

## World Bank Group: Comparative Advantages

This Annex presents the particular comparative advantages of the World Bank Group for Russia in knowledge, expertise, governance, and filling gaps where market institutions remain weak. During its 13 years history of engagement in Russia, the Bank Group has developed a significant capacity for bringing its extensive development knowledge and experience to bear on the particular case of Russia. This includes analytical work that places the Russian experience in comparative international perspective, institutional development in the private sector, and project management skills that remain valuable in the country at a time when the government itself is just beginning to develop capacity for multi-year project development, finance, and implementation. The progress and experience of World Bank Group cooperation in recent years at the federal level in areas such as governance, poverty, health, and education can now be applied to the regional and local levels where related needs in government capacity are still quite strong. In infrastructure and budgetary reform the Bank Group has already developed substantial experience at the subnational level. Specific areas of the Bank Group's experience most applicable to the Strategy are briefly described below.

### *World Bank: Organization with Global Knowledge and Experience*

- The World Bank is a truly global institution with membership of 184 countries, 10,000 employees in headquarters and more than 100 country offices. FY2006 operations were conducted in 88 countries.
- IBRD lending in FY2006 was more than \$14bln for 112 Projects, with additional \$10bln for 167 Projects by IDA in 88 countries in total; Cumulatively, IBRD and IDA have issued more than 9,000 loans for more than \$600bln.
- The World Bank delivered 601 economic and sector work and 307 technical assistance activities in FY2006 alone with products ranging from country strategies, sector reports, investment climate and governance assessments, growth analyses and etc.
- The World Bank's report database holds over 15,000 free, downloadable documents, including operational documents (project documents, analytical and advisory work, and evaluations), formal and informal research papers, and most Bank publications.
- The World Bank Institute trained more than 10,000 people in FY2006 alone, and supported capacity building activities in 45 countries. Bank spends more than \$50mln a year in supporting its global knowledge sharing initiatives such as Development gateway.

## Strategic Pillar One: Sustaining Rapid Growth

### *Catalyzing Investment in the Private Sector*

- IFC and MIGA play important role in supporting private investments globally: in FY2006 alone, IFC committed \$6.7bln for 284 Projects in 66 countries and MIGA issued \$1.3bln in guarantees for 41 Projects and provided advisory services in 28 countries under 45 Projects.
- IFC has accumulated huge experience in Russia: IFC has invested more than \$2.9bln in 130 Projects in Russia and its committed portfolio in Russia reached US\$ 1.8 billion by June 2006 (largest IFC exposure). IFC mobilized an additional \$583 million of financing to Russia through syndicated loans. In addition, IFC is able to provide a variety of structure finance products and introduce new financing mechanisms that bring in other sources of capital.
- IFC's global strategic priorities include private investment in infrastructure and social services and support to the development of financial institutions. IFC has leveraged expertise in these areas in Russia. For example, IFC has invested \$1.8 billion in more than 90 housing finance deals in 35 countries and has strong in-house expertise. In Russia it is extending this expertise both through investment and TA to develop the primary market. PEP's TA with banks has resulted in 10 new residential mortgage loan products developed by lenders as the result of

Project advisory involvement. PEP has also drafted legislation related to mortgage lending and securitization.

- Joint IFC/World Bank Foreign Investment Advisory Service (FIAS) carried out a series of comprehensive diagnostics of administrative barriers for business start up and operations similar to work done in many other countries in 15 regions of Russia.
- MIGA has also gained experience in Russia and the country is MIGA's largest exposure with gross outstanding coverage of US\$ 536 million as of June 30, 2006.

#### ***Rich Experience in Supporting Business and Investment Environment***

- The World Bank is one of leading organizations supporting initiatives for improved business and investment environment in member countries through reports that can be used for country diagnostics as well as benchmarking progress with respect to other countries: such as Doing Business, the Bank Group's flagship product on the quality of government regulation (175 countries), WBI Governance Indicators (more than 200 countries); and Administrative Barrier Assessments (more than 50 countries), Database on ECA countries on business environment and enterprise performance. In addition, 35% of IFC's advisory projects globally are focused on improvements to the business enabling environment.

