

THE WORLD BANK ANNUAL REPORT 2010

YEAR IN REVIEW

THE WORLD BANK

THE WORLD BANK INSTITUTIONS

The core business of the World Bank is overcoming poverty and boosting economic growth in developing countries.

The International Bank for Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries. This affiliate promotes sustainable development through loans, guarantees, risk-management products, and nonlending analytical and advisory services. IBRD's financial strength enables it to borrow in capital markets at low cost and to offer clients favorable borrowing terms.

Established 1944 | 187 Members
Cumulative lending: $523.6 billion*
Fiscal 2010 lending: $44.2 billion for 164 new operations in 46 countries

* Effective fiscal 2005, includes guarantees.

IBRD KEY FINANCIAL INDICATORS | FISCAL 2006–10
MILLIONS OF DOLLARS

	2006	2007	2008	2009	2010
Operating income[a]	1,740	1,659	2,271	572	800
Loans outstanding	103,004	97,805	99,050	105,698	120,103
Total assets	211,982[b]	207,601[b]	233,311	275,420	283,010
Total equity	36,474	39,796	41,548	40,037	37,555

a. Reported in IBRD's financial statements as "Income before fair value adjustment on non-trading portfolios, net and Board of Governors–approved transfers."
b. Restated to reflect the impact of certain reclassifications to conform with the current year's presentation.

The International Development Association (IDA) provides interest-free, long-term loans—called credits—and grants to governments of the world's 79 poorest countries, which have little or no capacity to borrow on market terms. IDA's lending is financed by contributions to IDA from donor countries, IBRD's net income transfers, grants from the International Finance Corporation (IFC), and IDA's credit reflows.

Established 1960 / 170 Members
Cumulative commitments: $221.9 billion*
Fiscal 2010 commitments: $14.5 billion for 190 new operations in 66 countries

* Effective fiscal 2005, includes guarantees.

IDA KEY FINANCIAL INDICATORS | FISCAL 2006–10
MILLIONS OF DOLLARS

	2006	2007	2008	2009	2010
Development credits outstanding	127,028	102,457	113,542	112,894	113,474
Total sources of development resources/total equity[a]	102,871	110,212	123,619	127,950	128,275

a. Up to the fiscal year ended June 30, 2007, IDA prepared special-purpose financial statements. Effective July 1, 2007, IDA's financial statements are prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP).

This Annual Report, which covers the period from July 1, 2009, to June 30, 2010, has been prepared by the Executive Directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—collectively known as the World Bank—in accordance with the respective bylaws of the two institutions. Robert B. Zoellick, President of IBRD and IDA, and Chairman of the Board of Executive Directors, has submitted this report, together with the accompanying administrative budgets and audited financial statements, to the Board of Governors.

Annual reports for the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID) are published separately.

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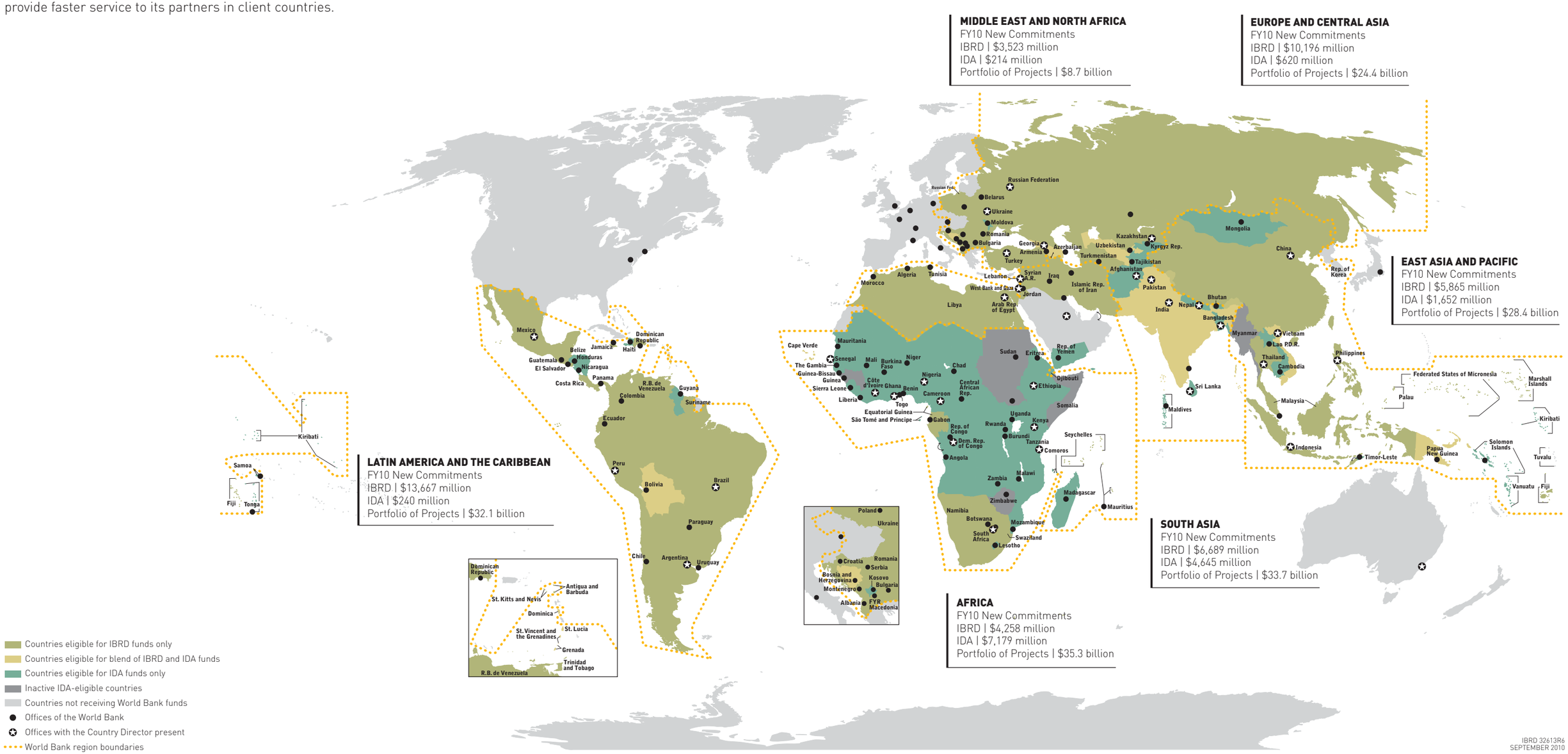
All dollar amounts used in this Annual Report are current U.S. dollars unless otherwise specified. As a result of rounding, numbers in tables may not add to totals and percentages in figures may not add to 100. Throughout this report, the terms "World Bank" and "Bank" refer to IBRD and IDA. "World Bank Group" refers collectively to IBRD, IDA, IFC, MIGA, and ICSID.

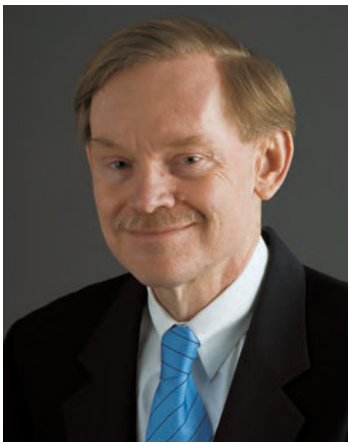
WORLD BANK REGIONS, COUNTRY OFFICES, AND BORROWER ELIGIBILITY

A true global community, the World Bank's staff comprises more than 9,000 people from 165 countries. More than 38 percent of the World Bank's staff work in one of the Bank's 120 country offices, where an increased presence in the field helps the Bank better understand, work more closely with, and provide faster service to its partners in client countries.



IBRD 32613R6
SEPTEMBER 2010

MESSAGE FROM THE PRESIDENT OF THE WORLD BANK GROUP AND CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS



I am pleased to introduce the 2010 Annual Report and the new Web site (**www.worldbank.org/annualreport/2010**) that expands on the Report. Together they capture today's stark realities, our innovative reforms, and financial and field results. They illustrate the course we are charting to create a New World Bank for a New World.

New World, New World Bank defines our vision for an institution that serves the emerging multipolar global economy. The World Bank Group's transformation can bring about a modernized multilateralism that treats developing countries as key actors.

Although we hope the worst of the economic crisis is over, we face a period of high uncertainty with a slow and uneven recovery and its attendant inevitable setbacks. Developing countries have been increasingly providing the demand that is pulling the global economy out of the crisis. Developing-world imports have accounted for more than half of the increase in world import demand since 2000. Developing countries are importers of capital goods and services. Billions of people in developing countries are joining the world economy as their incomes and living standards rise. The developing world's share of global gross domestic product in purchasing power parity terms has increased from 33.7 percent in 1980 to 43.4 percent in 2010. Prospects for growth for developing countries are good and are projected to exceed the recovery for higher-income countries.

At the Spring Meetings in April 2010, the World Bank Group's shareholders endorsed the World Bank's first major capital increase—$86 billion—in more than 20 years. The additional funding will help create jobs and invest in infrastructure, small and medium enterprises, safety nets, and more.

Our shareholders also fulfilled the commitment made at the Annual Meetings in Istanbul last October to increase voting power at the International Bank for Reconstruction and Development (IBRD) for developing and transition countries by at least 3 percentage points, bringing them to 47.19 percent—a total shift of 4.59 percent since 2008. Developing-country voting power in the International Development Association (IDA) will rise to more than 45 percent. Developing and transition countries' shares at the International Finance Corporation (IFC) will increase by 6.07 percent to 39.48 percent. These changes in voting power help us better reflect the realities of the new multipolar global economy, where developing and transition countries are now key players.

IFC will further boost its capital through issuance of a hybrid bond and through retained earnings.

The Multilateral Investment Guarantee Agency (MIGA) is changing its procedures and is modifying its convention to be more flexible and to expand its range of services.

Our shareholders also endorsed our internal reform agenda and post-crisis strategy. Through the strategy, we are sharpening our focus where we can add more value: targeting the poor and vulnerable, especially in Sub-Saharan Africa; creating opportunities for growth with a special emphasis on agriculture and infrastructure; promoting global collective action on issues from climate change and trade to agriculture, food security, energy, water, and health; strengthening governance and anticorruption efforts; and preparing for crises.

These are all very important steps. Each part of the package approved is significant. Together they represent a dynamic transformation of the World Bank Group.

Moreover, the Bank Group is adopting a range of operational reforms that enhance our effectiveness, accountability, transparency, and ability to efficiently deliver financial and technical resources to our clients.

Our investment lending reform will improve our focus on results, increase speed and delivery, and strengthen risk management. To meet the shifting circumstances of our member countries, the Bank is developing more customized investment-lending solutions. That means making finance investment easier and moving from supervision of to implementation support for our clients.

On July 1, 2010, our new Access to Information Policy took effect, making the World Bank the leader among multilateral institutions on information disclosure. In April we launched the Open Data Initiative, which places the World Bank at the forefront of providing free and easy access to information and data on developing countries.

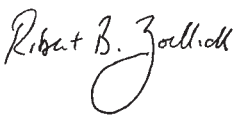
We are continuing to move forward with strengthened governance and anticorruption efforts that will provide more resources for prevention and coordinated sanctions to fight corruption. In May we signed a pathbreaking agreement on cross-debarment with the other multilateral development banks.

During fiscal 2010 the Bank Group committed a record $72.9 billion in loans, grants, equity investments, and guarantees to its members and to private businesses in member countries, a 24 percent increase over fiscal 2009.

IBRD commitments in fiscal 2010 totaled $44.2 billion, up from $32.9 billion in 2009. IDA commitments rose to $14.5 billion, a 3.6 percent increase over last year. Support from IFC for its own account increased 14.3 percent to $12.7 billion, while MIGA issued $1.5 billion in guarantees, up from $1.4 billion in fiscal 2009.

During the global crisis, these investments helped our clients finance targeted safety nets, infrastructure to boost productivity and create jobs, and promote the private sector.

I particularly want to thank the staff of the World Bank Group in Washington and in our more than 150 offices around the world. Their hard work, dedication, and determination are allowing us to turn our vision of a New World Bank for a New World into reality. I also want to thank our Board of Governors and Board of Directors for their support and guidance.



Robert B. Zoellick

THE BOARD OF EXECUTIVE DIRECTORS

The challenging economic, financial, and development conditions in 2009 and early 2010, and their adverse effects on the fight against poverty, dominated the fiscal 2010 work program of the Executive Directors. The Executive Directors took steps to position the World Bank Group to confront existing and emerging global challenges by refining the institution's strategic priorities and modernizing its governance structure, as well as approving record levels of lending. Directors discussed postcrisis strategic directions for the Bank, including priorities that will shape the World Bank Group's efforts to address development challenges and enhance its efforts to overcome poverty. They also discussed the need for global coordinated actions by multilateral institutions and the key role the Bank must play in fostering a new multilateralism. Directors discussed actions to transform the World Bank Group through improvements in governance, accountability, and operational effectiveness as well as to improve shareholder representation and to increase capital. The Directors agreed to increase the voting power of developing and transitional countries (DTCs) in IBRD by 3.13 percent, bringing it to 47.19 percent; the increase represents a total shift of 4.59 percent to DTCs since 2008. This realignment will be carried out through a selective capital increase of $27.8 billion with paid-in capital of $1.6 billion. In addition the Directors agreed to an IBRD general capital increase of $58.4 billion, of which 6 percent, or $3.5 billion, in paid-in capital will enhance IBRD's financial capacity. Directors also emphasized the importance of the inclusive nature of the general capital increase and an ongoing commitment to IDA by enhancing the value of IDA transfers, in line with IBRD's financial capacity. Directors expressed support for a successful IDA16 replenishment through fairer and wider burden sharing.

To enhance the World Bank Group's operational capacity, efficiency, and effectiveness, the Executive Directors reviewed the Bank's internal reform initiatives, which included modernizing financial instruments and knowledge services and reforming the service delivery model, human resources, information management and technology, and budget processes. As part of the initiative toward making IBRD and IDA more agile and responsive to client country needs, Directors discussed strengthening the organizational model, including options to make the Bank more global and a review of the matrix management structure. The dialogue will continue in the coming fiscal year.

Executive Directors approved a pilot IDA Crisis Response Window of $1.5 billion, including voluntary donor contributions, to help IDA countries hard hit by the economic crisis through declining external trade, remittances, and foreign direct investment.

The Executive Directors also approved a more open public information policy that creates a major shift from a policy that spelled out what the Bank may disclose to one that presumes the Bank will disclose any information in its possession that is not on a well-defined list of exceptions.

The Executive Directors approved lending of $44.2 billion for IBRD and $14.5 billion for IDA. The Directors also considered 41 country assistance strategy (CAS) products, of which 33 were prepared together with IFC. Of

From left to right (standing): Merza H. Hasan, Abdulrahman M. Almofadhi, Dante Contreras, Konstantin Huber, Alexey Kvasov, Toru Shikibu, Ambroise Fayolle, Sid Ahmed Dib, Susanna Moorehead, Rudolf Treffers, Michael Hofmann, Toga McIntosh, James Hagan, Samy Watson, Pulok Chatterji, Louis Philippe Ong Seng; (seated) Jose A. Rojas, Sun Vithespongse, Giovanni Majnoni, Carolina Renteria, Ian H. Solomon, Anna Brandt, YANG Shaolin, Michel Mordasini.

Photo: Frank Vincent



these, several CAS products were also prepared collaboratively with development partners and donors. Directors also reviewed the fourth retrospective review of CASs and discussed the future direction and strategic contribution of CASs in steering the development process in a direction that is results based and focused on country-specific development needs.

Executive Directors reviewed 12 Joint Staff Advisory Notes (JSANs) on country-owned Poverty Reduction Strategy Papers (PRSPs). PRSPs lay out a country's own poverty reduction strategy and specify the policies, programs, and resources needed to achieve development and poverty reduction goals. The PRSP process aims at fostering an open and inclusive national dialogue among stakeholders to ensure effective participation and ownership of the strategy.

Executive Directors approved an administrative budget for fiscal 2010 of $2,245.7 million net of reimbursements, including $171.2 million for the Development Grant Facility, Institutional Grant Programs, and State and Peace Building Fund, which represented a 1.39 percent nominal increase in the net administrative budget over fiscal 2009. For fiscal 2011 the Executive Directors approved a total administrative budget, net of reimbursements, of $2,300.2 million.

