

# The UK and the World Bank 2006/2007



Unless otherwise stated, references to 2006 and 2007 in this report denote World Bank Fiscal Years 2006 and 2007 respectively. The World Bank Fiscal year runs from 1 July – 30 June. So 2006 denotes the period between 1 July 2005 and 30 June 2006 and 2007 denotes the period between 1 July 2006 and 30 June 2007.

All figures are reported in Sterling. Where conversion from US Dollars was necessary (e.g. when reporting World Bank lending) this was done using the average historical exchange rate covering the reporting period (1 October 2005 – 30 June 2007), which was 0.5375 US Dollars to the Pound.

There are some inconsistencies in figures due to rounding

# The UK and the World Bank 2006/2007



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# Foreword by the Secretary of State



The world faces many challenges. One of the most urgent is accelerating progress towards the Millennium Development Goals. Faster progress is needed to help the world's poorest enjoy things that many of us in this country take for granted. And there can be no long-term security at home unless we reduce poverty and increase opportunity for the world's poor in an effective and sustainable manner.

That is why development matters. And that is why the World Bank – with its mandate to reduce poverty and promote growth – matters. Some of the most immediate issues we face in seeking to reduce poverty include increasing growth and trade, dealing with climate change and creating an effective international system. And without a strong and effective World Bank, progress will be much slower in all three areas.

The Bank is the world's largest provider of development assistance. The £12.69 billion in 2006 and £13.28 billion in 2007 it gave in loans and grants to developing countries will ensure that millions of people receive healthcare, education and clean water. The Bank continues to provide world class intellectual and analytical work that many other development partners rely upon for their own work. And the Bank remains a forum for all countries to work together on development issues on a daily basis. Money, knowledge and partnership – three essential ingredients for poverty reduction.

The UK remains a steadfast supporter of the Bank which remains one of the most effective international development organisations. During the last 18 months we have worked closely with the Bank and its shareholders. Significant progress has been made on issues such as working in difficult environments, addressing the particular challenges of Africa and improving governance and tackling corruption.

This period also saw the arrival of a new World Bank President. Robert Zoellick is settling into his role as Bank President and consulting widely to draw up a clear vision and strategy for the institution. I believe that Mr Zoellick brings strong leadership, as well as a proven track record in international affairs and the drive required to enhance the credibility and effectiveness of the Bank. The UK will continue to work closely and collaboratively with the President and Bank staff to ensure faster progress towards the MDGs.

A handwritten signature in black ink, which appears to be 'Gordon Brown'. The signature is fluid and cursive, written in a professional style.

## Highlights

*In 2006-2007 the UK was the second largest contributor to the Bank's International Development Association and, in 2007, the largest contributor to World Bank Trust Funds.*

*DFID is continuing to implement its 2004 Institutional Strategy that aims to help the Bank improve its effectiveness.*

*The Board agreed that IDA would cancel over £19.35 billion (\$36 billion) of debts owed by the world's poorest countries so helping them to deliver more and better basic services to their citizens.*

*2007 saw agreement on a Governance and Anti-Corruption strategy and a review of the work of the Department of Institutional Integrity.*

*The government worked closely with the Bank to develop the Clean Energy Investment Framework and to strengthen cooperation with the Regional Development Banks. This will help increase developing countries' access to clean energy and to assist them in dealing with the effects of climate change.*

*In 2007 the Board approved a series of measures to improve the Bank's ability to respond more quickly and effectively to the needs of fragile states.*

*At the September 2006 Annual Meetings the Bank adopted a new strategy for working with Middle Income Countries.*

*In February 2006 the International Finance Corporation Board approved a new Safeguards Policy on Social and Environmental Sustainability which reflected most of the concerns expressed by the Government during the consultation process.*

*The Bank and DFID worked closely together to help establish the Investment Climate Facility which aims to make it easier to do business in Africa.*

*The Bank continued to put effort into ensuring its projects achieved their intended results, and into supporting international efforts to increase the availability of reliable statistics.*

*The UK helped secure significant improvements in the Bank's implementation of the Good Practice Principles on conditionality and a commitment to further review progress in 2007.*

*The Government continued to press the Bank to improve the way it works with other donors. The Bank made some progress and agreed an action plan to address issues requiring further attention.*

*The period saw the appointment of a new President, nine new Vice-Presidents and two new Managing Directors.*

*The Bank made further progress on decentralisation, but more needs to be done.*

*The Bank continued to strengthen its Administrative Budget process and delivered a bigger work programme without having to increase its budget.*

*The findings of the external review of World Bank – International Monetary Fund collaboration provide concrete suggestions for improving cooperation between the two institutions.*

*The Bank took important steps to increase its transparency including the publication of core data that inform the allocation of its funds, but more still needs to be done.*



## Section 1:

# Introduction

The World Bank's mission is to eradicate poverty. Its efforts are centred on helping countries achieve the Millennium Development Goals, and it provided around £12.69 billion (\$23.6 billion) of assistance in 2006 and £13.28 billion (\$24.7 billion) in 2007. The Bank also has an important role in helping the international community to implement global initiatives, such as the Multilateral Debt Relief Initiative, and to respond to new challenges such as climate change.

This report provides an overview of developments at the Bank between October 2005 and June 2007. It outlines the Government's positions on major issues, and is a part of our efforts to be more transparent and accountable in our work with the Bank.

The decision to extend the period covered to the end of June 2007 brings the reporting period in line with the World Bank's fiscal year (1 July to 30 June) and also covers the period running up to the appointment of a new President.

## 1.1 The UK's role in governing the World Bank

The World Bank is governed by its member countries, who are also the Bank's shareholders. The Board of Governors is the highest governing authority. The Secretary of State for International Development is the UK's Governor. He also represents the UK on the Development Committee, the main ministerial forum for discussing Bank policies. The Chancellor of the Exchequer is the UK's Alternate Governor.

The Governors delegate responsibility for the day-to-day running of the Bank to the Board of Executive Directors (also referred to as "the Board"), which is based at the Bank's headquarters in Washington DC. There are 24 Executive Directors representing all member countries. As one of the largest shareholders the UK has its own Executive Director. During the period of this report, the UK Executive Director was Tom Scholar. The Alternate was Caroline Sergeant.

## 1.2 UK financial support for the World Bank

***In 2006-2007 the UK was the second largest contributor to IDA and, in 2007, the largest contributor to World Bank Trust Funds.***

In addition to being one of the World Bank's shareholders, the UK is a major provider of finance for the Bank. This high level of financing reflects the effectiveness of the Bank and its ability to make good use of UK taxpayers' money. Our financial support takes two main forms. We provide core financial support to the International Development Association (IDA), the arm of the Bank which provides grants and concessional loans to the world's poorest countries.

In addition, the UK puts money into trust funds managed by the World Bank, examples of which include the Global Environment Facility (GEF), the Heavily Indebted Poor Countries (HIPC) Trust Fund, and the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM). In 2006, the UK was the second largest contributor to World Bank trust funds, contributing around £330 million. In 2007, the UK contributed £721 million, making it the largest contributor.

For more details on UK financial support for the World Bank, see Annex 1.

### 1.3 The UK and the World Bank: partners in development

***DFID and the Bank regularly pool their knowledge and finance in order to improve the impact of their programmes and international development policy.***

The UK is among the Bank's main development partners. DFID and the Bank work together in many areas, discussing development policy and jointly financing programmes. Current examples of co-financing include a health programme in Malawi, an education programme in China, and budget support in Mozambique. Policy discussions and joint work over the past 18 months have been particularly intense on some of the most pressing development challenges including climate change and water and sanitation, to accelerate international action on these issues.

### 1.4 DFID's Institutional Strategy for the World Bank

***DFID is continuing to implement its 2004 Institutional Strategy that aims to help the Bank improve its effectiveness.***

The World Bank is an effective development organisation. But both it and DFID recognise that the Bank can improve. The Government publishes an institutional strategy about every three years, which sets out how we will work with the Bank to enable it to make a more effective contribution to the elimination of global poverty. An institutional strategy for DFID's partnership with the World Bank was published in September 2004. The objectives of the strategy are to help the Bank to:

- maintain and improve its focus on ensuring its programmes provide the benefits intended (known as the results agenda)
- strengthen local ownership of poverty reduction strategies and ensure that the Bank's programme is in line with them
- improve its partnerships with donors and other partners in developing countries
- provide appropriate assistance to support development in difficult environments
- ensure that the financial assistance it provides is appropriate for each country's individual circumstances

- ensure that countries do not build up too much debt that then becomes an obstacle to poverty reduction
- accelerate progress towards the MDGs, by providing assistance to improve service delivery and financing private sector activities that contribute to sustainable development
- deliver on the commitments it made at Monterrey which were about improving the quality of aid donors provide

The full strategy can be found at:

[www.dfid.gov.uk/pubs/files/ispworldbank2.pdf](http://www.dfid.gov.uk/pubs/files/ispworldbank2.pdf).

The end of cycle review for the last strategy is at:

[www.dfid.gov.uk/pubs/files/ispworldbank-review.pdf](http://www.dfid.gov.uk/pubs/files/ispworldbank-review.pdf).

We plan to develop a new strategy in 2008, based on a review of the current strategy.

## 1.5 How the UK government is accountable for its involvement with the World Bank

***The Government and the World Bank publish a number of documents which allow Parliament and the public to hold the Government to account.***

The Institutional Strategy is the main place where the Government sets out its objectives for improving the Bank's performance. The UK also publishes its objectives for the World Bank and IMF Spring and Annual Meetings of Governors. These objectives, and the outcome of the meetings, can be found on the DFID website.

The International Development Committee usually holds an annual hearing on the outcomes of the Annual Meetings. For further information, and transcripts of evidence sessions, see:

[http://www.parliament.uk/parliamentary\\_committees/international\\_development.cfm](http://www.parliament.uk/parliamentary_committees/international_development.cfm).

Members of the public can also ask DFID for information on its actions and policies by writing to MPs, or directly to DFID's Public Enquiry Point (at 1 Palace Street, London SW1E 5HE or Abercrombie House, Eaglesham Road, East Kilbride, Glasgow, GL75 8EA, or by email at [enquiry@dfid.gov.uk](mailto:enquiry@dfid.gov.uk)) with questions or concerns.

## 1.6 How the World Bank is accountable to its shareholders and the public

***The Bank is held accountable to its shareholders and the public by the work of the Bank Board and a number of internal Bank bodies whose publications are made publicly available.***

The World Bank is owned and funded by its 185 shareholder countries. It accounts for its performance to these shareholders through the Board of Governors, Board of Executive Directors and various Board committees. The Bank also reports on its performance to shareholders and the global public via its Annual Reports. These reports give information on the Bank's lending by region and by sector, and highlight particular programmes and projects of interest. The Bank makes a large amount of its documentation public, helping to strengthen its transparency and accountability. Although there has been considerable progress, the Government continues to press for greater disclosure.

The World Bank has several internal units which monitor the quality of its work, and much of their work is made public. The units include the Quality Assurance Group (QAG), the Department of Institutional Integrity (INT), the Inspection Panel (IP), and the Internal Evaluation Group (IEG):

QAG's mandate is to improve accountability and enhance learning by monitoring the quality of the Bank's projects and analytical work as the projects are in progress.

INT investigates allegations of fraud, corruption, coercion and collusion related to World Bank Group-financed projects, as well as allegations of serious staff misconduct. A review of INT's work was started in early 2007. For more information see [www.worldbank.org/integrity](http://www.worldbank.org/integrity).

The Inspection Panel was created in 1993, to address the concerns of people affected by Bank projects and to ensure that the Bank adheres to its operational policies and procedures in designing, preparing and implementing projects. For more information see [www.worldbank.org/inspectionpanel](http://www.worldbank.org/inspectionpanel).

IEG evaluates a wide range of projects and policies, usually after a project has finished. More information can be found at [www.worldbank.org/ieg](http://www.worldbank.org/ieg).

## 1.7 This report

The remainder of the report is divided into four broad sections. Section 2, “The World Bank in 2006/07”, describes the main policy topics which the Bank was involved in during this period. Section 3, “The Bank’s assistance to help countries tackle poverty”, describes the more day-to-day work of the Bank in supporting developing countries’ efforts to reduce poverty – including progress on reform of the Bank’s approach to conditionality and safeguards. Section 4, “Bank country programmes” provides a regional breakdown of the work of the Bank in 2006/07. Section 5, “Improving the Bank’s organisational effectiveness” describes the Bank’s efforts to improve the way it organises and runs itself – for example its approach to transparency and decentralisation. There are annexes on UK financial support to the Bank, UK formal votes at the Board of Executive Directors and Board of Governors, and links to further information.

