reported on an accrual basis.