The Inspection Panel reports to the Board. Its primary purpose is to address the concerns of people who may be negatively affected by Bank projects and to ensure adherence to operational policies and procedures during design, preparation, and implementation phases of projects. In fiscal 2010 the Inspection Panel received requests for inspection involving nine Bank projects, of which eight requests were registered. The panel recommended to the Executive Directors investigations in four cases. (See **www.inspectionpanel.org**.)

The Role of the Board of Executive Directors

As provided in the Articles of Agreement, the Executive Directors are responsible for the conduct of the Bank's general operations; they perform their duties under powers delegated by the Board of Governors. Five of the 24 Executive Directors (a 25th chair, to be held by Africa, will be added in November 2010) are appointed by the five single members having the largest number of shares; the rest are elected by the other member countries, which form constituencies in an election process conducted every two years. The Executive Directors fulfill an important role in shaping policies that guide the general operations of the Bank and its strategic direction, and they decide on IBRD loan and guarantee proposals and on IDA credit, grant, and guarantee proposals made by the President. The Directors are responsible for presenting to the Board of Governors at the Annual Meetings audited accounts, an administrative budget, and the Annual Report on Bank operations and policies, as well as any other matters that, in their judgment, require submission to the Board of Governors.

The Board is served by five standing committees composed of eight Directors each: Audit, Budget, Development Effectiveness, Governance and Administrative Matters, and Human Resources. These committees assist the Board in overseeing and making decisions about the World Bank Group's policies and procedures, financial condition, risk-management and assessment processes, adequacy of governance and controls, and effectiveness of development and poverty reduction activities. In addition, a Board Ethics Committee provides guidance on matters covered by the Code of Conduct for Board Officials.

The Board also monitors the effectiveness of the World Bank Group's activities through the independent Inspection Panel and Independent Evaluation Group—which report directly to the Board—as well as through the Internal Audit Department and the external auditor.

The Corporate Secretariat Vice Presidency serves as the key interlocutor among the Board of Governors, the Executive Directors, and management and staff. This function includes managing the Board work program on behalf of the Executive Directors and Senior Management and ensuring good governance practices in the conduct of the Board business process. (See **http://www.worldbank.org/boards**.)

IBRD ROLE AND RESOURCES

The Role of IBRD

IBRD is a shareholder cooperative owned by 187 countries. It operates a financial services business that provides its members with loans and risk-management products. It also provides expertise in the full range of development- and environment-related disciplines and serves the international community by coordinating responses to regional and global policy challenges. (See **http://www.worldbank.org/IBRD** for development policy–based lending commitments.)

IBRD Financial Commitments and Services

New lending commitments by IBRD increased significantly in fiscal 2010, to $44.2 billion for 164 operations, exceeding the historic high levels of commitment in fiscal 2009 ($32.9 billion). Latin America and the Caribbean received the greatest share of IBRD's new lending, with $13.7 billion, followed by Europe and Central Asia, with $10.2 billion, and South Asia, with $6.7 billion. Among sectors, Energy and Mining received the highest share of commitments (20 percent), followed by the Finance sector (19 percent) and the Public Administration, Law, and Justice sector (18 percent). The themes receiving the largest commitments were Financial and Private Sector Development ($15.6 billion), Human Development ($5.6 billion), and Public Sector Governance ($4.6 billion).

IBRD also offers products that allow clients to manage risks related to currency, interest rates, commodity prices, and natural disasters. In fiscal 2010 it executed U.S. dollar equivalents (USDeq) 11.8 billion in hedging transactions on behalf of clients, including USDeq 11.7 billion in interest rate hedges and USDeq 69 million in currency hedges (all local currency conversions). In addition, the Bank's Treasury unit executed USDeq 477 million for the International Finance Facility for Immunisation and USDeq 541 million for IDA.

IBRD Resources

IBRD obtains most of its funds by issuing bonds on international capital markets. In fiscal 2010 it raised USDeq 34 billion by issuing debt in 28 currencies at medium- to long-term maturities. Despite difficult market conditions, IBRD was able to borrow these large volumes on very favorable terms because of its standing in the capital markets and its financial strength. That strength is based on IBRD's prudent financial policies and practices, which help maintain its triple-A credit rating. As a cooperative institution, IBRD seeks not to maximize profit but to earn enough income to ensure its financial strength and sustain its development activities.

IBRD's allocable income rose to $764 million in fiscal 2010, up from $500 million in fiscal 2009. The higher allocable income primarily reflected a lower provision charge for losses on loans, guarantees, and deferred drawdown options. The equity duration extension program implemented in late fiscal 2008 substantially reduced the adverse impact of the significant downswing in market interest rates.

In August 2010 the Executive Directors recommended that the Board of Governors approve transfers of $281 million to the general reserve, $383 million to IDA, and $100 million to the surplus account from fiscal 2010 allocable income. As of June 30, 2010, IBRD held $36.1 billion in liquid assets. Outstanding borrowings from capital markets were about $119.8 billion (net of swaps). Total disbursed and outstanding loans were $120.1 billion.

Consistent with IBRD's development mandate, the principal risk it takes is the country credit risk inherent in its portfolio of loans and guarantees. Risks related to interest and exchange rates are minimized.

One summary measure of the Bank's risk profile is the equity-to-loans ratio, which is closely managed in line with the Bank's financial and risk outlook. This ratio stood at 29.4 percent as of June 30, 2010. To ensure that IBRD has adequate capital to provide assistance following the record crisis response that started in mid-2008, the Development Committee endorsed and the Board of Executive Directors approved a package of measures, including a $86.2 billion general and selective capital increase, with $5.1 billion in paid-in capital.

FIGURE 1

IBRD EQUITY-TO-LOANS RATIO | AS OF JUNE 30, 2010

PERCENT

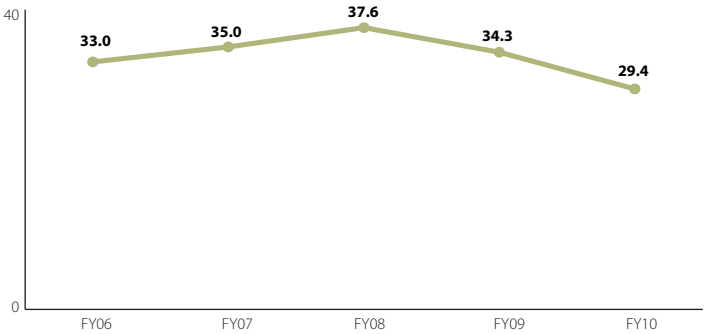
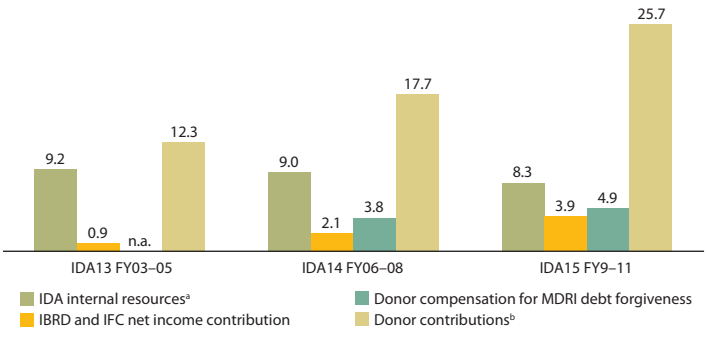


FIGURE 2

SOURCES OF IDA FUNDING | AS OF JUNE 30, 2010

BILLIONS OF DOLLARS



Note: n.a. = not applicable.

a. IDA internal resources include principal repayments, charges less administrative expenses, and investment income.

b. Net of structural financing gap.

IDA ROLE AND RESOURCES

The Role of IDA

IDA is the largest multilateral channel of concessional financing to the world's poorest countries. Its funding supports countries' efforts to boost economic growth, reduce poverty, and improve the living conditions of the poor. This fiscal year, 79 countries were eligible to receive IDA assistance. (See **http://www.worldbank.org/IDA**.)

IDA Financial Commitments

IDA commitments reached $14.5 billion in fiscal 2010. This funding included $11.9 billion in credits and $2.7 billion in grants. The largest share of IDA resources was committed to Africa, which received $7.2 billion, or 49 percent of total IDA commitments. South Asia ($4.6 billion) and East Asia ($1.7 billion) also received large shares of committed funding. India and Vietnam were the largest country recipients.

Commitments for infrastructure rose to $5.3 billion this fiscal year, a 9 percent increase over fiscal 2009. Significant support was also committed to the Public Administration, Law, and Justice ($2.7 billion) and the Health and Social Services ($2.1 billion) sectors. The themes receiving the largest commitments were the Human Development theme ($2.9 billion), the Rural Development theme ($2.6 billion), and the Financial and Private Sector Development theme ($2.1 billion).

IDA Resources

IDA is financed largely by contributions from donor governments. Additional financing comes from transfers from IBRD's net income, grants from IFC, and borrowers' repayment of earlier IDA credits.

Every three years, donor governments and representatives of borrower countries meet to discuss IDA's policies and priorities and to agree on the volume of new resources required to fund its lending program over the subsequent three fiscal years. Under the 15th Replenishment (IDA15), which covers fiscal 2009–11, total resources are $43.6 billion, of which new donor contributions are $25.7 billion and donor MDRI compensation is $4.9 billion.

The Mid-Term Review for IDA15 was initiated in November 2009. In addition to reviewing the broad progress in the implementation of IDA15, Deputies endorsed the creation of a pilot Crisis Response Window (CRW), approved by the Board in December 2009. To help mitigate the effects of the financial crisis, this mechanism allocated about $1.5 billion, including voluntary donor contributions, in redeployed Bank funds to 56 non-oil-exporting IDA countries for the remainder of IDA15.

Negotiations over the 16th Replenishment (IDA16), which determine the volume of resources required to fund IDA between 2012 and 2014, take place during four meetings held between March and December 2010. These meetings provide donors with a key opportunity to guide IDA allocations by themes and conditions on their commitments. IDA deputies have already agreed on several themes for IDA16, including climate change, gender, fragile states, and aid effectiveness. Next year, before IDA16 takes effect on July 1, 2011, IDA will identify a set of monitorable actions against which performance will be measured.

FIGURE 3

TOTAL IBRD-IDA LENDING BY REGION | FISCAL 2010

SHARE OF TOTAL LENDING OF $58.75 BILLION

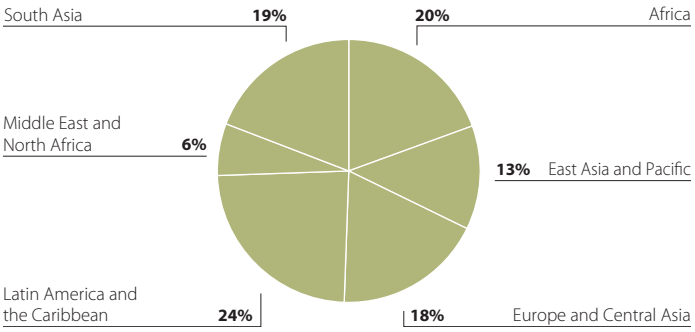


FIGURE 4

TOTAL IBRD-IDA LENDING BY THEME | FISCAL 2010

SHARE OF TOTAL LENDING OF $58.75 BILLION

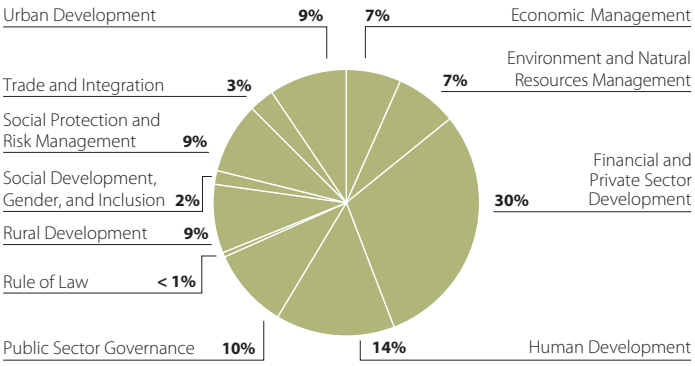


FIGURE 5

TOTAL IBRD-IDA LENDING BY SECTOR | FISCAL 2010

SHARE OF TOTAL LENDING OF $58.75 BILLION

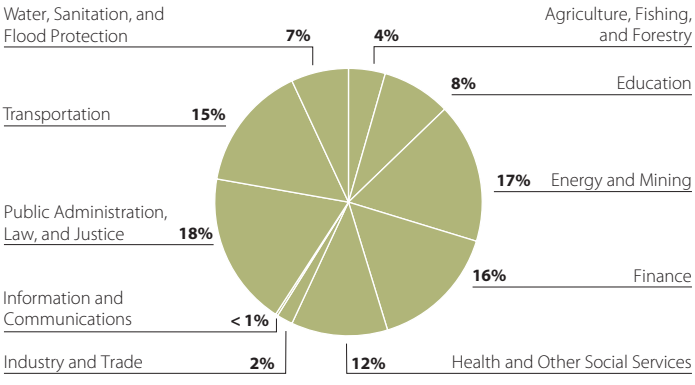


TABLE 1

WORLD BANK LENDING BY THEME AND SECTOR | FISCAL 2005–10

MILLIONS OF DOLLARS

THEME	FY05	FY06	FY07	FY08	FY09	FY10
Economic management	594.6	213.8	248.3	396.6	2,304.7	3,949.9
Environment and natural resources management	2,493.8	1,387.3	2,017.0	2,661.8	5,085.4	4,337.2
Financial and private sector development	3,862.0	6,137.8	4,260.8	6,156.2	9,694.8	17,726.0
Human development	2,951.0	2,600.1	4,089.4	2,280.9	6,378.6	8,421.3
Public sector governance	2,636.4	3,820.9	3,389.7	4,346.6	6,108.4	5,750.4
Rule of law	303.8	757.6	424.5	304.2	15.8	207.1
Rural development	2,802.2	2,215.8	3,175.7	2,276.8	4,298.6	5,003.7
Social development, gender, and inclusion	1,285.8	1,094.1	1,250.3	1,002.9	813.2	952.3
Social protection and risk management	2,437.6	1,891.7	1,647.6	881.9	5,295.7	5,006.3
Trade and integration	1,079.9	1,610.9	1,569.9	1,393.2	3,444.1	1,818.4
Urban development	1,860.0	1,911.2	2,622.7	3,001.2	3,466.7	5,574.5
THEME TOTAL	**22,307.0**	**23,641.2**	**24,695.8**	**24,702.3**	**46,906.0**	**58,747.1**

SECTOR	FY05	FY06	FY07	FY08	FY09	FY10
Agriculture, fishing, and forestry	1,933.6	1,751.9	1,717.4	1,360.6	3,400.0	2,618.3
Education	1,951.1	1,990.6	2,021.8	1,926.6	3,444.8	4,944.5
Energy and mining	1,822.7	3,030.3	1,784.0	4,180.3	6,267.4	9,925.2
Finance	1,675.1	2,319.7	1,613.6	1,540.7	4,235.6	9,136.6
Health and other social services	2,216.4	2,132.3	2,752.5	1,607.9	6,305.5	6,792.0
Industry and trade	1,629.4	1,542.2	1,181.3	1,543.5	2,806.5	1,251.3
Information and communications	190.9	81.0	148.8	56.5	329.2	146.3
Public administration, law, and justice	5,569.3	5,857.6	5,468.2	5,296.4	9,491.6	10,828.2
Transportation	3,138.2	3,214.6	4,949.0	4,829.9	6,260.6	9,001.9
Water, sanitation, and flood protection	2,180.3	1,721.0	3,059.4	2,359.9	4,364.9	4,102.8
SECTOR TOTAL	**22,307.0**	**23,641.2**	**24,695.8**	**24,702.3**	**46,906.0**	**58,747.1**
Of which IBRD	13,610.8	14,135.0	12,828.8	13,467.6	32,910.8	44,197.4
Of which IDA	8,696.2	9,506.2	11,866.9	11,234.8	13,995.2	14,549.7

Note: Numbers may not add to totals due to rounding.