#### ***Experience in Regional Development***

- Experience with establishing resource allocation frameworks for regional development, in EU pre-accession and other middle-income countries, to ensure that resources reach the lagging regions based on a set of objective and clearly understood criteria.
- Developing inclusive decision-making mechanisms at the regional level that help prepare and select projects that are responsive to the needs and priorities at that level.
- Project experience for supporting fiscal and administrative decentralization, building capacity at the local level to fully benefit from decentralization reforms.
- Experience in helping design local initiatives with annual IBRD lending to sub-national infrastructure projects with sovereign guarantees exceeding \$5bln.
- Municipal Fund established in 2003 leveraged \$800mln in investments, and now offers loans in 20 local currencies.
- Sub-National Development Program approved in 2006 allocates \$600mln for subnational loans;
- More recently, Bank work in China, Brazil, India, Pakistan, Mexico etc. has focused on subnational level analysis of growth, city development strategies, and assisted in preparation of Regional Development Strategy for Kazakhstan.
- Sub-national benchmarks on the quality of investment climate is being created and monitored using methodology of "Doing Business" in 31 states of Mexico and its Federal District, 9 states of India; and 4 provinces of Pakistan; similarly, 25 municipalities have been benchmarked for investment climate indicators under the Municipal Scorecard program developed by IFC.

#### ***Experience in Infrastructure Investments***

- Infrastructure is an important part of the World Bank Group activities: with 30% of the IBRD lending in FY2006 committed for transportation, energy, and mining projects. Infrastructure is 33% of the Bank's total project portfolio, or about \$80bln. Infrastructure accounted for about 41% of MIGA's overall gross exposure, as of June 30, 2006.
- The Bank's Public Private Infrastructure Advisory Facility (PPIAF) established in 1999 has since prepared more than 200 Public Private Partnership (PPP) reviews, strategies, and legal documents (ranging from railroads, SMEs in power generation, and solid waste); trained more than 15,000 people on various aspects of PPP around the world; advised 21 countries on reforms.

- PPPIF manages a Database of 3,100 projects in 150 countries, which is a leading source of public-private participation in infrastructure trends. Analyses of these projects yields best practice lessons on cross-cutting issues.
- Infrastructure is a global priority area for IFC, as adequate infrastructure is a prerequisite for the growth of the private sector. Since the early 1990s when IFC first became active in infrastructure financing, private infrastructure deals worth nearly \$4.8 billion have been arranged in more than 46 developing countries. In Russia, this has been a rapidly growing area of activity for IFC, primarily in transport infrastructure that supports businesses operating across the Federation's expansive territory.

#### ***Growth Diagnostics and Policy Formulation***

- The Bank has assisted many countries, including Indonesia, Ukraine, Brazil, Mexico, China, Poland, India, and Turkey in undertaking a careful analysis of the constraints to growth and the appropriate response policy. This work has covered analysis of macroeconomic volatility and risks, trade policy (especially impact of WTO accession), labor market demand and supply conditions, sectoral constraints in agriculture, industry and services, financial sector issues, role of public policies to promote growth, etc.

#### ***Fiscal Analysis***

- As part of its broader mandate, the Bank has more than 50 years of experience in analyzing fiscal policies in member countries and unique in-house expertise on efficiency and equity of public expenditures and revenue generation, distributional implications of different types of taxes, the efficiency of systems of budget management systems, etc.

#### ***Asset Management***

- The World Bank's Treasury manages more than \$60 billion in global fixed income liquidity portfolios for the World Bank Group and other official institutions, and pension fund assets for World Bank Group staff. The Bank provides technical assistance to a number of countries on asset management, including management of oil surplus funds with objective to develop the country's own capacity for managing its reserves effectively. The creation of a Fund for Future Generations with a longer-term investment strategy is a key priority in Russia today.