## Section 2:

# The World Bank in 2006/07

## 2.1 The World Bank's financial activity

### 2.1.1 The International Development Association (IDA)

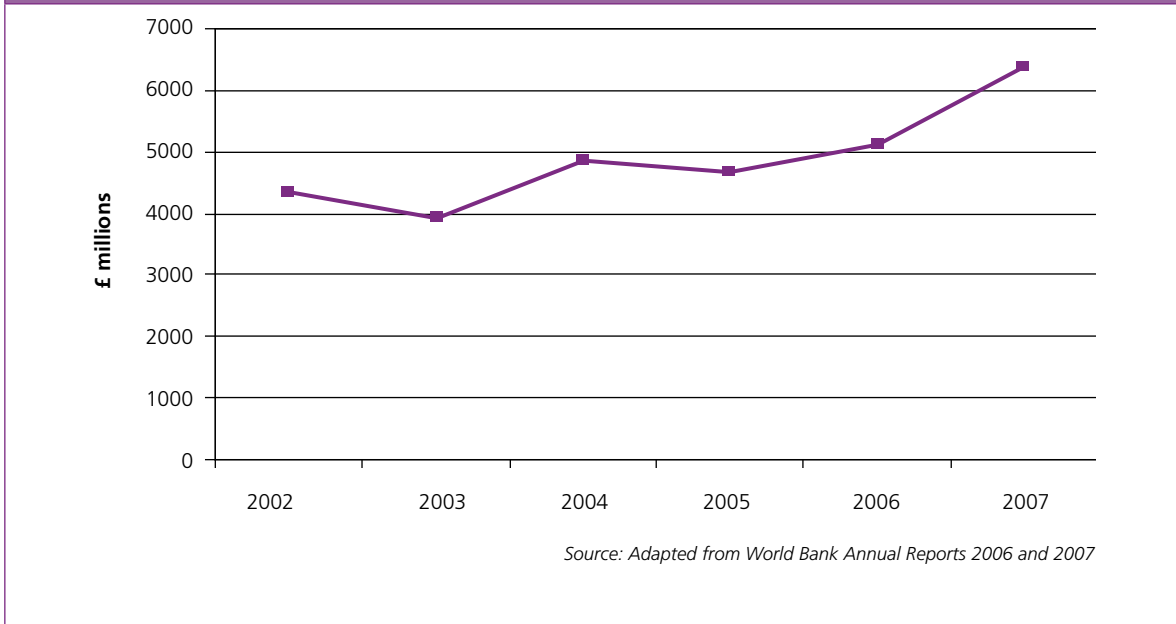
IDA, formed in 1960, helps the world's poorest people by providing interest-free loans and grants for programmes that boost economic growth, reduce inequalities and improve people's living conditions. IDA is one of the largest sources of assistance to 81 of the world's poorest countries, almost half of which are in Africa. IDA's largest source of income comes from donor contributions. IDA's replenishments last for 3 years, with the current replenishment (IDA14) covering the period 2005-2008.

IDA lends money (known as credits) on concessional terms. This means that IDA credits have no interest rate charge (although they do have other very low charges) and repayments are stretched over 35-40 years, including a 10-year grace period.

IDA commitments in this period reached the highest level in IDA's history. In 2006, of the total commitment of £5.1 billion (\$9.5 billion), £4.09 billion were in credits and £0.97 billion were in grants. In 2007, of the total commitment of £6.4 billion (\$11.9 billion), £5.2 billion were in credits and £1.13 billion were in grants.

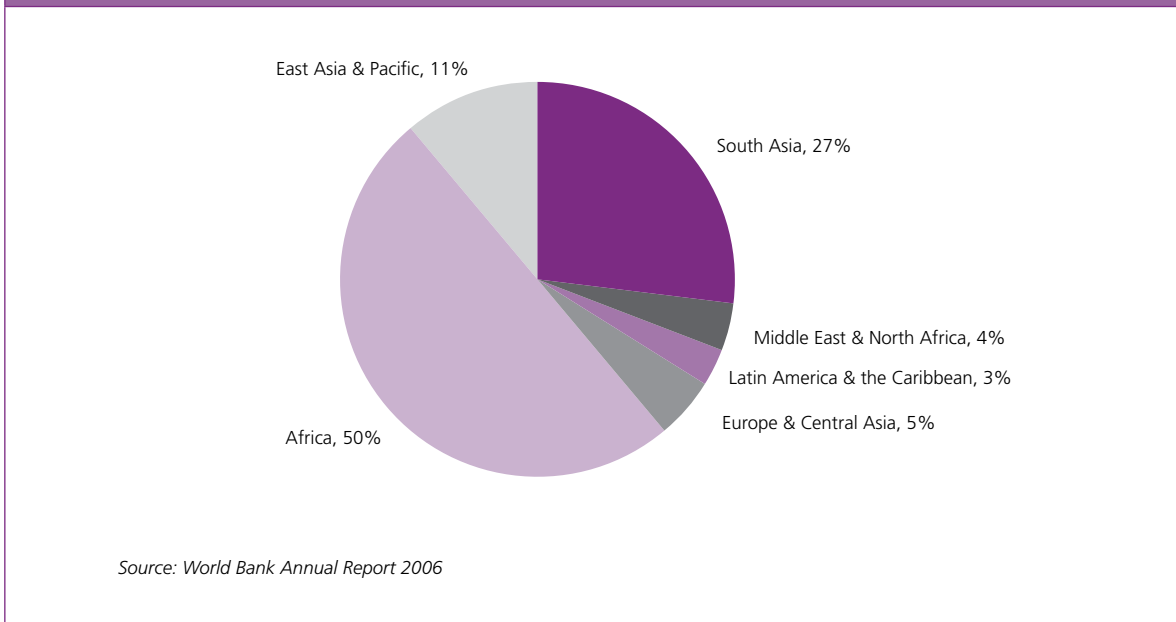
In addition, IDA, together with the International Bank for Reconstruction and Development (IBRD), undertakes analytic and advisory activities which consist of economic and sector work and nonlending technical assistance. These activities are an integral part of overall country assistance programmes. In 2006, the Bank delivered 601 economic and sector work products and 307 technical assistance activities. In 2007, the Bank delivered 531 economic and sector work products and 430 technical assistance products.

**Figure 1: IDA Commitments 2002 – 2007**

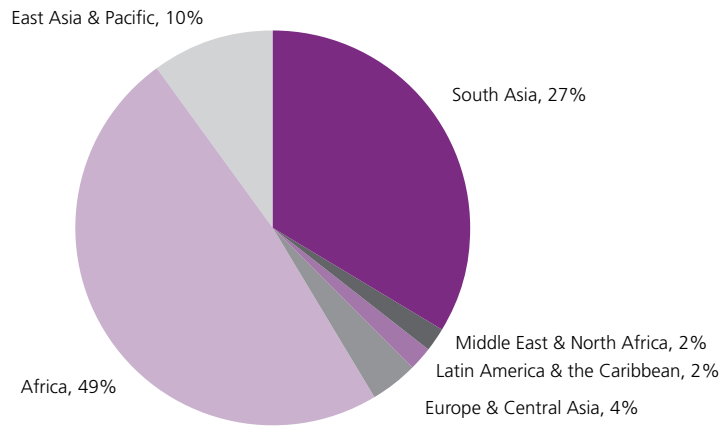


IDA provides the majority of its resources to the poorest regions of the world, with 50% in 2006 and 49% in 2007 going to Africa.

**Figure 2: IDA Commitments by Region 2006 (% of total of £5.1 billion (\$9.5 billion))**



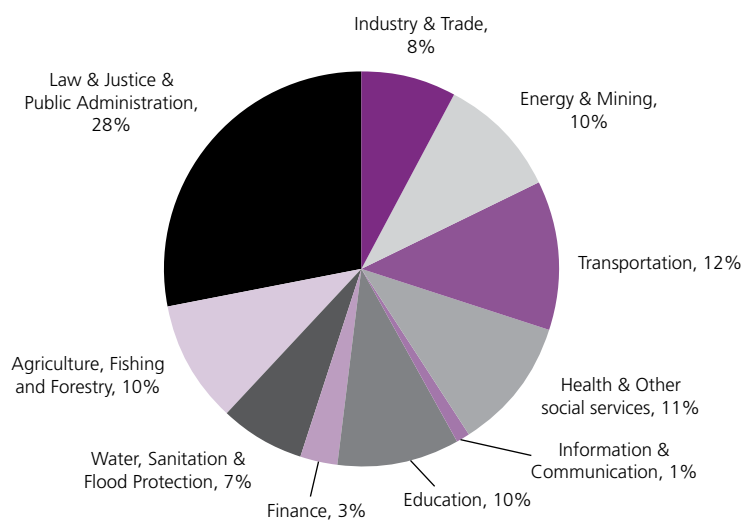
**Figure 3: IDA Commitments by Region 2007 (% of total of £6.4 billion (\$11.9 billion))**



Source: World Bank Annual Report 2007

In terms of spending in the various sectors, IDA's largest contribution goes to the social sectors (health; education and water, sanitation and flood protection), with this accounting for 28% in 2006 and 40% in 2007.

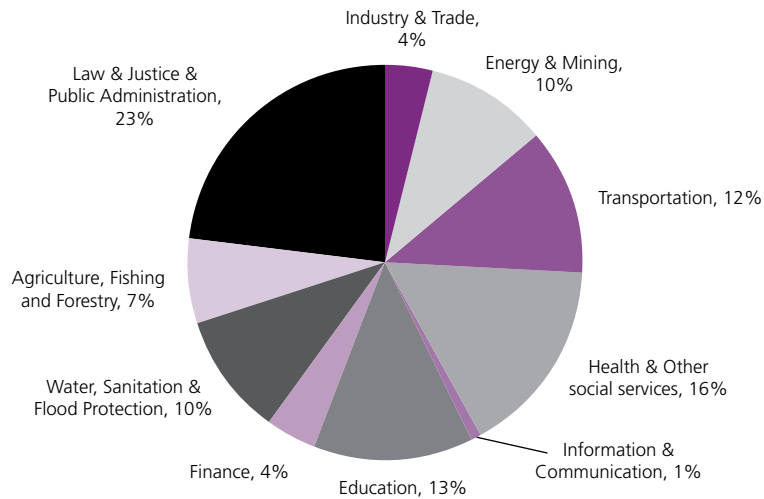
**Figure 4: IDA commitments by sector 2006 (% of total of £5.1 billion (\$9.5 billion))**



Source: World Bank Annual Report 2006



**Figure 5: IDA Commitments by sector 2007 (% of total of £6.4 billion (\$11.9 billion))**



Source: World Bank Annual Report 2007

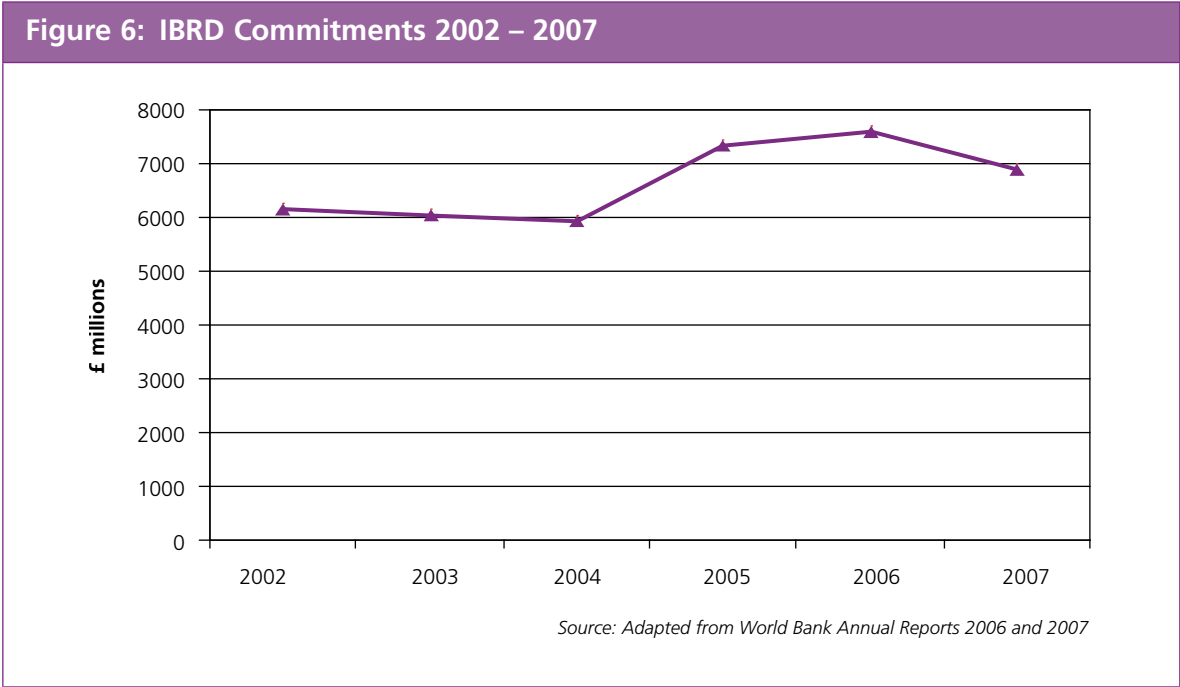
### 2.1.2 International Bank for Reconstruction and Development (IBRD)

IBRD, founded in 1945, provides loans and development assistance to middle-income countries and credit-worthy poorer countries (called “blend countries” because finance is blended with concessional finance from IDA).