TABLE 2

OPERATIONAL SUMMARY | FISCAL 2010

MILLIONS OF DOLLARS

IBRD	**FY10**	**FY09**	**FY08**	**FY07**	**FY06**
Commitments	44,197	32,911	13,468	12,829	14,135
Of which development policy lending	20,588	15,532	3,967	3,635	4,906
Gross disbursements	28,855	18,565	10,490	11,055	11,833
Of which development policy lending	17,425	9,138	3,485	4,096	5,406
Principal repayments (including prepayments)	11,624	10,217	12,610	17,231	13,600
Net disbursements	17,231	8,347	(2,120)	(6,176)	(1,767)
Loans outstanding	120,103	105,698	99,050	97,805	103,004
Undisbursed loans	63,574	51,125	38,176	35,440	34,938
Operating income[a]	800	572	2,271	1,659	1,740
Usable capital and reserves	36,106	36,328	36,888	33,754	33,339
Equity-to-loans ratio	29%	34%	38%	35%	33%

a. Reported in IBRD's financial statements as "Income before fair value adjustment on nontrading portfolios, net and Board of Governors–approved transfers."

IDA	**FY10**	**FY09**	**FY08**	**FY07**	**FY06**
Commitments	14,550	14,041[a]	11,235	11,867	9,506
Of which development policy lending	2,370	2,820	2,672	2,645	2,425
Gross disbursements	11,460	9,219	9,160	8,579	8,910
Of which development policy lending	3,228	1,872	2,813	2,399	2,425
Principal repayments (including prepayments)	2,349	2,209	2,182	1,753	1,680
Net disbursements	9,111	7,010	6,978	6,826	7,230
Credits outstanding	113,474	112,894	113,542	102,457	127,028
Undisbursed credits	30,696	29,903	27,539	24,517	22,026
Undisbursed grants	5,837	5,652	5,522	4,642	3,630
Development grant expenses	2,583	2,575	3,151	2,195	1,939

a. Includes a HIPC grant of $45.5 million for Côte d'Ivoire.



1

WORLD BANK WORK IN A VOLATILE CLIMATE

GLOBAL FINANCIAL CRISIS

At the outset of the financial and economic crisis, many observers believed that the developing world would be resilient to the turbulence in advanced countries. However, the financial condition of many developing countries deteriorated sharply as the world economy shrank in 2009.

As a result of the crisis, some 64 million more people in the developing world are expected to fall into extreme poverty (defined as living on less than $1.25 a day) by the end of 2010, relative to the precrisis trend. Some regions will be affected much more than others. The recession has been severe in Europe and Central Asia, and Africa has been hard hit. In contrast, growth remains relatively strong in the East Asia and Pacific region; the South Asia and the Middle East and North Africa regions escaped the worst effects of the crisis; and stronger fundamentals helped the Latin America and the Caribbean region weather this crisis much better than past ones.



During a sudden downpour, a father and child dash down a street of shanties in a ghetto. **Photo: Scott Wallace**

Just as the most acute phase of the global financial crisis has passed, the debt crisis in some European countries is slowing recovery prospects. The world economy—which contracted 2.1 percent in 2009—is growing, but as the impact of stimulus packages wanes, growth is projected to reach just 3.3 percent in 2010. World trade volumes are projected to grow 11.2 percent in 2010 and 6.8 percent in 2011—a strong rebound after the staggering 11.6 percent drop in 2009—and economic growth in developing countries is projected to reach 6.2 percent in 2010 and 6.0 percent in 2011, up from just 1.7 percent in 2009. These positive trends notwithstanding, it will be years before jobs are restored and industrial capacity fully reabsorbed.

Against a backdrop of rising need and scarce resources, the Bank remained steadfast in its commitment to helping countries stabilize their economies and preserve and enhance the foundations for longer-term economic growth. It played an important role in channeling resources to developing countries when capital flows plummeted. As in fiscal 2009, it was among the few institutions that substantially increased lending, providing record financing of $58.7 billion in fiscal 2010. Bank initiatives—which were tailored to macroeconomic circumstances, financial pressures, and other challenges in specific countries—helped to create jobs, ensure the delivery of essential services and infrastructure, set up safety net programs for the vulnerable, and restore confidence in financial markets.

In addition to increasing its lending, the Bank sought to mitigate the impact of the global crisis on the world's poor by helping governments to manage the risks on their balance sheets and to address financial market volatility. The work done in earlier years to expand the Bank's menu of financial solutions to include products and services that help reduce vulnerability to these risks stood the Bank in good stead in the midst of increased volatility. The volume of its risk-management transactions increased more than threefold this fiscal year, compared with precrisis levels, as clients sought to implement risk-management strategies. In addition, the Bank provided advisory services to help governments develop and implement sound debt-management strategies. The World Bank Group also continued to forge partnerships with a broad coalition of institutions in response to the crisis. (See **http://www.worldbank.org/financialcrisis**.)

NEW WORLD, NEW WORLD BANK

The World Bank has played a significant role during the global financial and economic crisis, pulling poor people out of poverty and keeping those who are not poor from becoming so. Bank initiatives have provided special vehicles for trade finance, microfinance, capitalization, and distressed debt; established a pilot IDA Crisis Response Window to mitigate the effects of the crisis; combined development and climate change policies to combat global warming; and integrated governance and security for fragile states emerging from conflict. The worst of the crisis seems to be over, but the world economy faces an uncertain and uneven recovery, with new risks to economic growth, human development, and poverty reduction. (See **http://www.worldbank.org/worldbankreform**.)

Setting Postcrisis Priorities

The Bank is concentrating on five postcrisis priorities: targeting the poor and vulnerable, especially in Sub-Saharan Africa; creating opportunities for economic growth; promoting collective global action; strengthening governance; and preparing for future crises. By tailoring these strategic priorities to the needs of key client groups—low-income and least developed countries, fragile and conflict-affected states, middle-income countries, and the Arab World—the Bank seeks to target support where and when it is needed most.

Increasing the Voting Power of Developing Countries and Transition Economies

In 2008 in the first phase of reforms, it was agreed across the World Bank Group to increase the voice and participation of developing countries and transition economies. The Board of Governors agreed to increase these

countries' voting shares in IBRD to 44 percent and created a third chair on the Board of Executive Directors for Africa. Developing-country voting power in IDA increased to more than 45 percent since the start of the Voice Reform in 2008.

Building on these successes in spring 2010, the World Bank Group shareholders agreed on a second phase of reforms that resulted in an additional increase of 3.13 percent in voting power for developing and transition countries (DTCs), bringing their total IBRD voting power to 47.19 percent. Voice reform at IFC resulted in bringing DTC voting power there to 39.48 percent, an increase of 6.07 percent. Regular IBRD and IFC shareholding reviews will take place every five years as the Bank moves toward equitable voting power between developed and developing countries over time.



In Freetown, Sierra Leone, children gather in front of an Anti-Corruption Commission billboard designed to raise youth awareness of corruption. **Photo: Cari Votava**

Enhancing IBRD's Financial Capacity

IBRD's strong capital position before the crisis enabled it to provide massive support when its clients needed it most. This record level of assistance leaves the institution with little capacity to play the same role should the recovery falter.

To address this potential problem, management and shareholders have worked together and taken a number of measures to enhance IBRD's financial capacity. The package of measures includes a total capital increase of $86.2 billion, including $5.1 billion in paid-in capital; higher pricing; reform of loan maturity terms; continued budget discipline; and working with relevant member countries to convert existing but not fully usable capital into fully usable risk capital.

Member countries expressed their support of the capital increase package at the Spring Meetings (April 2010), including a $58.4 billion general capital increase, with $3.5 billion in paid-in capital, and a $27.8 billion selective capital increase associated with the voice and participation reform, which contains $1.6 billion in paid-in capital. The process is under way to seek formal Board of Governors approval of the capital increases.

Instituting Internal Reforms

The Bank instituted a comprehensive reform agenda this fiscal year to support the modernization of its services and to improve their delivery. Underlying these internal reforms is the commitment to enhance transparency and governance and to strengthen accountability and the results orientation. These reforms target the Bank's financial services, human resource structure, information technology capacity, and budget allocations. The reforms put a premium on extending the Bank's global reach and responsiveness to diverse country needs, supporting flexible responses to specific circumstances, changing environments and different client segments, and augmenting effectiveness in combining and deploying assets. Clients can expect to see a coordinated and integrated response across regions, with an emphasis on aid effectiveness, built on a strong country platform of donor coordination.

To improve the delivery of services, reforms will rely on new approaches to decentralization and a revitalized matrix structure that will bring a critical mass of knowledge and operational experience closer to its clients and partners in low-income countries and fragile states. Heretofore, the Bank's model did not place global knowledge at the fingertips of clients, left many fragile states underserved, and was becoming prohibitively expensive.

The Bank has also begun to review its regional and network matrices, which provide a core organizational structure for the delivery of investment and knowledge services. Reforms aim to improve client services through increased staff rotations across regions, tighter governance and accountability for network vice presidencies, and the mobilization of top talent for country offices.

Underpinning all modernizing, structural, and supportive reforms are the Bank's ongoing efforts to increase transparency and improve governance in both client countries and the Bank itself. The Governance and Anti-Corruption Initiative (GAC) continues to build client capacity for governance and strengthen the integrity of Bank operations. In an effort to enhance transparency, the Board approved a major change in its policy toward access to information; now any Bank document that is not on a list of exceptions is publicly available. The Bank also enhanced its efforts to report on results by using a standardized set of core indicators at the country, sectoral, and institutional level and is developing a corporate score card to monitor effectiveness as well as progress on internal reforms.

Open Data Initiative

In April 2010 the World Bank launched its Open Data Initiative, making its public databases open to all users, readily accessible, and searchable on the Web. The new data policy provides free access to more than 2,000 financial, business, health, economic, and human development indicators, previously

available only to paying subscribers. The decision—part of the Bank's larger effort to increase access to information—means that researchers, journalists, nongovernmental organizations, entrepreneurs, and schoolchildren alike will be able to access the World Bank's databases. A new Data Catalog lists all key databases, such as the World Development Indicators, Africa Development Indicators, Global Economic Monitor, Doing Business, and Global Development Finance, and new databases will continue to be added. (See **http://data.worldbank.org**.)

The Open Data Initiative will encourage innovative analysis of development issues and problems and stimulate evidence-based policy making in developing countries. The initiative responds to the growing demand for data and also illustrates the need to support efforts of national institutions that produce the data.

Data.worldbank.org offers full access to data from more than 200 economies, with many time series going back 50 years. For the first time, more than 1,000 indicators are in languages other than English (French, Spanish, and Arabic). Users will be able to download entire datasets for a particular country or indicator, quickly access raw data, click a button to comment on the data, and e-mail and share data with social media sites.

Access to Information Policy

The Executive Directors approved a major new Access to Information policy in November 2009. Together with the seven internal reforms implemented in fiscal 2010, the new policy positions the World Bank as a transparency leader among international financial institutions. The driving force behind this paradigm shift was the desire to increase transparency, public ownership, partnership, and participation in the Bank's operations and projects by a broad range of external stakeholders.

The policy greatly increases public access to Bank information. The old policy disclosed an established set of information and did not allow the public to appeal disclosure decisions. The new policy provides that any information in the Bank's possession, unless covered by a well-defined list of exceptions, is publicly available. It also gives the public the ability to appeal Bank decisions to deny disclosure. Information never before available to the public, including Board transcripts and minutes of Board Committee meetings, is now publicly available, with the Bank routinely posting as much information as possible on its external Web site. Any information not covered by the exceptions list is available upon request. Certain information on the exceptions list may be eligible for declassification after 5, 10, or 20 years, depending on the document type.

Designed to maximize the public's access to information, the policy also respects confidential information from clients, shareholders, employees, and other parties. The policy ensures that the Bank and its clients and partners are able to discuss matters frankly before reaching a decision. The deliberative process remains protected, but interested parties have access to key decisions at the end of certain deliberative processes, such as those resulting from supervision missions.

One of the more innovative and progressive elements of the new policy is the introduction of an appeals mechanism for parties whose requests for information have been denied. An internal administrative appeals body serves as the first stage of appeal; an independent body of international experts serves as the second stage for certain types of appeals.

Implementation of this new policy was itself an open and collaborative effort that involved both internal and external consultations. Numerous vice presidential units collaborated to develop the many systems, guidelines, and procedures that were required to put the policy into effect on July 1, 2010. From the start, civil society groups were invited to participate in various stages of policy development and implementation. They provided valuable inputs into the design of the policy, offered advice during the preparation stage, and helped the Bank test the new public request system in the months leading up to implementation. (See **http://www.worldbank.org/wbaccess**.)

Integrity

The work of the World Bank's Integrity Vice Presidency (INT) is critical to ensuring that development resources reach their intended beneficiaries. INT's mandate is to detect, deter, and investigate fraud and corruption that may affect World Bank Group–financed activities and take action to sanction errant firms. This year INT introduced a preventive function to support mitigation on integrity risks and offer technical advice to project teams.

INT conducts its administrative investigations according to internationally accepted good practice and, as an advocate for the World Bank, presents case findings for the ultimate decision to the Sanctions Board. Since July 1, 2009, the World Bank has debarred 45 firms and individuals from participating in World Bank–funded activities. In the past year INT has referred cases to 31 national authorities for criminal investigation and possible prosecution.

In April 2010 the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank Group, and the World Bank Group signed an agreement to cross-debar firms and individuals found to have engaged in wrongdoing in projects financed by multilateral development banks. This landmark agreement follows an extensive process aimed at harmonizing efforts and resources to address fraud and corruption at the global and regional levels. (See **http://www.worldbank.org/integrity**.)

MILLENNIUM DEVELOPMENT GOALS AND POVERTY REDUCTION

As a result of the global crisis, millions of people who would otherwise have moved out of poverty remained poor, and millions of others who would not otherwise have fallen into poverty became poor. Remarkably, however, the immediate impact of the crisis on development indicators in low-income countries was not as severe as it could have been because the brunt of the blow fell on middle-income countries. Growth in low-income countries declined by less than expected, and many poor countries maintained their spending on social protection.

To promote economic recovery, the Bank has scaled up its support for inclusive growth analyses through the Diagnostic Facility for Shared Growth. The objective of this multidonor trust fund is to help better under-

stand how to accelerate growth and create production employment opportunities for economic actors in all income groups in developing countries. The fund also contains a rich knowledge-management agenda through tools, training courses, and sharing of cross-country experiences. The total number of country studies undertaken by Bank country teams that have been supported by this trust fund rose to 33 in 2010 from 22.

Progress toward meeting the Millennium Development Goals (MDGs) by 2015 is evident, particularly with regard to poverty, which has fallen in all regions over time. With just five years to go, however, attainment of all the MDGs in all countries seems unlikely.



In South Africa, cows graze on a deforested plain with smokestacks on the horizon. **Photo: John Hogg**

Despite increases in the world's population, the number of people living in extreme poverty in the world is falling, thanks to rapid progress in China and India. These advances are probably not enough to halve the number of people in the world living on less than $1.25 day or the proportion of people who suffer from hunger by 2015 however, particularly given the continuing effects of the food crisis in Africa. Good progress has been made toward achieving universal primary education and gender equality in primary education, with the ratio of girls to boys rising in all regions to at least 90 percent.

The immediate consequences of the crisis have been less devastating than they might have been. However, the longer-term consequences remain worrisome because crises tend to have severe and lagging impacts on health, education, employment, and poverty indicators, particularly on infants and children, especially girls. During downturns, infant mortality rates rise, school enrollment and completion rates fall, and food consumption by infants and children declines, leading to increased stunting. Evidence from 189 countries for 1980–2008 shows that MDG indicators deteriorate during economic crises and improve during economic expansions. The impact is highly asymmetric, however, with the deterioration during bad times much greater than the improvement during good times.

Making progress toward the MDGs will require substantial additional assistance from donors, particularly for Africa, where the Group of Eight Gleneagles commitment to double official development assistance by 2010 has yet to be reflected in core development aid to the region. Aid to Africa has grown 5 percent a year since 2000, but much of it has been debt relief or emergency and humanitarian assistance rather than new finance. Reaching the 2010 target would have required an increase of $20 billion in 2009 and 2010, only about $2 billion of which was programmed. In Africa alone the gap in assistance is thus about $18 billion. (See **http://www.worldbank.org/globalmonitoring**.)