### **Strategic Pillar Two: Strengthening Public Sector Management and Performance**

#### ***Public Governance***

- The World Bank is a leading institution for supporting reforms of the public administration with large and diversified analytical program across the world, supported by financial products – in FY2006 alone, public administration, law & justice loans made 22% of the lending portfolio, or \$3.1bln. Over the last five year, the Bank has initiated over 360 lending operations in this area, including over 70 operations in the Europe and Central Asia Region.
- The Bank developed specific analytical tools for measuring the performance of the public sector: GRICS (Governance Research Indicator Country Snapshot) published every two years for 204 countries measures quality and effectiveness of governance; BEEPS (Business Environment and Enterprise Performance Survey) of about 10,000 firms in 27 ECA countries, Public Expenditure and Financial Accountability (PEFA) Program of the Bank, IMF, EU, and other donors.
- The Bank also supports public-sector governance at the local level, building the capacity of local authorities to manage resources, be responsive to citizens, engage in participatory

development planning, and develop “bankable” development projects. The Bank assisted with participatory budgeting in India, Indonesia, the Philippines, and Albania, and is supporting a pilot in rural Russia.

***Projects for Improving Public Service Delivery***

- The Bank has developed investment projects in many countries to support the modernization of tax and customs administration, treasury development, internal and external audit, medium-term expenditure programs; performance based budgeting; intergovernmental fiscal system reforms, etc.

**Strategic Pillar Three: Improving Delivery of Social and Communal Services**

***Education and Health***

- The Bank has developed extensive experience in the design and implementation of projects in the social sectors during the last 30 years in 140 countries, including reforms of national health care and education systems, improvement of quality of health services delivery and primary education, linking higher education with the economic development agenda.
- The Bank’s portfolio in the social sectors in Russia is \$600mln in 7 projects, and successful lessons can be further supported through subnational activities in more regions.
- IFC has increased its support for private investments in health and education around the world by 50% in FY2006, and in partnership with the Bank has a unique capacity to support PPP in these sectors.

***Poverty Diagnostics and Social Protection***

- The Bank has a unique institutional focus on monitoring poverty indicators using its database and in-house skills for evidence-based poverty analysis, cross country benchmarking, evaluation of anti-poverty programs, reforming social assistance, global knowledge on what works for poverty reduction, analysis of lagging/poorer regions and strategies to promote regional development, etc.
- Bank’s tools on social protection and poverty include: poverty assessments (more than 120 countries), PRSP elaboration (more than 50 countries) and Poverty and social impact analysis (available since 2003 and used in 70 countries for assessment of reform impact for different social groups).
- The Bank has supported the implementation of reforms in social assistance and targeted investment programs in many countries including most of the transition countries as well as Brazil, Mexico, China, Vietnam etc.
- Bank’s current social projects (90 projects in more than 60 countries) address social policy needs within realities of national fiscal and institutional frameworks and focus on targeted social assistance, social services for families, children and disabled at the regional and local levels.

***Social Inclusion***

- The Bank is supporting implementation of innovative social inclusion initiatives in EU accession countries, (e.g. in Poland) helping design programs that address vulnerable groups that may not be adequately targeted by the existing social safety nets.

**Strategic Pillar Four: Enhancing Russia's Global Role/International Integration**

***Aid Delivery Mechanisms, Credibility with Governments, Donors, and International Organizations***

- The Bank participates in 160 global partnerships in areas of common concern such as diseases, environment, trade, infrastructure, Indigenous Peoples and migration, and committed \$170mln to support them in FY2006 alone.
- In FY2006, the Bank managed more than \$10bln in Trust Funds and raised more than \$5bln in cofinancing for its operation from other institutions.

***Participation in Conventions on Climate Change and Biodiversity; GEF Agency***

- The World Bank Group has the largest portfolio of projects among the three GEF Implementing Agencies, with more than 1,700 projects in the current portfolio.
- As the overall aggregated carbon market is estimated to reach \$25bln in 2006, the Bank is credited as being one of the pioneers and continuing to play an essential role in the market. It is managing more than \$2bln in several carbon funds, and has prepared more than 50 carbon finance projects. Even more important role of the Bank is in-country capacity building and methodology development.
- Energy Efficiency is one of priority areas, and the Bank has invested more than \$6bln and mobilized more than \$10bln towards energy efficiency and renewable energy projects.