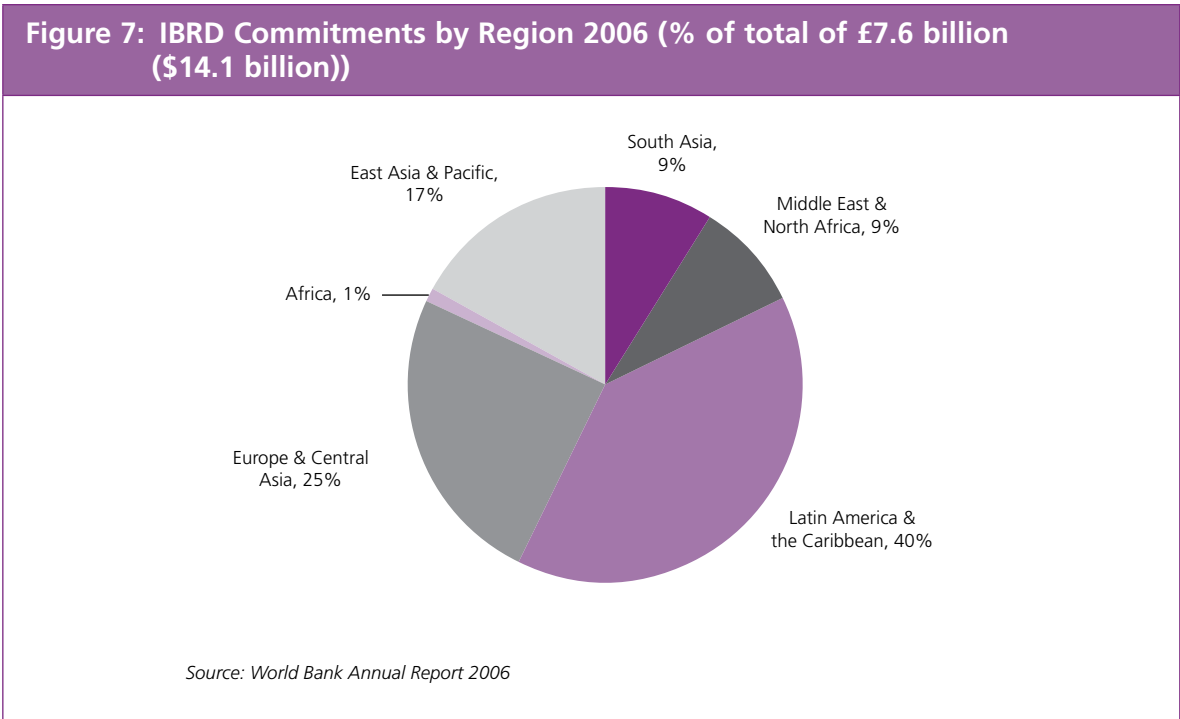
It provides client countries with access to capital on favourable terms in larger volumes, with longer maturities, and in a more sustainable manner than the market generally provides. Specifically, IBRD aims to:

- Support long-term human and social development needs that private creditors do not finance
- Preserve borrowers’ financial strength by providing support in crisis periods, when poor people are most adversely effected
- Use the leverage of financing to promote key policy and institutional reforms (such as safety-net or public sector reforms)
- Support a favourable investment climate in order to catalyze private capital
- Provide financial support in areas that are critical to the well-being of poor people in all countries
- Provide analytical and advisory activities (as previously discussed in the IDA section)

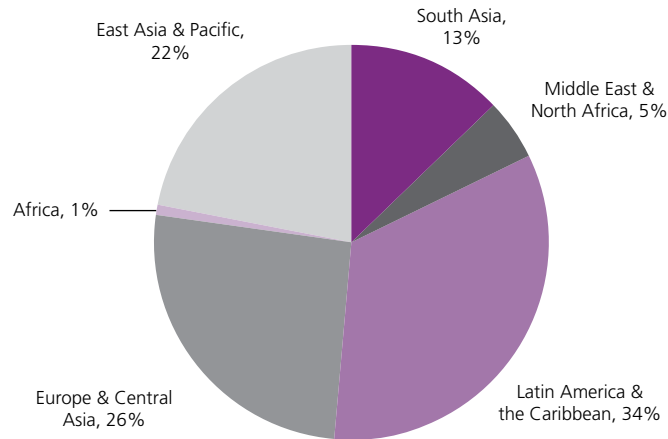
In 2006, IBRD committed £7.6 billion (\$14.1 billion). In 2007, it committed £6.9 billion (\$12.8 billion). IBRD transferred £430 million from its net income to IDA in 2006.



Whilst IBRD’s total commitments have decreased between 2006 – 2007, reflecting the continuing success of middle income countries and increasing access to private capital flows, IBRD continues to provide support to these countries, especially in Latin America and the Caribbean.



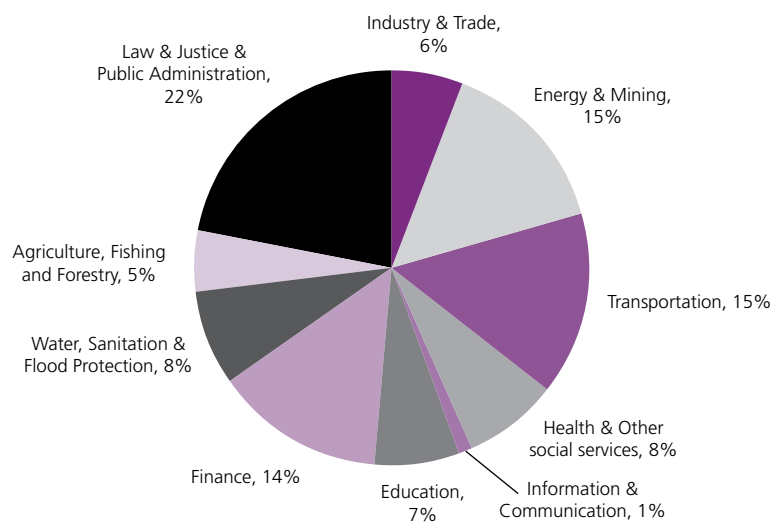
**Figure 8: IBRD Commitments by Region 2007 (% of total of £6.9 billion (\$12.8 billion))**



Source: World Bank Annual Report 2007

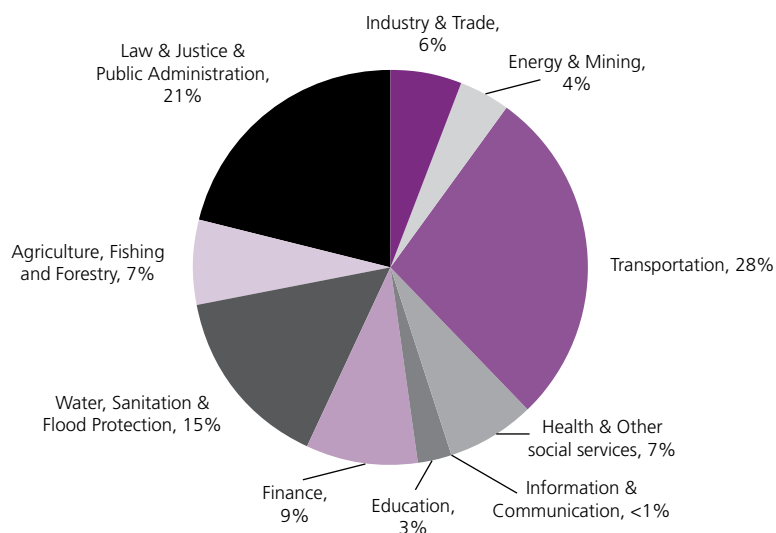
As with IDA, IBRD's largest contribution in 2006 was to the social sectors (health, education and water, sanitation and flood protection) with these accounting for 23% in 2006. In 2007, the social sectors were the second largest recipient of IBRD support (25%), with transport being the largest at 28%.

**Figure 9: IBRD commitments by sector 2006 (% of total of £7.6 billion (\$14.1 billion))**



Source: World Bank Annual Report 2006

**Figure 10: IBRD Commitments by Sector 2007 (% of total of £6.9 billion (\$12.8 billion))**



Source: World Bank Annual Report 2006

### 2.1.3 IFC & MIGA

In addition to lending to developing country governments, the World Bank Group has two entities which deal with the private sector in developing countries – the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

The IFC lends money to, or invests equity in, private companies operating in developing countries. Its purpose is to create opportunities for people to escape poverty and improve their lives, including through job generation and basic service delivery. IFC made large profits again last year. During the reporting period, IFC transferred £80.6 million from its profits to IDA.

MIGA promotes investment in developing countries by underwriting political risks taken by investors, and helping governments to promote investment. We continued to support MIGA's three-year strategy with its focus on four priority areas: infrastructure, poor countries, conflict-affected countries and investments between developing countries.

## 2.2 The World Bank and debt relief

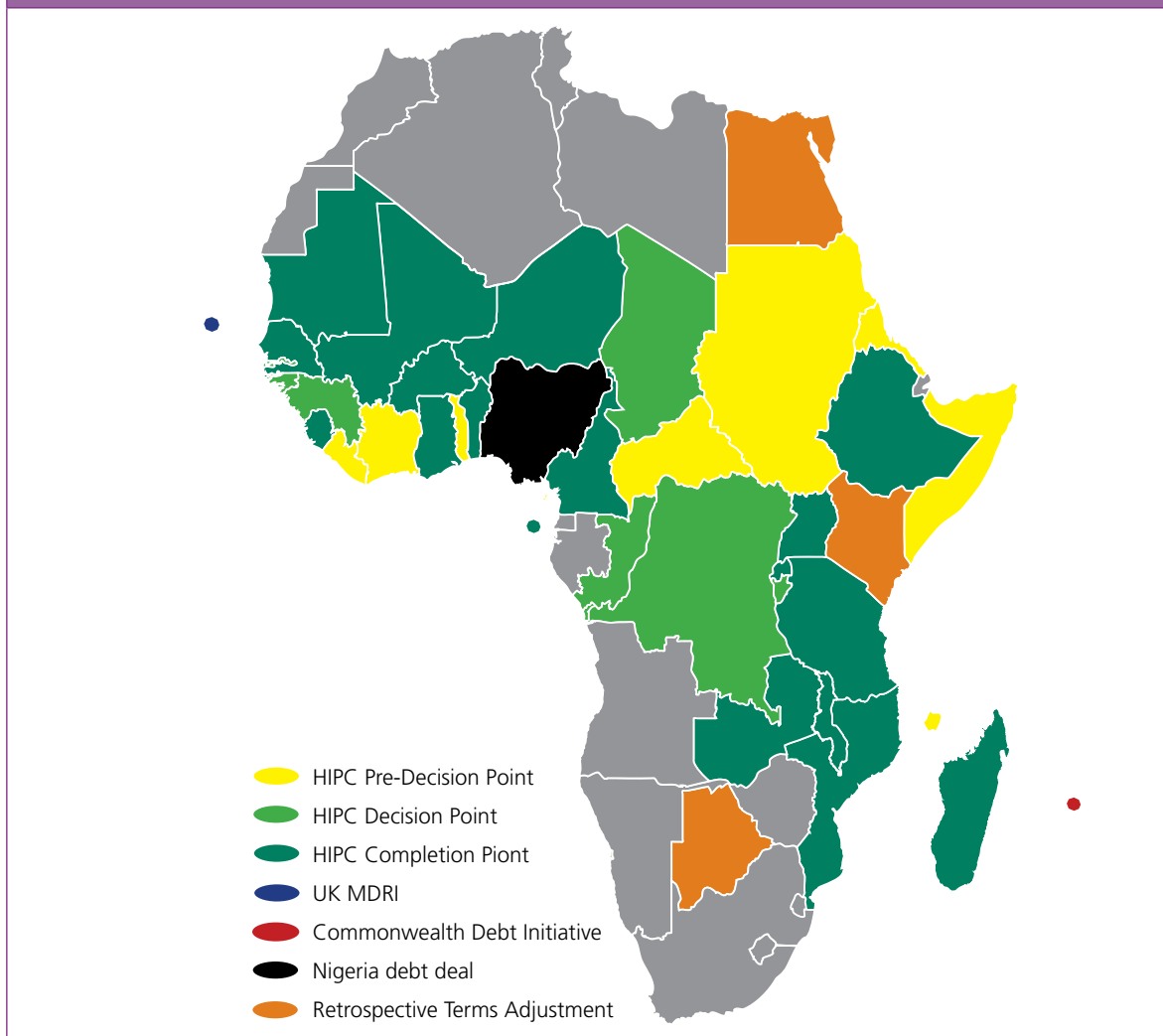
***The Board agreed that IDA would cancel over £19.4 billion (\$36 billion) of debts owed by the world's poorest countries so helping them to deliver more and better basic services to their citizens.***

2006 was a landmark year for the delivery of debt relief to the world's poorest countries. In April 2006, the Board of Governors agreed that the World Bank should implement the Multilateral Debt Relief Initiative (MDRI) proposed at the 2005 Gleneagles Summit. The MDRI cancels 100% of the debts to IDA of the 44 Heavily Indebted Poor Countries, which amounts to £19.4 billion (\$36 billion) worth of debt.