CLIMATE CHANGE AND DEVELOPMENT

Climate change—higher temperatures, changes in precipitation patterns, rising sea levels, and more frequent weather-related disasters—pose risks for people, agriculture, energy, and water supplies all over the world, but its effects are expected to be felt the most in developing countries, the very countries that are least prepared to deal with them. At stake are recent gains in the fight against poverty, hunger, and disease, as well as the lives and livelihoods of billions of people.

Climate change issues are so important to the developing world that the Bank is integrating them into all of its new sector strategies and intensifying its efforts to support climate risk management in its core operations. A progress report to the Bank's Board in May 2009 on the Strategic Framework for Development and Climate Change revealed the unprecedented growth in demand and appreciation from developing countries for World Bank Group support in this area.

Bank support, which includes IBRD and IDA (as well as Trust Funds) to low-carbon investments rose to $3.9 billion this fiscal year, up from $2.4 billion in fiscal 2009. The Bank also stepped up support for energy access and reliable supply and implemented new climate risk-management products and financing mechanisms, such as green bonds. The MultiCat Program, launched by the Bank in October 2009, is a catastrophe bond issuance platform that gives governments and other public entities access to international capital markets to insure themselves against the risk of natural disasters. Since the product was introduced in November 2008, green bonds have raised over $1.5 billion in 15 different currencies, of which $840 million was raised in fiscal 2010 alone. The governing body of the Bank-managed Climate Investment Funds' (CIF's) Clean Technology Fund (CTF) also endorsed new investment plans to scale up financing for demonstration, deployment, and transfer of low-carbon technologies. There are now 13 plans in place around the world and some $4.3 billion of CTF cofinancing allocated to projects ranging from solar power development to the greening of public transportation systems. It is estimated that an additional $36 billion will be leveraged in the coming years from other sources, including the private sector, bringing the total to be mobilized through the CIF's more than $40 billion.

Adaptation to climate variability and change remains at the center of Bank support to developing countries. IDA15 emerged as the impetus for rapidly evolving financing for climate-resilient action. This year the Bank expanded support to investments in climate-resilient and low-carbon projects and technologies by leveraging a suite of financing instruments, technical assistance, and policy advice, often blending Global Environmental Facility resources with regular IBRD/IDA or IFC instruments to support climate change initiatives. The Pilot Program for Climate Resilience under the CIF's Strategic Climate Fund initiated activities in nine IDA countries this year, including three in Africa and four in fragile states. Similarly, the Forest Carbon Partnership Facility, designed to build global capacity under the international Reduced Emissions from Deforestation and Forest Degradation Program, now has commitments of $165 million.



At a road crossing outside of Cochabamba, Bolivia, a makeshift market is set up where agricultural goods can be sold, loaded, and transported to the city. **Photo: Carmen Machicado**

In the run-up to the 2009 United Nations Climate Change Conference in Copenhagen, the Bank released several regional and sectoral flagship reports on climate change; helped to finalize low-carbon growth studies on Brazil, China, India, Indonesia, Mexico, Poland, and South Africa; and published the *World Development Report (WDR) 2010: Development and Climate Change*. The report urges the countries that produced most of the greenhouse gas emissions in the past to act now to shape the world's climate future by ramping up funding for adaptation and mitigation in developing countries, where most growth in emissions will occur. The *WDR* was complemented by "The Economics of Adaptation to Climate Change," which estimates that it will cost $75 billion to $100 billion a year between 2010 and 2050 to adapt to climate change.

In December 2009 the Bank launched the Carbon Partnership Facility (CPF), which seeks to go beyond the project-by-project approach of the first generation of carbon funds. The CPF adopts programmatic approaches to assist developing countries in pursuing low-carbon growth and leveraging capital for clean technologies. By the end of the fiscal year €109 million, the equivalent of $152.6 million, had been raised for the new facility. This year also saw the approval of the Scaling-up Renewable Energy Program of the Strategic Climate Fund under the CIF. The new program will demonstrate the economic, social, and environmental viability of low-carbon development pathways in the energy sector in low-income countries. In March 2010 the Board of the Adaptation Fund approved the World Bank as one of its implementing agencies.

The Bank delivered a suite of global public knowledge goods this fiscal year, including the Climate Change Data Portal, which provides climate data and tools. The Climate Change for Development Professionals program provided more than 4,000 participant-hours of training to more than 850 participants.

As part of its commitment to corporate responsibility, since 2005 the World Bank Group has implemented a comprehensive program to measure, manage, reduce, offset, and report on greenhouse gas emissions associated with its global business operations, including key meetings and air travel. (See **http://crinfo.worldbank.org/environmental_responsibility/climate_commitment**.) Direct and indirect greenhouse gas emissions based on site-specific data are measured from World Bank Group facilities worldwide using the Greenhouse Gas Protocol and the Climate Leaders methodologies developed by the U.S. Environment Protection Agency. Annually, the Bank responds to the Global Reporting Initiative Indicators and is the first multilateral development bank to report to the Carbon Disclosure Project. (See **http://crinfo.worldbank.org/corporate_reporting/index**.)

In addition, the World Bank has instituted a number of initiatives to reduce the environmental footprint of its day-to-day operations. For example, Bank publications adhere to Green Press Initiative standards, and its newest building is certified to green building standards. (See **http://crinfo.worldbank.org/environmental_responsibility/sustainable_facilities**.)

AGRICULTURE AND RURAL DEVELOPMENT

High and volatile food prices—as well as the impact of the global financial crisis—continued to increase food insecurity in 2009, with the annual World Bank food benchmark index rising 23 percent. Although the index was 17 percent lower than in 2008, prices remained higher than in 2007. The high volatility of food prices exacerbated the hardships faced by the world's poorest people, about 1 billion of whom are undernourished.

To provide immediate relief to countries hit hard by the rise in food prices, in 2008 the World Bank set up the Global Food Crisis Response Program (GFRP). Support to the GFRP rose by $87 million, to $1.24 billion this fiscal year, up from $1.15 billion in fiscal 2009. Of this, $202 million is from the Food Price Crisis Response Trust Fund, $838.8 million is from IDA, and $200 million is from IBRD. The money is used to feed poor children and other vulnerable groups; provide nutritional supplements to infants, young

children, and pregnant and lactating women; meet additional expenses of food imports; and enable poor farmers to improve their agricultural productivity through enhanced food production and marketing response. By the end of fiscal 2010 the Bank had mobilized more than $352 million in externally funded trust funds in support of the full range of interventions under the GFRP.

The Bank is responding to the short-term effects of the food and financial crises, but it is embedding its actions within strategies that address longer-term challenges. In July 2009 it adopted a new action plan for agriculture, Implementing Agriculture for Development: World Bank Group Agriculture Action Plan, FY2010–12. The plan comprises five main areas: raising agricultural productivity, linking farmers to markets and strengthening value chains, reducing risk and vulnerability, facilitating agriculture entry and exit and rural nonfarm income, and enhancing environmental sustainability and services. (See **http://www.worldbank.org/rural**.)



As part of India's Elementary Education project, a teacher at a school in Rajasthan instructs minority and disadvantaged youth. **Photo: Michael Foley**

At the Group of 20 Summit in Pittsburgh in September 2009, world leaders asked the Bank to create a multilateral mechanism to help implement the pledges made in L'Aquila, Italy, in July 2009. The new mechanism—the Global Agriculture and Food Security Program (GAFSP)—will help fill financing gaps in country and regional agriculture and food security strategies in order to help countries achieve MDG 1 (eradicating extreme poverty and hunger) by 2015. In January 2010 the Bank's Board approved, subject to minor revisions, the GAFSP framework document, prepared following extensive stakeholder consultations. By the end of fiscal 2010, donors had committed almost $900 million to GAFSP over three years, and the program had allocated $224 million for country-devised and -led agricultural development plans in Bangladesh, Haiti, Rwanda, Sierra Leone, and Togo. (See **http://www.worldbank.org/GAFSP**.)

The Bank continued its support of the ongoing reform of the Consultative Group on International Agricultural Research (CGIAR), which mobilizes cutting-edge science to reduce hunger and poverty, improve human nutrition and health, and protect the environment. A new model for CGIAR that emphasizes results-oriented research and clear accountabilities between the implementers and funders of agricultural research was approved at the CGIAR meeting in December 2009. The financing pillar of the partnership is a new CGIAR trust fund, governed by a Fund Council that will oversee the resources in the new fund, to be established in the World Bank in 2010. The operational pillar will be led by a new legal entity, a consortium of the CGIAR-supported research centers. Under the new business model, funding will support a set of global research programs aligned with a new strategy and results framework. Accountability will be ensured through performance agreements between the Fund Council and the consortium, and through a mutually agreed on monitoring and evaluation framework. The resource mobilization target for the CGIAR is to increase resources from $600 million in 2009 to an annual level of $1 billion by 2014.

In January 2010 the Bank's Board of Executive Directors approved the establishment of the new trust fund. A key funder of CGIAR research, the Bank chairs the new CGIAR Fund Council and serves as trustee of the new fund. (See **http://www.cgiar.org**.)

EDUCATION, HEALTH, AND SOCIAL PROTECTION AND LABOR

The global crisis has had devastating effects on human development achievements in developing countries. In response the Human Development Network supported record levels of lending and knowledge services in fiscal 2010. Together with the rest of the Bank, it redoubled its efforts to help as many client countries and their development partners as possible to achieve the transformational human and economic promise of the MDGs within the next five years.

Education

The Bank is developing a new education strategy that will shape the direction of its work for the next decade. Wide consultations were held to ensure that the strategy reflects the views and experience of the Bank's stakeholders. Phase I consultations took place from March through the middle of June 2010. (See **http://www.worldbank.org/educationstrategy2020**.)

New commitments for education in fiscal 2010 reached a historical high of $4.9 billion, up from $3.4 billion in fiscal 2009. This new education lending included $2.1 billion in IDA commitments to the world's poorest countries and $2.9 billion in support of middle-income countries. South Asia received the largest share of new lending for education this year

($1.43 billion), followed by Latin America and the Caribbean ($1.35 billion).

A key focus in all new education projects is on improving educational quality. About half of all new projects support primary education and include interventions such as teacher training, school-based management, community involvement in schools, and attention to marginalized populations. About a quarter of new projects focus on secondary and vocational education with interventions to help ensure that education builds relevant skills to meet labor market demands.

In March 2010 the Board approved two new education projects for India that provide $1.05 billion in IDA credits to boost primary school enrollments and strengthen engineering education institutions across the country. One of the projects, which supports improved learning outcomes and access to primary education, is the largest single operation in a country since the Bank started lending to the education sector in 1962. This year, the Board also approved new projects totaling more than $1 billion to support education in Mexico. One of these operations supports upper secondary education and represents the second largest operation for the Bank in the education sector since 1962. (See **http://www.worldbank.org/education**.)



In a clinic outside of the Ukrainian capital of Kiev, local doctors test poor children for HIV/AIDS and other blood-borne diseases. **Photo: Yuri Mechitov**

Health, Nutrition, and Population

New investments in health, nutrition, and population (HNP) programs reached an unprecedented $4.2 billion in fiscal 2010, a 48 percent increase over the previous year's record commitments. The overall HNP portfolio is at a historic high of $10.1 billion, more than half of which goes to the poorest countries. These investments help strengthen health systems; boost the prevention and treatment of communicable diseases; and improve hygiene, sanitation, and child and maternal health.

Together with developing-country and bilateral partners, civil society organizations, academic institutions, the United Nations, and multilateral agencies and foundations, the Bank contributed to the preparation of Scaling Up Nutrition: A Framework for Action, which mobilized consensus and support for increased investment in nutrition interventions across various sectors. In May 2010 the Board approved the Reproductive Health Action Plan, which puts into operation the reproductive health component of the 2007 HNP strategy. The plan helps countries address decreased fertility, improve pregnancy outcomes, and reduce the number of sexually transmitted infections.

At the global level the Bank's engagement in the International Health Partnership (IHP+) continues to gain momentum, and currently 24 countries are signatories to IHP+. Together with the Global Alliance for Vaccines and Immunization, the Global Fund, and the World Health Organization—and with inputs from country partners and key stakeholders—the Bank has been building the Health System Funding Platform to support country progress toward national health goals and the MDGs. The platform will help coordinate, mobilize, and streamline the flow of international resources to support health system components of national health plans and reduce transaction costs borne by countries. (See **http://www.worldbank.org/hnp**.)

HIV/AIDS

The Bank disbursed $327.4 million to support all HIV/AIDS–related activities for existing operations with an HIV/AIDS component on prevention, treatment, and mitigation programs. In fiscal 2010, eleven new projects committed $193.26 million toward HIV/AIDS–related activities; over half of this new lending was in the Africa region. As a segment of this new HIV/AIDS lending, $127.4 million has been designated by the Regions as contributing to the Bank's HIV/AIDS thematic classification. The Bank completed 22 analytical products on HIV/AIDS, which helped to improve program efficiency, effectiveness, and sustainability through evidence-informed responses.

Improving national HIV/AIDS strategies was a key goal of the Bank this fiscal year. Through services provided under the AIDS Strategy and Action Plan, the Bank helped 65 countries enhance their national HIV/AIDS responses by improving their understanding of the epidemic and associated risks and by developing evidence-informed national strategies and costed action plans.

To strengthen HIV monitoring and evaluation systems, the Bank provided technical support to governments in more than 25 countries in Africa, Latin America and the Caribbean, and Central Asia. In partnership with the United Kingdom's Department for International Development, the Bank

launched an evaluation of community responses to HIV/AIDS to build evidence on the impact of specific activities and programs. A key product of this exercise was the development of a methodology for carrying out a comprehensive evaluation of the community response. Evaluation is ongoing in two countries in Africa, to be followed shortly by another group of countries. (See **http://www.worldbank.org/aids**.)



In the Tahoua region of Niger, seven women come together to dig a water catchment structure to help prevent soil erosion. **Photo: Michele Egan**

Responses to Avian and Human Pandemic Influenza

Since 2006 the Bank has assisted countries around the world in deploying avian influenza preparedness and control strategies and crafting pandemic preparedness plans. In response to the H1N1 pandemic, the Bank, in June 2009, increased its ceiling to $1 billion for fast-track approvals of operations in the Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response. This funding, plus grants from the Avian and Human Influenza Facility, which to date has received $121 million from the European Commission and nine other donors, is supporting country responses to avian influenza H5N1 and to the H1N1 pandemic. The responses have been facilitated by preparedness investments by the Bank—in close collaboration with global, regional, and country partners. Many countries benefited from ongoing strengthening of veterinary and human health systems, including disease surveillance and response capacity. The H1N1 pandemic provided countries with an opportunity to test their preparedness; it is now important to reflect those lessons in preparations for the next influenza pandemic and other infectious disease outbreaks. Control of avian influenza and other zoonotic diseases at their animal source is a vital global public good.

Social Protection and Labor

In response to the global economic crisis, the Bank committed $8 billion ($4 billion in fiscal 2009 and $3.9 billion in fiscal 2010) to social protection operations, quadrupling its annual precrisis lending volume, which averaged $1 billion over 2006–08. About 26 percent of operations were in low-income countries in fiscal 2010, up from 13 percent in fiscal 2009. The majority of the $8 billion of commitments (fiscal 2009–10) went to social safety nets for a total of $5.6 billion among 78 operations in 52 countries. The remaining lending was devoted to improving labor markets, social risk management, and other social protection areas, such as pension and disability.

Norway and the Russian Federation contributed $58 million to the Rapid Social Response Multi-Donor Trust Fund, of which $28 million was paid in this fiscal year. Under the first round, the fund financed 18 activities across all Bank regions to improve social protection systems. The United Kingdom's Department for International Development is also providing £2 million, of which £1 million was paid in fiscal 2010, to support immediate capacity-building activities in IDA countries.

Together with the Organisation for Economic Co-operation and Development, two large international banks that manage pension funds, and the Dutch Association of Industry Wide Pension Funds, the Bank prepared and disseminated *Evaluating the Financial Performance of Pension Funds* this fiscal year. The report analyzes the financial performance of funded pension systems over the past two decades and offers advice on improving performance evaluation and managing relevant risks. (See **http://www.worldbank.org/sp**.)

GENDER

Efforts to promote gender equality increased this year, in part because of the World Bank Group's Gender Equality as Smart Economics action plan, which aims to promote women's access to jobs, land rights, financial services, agricultural inputs, and infrastructure. By the end of fiscal 2010 the four-year plan had raised $68.6 million for gender work in the economic sectors and had financed some 260 activities in 78 countries. In June a three-year roadmap was presented to the Board of Directors detailing how the Bank can apply lessons learned to better integrate gender into its operations beyond the close of the action plan in December 2010.

In March 2010 donors agreed to make gender one of four special themes for IDA16. This designation will emphasize the integration of gender in Bank operations and the coverage of key gender issues in analytical work and policy dialogue. In addition the results framework will be strengthened and will include indicators for gender priority areas. IDA will also implement an action plan to accelerate progress on the gender-specific MDGs.

The IDA16 replenishment comes at a time when IDA countries are recovering from a succession of global crises that have posed a particularly serious threat to poor women and girls. Although women can be especially vulnerable in crises, they can also be agents of change: if

given greater economic opportunity, they can speed poverty reduction and development. To this end the Gender Action Plan set aside special funds this fiscal year to support women through strengthened social protection programs and support for targeted activities, such as female employment in public works programs.

During fiscal 2010 the Bank initiated a pilot dataset, Women, Business and the Law, which focuses on the legal differentiation between men and women in areas that affect women's opportunities as businesspeople and workers. Also, thanks to the Adolescent Girls Initiative, more than 1,200 young women in Liberia took up training to ease the transition between schooling and earnings, learning skills that are in particular demand in that postconflict country. Similar initiatives are now being prepared in other countries, including Afghanistan, Jordan, Lao People's Democratic Republic, Nepal, and Rwanda, as well as in southern Sudan. The program fulfills one of the six commitments senior management made in 2008 to increase gender work.



Three construction workers return from a day of work as part of the Rural Roads project to improve access to markets in Rajasthan, India. **Photo: Michael Foley**

Work is also under way on the other commitments. The 23 global and regional business leaders who belong to the Private Sector Leaders Forum have made a series of commitments to provide practical support for women's economic empowerment. Since 2008 IFC has channeled more than $400 million to women in poor countries through microfinance institutions and commercial banks.

In addition, during this fiscal year the World Bank decided to make gender and development the topic of the 2012 *World Development Report*. Publication of the report will mark the first time in the series' history that gender is the central topic. The report will look at the state of gender equality and the links between gender and development and identify gaps in knowledge and data. (See **http://www.worldbank.org/gender**.)

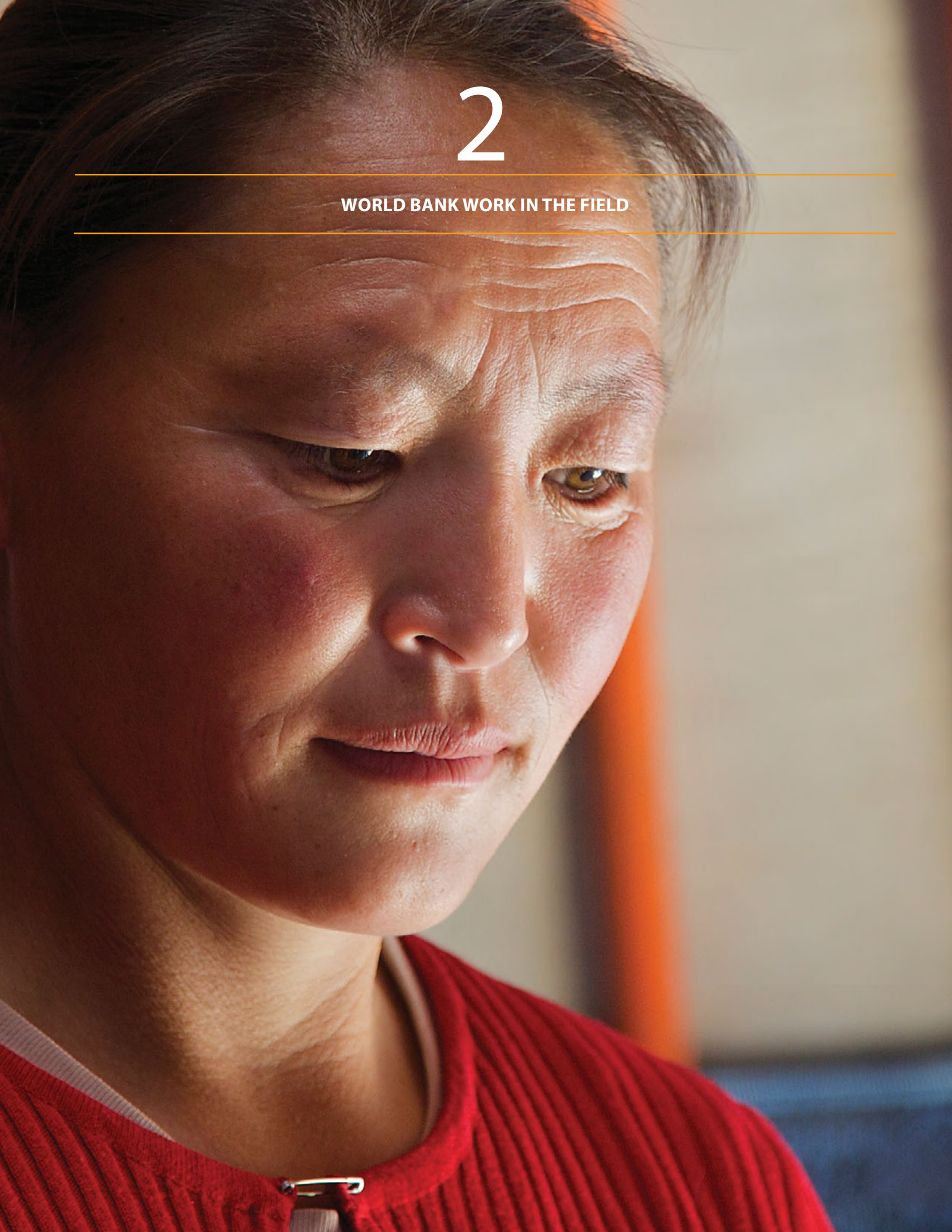
INFRASTRUCTURE

Despite vast improvements in infrastructure over the past decade, 2.5 billion of the world's people still lack sanitation services, 1.5 billion live without electricity, 1 billion have no easy access to all-weather roads, and nearly 900 million have no choice but to use unsafe water. The global financial crisis has increased the enormous challenge of bridging this access gap by weakening countries' ability to fund infrastructure development. To meet client countries' needs, the Bank significantly scaled up its support for infrastructure this fiscal year and deployed a range of instruments to provide a coordinated and targeted response.

The Bank's approach to infrastructure development continues to be guided by the Sustainable Infrastructure Action Plan, which provides a roadmap to scaled-up investment in modern, cost-effective infrastructure services that also support environmental sustainability and social inclusion. In response to the deepening global financial and economic crisis, the Infrastructure Recovery and Assets (INFRA) platform expanded on the action plan's mandate by increasing the Bank's lending targets and supporting more effective collaboration with development partners.

Following a record $17.2 billion in infrastructure lending in fiscal 2009, the Bank provided $23.2 billion in lending to the sector in fiscal 2010, putting it on track to exceed INFRA's target of $45 billion over fiscal 2009–11. Critical investments in energy, transport, water, and information and communication technology will leverage and support initiatives by the private sector and other multilateral development institutions, create jobs during the downturn, and lay a foundation for robust and sustainable growth over the longer term.

The core infrastructure access agenda remains the primary focus. This agenda emphasizes strengthening sectoral policies and institutions to improve the efficiency, affordability, quality, and reach of basic services. The Bank continues to promote the sustainability of infrastructure services through a proactive approach to evaluating environmental and social objectives. It also supports strong governance in the infrastructure sectors. (See **http://www.worldbank.org/infra**.)



2

WORLD BANK WORK IN THE FIELD

AFRICA



The $105 million World Bank funding to the Dakar-Diamniado Toll Highway in Senegal is one of many recent projects designed to help Africa tackle the challenge posed by about 10 million youth entering the continent's job market each year. It included efforts to empower young entrepreneurs, like this street vendor in Dakar, to find jobs in the formal private sector. **Photo: Arne Hoel**

Africa was hard hit by the global financial crisis, with growth declining from 5.0 percent in 2008 to just 1.6 percent in 2009. The impact of the crisis will be lasting: 20 million more people in Africa will be in extreme poverty in 2015.

Despite the severity of the crisis, Africa is recovering rapidly, thanks to more than a decade of prudent macroeconomic policies by many countries and to the sound responses of policy makers during the crisis. In the context of financial and private sector development, Rwanda is the first Sub-Saharan country to be considered the world's top reformer, according to the *Doing Business 2010* report. Countries that had fiscal space, such as Tanzania and Zambia, ran modest fiscal deficits; those that did not, such as Ghana, contracted. As a result growth is projected to accelerate, albeit at below-trend rates, to 4.5 percent in 2010 and 5.1 percent in 2011.

World Bank Assistance

The Bank—one of Africa's most important development funding partners—significantly increased its funding to the region this fiscal year. Total IBRD/IDA lending rose to $11.4 billion, with most of the funding coming from IDA, which provided a total of $7.2 billion, including $1.7 billion in grants. The largest single loan made to the region was a $3.75 billion IBRD credit to Eskom Holdings Ltd., South Africa's state-owned utility. Approved by the Board in April 2010, the loan will finance construction of a 4,800 megawatt coal-fired power plant that will use cleaner coal supercritical technology. The funding includes $260 million for renewable energy (wind and solar) and $441 million for low-carbon energy efficiency components. IBRD also increased support to middle-income countries by providing countercyclical funding; sharing knowledge on new areas, such as climate change; offering new thinking on how to promote public-private partnerships; and advancing education and health in innovative ways.

The Bank is also actively engaged in the aid effectiveness agenda in coordination with other development partners. The focus is multifold: encourage country ownership through more capacity building and strengthened country systems; promote ownership of the design, implementation, and evaluation of development programs by Africans and their governments and peoples; sharpen the focus on achieving development results; and ensure that the poor participate in and benefit from the fruits of growth and development. Many of these changes are made possible by the Bank's systematic use of the Africa Action Plan (AAP) as the framework for delivering IBRD and IDA support to the region and by the increased presence on the ground: the number of internationally recruited staff based in field offices, including offices in postconflict and fragile states, rose to 267 in 2010, up from 153 in 2007. Field-based offices were also granted greater decision-making authority, with the share of Bank tasks directly managed from the field rising from 25 percent in 2007 to 32 percent in 2010.

Increasing Agricultural Output

Bank funding was aimed at expanding yields and agricultural competitiveness. Funding to develop commercial agriculture and outgrower

FIGURE 2.1

AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2010

SHARE OF TOTAL OF $11.44 BILLION

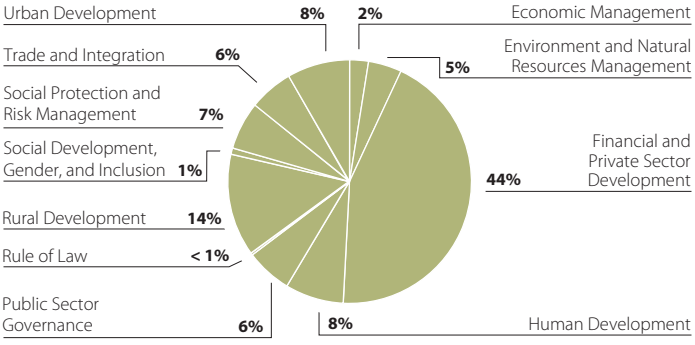
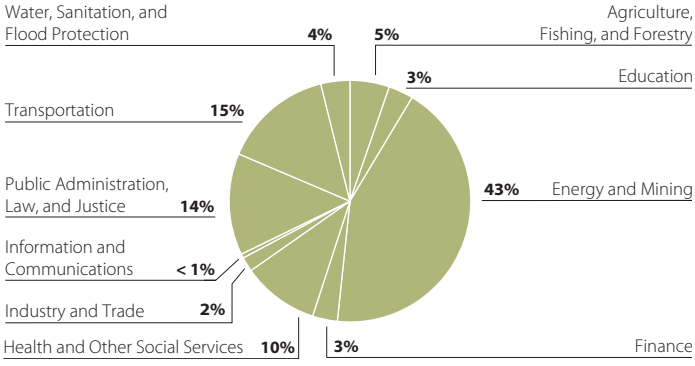


FIGURE 2.2

AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2010

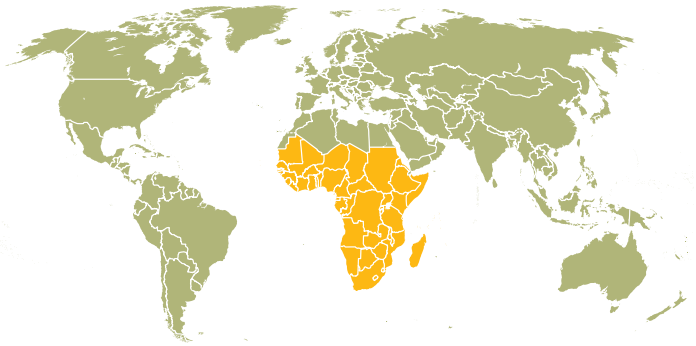
SHARE OF TOTAL OF $11.44 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Democratic Republic of Congo
Republic of Congo
Côte d'Ivoire
Equatorial Guinea
Eritrea
Ethiopia
Gabon
The Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Niger
Nigeria
Rwanda
São Tomé and Principe
Senegal
Seychelles
Sierra Leone
South Africa
Swaziland
Tanzania
Togo
Uganda
Zambia

programs—larger villager-owned farms that sell their produce to supportive adjacent commercial farms—increased rice and maize production in three of Nigeria's poorest states. Funding from the Bank also increased support to voucher and subsidy programs that help farmers purchase seeds, hybrid crops, fertilizers, and other inputs.



Improving Living Conditions and Supporting Human Development

Bank support improved living conditions for millions of Africans this fiscal year. It enabled tens of thousands of people in the Democratic Republic of Congo to obtain safe drinking water. It increased by 1.5 million the number of urban dwellers in Senegal with access to safe drinking water and significantly increased access for rural dwellers in Ghana and Rwanda. School food programs set up with funding from the Global Food Crisis Response Program benefited hundreds of thousands of orphans, vulnerable children, and their parents. The program helped more than 16,000 school children in Kenya. In Liberia such assistance provided a safety net for 15,000 vulnerable people.

The Bank began implementing Phase II of its $1 billion Booster Program for Malaria Control in Africa. The program focuses on the Democratic Republic of Congo and Nigeria, which together account for 30–40 percent of all malaria cases in Africa.

Addressing HIV/AIDS in Africa

In fiscal 2010 the Bank filled critical gaps in HIV/AIDS prevention, treatment, and mitigation programs, thanks to more than $200 million in disbursements and $89 million in new commitments, including additional financing to Malawi ($30 million) and Chad ($20 million), and a technical assistance loan for Lesotho ($5 million). In Africa the Bank focused its analytical work on five areas: addressing the fiscal implications of scaling up national AIDS responses given the need for an efficient, sustainable and long-term response; evaluating the impact of HIV/AIDS services to improve key prevention interventions; strengthening health systems by analyzing and improving the existing supply chain networks; implementing guidelines for mainstreaming HIV prevention and treatment in operations other than health projects; and launching a Southern Africa HIV/AIDS and TB Action Plan to address the HIV/tuberculosis co-epidemic in this subregion.

Through services provided under the AIDS Strategy and Action Plan, Bank funding helped 16 countries enhance their national HIV/AIDS responses by improving their understanding of the epidemic and associated risks and by developing evidence-informed national strategies and costed action plans in several African countries. (See **http://www.worldbank.org/aids**.)

Supporting Regional Integration and Cooperation

IDA support of regional integration and regional solutions increased substantially in fiscal 2010. Most projects are achieving encouraging results, as confirmed by a review of the AAP undertaken this year and by early feedback from broad-based, Africa-wide consultations to renew the AAP. Thanks in part to the implementation of an IDA project to rehabilitate the Northern Corridor transport system, which links Burundi, Kenya, Rwanda, Tanzania, and Uganda, transit times were reduced by 40 percent at some border crossings. Similar funding improved road, rail, and port infrastructure, resulting in more fluid trade and reductions in transit times in Cameroon, the Central African Republic, and Chad.