By June 2007, 22 countries had qualified for MDRI debt cancellation, freeing up resources for reducing poverty. Countries have made different choices on what to do with this money. Ghana, which saved £31.1 million on debt service in 2006, used this to spend more on health, energy, water, and improvements to major highways and rural roads. Honduras used its £15 million of MDRI debt relief in 2006 to eliminate fees for pupils in public schools (equivalent to our state schools). In Tanzania, debt relief has helped to increase the number of children in primary schools by over 50%, build almost 2,500 new primary schools and recruit 28,000 extra teachers. Early indications are that MDRI debt relief has made a significant difference in the numbers of children attending primary school in some of the country's poorest regions.

September 2006 marked the tenth anniversary of the Heavily Indebted Poor Countries (HIPC) Initiative. Malawi, Cameroon, Sierra Leone and Sao Tome all completed the HIPC process in this period, bringing the number of countries that have received irrevocable debt cancellation to 22. The Democratic Republic of the Congo (DRC), Haiti and Afghanistan all passed the first stage of HIPC, and are now receiving interim relief on their debts. The World Bank has committed more than £9.1 billion in HIPC debt relief since the initiative was started in 1996.

Figure 11: HIPC, MDRI and other debt relief to African countries



We have continued to encourage the Bank to take a flexible approach when assessing whether countries should receive debt relief. We supported debt cancellation for Malawi, though it had not met two 'trigger' conditions on health expenditure and recruiting more teachers, as the country had good plans in place to make up these shortfalls. We were also successful in securing the removal of the HIPC sunset clause – the deadline for qualifying for HIPC. Without this change, several countries including Somalia, Sudan and Liberia would be prevented from seeking debt relief in the future.

### Republic of Congo: HIPC debt relief

In March 2006 the Republic of Congo met the criteria (including the implementation of sound macroeconomic policies) necessary to begin receiving interim HIPC debt relief. However, given the widespread concerns about governance and the lack of transparency in the management of the country's oil revenues, major reforms were required to ensure that the debt relief savings genuinely benefit the poor. Before the country can receive irrevocable debt relief under the Initiative, the government will have to establish a national anti-corruption committee, complete a corruption diagnostic study, and obtain successive audit opinions certifying the national oil company's accounts. World Bank staff are carrying out a major programme in support of these reforms, and the Board is receiving regular updates on progress.

The World Bank has continued to manage the HIPC Trust Fund, which provides grants to other International Financial Institutions such as the African Development Bank, to help them meet the costs of debt cancellation. The UK remains the second largest donor to the HIPC Trust Fund, contributing £18.7 million during UK financial year 2006/07. We pledged a further £34.9 million to the trust fund at the donor meeting held in November 2006.

### Avoiding future debt problems

Countries need to invest heavily to meet the MDGs. Some of this will come from increased aid and by increasing their own internal revenue. Some however will need to come from new lending, raising questions about whether there will be a future debt crisis.

The main responsibility for ensuring that debt levels are manageable rests with borrowing countries themselves. To assist them, and to guide creditors, the World Bank and the IMF have developed the Debt Sustainability Framework (DSF). This indicates prudent levels of debt for different countries, and indicates, for example, when a country should take only very concessional loans. The Bank uses this to guide its own financing decisions, providing grants to countries that might struggle to repay loans.

The challenge is to ensure that all creditors adhere to the DSF, and do not offer countries inappropriate new loans. In partnership with the UK and other donors, the Bank has promoted the DSF with commercial lenders, export credit agencies and other official lenders. The DSF was significantly strengthened in November 2006, so that it took account of countries' ability to repay loans in the future, instead of looking only at current debt levels.

The UK provides capacity building support to strengthen countries' debt management. And in 2006, the World Bank began to develop a proposal to coordinate additional capacity building support.

## 2.3 Governance and anticorruption

### ***2007 saw agreement on a governance and anticorruption strategy and a review of the work of the Department of Institutional Integrity.***

The effectiveness of states is the single most important factor determining whether development takes place – whether they are capable of providing security, helping business grow, delivering services to their citizens, and are accountable and responsive to them. So it is essential that governments act to improve governance, tackle corruption and prioritise the fight against poverty. The Government's White Paper, *Making Governance Work for the Poor*, published in 2006, made clear that countries must propose and develop their own solutions to their distinct national challenges, with donors supporting their efforts. The White Paper also clearly stated that the international community needs to remain engaged with developing countries even in difficult situations.

At the Bank's Spring Meeting in April 2006, following the suspension of a number of World Bank projects on the grounds of alleged corruption, Ministers asked the Bank to develop a governance and anticorruption strategy. The UK was heavily involved in the discussions around its development, arguing for the principles set out in the White Paper, and for consistency and transparency in the way that the Bank engaged with countries. The draft strategy went through several iterations, and was discussed by the Development Committee at the Annual Meetings in Singapore in September 2006.

There was an animated discussion in Singapore, with Governors setting out clear views on how the Bank should tackle corruption and the principles on which the Bank's governance work should be based. Further work was commissioned, particularly on how the strategy would be implemented. Governors underlined the importance of wide consultations to capture the full range of perspectives and to build a broad consensus among Bank members on the approach. There were particular concerns about whether, and if so how, the new governance strategy would affect the financial resources provided by the Bank.

In March 2007, the Bank's Board of Directors approved the new governance and anticorruption strategy paper<sup>1</sup>. The strategy paper took into account feedback received from more than 3,200 participants in consultations held across the world between November 2006 and January 2007. The Bank is finalising the implementation plan.

<sup>1</sup> The strategy paper can be found online at <http://www.worldbank.org/html/extdr/comments/governancefeedback/gacpaper-03212007.pdf>



The Bank's fraud and investigation unit, the Department of Institutional Integrity (INT), has an important role to play in ensuring the proper use of Bank funding. If the Bank is to reassure its shareholders that aid is being used for its intended purpose and its development effectiveness preserved, it is vital that INT investigations into allegations of corruption in Bank projects are carried out quickly and transparently, and resolved unambiguously. During this reporting period, there have been widespread concerns about the secretive and slow manner in which INT conducted its investigations. The UK Government and other shareholders called for, and secured agreement to, an external review of INT which is due to be completed in 2007<sup>2</sup>.

## 2.4 Climate change

***The government worked closely with the Bank to develop the Clean Energy Investment Framework and to strengthen cooperation with the Regional Development Banks. This will help increase developing countries' access to clean energy and to assist them in dealing with the effects of climate change.***

At the Gleneagles Summit in July 2005 the G8 agreed that the World Bank should take a leading role in global efforts to address climate change by helping to speed up investments in cleaner energy. In response to this, the World Bank launched an Investment Framework for Clean Energy and Development at its 2005 Annual Meeting. The Framework will use the various ways the Bank provides finance (loans, grants, guarantees, etc) to leverage significantly more investment for:

- access to energy – needed for growth and poverty reduction
- the move to low-carbon energy
- adaptation to the impacts of climate change

At the April 2006 Spring Meetings the Bank presented proposals for a Clean Energy Investment Framework (CEIF), including a two year work programme leading up to the G8 Summit in 2008. Further work was done on financing options, and at the Spring Meetings in April 2007 the World Bank presented a CEIF Action Plan for the whole of the World Bank Group.

The UK has strongly encouraged collaboration between the World Bank and Regional Development Banks (RDBs) on a global investment framework, which has huge potential to increase the financing of clean energy. Throughout 2006/07 the Bank worked with the RDBs and the private sector to develop proposals, and in March 2007 they co-hosted the London Clean Energy Forum which brought together experts from the international financial institutions and the private sector banks and businesses. They agreed to present reports on private sector financing of clean energy to the Gleneagles Dialogue meeting in Berlin in September 2007.

<sup>2</sup> Since this report was finalised, the external review of INT was published. This can be found at <http://go.worldbank.org/3NGU5489AO>

In parallel, the Bank worked on a paper to be discussed at the October 2007 Annual Meetings. The Government pressed for this paper to set a number of ambitious new targets on clean energy, including on the financing of renewable energy.

While work continues on the Clean Energy Investment Framework, the World Bank is significantly increasing its support for clean energy. A recent Bank report<sup>3</sup> showed that in 2006 financing of renewable energy and energy efficiency projects rose by 45%, to a total of £359 million, far exceeding the 20% annual increase target set in 2004. The Bank has also stepped up its dialogue with key countries, such as China, India, Brazil and Mexico, on clean energy issues and has begun detailed country assessments to assess opportunities for investments.

While the UK and others have been strong supporters of this work by the World Bank, other shareholders are less convinced of its importance and that the Bank should play a leading role. This makes it difficult for the Bank to progress work as fast as it might wish, and we continue to work with Bank management to generate support from other shareholders.

## 2.5 The Bank's work in fragile states

***In 2007 the Board approved a series of measures to improve the Bank's ability to respond more quickly and effectively to the needs of fragile states.***

Fragile states are home to almost 500 million of the world's poorest and most disadvantaged people. Working with and in fragile states is critical for development and the achievement of the Millennium Development Goals (MDGs). Weak institutions and governance can cause a vicious cycle of diminishing international engagement, economic decline, poverty, and dependence on primary commodities – all major risk factors for state breakdown. So sustained and continuous engagement in fragile states is vital.

The Bank has an important contribution to make to the international effort in fragile states. The Board reviewed the Bank's experience of working with these countries since 2002, when the Low Income Countries Under Stress (LICUS) Initiative was launched. The Board agreed changes to the Bank's approach,<sup>4,5</sup> and Governors agreed to replenish the special resources that the Bank has set aside for this work – the LICUS Trust Fund. Special resources are needed for countries which do not have normal Bank programmes and resources because they are in arrears on their debt repayments to the Bank. £13.4 million in February 2006 and

<sup>3</sup> [http://siteresources.worldbank.org/EXTENERGY/Resources/336805-1157034157861/Improving\\_Lives\\_Low\\_Res.pdf?](http://siteresources.worldbank.org/EXTENERGY/Resources/336805-1157034157861/Improving_Lives_Low_Res.pdf?)

<sup>4</sup> The Bank's previous approach used to be termed "Low-Income Countries Under Stress (LICUS)" but in January 2006 it decided to align its terminology with that generally agreed internationally: fragile states.

<sup>5</sup> Fragile States: Good Practices in Country Assistance Strategies [IDA/R2005-0252 – 22 December 2005]

£16.1 million in January 2007 were agreed.

The Board review of the Bank's work in fragile states noted the importance of efforts to build state capacity and accountability; the strong linkages between peace-building and development challenges; the important role that strong international partnerships play in supporting fragile states; and the need for the Bank to provide a strong and flexible response in each country. In response to these main themes, the Bank's management proposed a new approach<sup>6</sup> that would set out more clearly its response to different types of situations.

What this approach lacked, however, was a comprehensive package of measures to overcome the obstacles to the Bank responding more effectively to the situation faced by fragile states. In particular, the UK wanted to see: further devolution of staff and responsibility to the field; increased incentives for staff to work on fragile states; greater engagement with countries in arrears; and changes to the way in which the Bank allocates resources to fragile states.

A package of measures to overcome these obstacles was agreed by the Board in February 2007. The measures include i) increased field presence in fragile states; ii) establishment of callable surge capacity (i.e. staff who can be deployed quickly as situations change); and iii) provision of institutional back up to operations in fragile states, including additional guidance, lesson learning and rapid response teams. Progress will be reviewed in 2008.

Since 2003 DFID has been working with the Conflict Prevention and Recovery (CPR) Unit of the Bank. Our aim has been to strengthen the effectiveness of country-led poverty reduction strategies (PRS) in conflict-affected countries. In 2005-06, the CPR Unit completed a review of nine conflict-affected countries.<sup>7</sup> The work increased our knowledge of the causes and consequences of violent conflict and provided information on how these could be best addressed within the framework of supporting national poverty reduction strategies. The second phase of work, which is in progress, is to identify good practice on how to develop and implement poverty reduction strategies in conflict affected countries. This will enable new guidance to be produced for Bank staff, and other agencies.

## 2.6 IDA

***Donors replenish IDA's funds every three years. The current replenishment period (IDA 14) runs from 1 July 2005 to 30 June 2008.***

### IDA 13 Retrospective

In 2006 the Bank published a review of IDA 13, which ran from July 1 2002 to June 30 2005. Total IDA 13 commitments were £13.4 billion, 30% more than in

<sup>6</sup> Ibid

<sup>7</sup> <http://go.worldbank.org/WOCYT6QVQ0>

the preceding 3 years. Disbursements also increased dramatically, providing more resources to countries for development programmes. IDA focused on the regions and countries with the largest concentrations of poverty (Africa and South Asia received 47% and 32% of total funding respectively). IDA was by far the largest provider of development assistance to Africa in 2002-05, providing £6.2 billion, an increase of more than 25% compared to IDA 12.