Facilitating Progress toward the MDGs

Most African countries remain off track for meeting most of the Millennium Development Goals (MDGs); their advances were further slowed by the global crisis. Since the mid-1990s, however, Africa has made enormous progress in improving social development indicators. Poverty has declined at a rate of about 1 percentage point a year, and there is some evidence that child mortality is beginning to fall sharply, with Ethiopia, The Gambia, Malawi, and Rwanda experiencing declines of 25–40 percent in under-five mortality in the past decade.

With a major effort by African governments, civil society, the private sector, and the international community, Africa could meet the MDGs, if not by 2015, then soon thereafter. Doing so would depend not only on the efforts of the region's leaders and citizens but also on a development strategy articulated and owned by Africans. That development strategy is expected to emerge from the AAP consultations and from significantly greater development assistance under a robustly replenished IDA16 and other funding mechanisms. (See **http://www.worldbank.org/afr**.)

AFRICA REGIONAL SNAPSHOT

TOTAL FISCAL 2010

New Commitments
IBRD $4,258 million
IDA $7,179 million

TOTAL FISCAL 2010

Disbursements
IBRD $27 million
IDA $5,893 million

Portfolio of projects under implementation as of June 30, 2010: $35.3 billion

EAST ASIA AND PACIFIC



These children in the remote village of Man'apa, Indonesia, are participating in a Bank-funded, community-driven program that prepares children under age six for school. The Early Child and Education Development project serves more than 6,000 poor villages in 50 districts. **Photo: Rosfita Roesli**

Thanks to China's strong recovery, real GDP growth in developing East Asia is poised to reach 8.7 percent in 2010, after slowing to 7.0 percent in 2009. Recovery in the rest of the region is taking off strongly. Without China, real GDP is projected to grow 5.5 percent in 2010 after contracting to 1.3 percent in 2009.

Many countries experienced large movements of workers from one sector to another ("job churning"), usually to lower-paid jobs, especially in the manufacturing and construction sectors.

As it emerges from crisis, the region can continue to grow strongly, despite the weaker global economy. But a renewed focus on reform is needed. The types of reforms needed range widely across countries. In China the challenge is to move the economy away from heavy manufacturing and export-led growth toward services and higher levels of private consumption. For other middle-income countries, such as Indonesia, the Philippines, Thailand, and Vietnam, the path to higher growth involves moving up the value chain through increased sophistication of production by investing more in physical and human capital and by fostering innovation and entrepreneurship. For low-income countries, such as Cambodia and the Lao People's Democratic Republic, the key to long-term growth lies in moving into manufacturing and integrating more with regional and global production chains. For the Pacific islands, greater integration with one another and with neighboring markets remains the key. Throughout the region, a move toward a "greener" growth path would reap benefits nationally and globally.

World Bank Assistance

The World Bank approved $7.5 billion for East Asia and Pacific in fiscal 2010 for 55 projects. Support included $5.9 billion in IBRD loans and $1.7 billion in IDA commitments. The Bank's strategy for the region is based on four pillars: helping middle-income countries move up the value chain; supporting the poorest and most fragile states of the region in their quest to achieve inclusive growth; strengthening assistance for global public goods, such as stronger health and education systems; and supporting greater knowledge exchange and regional cooperation.

FIGURE 2.3

EAST ASIA AND PACIFIC

IBRD AND IDA LENDING BY THEME | FISCAL 2010

SHARE OF TOTAL OF $7.52 BILLION

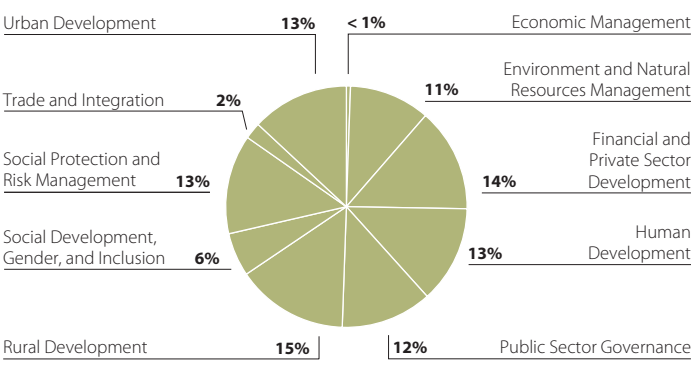
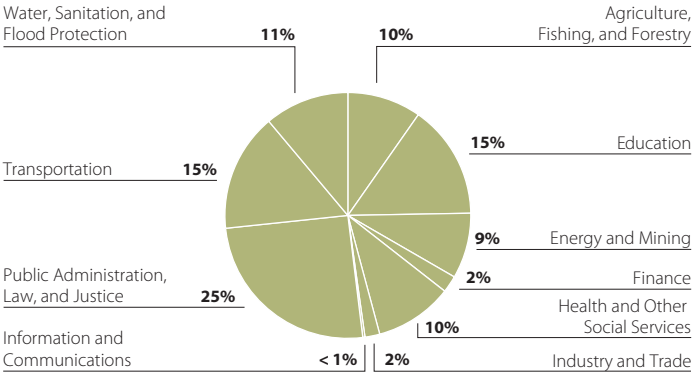


FIGURE 2.4

EAST ASIA AND PACIFIC

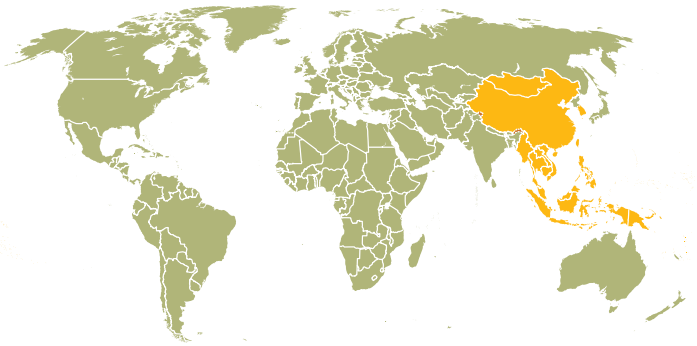
IBRD AND IDA LENDING BY SECTOR | FISCAL 2010

SHARE OF TOTAL OF $7.52 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Cambodia
China
Fiji
Indonesia
Kiribati
Republic of Korea
Lao People's Democratic Republic
Malaysia
Marshall Islands
Federated States of Micronesia
Mongolia
Myanmar
Palau
Papua New Guinea
Philippines
Samoa
Solomon Islands
Thailand
Timor-Leste
Tonga
Vanuatu
Vietnam



Supporting Inclusive Growth

For many countries in the region, the economic crisis highlighted the need to protect core spending, strengthen safety nets, improve service delivery, and move toward a greener growth path. In Indonesia two development policy loans (DPLs) totaling $950 million are helping the government improve the investment climate and strengthen delivery of public services to the poor. In the Philippines a new $405 million loan is supporting the country's social welfare reform agenda through a conditional cash transfer program that provides cash grants to encourage poor households to keep children in school and to obtain essential health services. In Lao PDR a $15.5 million IDA grant—part of a multidonor effort to support the government's education strategy—is helping the country's 19 poorest districts increase primary enrollment and completion and is supporting the Ministry of Education in monitoring and managing primary education across the country. In the Pacific islands the Bank is focusing on strategies that address the challenges of urban youth unemployment, especially in Papua New Guinea and the Solomon Islands.

Investing in Energy Efficiency for Sustainable Growth

With the urban population of East Asia likely to increase by 50 percent in the next 20 years, energy demand is projected to more than double. The Bank's flagship report *Winds of Change: East Asia's Sustainable Energy Future* finds that with major annual investments in energy efficiency and a concerted switch to renewable sources of power, China, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam could stabilize their greenhouse gas emissions while increasing energy security and improving local environments.

Several new loans are helping countries in the region increase their energy efficiency. In China, where more than 70 percent of the Bank's program is related to the environment, a $100 million loan approved this fiscal year is financing a major energy efficiency drive that will replace inefficient industrial equipment, such as boilers and district heating systems, with energy-saving technologies. Projects targeting improved and more efficient urban transportation are helping major cities across China reduce pollution and carbon emissions. In Indonesia a new DPL worth $200 million is supporting efforts to develop a lower-carbon and more climate-resilient growth path. This climate change DPL is envisioned as the first of a series of four annual loans of similar size. The Bank is also supporting a program of public investment reforms in Vietnam through a series of DPLs aimed at strengthening the selection, preparation, implementation, and supervision of public investment projects. The first operation in the series was approved by the Bank's Board in December 2009 in the amount of $500 million. It was Vietnam's first IBRD loan.

Responding to Natural Disasters

The region was hit by a series of devastating natural disasters between July and November 2009, starting with the worst flooding in decades in Mongolia's capital, Ulaanbaatar, followed by typhoons in Cambodia, Lao PDR, the Philippines, and Vietnam; an earthquake in Indonesia; and a tsunami in Samoa and Tonga. In response to requests from each of the affected countries, Bank teams joined other development partners to conduct postdisaster needs assessments, which gave governments a basis on which to prepare their recovery programs. The estimated disaster bills ranged from $3.6 million in Mongolia to $4.4 billion in the Philippines. The Bank's postdisaster support included technical assistance for the development of a system to monitor reconstruction expenditures in the Philippines; authorization of a doubling of the IDA allocation for Samoa (to $40 million) to enable the preparation of an emergency response project; and $13 million in additional IDA grants to Lao PDR for road reconstruction and the maintenance of food security.

Regional Integration and Cooperation

The Bank continues to strengthen its relationships with its core development partners across the region. It works closely with the Association of South East Asian Nations, the Asia-Pacific Economic Cooperation Forum, and the Pacific Islands Forum, regularly attending their regional meetings and providing analytical and advisory support. In Samoa and Tonga the Bank established shared offices this fiscal year with the Asian Development Bank to expand the reach of its development activities in the Pacific. (See **http://www.worldbank.org/eap**.)

EAST ASIA AND PACIFIC REGIONAL SNAPSHOT

TOTAL FISCAL 2010

New Commitments
IBRD $5,865 million
IDA $1,652 million

TOTAL FISCAL 2010

Disbursements
IBRD $4,061 million
IDA $1,613 million

Portfolio of projects under implementation as of June 30, 2010: $28.4 billion

EUROPE AND CENTRAL ASIA



The majority of working-age Roma in Europe and Central Asia, such as these women in northern Bulgaria, lack sufficient education to fully participate in the labor market. Through the Roma Education Fund, the Bank aims to provide scholarships, teacher training, and academic support. **Photo: Scott Wallace**

The financial crisis hit Europe and Central Asia harder than any other region in the world, and recovery there will be slower than elsewhere. GDP grew at a robust rate of about 7 percent in 2007 before contracting to about –6 percent in 2009. Because the drivers of precrisis growth—capital flows, high commodity prices, and strong growth in export markets—are unlikely to return quickly, growth in 2010 is projected to be about 4 percent, and prospects for 2011–13 are only slightly better.

What started as a financial crisis risks becoming a social and humanitarian crisis, with rising unemployment and dimmer economic prospects making life even harder for those already poor. Before the crisis the number of poor and vulnerable people in the region was projected to fall by 15 million. Instead it rose by 13 million in 2009, with Armenia, Georgia, the Kyrgyz Republic, and Moldova particularly affected. The unemployment rate rose across the region, exceeding 10 percent in 2009 in Estonia, Hungary, Latvia, Lithuania, the Slovak Republic, and Turkey. GDP fell in 20 of the region's 30 countries in 2009, with annual national GDP growth ranging from 18 percent in Latvia to 9.3 percent in Azerbaijan.

World Bank Assistance

Responding quickly to requests from countries in the region for help in addressing the crisis, the World Bank provided record lending of $10.8 billion in support, including $10.2 billion in IBRD loans and $0.6 billion in IDA credits and grants. Much of the lending—$8 billion—was delivered in the form of development policy loans (DPL). For example, a $1.3 billion DPL is helping restore growth and employment in Turkey; Kazakhstan's $1 billion DPL supports fiscal and financial reforms; a $400 million DPL is helping rehabilitate Ukraine's financial sector; and two DPLs of $100 million each for Serbia aim to improve the efficiency of the country's public sector and further strengthen the environment for private sector–led growth.

Working with Partners

The Bank has expanded its partnership with the European Union (EU)—cofinancing international reform packages, providing advisory services to member states on EU issues and to potential candidate countries on accession issues, and expanding work on regional energy issues.

In February 2009 the World Bank Group, the European Bank for Reconstruction and Development, and the European Investment Bank launched the Joint International Financial Institutions Action Plan to support banking systems and lend to the real economy in Central and Eastern Europe—providing more than €16.3 billion in crisis-related support to financial sectors in the region by the end of 2009. The Bank also participated in the European Bank Coordination Initiative—or Vienna Initiative—to foster dialogue between home- and host-country banking supervisors, banks, the European Commission, and international financial institutions. The Bank's Vienna Centre for Financial Reporting Reform is partnering with the governments of Austria, Japan, Luxembourg, the Netherlands, and Switzerland to improve regulation of financial reporting in both EU member states and several Europe and Central Asia countries.

FIGURE 2.5

EUROPE AND CENTRAL ASIA

IBRD AND IDA LENDING BY THEME | FISCAL 2010

SHARE OF TOTAL OF $10.82 BILLION

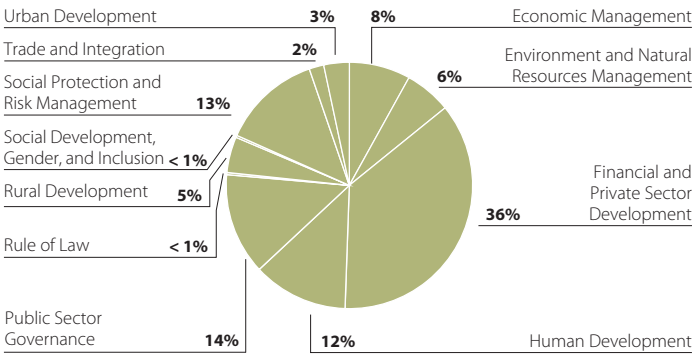
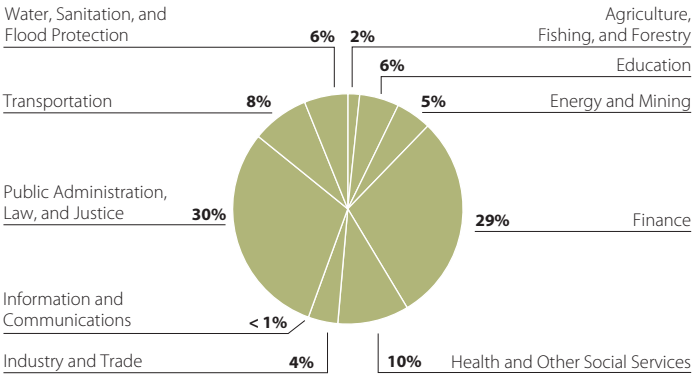


FIGURE 2.6

EUROPE AND CENTRAL ASIA

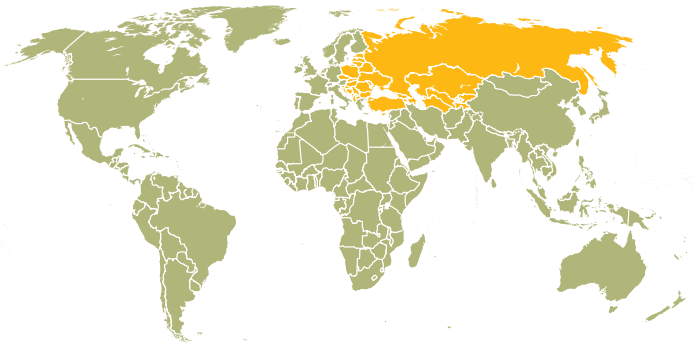
IBRD AND IDA LENDING BY SECTOR | FISCAL 2010

SHARE OF TOTAL OF $10.82 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Georgia
Hungary
Kazakhstan
Kyrgyz Republic
Kosovo
Latvia
Former Yugoslav Republic of Macedonia
Moldova
Montenegro
Poland
Romania
Russian Federation
Serbia
Tajikistan
Turkey
Turkmenistan
Ukraine
Uzbekistan



The Bank signed two new agreements with the Russian Federation in February 2010 to expand its role as a regional donor. Russia will contribute $30 million over five years to a program to improve public financial management throughout the region. A second agreement, the $9 billion EURASEC Anti-Crisis Fund, will focus on the quality of education, food security, health, infectious disease control, access to energy, and agriculture in the six member countries of the fund: Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Tajikistan.

Strengthening Safety Nets

Protecting safety net programs is critical to helping families deal with the effects of the global crisis. The Bank worked with governments to assess and improve national safety net programs, including a $144 million DPL that is addressing the social impact of the crisis in Latvia; and DPLs to Belarus ($200 million), Bosnia and Herzegovina ($111 million), Poland ($1.3 billion), and Serbia ($100 million) that are supporting efforts to improve the efficiency of social spending.

Regional Integration and Cooperation

The median country in the region has fewer than 6 million people. Given the relatively small size of some of the countries and the high level of economic integration in the region, partnering is key for water and energy, transport, trade, corporate finance, and social inclusion. The Bank is working to develop a Southeastern Europe Energy Community that will establish a common regulatory framework for energy markets. It is helping craft regional transport solutions by assisting countries in their efforts to meet the transport requirements of the EU and ensuring that national and regional transport networks are developed in a coordinated, sustainable, and efficient manner. The Bank is also working with the European Commission on Roma exclusion issues, which affect numerous countries in the region, as well as providing support through the Roma Education Fund.

Conducting Analytics to Inform Financial Support

Country and regional analytical work informs the Bank's financial support in the region, including Regular Economic Reports for Russia, the EU10, and Kazakhstan; Public Expenditure Reviews for Poland and Lithuania; and Policy Notes in Moldova. The regional report *Turmoil at Twenty* underscores the urgency of bank, corporate, and household debt restructuring in addressing the crisis, emphasizing renewed investment in skills and energy. "Pensions in Crisis: Europe and Central Asia Regional Policy Note" looks at how both the financial crisis and demographic trends have significantly impacted pension systems in the region.

Investing in Energy for Sustainable Growth

Although Russia and Central Asia are currently major energy suppliers to both eastern and western Europe, the outlook for primary energy supplies, heat, and electricity is questionable for the countries of Eastern Europe and Central Asia. According to *Lights Out? The Outlook for Energy in Eastern Europe and Central Asia,* without a $3.3 trillion investment over the next 20 years in primary energy development and power sector infrastructure, as well as changes in behavior, the region as a whole could face an energy crunch, moving from a net energy exporter to a net energy importer by 2030.

The Bank has energy efficiency projects in Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Poland, and Turkey. Programs to improve the energy efficiency of public buildings, schools, and hospitals that also improve educational achievement and health outcomes have been successfully implemented in Armenia, Moldova, and Serbia, using a range of financing instruments and grants, including the Global Environment Facility, Carbon Finance, and the new Clean Technology Fund. The Bank is also helping FYR Macedonia, Russia, and Ukraine develop and implement their national energy efficiency strategies.

Fostering Innovation

The Bank provided credit lines to Armenia, Bosnia and Herzegovina, Croatia, Moldova, and Turkey—countries in which small- and medium-size enterprises faced a severe credit crunch—as well as assistance in designing recovery growth strategies that focus mainly on diversification and innovation.

The region held its third annual "Improving the Lives of People in Europe and Central Asia" event in June 2010 to recognize innovative activities that have achieved concrete results on the ground. The winning entries included projects that build roads connecting rural communities with markets and urban areas in Armenia; improve the land titling system in FYR Macedonia; expand health insurance coverage and improve access to health services in Turkey; and protect the health and nutrition of the poor in the Kyrgyz Republic, Moldova, and Tajikistan in the face of recent global food price shocks. (See **http://www.worldbank.org/eca**.)

EUROPE AND CENTRAL ASIA REGIONAL SNAPSHOT

TOTAL FISCAL 2010

New Commitments
IBRD $10,196 million
IDA $620 million

TOTAL FISCAL 2010

Disbursements
IBRD $7,610 million
IDA $538 million

Portfolio of projects under implementation as of June 30, 2010: $24.4 billion

LATIN AMERICA AND THE CARIBBEAN



Mexico's Bank-supported conditional cash transfer program is changing the lives of people such as Edith Lopez, a poor, indigenous, widowed mother of two. She has enrolled in a literacy program that has enabled her to help her daughters with their homework. **Photo: Sebastián Keller**

The economic downturn in 2009 proved less dramatic in Latin America and the Caribbean than in other regions; it experienced a milder than expected increase in unemployment; and its balance sheet was not impaired by the crisis. The region benefited from improvements in macroeconomic and financial policy frameworks that helped stabilize the economy. In previous crises, factors such as weak currencies, fiscal processes, and banking systems had served to magnify external shocks.

Several Latin American countries were able to implement countercyclical policies for the first time in decades. The effectiveness of these policies was enhanced by the sizable, flexible, and timely provision of liquidity and budget-support financing from multilateral institutions.

By early 2010 the region's international reserves were more than three times what they had been five years earlier. Public sector debt remained manageable, averaging 30 percent of GDP, and the region did not undergo a banking crisis, despite weaknesses in the financial sector in other regions.

The current pattern of global recovery has favored the region so far. Countercyclical policies have supported domestic demand in the larger countries, and external demand from fast-growing emerging markets, especially China's, has boosted exports and terms of trade for the region's net commodity exporters. Prospects in the short term appear positive: regional economic activity is forecast to expand by a solid 4.5 percent in 2010, with Brazil leading with a growth rate of 6.5 percent.

World Bank Assistance

In response to the crisis the Bank stepped up its commitment to the region, approving $13.9 billion in new loans in fiscal 2010: $13.7 billion from IBRD and $0.2 billion from IDA, including $168 million in grants. The overall commitment is comparable to fiscal 2009 lending, when the Bank nearly tripled its lending to the region.

Mexico, Brazil, and Colombia were the largest borrowers, while transportation, public administration, and health and social services received the most funding this fiscal year. Support to the region represented 31 percent of IBRD lending and nearly 24 percent of total IBRD/IDA lending.

To reduce the impact of the recession on poverty and employment, especially in Mexico, Central America, and the Caribbean, the Bank expanded lending and advisory activities to support social programs and enhance employment opportunities for vulnerable groups. In El Salvador, the Bank approved a loan that provides temporary income and job training activities in exchange for participation in a community project. A new loan to Jamaica is helping expand conditional cash transfers to 360,000 beneficiaries to maintain their purchasing power and to ensure that high school students graduate.

FIGURE 2.7

LATIN AMERICA AND THE CARIBBEAN

IBRD AND IDA LENDING BY THEME | FISCAL 2010

SHARE OF TOTAL OF $13.91 BILLION

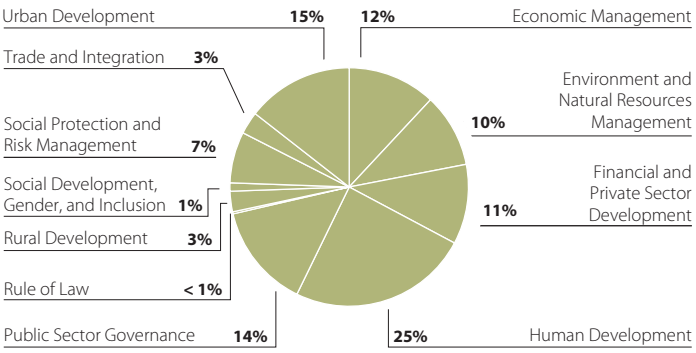
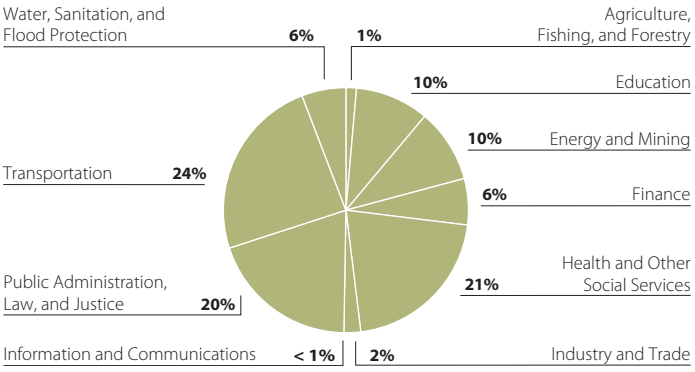


FIGURE 2.8

LATIN AMERICA AND THE CARIBBEAN

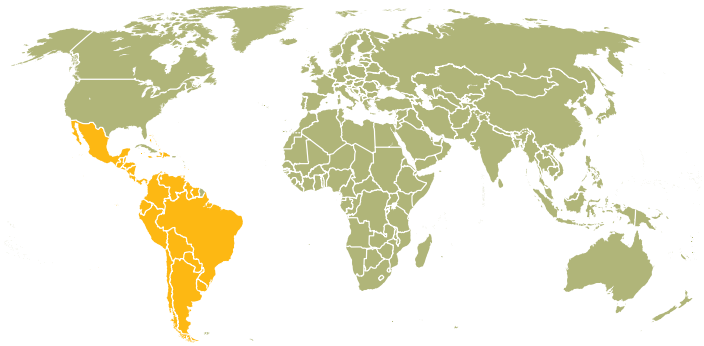
IBRD AND IDA LENDING BY SECTOR | FISCAL 2010

SHARE OF TOTAL OF $13.91 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Antigua and Barbuda
Argentina
Belize
Plurinational State of Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
República Bolivariana de Venezuela



Responding to Natural Disasters

In January and February 2010, the region saw its poorest (Haiti) and one of its richest (Chile) countries devastated by earthquakes.

The Bank has announced it would provide $479 million to support Haiti's recovery and development through June 2011. Of this, $250 million is new funding, which includes $151 million in grants, a $39 million cancellation of Haiti's remaining debt to the Bank, and $60 million in investments from IFC. The Infrastructure and Institutions Emergency Recovery Project is restoring key economic and financial functions of the government and carrying out emergency rehabilitation of key public infrastructure, including roads, bridges, and administration buildings in Port-au-Prince. The Bank is also providing technical assistance to support key institutions and reconstruction planning.

Because of its extensive experience in managing multidonor funds in other postdisaster situations, the World Bank was selected by the government of Haiti to serve as the fiscal agent for the multidonor Haiti Reconstruction Fund (HRF). This fund will pool public contributions and channel resources to a large range of actors on the ground. The HRF will finance reconstruction projects in alignment with the Haitian government's reconstruction plans.

Disaster management experts from the World Bank, in cooperation with Google, Microsoft, Rochester Institute of Technology, and more than a hundred institutions around the world, established a "situation room" at the World Bank aimed at gathering and analyzing high-definition images of damage in Port-au-Prince after the earthquake. This provided vital information to the Post Disaster Needs Assessment mission, cutting preparation time from weeks to 36 hours.

In Chile the Bank mobilized a $400,000 grant from the Spanish Fund for Latin America and the Caribbean to support initial damage assessment. It also provided technical expertise for analyzing aerial images and data furnished by Bank partner Crisis Camps, a grassroots movement that provides critical solutions to communications in disaster-stricken areas.

Investing in Early Childhood Development

Most programs that support early childhood development in Latin America and the Caribbean are independent efforts that vary in scale, services offered, and mode of delivery. National investments in early childhood development account for less than 1 percent to about 12 percent of total educational expenditures in the region. Programs reach only a small fraction of those who need assistance and face complex institutional coordination challenges.

In response the World Bank launched a new venture in February 2010, the Early Childhood Initiative: An Investment for Life, a partnership with ALAS Foundation, which was introduced at Bank headquarters by Grammy Award–winning artist Shakira and World Bank Group President Robert B. Zoellick. The program will invest approximately $300 million over the next two years to improve and expand these programs in the region.

Investing in Energy for Sustainable Growth

Latin America and the Caribbean produce just 6 percent of global greenhouse gas emissions. Nevertheless, many countries in the region have taken steps to reduce emissions without sacrificing development. Bank lending in the region in fiscal 2010 helped finance 11 projects with climate change components, including trust fund operations. Projects related to energy and the environment accounted for about a third of total Bank financing to the region this fiscal year.

In October 2009 the Bank committed $1.5 billion to stimulate green growth in Mexico, where a $150 million Bank loan is supporting the transformation of urban transportation.

Projects in Brazil and Mexico are introducing compact fluorescent lighting, energy-efficient appliances, and new green building codes. Technical assistance and projects in Central America, Colombia, Mexico, and Peru are promoting mini hydropower plants and off-grid rural electrification, reducing transmission and distribution losses. A $50 million Bank loan to Peru approved this fiscal year is supporting environmentally sustainable growth there.

Expanding the Conditional Cash Transfer Programs beyond the Region

For more than a decade, the Bank has helped countries in the region develop homegrown conditional cash transfer programs, which alleviate poverty by providing small subsidies to families to ensure that children and youth receive regular health checkups and attend school. These programs have been replicated in 17 countries in the region, where they are improving the lives of some 93 million people.

Conditional cash transfer programs are moving from first-generation operational issues, such as ensuring that money reaches beneficiaries in a transparent manner, to future challenges, such as integrating with other programs that help people move out of poverty. Lessons learned in IBRD countries are providing guidance for the expansion of conditional cash transfer programs to IDA countries. (See **http://www.worldbank.org/lac**.)

LATIN AMERICA AND THE CARIBBEAN SNAPSHOT

TOTAL FISCAL 2010

New Commitments
IBRD $13,667 million
IDA $240 million

TOTAL FISCAL 2010

Disbursements
IBRD $11,576 million
IDA $215 million

Portfolio of projects under implementation as of June 30, 2010: $32.1 billion

MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa region has weathered the economic and financial crisis better than more globally integrated regions, but the impact on poverty reduction has been deep. Regional GDP growth fell to 1.9 percent in 2009, down from 3.0 percent in 2008; it is projected to rebound to 4.4 percent in 2010. Across the region the crisis has played out in different ways in different country groups.



The Morocco Water Sector Development Policy Loan has contributed to Morocco's water reform efforts. Such assistance has increased the number both of rural people who have access to potable water and of poor households that are connected to piped water and sewage services. **Photo: Julio Etchart**

World Bank Assistance

New commitments for IBRD lending increased from $1.6 billion in fiscal 2009 to $3.5 billion in fiscal 2010, with development policy operations accounting for about half the total. IDA support rose nearly 25 percent to $214 million in fiscal 2010, all of it in the form of grants.

Responding to the Recession in the GCC and Countries Tied to It

Drops in oil prices and production have hurt the countries of the Gulf Cooperation Council (GCC), which responded aggressively by drawing on their significant financial reserves. Prospects for these countries are closely linked to demand for oil and gas.

The Bank's Reimbursable Technical Assistance program is becoming more strategic in the GCC countries. Bahrain and Qatar signed new framework agreements. The Bank also engaged in extensive economic monitoring and provided support for economic diversification. It completed a mid-term review of the Oman Vision 2020 exercise that had been prepared with Bank support in 1995. Diversified exporters linked to the GCC, such as Djibouti, Jordan, and Lebanon, have been affected by second-round impacts of the crisis, but these countries are likely to rebound as the GCC recovers.

Meeting the Needs of Other Oil Exporters

Among other oil exporters, increases in production, extensive reliance on natural gas, or both, partly compensated for the drop in oil prices. Barring destabilizing political developments in key countries, a moderate rebound in growth is expected in these countries in 2010.