IDA support continued to improve in quality. This was illustrated by the fact that the number of IDA projects achieving the highest ranking, as measured by the Bank, in terms of positive outcomes was at its highest level in 2005 since the early 1980s.

The diverse range of activities funded by IDA makes it difficult to aggregate project outputs. Even within the same sector, the Bank may provide very different assistance – for example a health project financed in one country may emphasise building primary care clinics, while another may place the emphasis on training medical staff, and yet another may focus on reducing the number of mothers who die in childbirth. However the following list gives an idea of the types of outputs achieved with IDA 13 funds:

- More than 3 million people in Africa, 25,000 in Asia, 200,000 in Latin America, 200,000 in Eastern Europe, and 1.2 million people in the Middle East gained access to clean water and sanitation.
- In Africa, over 300,000 more hectares of arable land now have irrigation and drainage.
- Over 10,000 kilometres of new roads have been built in Africa, giving people improved access to markets, schools and health care.
- More than 300 kilometres of bridges were restored in Eastern Europe.
- Nearly 750,000 more African children are enrolled in school. In Asia, enrolments increased by nearly 3 million, mainly in India.
- Over 22 million books and other printed educational materials were distributed.
- There are nearly 75,000 hectares of new forest cover in Ghana, Mauritania, and Niger.
- In Uganda, 141 hospitals and other health-care facilities were built or rehabilitated and 154 healthcare professionals were trained.
- In Georgia, nearly 3,000 healthcare professionals were trained.
- In Chad and Togo, more than 1.2 million animals were vaccinated.
- In Cambodia, there are 247 new hospitals and other health facilities and 2,961 newly trained healthcare professionals

## IDA 14 Mid-Term Review

IDA 14 was agreed in March 2005, and started in July of the same year. The IDA 14 Mid-Term Review (MTR) – which looks at progress on a number of issues – took place in November 2006. Donors considered 12 papers on the five ‘special themes’ they had identified during the IDA 14 replenishment negotiations:

- Growth in IDA Countries
- Private Sector Development
- Debt Sustainability and Grants
- Results Measurement
- Working Together at the Country Level

The full set of papers is available on the World Bank website at <http://go.worldbank.org/TD0KKV9OR0>.

The UK Government secured the outcomes we wanted at the MTR, including:

- agreement that use of budget support should be based on a country-level assessment, balancing potential benefits against risks
- continued use of the Debt Sustainability Framework (DSF) as the basis for allocating grants
- general consensus that the Bank should balance rules and discretion when dealing with debt re-accumulation after countries have received debt relief
- agreement that IDA’s financial strength should not be eroded by the decision to provide some countries grants rather than credits (loans)
- agreement that the Bank will review its Performance Based Allocation system to assess whether it is achieving its objective of supporting poverty reduction
- the need for the Bank to make further progress on working better with other donors and ensuring programmes achieve their anticipated results

## IDA 15

The IDA 15 replenishment negotiations began in March 2007 and are scheduled to be completed by end 2007.

At the first meeting of the replenishment negotiations on 5-6 March 2007 in Paris, IDA Deputies (senior government officials leading the negotiations) agreed to focus on three special themes during the course of the negotiations, in addition to agreeing the size of IDA 15’s budget:

- The role of IDA in the global aid architecture, at the country, sectoral, regional and global levels, including its support for debt sustainability of recipient countries

- The effectiveness of IDA's assistance at the country level, including: further analysis on resource allocation and development outcomes; achieving and measuring results; and progress in harmonisation and alignment
- Fragile states, including: IDA's strategy, instruments and operational response; IDA financing; and a systematic approach to arrears clearance

IDA 15 is due to run from 1 July 2008 until 30 June 2011. The full set of papers for the IDA 15 replenishment, including the Chairman's summaries of each meeting, are available on the World Bank website at:

<http://go.worldbank.org/U94WRYNMQ0>

## 2.7 Middle Income Country policy

***At the September 2006 Annual Meetings the Bank adopted a new strategy for working with Middle Income Countries.***

Middle Income Countries (MICs) have very diverse needs. Though some have high growth rates, 70% of the world's population living on less than \$2 a day live in MICs. Bank lending to MICs fell in 2003 and 2004, but increased significantly in both 2005 and 2006. Lending to MICs fell in 2007 to £6.9 billion, which funded 112 operations. To remain relevant in MICs – which, unlike most low-income countries (LICs), can often easily obtain finance from other sources – the Bank must be able to deliver advice and resources tailored to the needs and priorities of each country.

A new MIC Strategy was approved at the September 2006 Annual Meetings. During the discussions, the UK strongly endorsed the Bank's statement of its role in helping MICs eradicate poverty. We also supported the Bank's proposals to deliver more competitive services for its MIC clients. These included:

- more flexible country partnership strategies, reflecting diverse country circumstances
- reducing the cost of doing business with the Bank by streamlining internal Bank procedures
- simplifying its loan pricing
- developing new ways to help countries facing external shocks
- increased provision of fee-based expert services which is not dependent on lending
- further work to increase Bank Group lending to local and regional governments
- better collaboration between the institutions of the World Bank Group

The UK also pressed the Bank to increase its use of country systems where they are strong enough to ensure funds are properly managed and spent. We also argued for more emphasis to be given to regional and global issues.

In June 2007, the Independent Evaluation Group (IEG) of the World Bank published a report<sup>8</sup> evaluating the World Bank's support of MICs. The IEG found that the Bank was performing reasonably well and made a number of recommendations which were largely endorsed by the Board's Committee on Development Effectiveness in its response to the report<sup>9</sup>. The Bank's Management committed to reporting on progress on implementation of the MIC action plan prior to the October 2007 Annual Meetings.

## 2.8 Trade

***Bank spending on trade issues has risen sharply in recent years and DFID and the Bank continue to work closely on trade research issues and to increase developing countries' ability to benefit from the opportunities presented by more open regional and global markets.***

In 2006/07 the World Bank provided further strong advocacy and research on trade and development. The Bank has long been a vocal advocate of a multilateral trade agreement that will bring sustainable benefits to poor people and countries. With the *de facto* suspension of negotiations in the World Trade Organisation (WTO) Doha Development Round announced midway through 2006, the Bank urged WTO members to return to the negotiating table. They argued for a rapid conclusion to the talks that would help to boost the world economy, strengthen its institutions and, in particular, raise the growth prospects of poorer countries.

The World Bank and DFID collaborated on an extensive research programme to demonstrate the benefits of a successful WTO round and to ensure that research is relevant and accessible to policy makers. The Bank has also been actively assisting developing countries' negotiators in trade facilitation.

As a consequence of this research effort and an increased attention to "Aid for Trade" issues (helping developing countries better benefit from the opportunities offered by trade) the Bank's trade-related lending increased from £229 million in fiscal year 2000 to a total commitment of £860 million in fiscal year 2007. This represents about 6% of total Bank lending.

The World Bank recognises that improved market access alone may not be sufficient to generate gains from trade for the poorest countries. Implementing trade reforms will impose economic and social costs on some countries and require them to take complementary actions. At the September 2006 Annual Meetings, the World Bank presented a package of Aid for Trade activities, and emphasised the importance of regional cooperation. The Bank advocated stronger support to overcome the coordination and capacity problems that hamper progress in regional cooperation in infrastructure and trade-related regulation.

<sup>8</sup> <http://go.worldbank.org/0K9LVZPK70>

<sup>9</sup> <http://go.worldbank.org/UD516JPO40>

## 2.9 Promoting investment

In 2006/07, DFID focused on ensuring that International Finance Corporation projects had clear development benefits, including for the poor, and were additional to what the private sector could provide on its own. However, we have opposed other projects which we considered had insufficient development impact or additionality, including some in middle-income countries (see Annex 2). We continue to press the IFC to expand its work in poorer countries. There has been progress but slower than we would wish.

IFC net income reached a record £1.4 billion in financial year 2007. This triggered a Board debate about how these resources can make the best contribution to development and tackling poverty.

### IFC Safeguards Policy

***In February 2006 the IFC Board approved a new Safeguards Policy on Social and Environmental Sustainability which reflected most of the concerns expressed by the Government during the consultation process.***

The IFC began revising its Policy and Performance Standards on Social and Environmental Sustainability (also known as 'Safeguards') in mid-2004. Following consultations, the final text was completed in 2006<sup>10</sup>.

This final version reflected the major concerns raised by the Government around community engagement and involuntary resettlement. More progress would have been welcome on monitoring the achievement of Broad Community Support over a project's lifespan, and the release of Action Plans to affected communities. But we considered the changes IFC made in these areas as moving in the right direction.

Overall, DFID considers the revised Policy and Performance Standards to represent a fuller set of policies than existed previously, enhancing opportunities for the world's poorest and most vulnerable, as well as protecting them from harm. We will review IFC's progress report on these policies' implementation and effectiveness, due in late 2007, and its comprehensive review, due by mid 2009.

<sup>10</sup> [http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_full/\\$FILE/IFC+Performance+Standards.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_full/$FILE/IFC+Performance+Standards.pdf)



### The World Bank's role in the Investment Climate Facility for Africa

***The Bank and DFID worked closely together to help establish the Investment Climate Facility for Africa (ICF) which aims to make it easier to do business in Africa.***

During 2006, DFID and the World Bank worked together to help establish the ICF. The ICF aims to create a more attractive business environment in Africa, making it easier to do business in the continent by addressing issues such as property rights, business registration, corruption and taxation.

The UK was among the first donors to ICF committing some £15 million in November 2005, and the ICF is contributing £16.1 million. We worked closely with the Bank, other donors and the private sector to attract additional funding. The Bank has given valuable operational support to the ICF. Along with the UK, the Bank has deployed its staff and resources to help the Facility as an independent entity and the Bank has played an active role on the Technical Advisory Committee.

## Section 3:

# The Bank's assistance to help countries tackle poverty

## Development effectiveness

### 3.1 Focusing on results

***The Bank continued to put effort into ensuring its projects achieved their intended results, and into supporting international efforts to increase the availability of reliable statistics.***

Achieving results – changing the lives of poor people for the better – is at the heart of the Bank's work, and the demands for information demonstrating progress on poverty reduction continue to grow. The Bank has been at the forefront of efforts to improve the evidence available, at the international, country and Bank programme levels.

At the international level, the Bank continued to play an active role in implementation of the Marrakech Action Plan for Statistics. It has a major programme, STATCAP, to fund these efforts, which is supported from the Bank's own resources and funding from donors, including DFID. The programme assists partner governments to develop their statistical capacity by helping to train up statisticians and providing the resources and equipment they need.

At the Mid-Term Review of IDA 14 in November 2006, the Bank reported good progress on strengthening capacity to monitor development results at the national level. The Bank had committed itself to monitoring progress on 14 indicators covering economic growth and poverty reduction, public financial management, the investment climate, infrastructure, and human development. This systematic monitoring of countries' progress has brought two problems to the fore: data gaps in critical areas, such as infrastructure, and the enormous effort, resources and cultural changes that are required to build country capacity to collect regular and reliable statistics .

At the project level, the Bank made good progress on embedding a results culture into its activities in 2006/07. For example, all new Country Assistance Strategies, loans and grants approved in 2006/07 had results frameworks. These set out clear objectives in terms of developmental change that is expected. The Government strongly supports this work, and is working with the Bank to accelerate progress across the board.

## 3.2 Conditionality

***The Government helped secure significant improvements in the Bank's implementation of the Good Practice Principles on conditionality and a commitment to further review progress in 2007.***

Ensuring that the World Bank uses conditionality appropriately continues to be a high priority for the Government. The UK has pushed for reforms to Bank conditionality policy and practice over recent years, and in 2006 we saw further progress.

During the negotiations of IDA 14, the UK and Sweden agreed to make additional contributions to the IDA 14 replenishment provided that the Bank made progress on conditionality and working better with governments and other donors. The first phase of actions required the Bank to review its use of conditionality; the second phase required it to implement the review's recommendations in 2006.

The review was carried out in 2005 and the Bank subsequently adopted five "Good Practice Principles". The first, and most important, of these is country ownership of conditions.

A Bank report in July 2006 failed to provide sufficient information, so the Secretary of State said that the UK would withhold our second additional contribution until the Bank produced evidence that the Principles were being applied. This evidence was presented in December 2006.

This second report was much more thorough and candid. It demonstrated that the Bank had made progress on implementing the principles and the Secretary of State released the money. The report reiterated the Bank's commitment to make further improvements on conditionality. It recommended avoiding using conditions in sensitive policy areas – such as privatisation and trade liberalisation – if government ownership is uncertain or the political environment is fragile. The report said that the Bank should release its analytical work in countries earlier to allow for debates on policy options. It also said that the number of benchmarks – actions used to monitor progress but which do not trigger release of funds – should be reduced. The Board accepted all of these recommendations.

The Board also agreed that a further report, informed by consultations with developing countries, should be produced in autumn 2007. The Bank agreed to undertake consultations in 8 countries between July and September 2007 with these meetings open to governments, civil society, parliaments and other stakeholders. Details of these consultations can be found at [www.worldbank.org/conditionality](http://www.worldbank.org/conditionality).

### 3.3 Working with other donors

***The Government continued to press the Bank to improve the way it works with other donors. The Bank made some progress and agreed an action plan to address issues requiring further attention.***

In November 2006, the Bank Board discussed the Bank's progress in living up to the commitments it had made under the 2005 Paris Declaration on Aid Effectiveness. It noted progress in many areas, but important weaknesses and the need for concerted action in other areas. In particular three issues were highlighted:

- carrying out more of its analytical work jointly with other donors
- carrying out more country visits jointly with other donors (to lessen the demands on governments)
- avoiding creating special units to manage projects (project implementation units) rather than working through existing structures in the recipient country

The paper presented to the Board identified some of the internal obstacles to making progress and put forward an action plan to improve the situation. The plan addresses Bank internal processes, staff skills, where staff are located (decentralisation), and how staff work with external partners.

During this period, the UK regularly emphasised the importance of making progress on these issues.

## Section 4:

# Bank country programmes

## 4.1 Africa

The Bank has increased its support to Africa dramatically over the past five years, and is the largest provider of development assistance to the continent. IDA funding in 2006 amounted to £2.6 billion. In 2007, IDA committed around £3.1 billion. This represented a doubling of aid since 2000.

The Bank's strategy for assisting Africa is outlined in the Africa Action Plan. The plan was agreed in 2005, as part of the Bank's response to the focus on Africa's development needs. It focuses on accelerating growth and achieving the MDGs. The Board reviewed the plan in March 2007. It found that reasonable progress had been made but agreed that further action was needed to accelerate progress.

At a country level, the Bank continued to provide assistance across a wide range of issues, responding to country priorities and needs. It provided funding, for example:

- to improve basic service delivery in Niger
- to expand access to financial services in Tanzania
- to fund labour-intensive public works and job creation programmes in Benin, Burundi, and the Democratic Republic of Congo
- to mobilise local government and communities in the delivery of services in health, education, agriculture, and access to safe water in Ethiopia
- to build the capacity of key ministries in Kenya to fight corruption
- to improve governance in the forestry and mining sectors in the Democratic Republic of Congo

### Sudan

The World Bank has not been able to lend to Sudan since the country went into arrears with IDA in 1993. However, the historic Comprehensive Peace Agreement signed in January 2005 between the Government of Sudan and the Sudanese People's Liberation Movement paved the way for the formation of the Government of National Unity and the establishment of the Government of Southern Sudan, as well as for donor assistance for the country's recovery and reconstruction.

### Sudan (*continued*)

The Sudan Multi-Donor Trust Funds (MDTFs) were set up with funding from donors (including DFID) under World Bank administration to provide an innovative means to coordinate the reconstruction and development needs of both Northern and Southern Sudan. The MDTFs provide a test case for the Bank's increasing involvement in fragile and conflict-affected states. The MDTFs are managed by two secretariats, one of which focuses on war-affected areas of Northern states (based in Khartoum), and a second on Southern Sudan (based in Juba). Both trust funds provide funding for priority projects and programmes that aim to improve governance, support poverty reduction, and entrench peace.

The experience in 2006 highlighted the need for profound changes in the way in which the Bank operates. Working in such environments requires having the right staff on the ground and providing them with the necessary authority. As a result of this experience, the Bank has begun to delegate more powers to field staff, streamline relations with UN agencies, and develop a more intense dialogue with the authorities. DFID will continue working with the Bank to ensure that the Bank has the right tools to meet the challenge of supporting reconstruction and development in such difficult situations such as Sudan.

The Bank's full engagement with Sudan will require progress on the peace process, including on Darfur, and establishing a track record that could pave the way for arrears clearance and accession to the HIPC debt relief Initiative.

Less conventional projects included programmes to eliminate stocks of obsolete pesticides, and the PROFISH partnership, which addresses fisheries depletion and the degradation of marine habitats. Funds also went to Nigeria to combat avian flu, and to Malawi to feed people affected by the drought-induced famine.

The global strategy and booster programme for malaria control increased overall Bank funding to fight this deadly disease in eight African countries by more than 300 percent over the previous year.

The Bank recognises that regional integration is one of the main routes to growth and poverty reduction in Africa, where 15 countries are landlocked. As a result of this focus, regional lending in Africa (for multi-country pilot projects) in 2006 exceeded £255 million, three times that in 2005. In 2007 regional lending in Africa exceeded £380 million. The programmes funded included trade facilitation, regional approaches to HIV/AIDS, private sector development, regional power systems, telecommunications, transport, tertiary education, agricultural research, migratory pests, food security, and the weather-related vulnerability of rural communities.

### Africa Catalytic Growth Fund

The Africa Catalytic Growth Fund (ACGF) is helping Africa make faster progress in increasing the rate of economic growth, reducing poverty, and meeting the MDGs. It complements IDA activities by supporting high-performing countries that can make good use of increased aid, countries with reforming and post-conflict governments committed to reducing poverty, and regional programmes. The UK provided the ACGF's initial £30 million in October 2006 and a further £60 million in June 2007, as part of an overall UK commitment of £200 million. Our £90 million is helping to improve maternal and child health in Sierra Leone (which currently has the highest under five mortality rate – 284/1000 live births – in the world. The project aims to reduce this by over 9%); enhance energy access in Ghana; strengthen transport links in Rwanda; increase access to water in Mozambique and tackle HIV/AIDS in the Horn of Africa.

## 4.2 East Asia and Pacific

The East Asia and Pacific (EAP) Region has seen impressive growth and poverty reduction in recent years, largely driven by rapid growth in China. But an estimated 550 million people (around 29% of population) still live at the \$2 a day level.

The Bank's strategy in EAP is to support broad-based economic growth, promote trade and integration, strengthen governance, increase social stability, and achieve the MDGs. In 2007, total Bank assistance, from both IBRD and IDA, was around £2.15 billion – an increase of more than 15% on the previous year.

Highlights of the Bank's work in the region during this period include:

- a new Country Partnership Strategy for China, focusing Bank efforts on promoting equity, protecting the environment, and managing the rural-to-urban transition – this also includes advice on China's role as an emerging donor
- support for anti-corruption efforts and improving the investment climate in Indonesia as the economy recovers from natural disasters – this includes the Bank's support to post-tsunami recovery and management of a multi-donor fund for Aceh and Nias, to which the UK is a major contributor
- increased efforts to prevent, prepare for, and control the spread of avian flu, which continues to be a threat in East Asia
- a new Country Partnership Strategy for Vietnam, with an expected £2.15 billion in support from 2007-11
- the first budgetary support operation to the Philippines in eight years to strengthen the country's efforts on improving public finance management

The Bank also faced a number of important challenges. In Cambodia, an internal investigation by the Bank found evidence of misuse of funds in seven out of ten projects investigated. The conduct of these investigations strained relationships between the Bank and the Government of Cambodia. We encouraged the Bank's senior management to have a clear and transparent dialogue with the Government of Cambodia and to undertake a global review of the work of the Bank's Department of Institutional Integrity. Following intensive dialogue and the production of anti-corruption plans for affected ministries, all the projects have been unfrozen and the World Bank has resumed work in Cambodia.

### 4.3 Eastern Europe and Central Asia

The Eastern Europe and Central Asia (ECA) region is one of the most diverse, containing a G8 member, countries aspiring to join the European Union, and remote, land-locked, and largely closed economies with per capita incomes equivalent to those found in Sub-Saharan Africa. Many are fragments of former larger states and are still relatively young and politically volatile. Some countries have benefited from the recent increases in oil and gas prices, but substantial pockets of poverty exist in the better-off countries. The main challenges facing countries in the ECA region are to see through structural reform programmes with a strong focus on improving governance, and to tackle inequalities, environmental degradation and problems arising from demographic change. In Central Asia, an increasingly significant factor in the work of the World Bank and other traditional donors is the influence, including investment and concessional lending, of Russia and China.

The World Bank's assistance to ECA in 2006 reached £2.15 billion, roughly one fifth of the Bank's total portfolio. In 2007, this fell to £2.06 billion. As some countries in Central and Eastern Europe 'graduate' from needing the Bank's assistance, this amount may decline further, although new opportunities for engagement are opening up. For example, the UK has strongly supported the proposal to allow loans to sub-sovereign entities, such as municipalities, state-owned companies and state governments where responsibility for development outcomes is often located. We anticipate that this will allow the Bank to work directly in the poor regions of the Russian Federation. The Bank is also exploring the potential to provide fee-based expert services in Russia. The UK has been working closely with the Bank to help the Russian government with its plans to establish a new aid agency.

During the last year, the UK strongly supported the Bank's rapid response to requests for support in pre-empting and preventing avian flu from spreading into Central Asia. The World Bank is the UK's main development partner in Central Asia – we jointly led on developing a Joint Country Support Strategy for the Kyrgyz Republic. This approach is now being extended to Tajikistan, although the UK is currently leading on this work with the Bank's support. The UK also backed a new



grant allocation of £10.2 million to the UN-governed province of Kosovo until its status is determined. The Bank's plans for support to Kosovo include a joint programme with several other donors (including the UK) to help the Kosovan authorities to deliver effective and affordable health, education and social services, including pensions. It is also planning to help Kosovo improve electricity supplies and tackle the inefficiency and pollution caused by current power plants.

The main source of contention during this period was the proposal by the Bank's top Management to not allocate IDA resources to Uzbekistan, arguing that it could be spent more effectively elsewhere. This was inconsistent with IDA's resource allocation system. The UK and others felt that this was contrary to the principle of remaining engaged in difficult countries and of equality of treatment between member governments. We therefore pressed the Bank to reconsider. The Board endorsed an approach where a new education programme would be considered as well as support for programmes with an impact on global public goods.

#### 4.4 Latin America and the Caribbean

The Latin America and Caribbean (LAC) region's main development challenge continues to be persistent poverty and high inequality. Nearly a quarter of the population lives on less than \$2 a day.

The Bank's work in LAC is focused on citizens' needs for employment, safe and secure environments for their families, access to education and public services, a voice in their future, and effective and accountable government.

In 2006, total Bank support to the region was around £3.2 billion, whilst lending in 2007 was £2.5 billion. Nevertheless, whilst this is lower than in 2006, LAC remains the region where most IBRD loans are made.

Highlights of the Bank's work over the period include:

- a £323 million loan to Brazil to support microeconomic reforms and a £269 million loan to Mexico to help strengthen the financial system and reduce the risk of future financial crises
- a new Country Assistance Strategy for Argentina that seeks to build an investment partnership for sustained economic growth with equity, greater social inclusion, and improved governance
- a new assistance strategy for the Organization of Eastern Caribbean States aimed at helping six member states accelerate growth, improve competitiveness, and reduce vulnerability to external shocks, particularly natural disasters
- Interim strategies for Nicaragua and Panama supporting their efforts to reduce persistent poverty
- an innovative Caribbean Catastrophe Risk Insurance Facility, to which the UK has contributed financially

Another major feature of the Bank's work was strengthening public administration. For example, in Peru the Bank is helping to modernise the justice system and make it more accessible to indigenous people and the poor. In Guatemala, the Bank has assisted in setting up a government e-procurement system that has increased transparency and competition among vendors, thereby improving efficiency and reducing costs.

## 4.5 Middle East & North Africa

During 2006/07, the World Bank continued its efforts to develop the Middle East and North Africa (MENA) region, assisting countries along three broad economic themes:

- the move from growth being public sector-dominated to private sector driven
- the opening up of economies to trade
- the diversification of economies away from oil, thus helping create greater stability

World Bank lending amounted to £0.89 billion in 2006 and £0.49 billion in 2007.

Job creation is a major focus and critical to addressing poverty and social exclusion, especially among young people. Promoting gender equality has also been important.

### Iraq

In Iraq, the World Bank manages a multi-donor Trust Fund to provide short and medium term reconstruction needs. The World Bank has committed most of its resources but disbursement has been limited (disbursing £58.1 million out of £263 million). The World Bank is well placed to support Iraq's reconstruction and we are pleased to see that it is beginning to increase its engagement on longer-term development issues. This year the World Bank has approved four IDA loans worth £215 million for projects in the electricity, infrastructure and education sectors. The World Bank is also providing analytical services to help strengthen public institutions, for example an assessment of Iraqi public financial management systems with the intention of developing a reform programme. The World Bank office in Baghdad has two international staff (including a recently appointed Country Manager) and has plans for local recruitment. We will support the World Bank to further increase their engagement in Iraq.