Algeria's nonoil and gas sectors continued to grow in fiscal 2010, sustained by large public investment programs financed with hydrocarbon revenues. The Bank reengaged in Algeria, providing support in addressing economic diversification; in designing, monitoring, and evaluating public expenditures and social and economic policies; and in the narrowing of spatial disparities. In Iraq the $250 million First Programmatic Fiscal Sus-

FIGURE 2.9

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY THEME | FISCAL 2010

SHARE OF TOTAL OF $3.74 BILLION

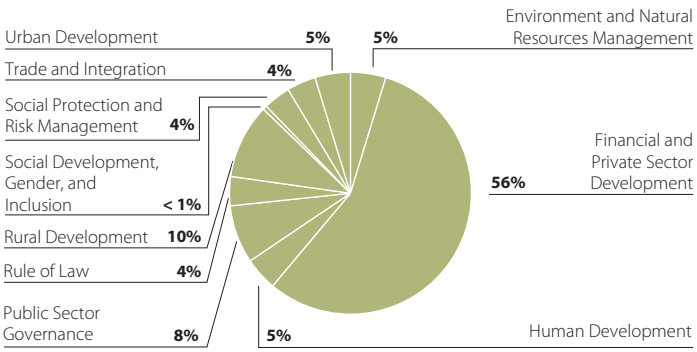
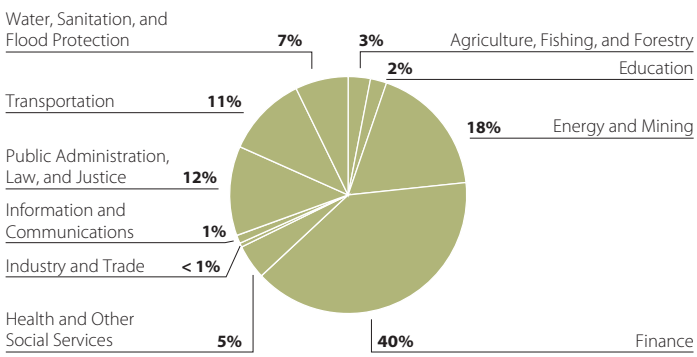


FIGURE 2.10

MIDDLE EAST AND NORTH AFRICA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2010

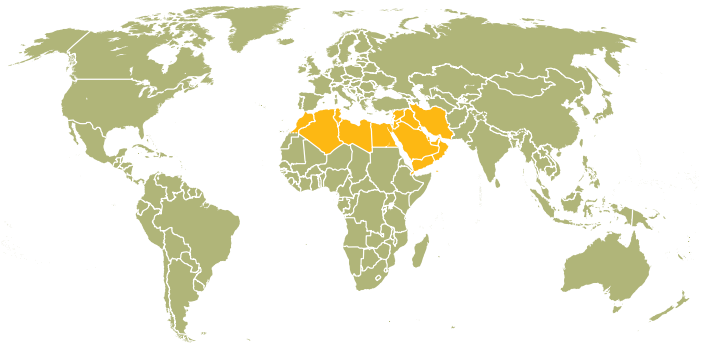
SHARE OF TOTAL OF $3.74 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Algeria
Djibouti
Arab Republic of Egypt
Islamic Republic of Iran
Iraq
Jordan
Lebanon
Libya
Morocco
Syrian Arab Republic
Tunisia
Republic of Yemen

This section also reports on the West Bank and Gaza.



tainability development policy loan (DPL) was designed to mitigate the impact of the fiscal crisis, improve fiscal sustainability, and reduce fiscal and socioeconomic vulnerability to sudden drops in oil revenues. In Libya the Bank continues to support public sector and economic reforms. A comprehensive Memorandum of Understanding, signed in August 2009, envisages a program of reimbursable technical assistance activities in public expenditure management, private sector development, and the business environment, as well as the opening of a liaison office in Tripoli. The Syrian Arab Republic is expected to continue to gradually reform its economy. In the Republic of Yemen the Bank provided $205 million in IDA funds in fiscal 2010, including $60 million in additional funding for the highly successful Social Fund project. Other investment operations in the Republic of Yemen focused on increasing rural access to markets and services ($40 million), supporting the development of port cities ($35 million), fighting schistosomiasis ($25 million), enhancing access to services in urban areas ($22 million), institutional support for the Social Welfare Fund ($10 million), and improving higher education ($13 million).

Assisting Diversified Exporters in North Africa

Diversified exporters linked to Europe were initially less affected by the crisis than other countries in the region. However, there have been some negative impacts on growth, and the speed of recovery depends on developments in Europe.

The Bank provided the Arab Republic of Egypt, Morocco, and Tunisia with rapid analytical and advisory activities and continued its long-term work on poverty, social protection, and subsidy issues.

Bank support to Egypt included a $500 million Financial Sector DPL (III) to strengthen the financial sector and enhance efficiency and a $300 million Enhancing Access to Finance for Micro and Small Enterprises project. The projects seek to increase access to finance, promote growth and job creation, establish an inclusive financial system, and ease the impact of the crisis on micro- and small-size enterprises. The $280 million Cairo Airport Development project will ease congestion and enhance the development of the tourism sector. Other large investment lending operations approved in fiscal 2010 include the $600 million Giza North Power and the $70 million Wind Power Development projects.

Morocco's sound macroeconomic policies and targeted stimulus package allowed it to weather the second-round effects of the crisis. A $200 million DPL supports the government's efforts to increase access to finance by households and small- and medium-size enterprises while ensuring the stability of the financial system. A new $100 million public administration DPL and a $60 million education DPL are part of a long-term program of reforms. Another $370 million in investment lending is divided between rural development and water projects.

Despite the global crisis, which caused a significant decline in its exports to Europe, Tunisia continued to manage its macroeconomy effectively. The Bank's new Country Partnership Strategy focuses on supporting Tunisia's transformation to a higher value-added, knowledge-based economy. Tunisia continues to engage IBRD lending selectively and is increasing its use of the DPL to implement its development strategy. Projects not directly linked to the crisis, such as the $52 million Northern Tunis Water project and the $36 million Integrated Rural Development project, were also approved.

Supporting the West Bank and Gaza

Competent economic management and significant donor support to the West Bank have allowed it to continue growing at about 5 percent a year. The situation in Gaza remains more difficult, with the focus there on humanitarian support and the provision of basic social services. Bank support to Gaza funds targeted grants for economic institution building, crisis aid for food and utilities, projects in education and municipal development, and an active program of analytical work in these and other areas. (See **http://www.worldbank.org/mna**.)

MIDDLE EAST AND NORTH AFRICA REGIONAL SNAPSHOT

TOTAL FISCAL 2010

New Commitments
IBRD $3,523 million
IDA $214 million

TOTAL FISCAL 2010

Disbursements
IBRD $2,119 million
IDA $188 million

Portfolio of projects under implementation as of June 30, 2010: $8.7 billion

SOUTH ASIA



Before she began attending a residential primary school, 12-year-old Madhubala Bishnoi spent her days performing household chores. Her school and 1,200 others like it are transforming the lives of rural girls ages 11–16 in India who would otherwise have remained uneducated. **Photo: Michael Foley**

South Asia has experienced a long period of robust economic growth, averaging 6 percent a year over the past 20 years. This strong growth has translated into declining poverty and impressive improvements in human development. Yet poverty remains rampant in many areas, and South Asia has the world's largest concentration of poor people—more than 1 billion people live on less than $2 a day.

In the face of the deteriorating global economy, the region's growth prospects dimmed. Regional growth decelerated from 8.9 percent in 2007 to 6.3 percent in 2009, driven largely by the drop in investment growth and private consumption. The decline in growth since the economic crisis was the smallest of all regions of the world, however, and South Asia is now rebounding strongly, with the World Bank projecting GDP growth of 7 percent in 2010 and 8 percent in 2011.

World Bank Assistance

The Bank's strategy for South Asia was updated in fiscal 2010. It comprises three pillars: sustaining growth and fostering inclusiveness, strengthening governance and promoting regional integration, and responding to climate change and strengthening natural resources management. In fiscal 2010 it approved 50 projects in the region, $6.7 billion in IBRD loans, and $4.6 billion in IDA commitments, including $360 million in grants.

Responding to the Recession

India's economy grew 6.7 percent in 2008—among the highest growth rates in the world. Its performance, however, represented a significant dip from the 9.2 percent growth achieved in 2007. In response to the slowdown the Bank approved four loans in September 2009 worth $4.35 billion. The loans support India's massive needs for infrastructure and help maintain credit growth. Nearly half the funding—$2 billion—was provided to enable India's public sector banks to expand credit for the development of infrastructure, small- and medium-size enterprises, and the rural economy and to strengthen these sectors in preparation for economic recovery. Overall the Bank's lending to India in the fiscal year reached $9.3 billion, the institution's largest volume of lending ever to a single country in a single year.

The economic crisis was particularly severe in Pakistan, where households are highly vulnerable to income shocks and where social assistance programs cover only a very small fraction of the poor. The Bank committed $200 million to strengthen the Benazir Income Support Program, Pakistan's national safety net program.

FIGURE 2.11

SOUTH ASIA

IBRD AND IDA LENDING BY THEME | FISCAL 2010

SHARE OF TOTAL OF $11.33 BILLION

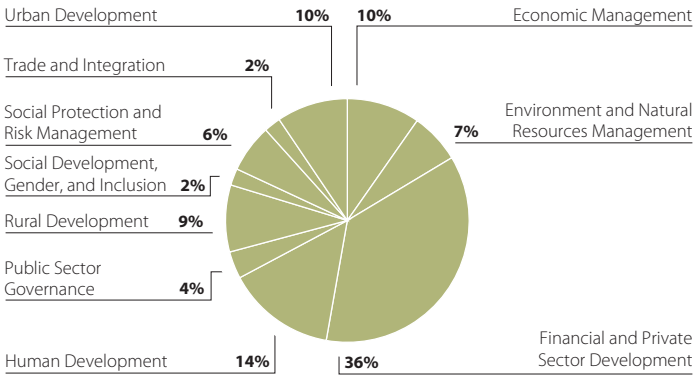
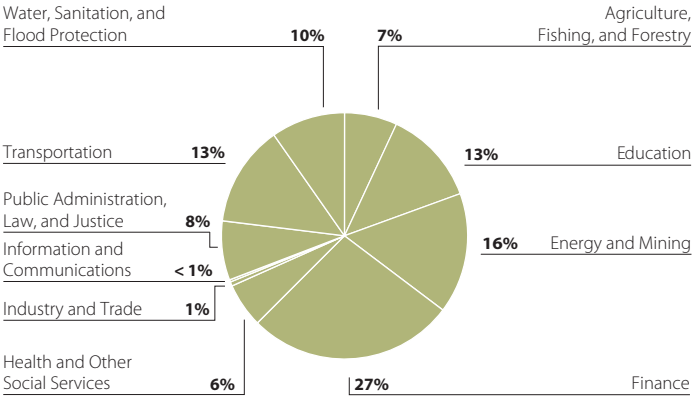


FIGURE 2.12

SOUTH ASIA

IBRD AND IDA LENDING BY SECTOR | FISCAL 2010

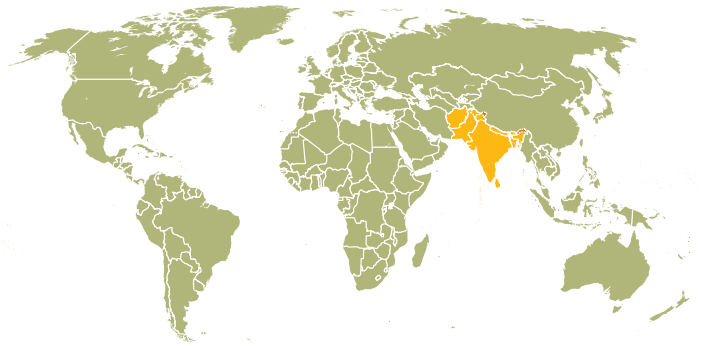
SHARE OF TOTAL OF $11.33 BILLION



COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Afghanistan	India	Nepal
Bangladesh	Maldives	Pakistan
Bhutan		Sri Lanka

Connecting the Poorest



Lack of electricity remains one of the most critical constraints to sustained rapid growth in South Asia. To address the problem the Bank provided $130 million to Bangladesh this fiscal year to increase access to electricity through the installation of affordable solar home systems in rural areas. The credit supplemented an existing project that has connected 600,000 consumers to the electricity grid, constructed about 8,500 kilometers of new distribution, and provided 320,000 consumers with solar home systems since 2003.

In India almost half of all households—44 percent—lack access to electricity. To increase access and meet rising consumer demand, the Bank loaned $1 billion to Powergrid, the national power transmission utility, in fiscal 2010. The loan will help expand the power transmission network, especially in the western, northern, and southern parts of the country. The Bank also approved a $330 million loan to strengthen the electricity transmission and distribution system in the state of Haryana. In addition the Bank approved $430 million to finance the Mumbai Urban Transport Project 2A to further improve the suburban railway system in the Mumbai Metropolitan Region, one of the world's largest urban centers, with a population of 18 million in 2010.

Operating in Conflict and Postconflict Areas

Despite the challenges of working in what has become the most violent region in the world, the Bank remains active in the many areas of South Asia affected by conflict. In fiscal 2010 IDA and the International Monetary Fund agreed to support $1.6 billion in debt relief for Afghanistan, which includes $1.3 billion from the Heavily Indebted Poor Countries (HIPC) Initiative; $260 million from Paris Club creditors beyond HIPC; and $38.4 million from the Multilateral Debt Relief Initiative. The Bank also provided a $30 million grant to support a new initiative by the Afghan government designed to boost employment and incomes in rural areas, where 75 percent of the people live. The Bank continued its support to Afghanistan's National Solidarity Program (NSP) with a $40 million grant for the program's third phase. NSP is widely recognized as one of the most successful development programs in Afghanistan, having reached 17 million rural people in all 34 provinces.

In Pakistan the conflict in the Khyber-Pakhtunkhwa (KP) and the Federally Administrated Tribal Areas (FATA) led to one of the worst security crises in Pakistan's history, displacing millions of people and severely disrupting lives, livelihoods, and the provision of public services. In January 2010 the Bank's Board approved creation of a multidonor trust fund designed to restore infrastructure, services, and livelihoods in the conflict-affected areas of KP, FATA, and parts of Balochistan Province.

With the end of armed confrontations in May 2009, Sri Lanka is facing a historic opportunity for development and reconciliation. In fiscal 2010 the Bank approved a $65 million package designed to support the return of 100,000 internally displaced persons to their places of origin in the Northern Province and to restore their livelihoods, destroyed by three decades of civil war. The Bank supported the rehabilitation of provincial roads in the eastern, northern, and southern Uva province with a $105 million credit. It also provided $75 million for the second phase of Gemi Diriya, a community-driven development program that has touched the lives of nearly 1 million poor Sri Lankans in more than 1,000 villages.

Supporting Education and Health Services

The Bank committed a record $1.05 billion in fiscal 2010 to help get more children into schools in India. Most of this financing—$750 million—will go to Sarva Shiksha Abhiyan, India's ambitious Education for All program. The program is the largest and among the most successful of its kind in the world. It has been particularly successful in providing access to primary education, increasing the number of children enrolled from 135 million in 2003 to 192 million in 2009.

In Bangladesh the Bank provided an additional $35 million to bring disadvantaged and poor children back to school through the Reaching Out-of-School Children project. Since 2004 the project has helped enroll more than 500,000 children in more than 15,000 Ananda Schools (learning centers) in 60 *upazilas* (subdistricts) with high incidence of poverty and low enrollment.

The Bank continued its support to the education sector in Nepal, approving a $130 million IDA credit to help meet the country's Education for All goals. The results of Nepal's school reforms have been encouraging, with net primary enrollment rising from 84 percent in 2003 to 92 percent in 2009. Gender parity improved as well, increasing to 98 percent from 83 percent during the same period. A key aim of the reforms has been to transfer school management to communities. Since 2001 more than 9,000 schools have adopted community management. The Bank also contributed an additional $129.2 million to help poor and underserved Nepalis access and use essential health care services. Under the project, the geographic coverage of services will be expanded, and policies aimed at increasing access and use by the poor and underserved populations will be more systematically implemented. (See **http://www.worldbank.org/sar**.)

SOUTH ASIA REGIONAL SNAPSHOT

TOTAL FISCAL 2010	TOTAL FISCAL 2010
New Commitments	Disbursements
IBRD $6,689 million	IBRD $3,461 million
IDA $4,645 million	IDA $3,014 million

Portfolio of projects under implementation as of June 30, 2010: $33.7 billion

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ANNUAL REPORT 2010

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Internal Reforms

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Africa
East Asia and Pacific
Europe and Central Asia
Latin America and the Caribbean
Middle East and North Africa
South Asia

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Global Financial Crisis
Millennium Development Goals and Poverty Reduction
Climate Change and Development
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Education, Health, Social Protection, and Labor
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Infrastructure
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