The Bank has been supporting the Palestine Authorities to address basic needs and economic issues in West Bank and Gaza. The Bank carried out important work to review public financial management systems in the Palestinian Authority. The Bank's analytical work was an important contribution to the Palestinian-Israeli Agreement of Movement and Access in November 2005. The Bank is not able to have a regular programme in West Bank and Gaza, as it only provides such assistance to its member countries. Assistance is therefore provided through a Trust Fund, and in December 2006, the Board agreed that £26.9 million of the Bank's surplus (profits) should be used to replenish the Trust Fund. Three projects totalling £13.4 million were approved.

The Bank also responded quickly to post-conflict needs in Lebanon, providing £27.6 million in reconstruction grants, and making available up to £376.3 million from IBRD to help the Lebanese government deliver its important reform programme.

The UK works directly with the International Finance Corporation to support the private sector in the MENA region. The UK is the third largest bilateral contributor to Private Enterprise Partnership (PEP-MENA) programme, which provides advisory services to support private sector development, and has so far disbursed £2 million of support. The programme has been running for three years with 100 projects in 15 countries. So far, £123.9 million of private sector investment has been mobilised and 41,206 loans disbursed to small and medium enterprises.

## 4.6 South Asia

The South Asia Region is on track to achieve the Millennium Development Goal of halving poverty by 2015. But there are major challenges, and many of the other MDGs will not be reached. The region also contains the world's largest conflict-affected population – some 71 million people in Afghanistan, Nepal, and Sri Lanka.

The Bank's work in South Asia is focused on addressing infrastructure, tackling weaknesses in the investment climate, including bureaucracy and corruption, and accelerating human development.

In 2006, total Bank support to the region was around £2.03 billion. In 2007, this increased to £3.08 billion.

In November 2006, the Bank and DFID, along with the Asian Development Bank and Japan, agreed an action plan to increase joint work on priority areas in the region:

- accelerating progress on tackling poverty in the least developed states and provinces in India and Pakistan
- working more effectively in conflict situations
- supporting political transitions

- aid effectiveness
- supporting regional cooperation and integration in South Asia

DFID collaborates closely with the Bank on governance issues. In Bangladesh this happens through the Joint Strategy between the two institutions, the Asian Development Bank, and Japan. In Afghanistan, DFID is working with the Bank to strengthen capacity in the Government of Afghanistan through a pooled technical assistance arrangement to support Public Administration Reform. In India, DFID works very closely with the World Bank in several sectors. This has generally worked well but there have been some tensions – see box on the Reproductive and Child Health Programme.

#### **India's Reproductive and Child Health Programme (RCH)**

Irregularities were revealed to DFID in early 2005 with regard to Ministry of Health procurement under the first phase of the RCH programme (RCH1, which DFID did not support – DFID is co-financing the second phase, RCH2). A Governance and Accountability Action Plan to strengthen health sector procurement was prepared by the Government of India, with World Bank and DFID support, to prevent the recurrence of such problems.

Further investigations by the Bank's Department of Institutional Integrity (INT) led to delays in approval of RCH2. The UK expressed strong concern over the delays, particularly in terms of its effects on the development of health services and on the relationship between the Indian government and the donor financiers of RCH2. INT is currently conducting a Detailed Implementation Review of procurement in a number of its past health sector projects in India, which is expected to report shortly. DFID has urged the Bank to share findings early to allow for a coordinated response, which safeguards procurement standards and minimises any disruption to procurement and the supply of public health services in India.

## Afghanistan Reconstruction Trust Fund

DFID Afghanistan channels the majority of its aid to Afghanistan through the World-Bank administered multi-donor Afghanistan Reconstruction Trust Fund (ARTF), which provides budget support to the Afghan Government and its national programmes. The UK is the largest bilateral donor to the fund, committing £355 million between 2002-09. Projects funded by the ARTF include:

- The National Solidarity Programme (NSP), which is helping local communities to identify their own needs, and giving them the means to meet them. The UK is providing £17m over three years to support the NSP, which has established over 10,000 Community Development Councils across Afghanistan with over £91m already spent on over 10,000 projects. The programme has helped ensure that the Government of Afghanistan and donors place customer needs at the heart of the design and implementation of projects
- Education Quality Improvement Project (EQUIP): EQUIP provides support to schools and the educational authorities across Afghanistan investing in teachers, administration personnel and facilities
- The Improvement of Power Supply to Kabul Project, which is working to improve the availability and reliability of power supply in Kabul
- The National Rural Access Programme, which is helping to build essential infrastructure, such as irrigation schemes, main roads and bridges

Resources from the ARTF are provided to the Afghan government on a reimbursement basis: funds are transferred only when the government has demonstrated that actual expenditures (such as salaries) have been paid, and conform to strict criteria that are scrutinised by an independent monitoring agent. This helps ensure both that funding provided by the Afghanistan team is not misused and that the Government of Afghanistan strengthens its operational delivery and its accountability to donors and citizens.

Although the challenge facing Afghanistan is great, real progress has been made:

- 40,000 fewer babies die each year than when the Taliban were in power
- Over 5 million children are in school – over five times more than in 2002. In addition, over a third of pupils are girls
- Over 80% of the population have access to a 'Basic Package of Health Services (BPHS)', up from 9% in 2002. This BPHS includes access to: essential drugs; immunization; maternal, newborn and child health care

### Afghanistan Reconstruction Trust Fund (*continued*)

- 4.8 million refugees have returned home
- As a result of the National Rural Access Programme around 6,000 km of rural roads have been built or repaired, as well as schools, health clinics and water schemes. The programme has generated over 11 million days of labour, benefiting 375,000 households
- The legal economy grew by 14% in 2006 and is due to grow by 12% in 2007

Progress has been achieved precisely because of the importance placed on enabling the Afghan Government itself to strengthen its operational delivery. A recent study by the Peace Dividend Trust found that the local economic impact of direct funding to the government is almost five times greater compared to funds provided to international companies or NGOs to implement projects (85% compared to less than 20%).

## Section 5:

# Improving the World Bank's Organisational Effectiveness

## 5.1 Appointment of senior staff

***The period saw the appointment of a new President, nine new Vice-Presidents and two new Managing Directors.***

On 17 May 2007, Paul Wolfowitz announced that he would resign as President on 30 June. This followed criticism of his role in the awarding of a pay rise and promotion to his partner when she was seconded from the Bank to the US State Department in September 2005 to avoid a conflict of interest following Mr Wolfowitz's appointment to the Bank.

The Bank's Board of Executive Directors issued a statement on 29 May noting that nominations from Board Members were open until 15 June and that a candidate would be chosen by 30 June. The statement listed the key qualities needed (leadership; management of large international organisations; familiarity with public sector; firm commitment to development and multilateral cooperation; political objectivity and independence). The US nominated Robert Zoellick. No other candidates were put forward and Mr Zoellick was unanimously selected by the Board on 25 June following meetings with him and discussions on his suitability for the post. He took up office on 2 July.

Prior to that there had been a number of other significant changes among Bank senior management. The Bank's Managing Director (Shengman Zhang) resigned towards the end of 2005, and President Wolfowitz selected two new Managing Directors on 21 April 2006: Dr Juan Jose Daboub, formerly El Salvador's Minister of Finance, and Graeme Wheeler, the Bank's Treasurer and Acting Managing Director.

There was also considerable change at the Vice-President level, with nine Vice Presidents leaving the Bank during 2006 (seven resignations, two retirements). Four external appointments were made during the reporting period: Ana Palacio, a former Spanish Foreign Minister, as Senior Vice President and World Bank Group General Counsel; Marwan Muasher, formerly Jordan's Deputy Prime Minister, as Senior Vice President, External Affairs; Joy Phumaphi, former Minister of Health in Botswana, as Vice President for Human Development; and Obiageli Ezekwesli, former Minister of Education in Nigeria, as Vice President for Africa.

## 5.2 Decentralisation

***The Bank made further progress on decentralisation, but more needs to be done.***

Basing more of its staff in developing countries would increase the Bank's effectiveness. This is because decentralisation facilitates greater understanding of the country's history, politics, economy and social characteristics, fosters continuous dialogue and capacity-building with government counterparts, stronger donor coordination, and closer oversight of projects which reduces the risk of financial mismanagement.

The Bank has made steady (though in 2006/07, limited) progress on decentralising its staff and programme management in recent years. Gains were made in the number of tasks managed in-country and the number of Country Directors based in-country, but there is still substantial room for improvement, especially in fragile states, where low institutional capacity and high political volatility makes an effective presence in-country particularly important. This remains one of the highest priorities for the UK.

## 5.3 Budget Reform

***The Bank continued to strengthen its Administrative Budget process and delivered a bigger work programme without having to increase its budget.***

The discussion of the World Bank's Administrative Budget determines how resources are allocated across the Bank. The UK, through its membership of the Bank's Budget Committee, has continued to engage closely on reform of the Bank's Budget.

The 2007 Budget, passed in June 2006, capped costs at the level of no real increase (i.e. increases were limited to covering the costs of inflation). Just over £0.54 billion out of a total budget of £0.86 billion was allocated to Regional Programmes. Budgets in some non-regional parts of the Bank have been cut, reflecting increased moves towards working more closely with partner countries. Some regions such as Africa and South Asia have had their budgets increased, while others such as Eastern Europe and Central Asia had theirs reduced. This shift of resources reflects growing demands in the Africa and South Asia regions, but also efficiency gains made across the Bank. The 2007 budget also set out new rules to increase the transparency of expenditure of the contingency within the budget. The 2008 Budget approved in June 2007 is also projected to remain constant in real terms.

There have been a number of developments during the course of 2007 in relation to budget reforms. These include more quantitative information on Budget proposals, improved reporting, principles for assessing trade offs, and new ways to implement Budget efficiency. But the Bank still lacks a clear strategy to prioritise Budget resources and we will continue to press for this.



## 5.4 Voice and participation of Developing Countries

***Little progress was made on increasing voting rights on the Board, but the Bank and the UK Government took other measures to help increase the voice and participation of developing countries in Bank decision-making processes.***

Developing countries are weakly represented on the World Bank Board, where voting rights are decided predominantly by the financial contributions made when the Bank was established. We want developing countries to have a greater say in the governance of the Bank, and the policies and programmes that affect them. There was some movement in 2006 – at the Annual Meetings in Singapore, the Development Committee called for the Bank to ‘work with its shareholders to consider enhancement in voice and participation in the governance of the Bank’. However, support for reform in the Bank has so far been limited – and progress can only be made if a large majority of Bank shareholders support it.

DFID continued to fund a trust fund to enable Executive Directors representing sub-Saharan Africa to commission research to inform the positions they take during Board discussions. Impact to date has been disappointing, and we are working with the EDs to find ways to make better use of these resources. Improvements in the Bank’s practice on conditionality are also helpful in ensuring that developing countries lead their own development. Holding the Bank to its commitment to supporting and enhancing country ownership, particularly through its programmes and projects, is also important.

The Parliamentary Network on the World Bank (PNoWB), an informal network of over 800 parliamentarians from 110 countries, mobilises parliamentarians in the fight against global poverty, promotes transparency and accountability in international development, and offers a platform for policy dialogue between the World Bank and parliamentarians. PNoWB has unique access to the World Bank and many of its activities are undertaken in partnership with the Bank, including the Annual Conference and the Field Visits programme. Following his appointment as Dutch Development Minister, Dr Bert Koenders resigned as Chair of PNoWB’s Board and US Congresswoman Betty McCollum was elected his successor in June 2007. Hugh Bayley MP was elected to the Board in March 2007. Work is in hand to determine PNoWB’s future strategy. DFID has provided support towards the establishment of new PNoWB Chapters in Africa.

## 5.5 World Bank and IMF collaboration

***The findings of the external review of Bank-Fund collaboration provide concrete suggestions for improving cooperation between the two institutions.***

In 2006 the World Bank and the International Monetary Fund (IMF) announced an External Review Committee to examine Bank-Fund collaboration. The committee was chaired by Pedro Malan, a former Minister of Finance of Brazil, and took evidence from donors, governments, academics, NGOs and civil society. It published its report (the 'Malan Report') in February 2007.

Better collaboration will improve the effectiveness of both the Bank and the Fund, particularly at country level. We see a continued role for both institutions in providing the long term finance, advice and technical assistance for all their members and we believe this means the IMF should continue to ensure long-term finance for low income members that seek such assistance.

## 5.6 Transparency

***The Bank took important steps to increase its transparency including the publication of core data that inform the allocation of its funds, but more still needs to be done.***

Transparency is vital to the World Bank's accountability and organisational effectiveness. The Bank's transparency has improved substantially over the years, and it is the most advanced of all the international financial institutions in terms of the amount of information it makes public. Nearly all World Bank documents are publicly disclosed, and the Bank has also established about 100 Public Information Centres (PICs) around the world, which provide the general public with copies of Bank publications and access to the Bank's website. The Bank's management has also embarked on an extensive programme to enhance information dissemination and outreach (e.g. upgrading some 70 PICs and developing a policy framework for translating documents into different languages).

In November and December 2006, the One World Trust launched its 2006 Global Accountability Report. This presents the findings of research into the accountability of 30 of the world's most influential organisations. Transparency is included as one of the dimensions of accountability. The Secretary of State participated at the launch event in London and welcomed the report, which identified the Bank as one of a minority of the 30 organisations that has a clear organisation-wide disclosure policy.

In our 2005 Annual Report, we reported the Board's approval in March 2005 of a simplified World Bank disclosure policy. During the conditionality discussions, the Bank also agreed to earlier disclosure of its analytical work in country, to allow more time for debate of possible policy options. Further information on the specific types of information that the Bank will disclose can be found at [www.worldbank.org/disclosure](http://www.worldbank.org/disclosure)

In September 2004, the Board approved the disclosure of the Bank's Country Policy and Institutional Assessment (CPIA) scores for IDA-eligible countries, starting with the 2005 CPIA exercise. These scores play a significant role in determining how the Bank allocates its concessional resources. June 2006 marked the first time that the World Bank publicly disclosed the numerical CPIA ratings.

We consider these moves to be significant steps in the right direction. However, more can be done and we will continue to press for further improvements to transparency and accountability in the World Bank. For example, more systematic disclosure is warranted, as well as more openness in the development of Bank policy. However, several shareholders do not share our stance and significant further gains are unlikely in the short term.

## Annex 1:

# UK Financial Support for the World Bank

As specified in Section 1.2, the UK provides two main forms of financial support for the World Bank: core contributions and contributions to trust funds.

## Core Financial Support for the Bank

The majority of UK funding to the World Bank goes to the International Development Association, the arm of the World Bank which provides grants and concessional loans to the world's poorest countries. Donors pledge support to IDA for a three-year period. In February 2005, the UK pledged £1.43 billion to the fourteenth replenishment of IDA. This comprised of (i) a core contribution of £1.33 billion, to be paid in three equal instalments of £443 million in UK financial year 2006-07, 2007-08 and 2008-09; and (ii) an additional contribution of £100 million contingent on progress on harmonisation and conditionality, to be paid in two equal instalments of £50 million in 2006-07 and 2007-08. The UK provided £493 million to IDA 14 in each of UK financial years 2006-7 and 2007-8. This represents approximately 10 per cent of DFID's total budget in 2006-07 and 9% in 2007-08.

Past UK contributions to the World Bank can be found in Table A1 below. To put these figures in context, UK Gross Public Expenditure on Multilateral Contributions varied between £1.4 billion and £1.7 billion in these years. DFID's total programme in these years (excluding administration costs) varied between £3.2 billion and £4.2 billion.

**Table A1: UK Core Contributions to the World Bank Group<sup>11</sup> (£ thousand)**

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
IDA <sup>12</sup>	213,850	220,290	381,120	205,140	271,175	590,515
IBRD	1,000	–	–	–	–	–
IFC	574	577	576	242	1,000	1,334
MIGA	3,281	–	–	–	–	–
World Bank Group TC	911	1,361	1,044	1,179	1,164	455
<b>Total World Bank Group</b>	<b>219,616</b>	<b>222,228</b>	<b>382,740</b>	<b>206,561</b>	<b>273,339</b>	<b>592,304</b>

<sup>11</sup> Source: *Statistics for International Development 2001/02 – 2005/06*, available at <http://www.dfid.gov.uk/pubs/files/sid2006/contents.asp> and *Statistics for International Development 2002/03 – 2006/07*, available at <http://www.dfid.gov.uk/pubs/files/sid2007/contents.asp>

<sup>12</sup> Acronyms for World Bank Group organisations are as follows. IDA: International Development Association. IBRD: International Bank for Reconstruction and Development. IFC: International Finance Corporation. MIGA: Multilateral Investment Guarantee Agency. For a definition of Technical Cooperation (TC) and a fuller account of UK expenditure on international development (both bilateral and multilateral), see *Statistics for International Development*.

## Supplemental Financial Support for IDA

As part of our IDA 14 replenishment package, the UK also set aside a further £250 million to support the World Bank in responding to specific needs arising from the enhanced focus in 2005 on Africa and the achievement of the MDGs. We committed £200 million to the Africa Catalytic Growth Fund (ACGF) – part of the Bank's Africa Action Plan resulting from Gleneagles – and £50 million to the Education Fast Track Initiative (FTI), whose Catalytic Fund and Education Programme Development Fund are administered by the Bank. Payments for both of these programmes commenced in UK FY 2006-07.

The Multilateral Debt Relief Initiative (MDRI) provides 100 per cent relief on the debts owed by qualifying Heavily Indebted Poor Countries (HIPC) to IDA. The UK and other donors are making additional contributions to IDA to offset IDA's reduced debt service receipts. As at 30 June 2007, the UK had paid £26.85 million in additional contributions.

## Trust Funds

The UK is also a major contributor to other trust funds administered by the World Bank Group (mainly IDA, the International Bank for Reconstruction and Development, and the International Finance Corporation). Trust funds cover a wide range of activities. They can be used for the World Bank to provide technical assistance, advice and research, as well as supporting post conflict countries or co-financing projects. Some Trust funds support the Bank's own development operations and work programmes. Others support broad global initiatives, such as: the Global Fund to Combat AIDS, Tuberculosis and Malaria (GFATM); the Global Environment Facility (GEF); and the HIPC Initiative – for which the Bank manages resources on behalf of the international community.

In the 2006, the UK was the second largest trust fund donor, contributing approximately £357 million. In 2007, the UK was the largest contributor, contributing around £721 million. This included contributions of £11.1 million and £10.2 million to HIPC and GFATM respectively in 2006 and £18.7 million and £40.4 million respectively in 2007.

## Annex 2:

# UK Positions on Resolutions Adopted by the Board of Governors and the Executive Board

## Resolutions Adopted by the Board of Governors

### October 2005 – June 2007

As the highest decision making body of the World Bank Group, the Board of Governors reserves certain decisions from its delegation of day-to-day issues to the Executive Board, including decisions relating to the financial standing of the institutions, relations with other institutions and changes to the Articles of Agreement. A list of these decisions is presented below.

<b>Resolution No.</b>	<b>Title of Resolution</b>	<b>Adoption Date</b>	<b>UK Position</b>
<b>IBRD</b>			
571	Transfer from Surplus to Fund Trust Fund for Earthquake Recovery and Reconstruction in Pakistan	7 December 2005	For
572	Transfer from Surplus to Replenish the Low-Income Countries Under Stress Implementation Trust Fund	21 February 2006	For
573	Transfer from Surplus to the National Multi-Donor Trust Fund For Sudan and the Multi-Donor Trust Fund for Southern Sudan	21 February 2006	For
574	Forthcoming Annual Meetings of the Boards of Governors – Proposed Dates for the 2007 and 2008 Annual Meetings in Washington, D.C.	17 July 2006	For
575	Direct Remuneration of Executive Directors and their Alternates	2 August 2006	Against
576	2006 Regular Election of Executive Directors	3 August 2006	For
577	2009 Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund	21 August 2006	For

578	Financial Statements, Accountants' Report and Administrative Budget	20 September 2006	For *
579	Allocation of FY06 Net Income	20 September 2006	For *
580	Transfer from IBRD Surplus to Fund Trust Fund for Lebanon	20 September 2006	For *
581	Resolution of Appreciation	20 September 2006	For *
582	Membership of the Republic of Montenegro	29 December 2006	For
583	Transfer from Surplus to Replenish the Low-Income Countries Under Stress Implementation Trust Fund	10 January 2007	For
584	Transfer from Surplus to Replenish the Trust Fund for Gaza and West Bank	31 January 2007	For
585	Transfer from Surplus to Fund the Caribbean Catastrophe Risk Insurance Facility Trust Fund	23 April 2007	For

### IDA

211	Additions to Resources: Financing the Multilateral Debt Relief Initiative	21 April 2006	For
212	Financial Statements, Accountants' Report and Administrative Budget	20 September 2006	For *
213	Resolution of Appreciation	20 September 2006	For *
214	Membership of the Republic of Montenegro	29 December 2006	For

### IFC

243	Financial Statements, Accountants' Report, Administrative Budget and Designations of Retained Earnings	20 September 2006	For *
244	Resolution of Appreciation	20 September 2006	For *
245	Membership of the Republic of Montenegro	29 December 2006	For

### MIGA

74	Reclassification of the Czech Republic	20 June 2006	For
75	Election of Directors	3 August 2006	For
76	Financial Statements and Accountants' Report	20 September 2006	For *
77	Resolution of Appreciation	20 September 2006	For *

78 Membership of the Republic of Montenegro 12 January 2007 For

### ICSID

-- Amendments to the International Centre for Settlement of Investment Disputes (ICSID) Regulations and Rules and Additional Facility Rules 10 April 2006 For

107 Approval of the Annual Report 20 September 2006 For \*

108 Adoption of Budget for Fiscal Year 2007 20 September 2006 For \*

109 Election of the Secretary-General 20 September 2006 For \*

\* Adopted during Annual Meetings.

## Executive Board Discussions where the UK Abstained or Opposed

### October 2005 – June 2007

Generally, the World Bank's Board of Executive Directors meets twice a week to consider and approve operations, as well as to decide on operational policy. The Board usually operates on a consensus basis. During the period of this report, there were no formal votes of the whole Board. However, the UK government recorded itself as abstaining on the following issues:

IFC	<b>United Arab Emirates</b> – Investment in Emirates National Securitisation Corporation (ENSC)	2 November 2006	Abstained
IFC	<b>Kenya</b> – Investment in Brookhouse Schools Funding	Streamlined closing date: 22 November 2006	Abstained
IFC	<b>Oman</b> – Proposed Investment in MB Holding Company LLC/Partial Credit Guarantee	23 January 2007	Abstained
IFC	<b>Russia</b> – Proposed Investment in PM Invest Company Limited (Russia)	8 March 2007	Abstained
IFC	<b>Brazil</b> – Proposed Investment in Sabo Industria e Comercio de Autopecas Ltda	21 June 2007	Abstained



## Annex 3:

# Links to Further Information

DFID's website is at [www.dfid.gov.uk](http://www.dfid.gov.uk)

DFID's external web page on our work with the World Bank and IMF is at [www.dfid.gov.uk/aboutdfid/DFIDwork/wbandimf.asp](http://www.dfid.gov.uk/aboutdfid/DFIDwork/wbandimf.asp)

Spring and Annual Meetings Objectives Notes are also made available on this page.

DFID's Institutional Strategy for the World Bank is at [www.dfid.gov.uk/pubs/files/ispworldbank2.pdf](http://www.dfid.gov.uk/pubs/files/ispworldbank2.pdf)

The World Bank website is at [www.worldbank.org](http://www.worldbank.org)

Communiqués from the 2006 Spring and Annual Meetings, the 2007 Spring Meetings and other information on the meetings can be found at <http://www.imf.org/external/spring/2006/index.htm>  
<http://www.imf.org/external/am/2006/index.htm>  
<http://www.imf.org/external/spring/2007/index.htm>

IDA 15 discussion papers can be found at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21234677~menuPK:3492269~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

The website of the UK Delegation to the World Bank in Washington D.C. is at <http://web.worldbank.org/external/default/main?menuPK=380560&pagePK=64099288&piPK=64099409&theSitePK=380554>

Minutes of World Bank Executive Board Meetings can be found at <http://web.worldbank.org/external/default/main?menuPK=986613&pagePK=64272881&piPK=64272902&theSitePK=278036&toDate=sysdate>

Parliament's International Development Committee Hearings can be found at [www.parliament.uk/parliamentary\\_committees/international\\_development.cfm](http://www.parliament.uk/parliamentary_committees/international_development.cfm)

For more information on the Millennium Development Goals (MDGs), see [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals) or [www.developmentgoals.org](http://www.developmentgoals.org)

## Department for International Development

### Leading the British government's fight against world poverty.

One in five people in the world today live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution and diseases such as HIV and AIDS – are caused or made worse by poverty.

DFID supports long-term programmes to help tackle the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made.

DFID's work forms part of a global promise to

- halve the number of people living in extreme poverty and hunger
- ensure that all children receive primary education
- promote sexual equality and give women a stronger voice
- reduce child death rates
- improve the health of mothers
- combat HIV and AIDS, malaria and other diseases
- make sure the environment is protected
- build a global partnership for those working in development.

Together, these form the United Nations' eight 'Millennium Development Goals', with a 2015 deadline. Each of these Goals has its own, measurable, targets.

DFID works in partnership with governments, civil society, the private sector and others. It also works with multilateral institutions, including the World Bank, United Nations agencies and the European Commission.

DFID works directly in over 150 countries worldwide, with a budget of almost £5 billion in 2006/07.

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Lalita, a girl from Musahar caste teaching at Bihar, India. She attended a Mahila Shikshan Kendra (Women's Education Centre), funded by the World Bank. (Panos Images).

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