

Message from the President of the World Bank and Chairman of the Board of Executive Directors

The poverty reduction agenda has advanced significantly over the past year, with development partners coming together as never before. We must now build on that momentum. Progress in reducing poverty remains slow: too many girls still do not go to school; too many children die before the age of five; and too many poor people lack opportunity.

The urgency for action is pressing. Nearly half of the world's people live on less than \$2 a day, and their numbers will grow in the next 25 years, as nearly two billion more people are added to developing countries' populations. The stakes are high, as poverty touches all—and drives prospects for no less than global peace. How can we scale up successes enough to meet the international development goals for 2015? (See page 4.) Only with concerted action can we make a difference.

PROGRESS IS EVIDENT...AT THE COUNTRY AND REGIONAL LEVELS...

Over the past year, I was privileged to visit India and Africa, which, between them, hold 55 percent of the world's poor. They offer striking examples of the ways in which societies are transforming.

In India's Andhra Pradesh state, rural women are engaging in open discussions—unthinkable a few years ago—on how to confront the problem of HIV/AIDS. In the same state, e-government has cut the time taken for land registration from six months to 20 minutes. Elsewhere, empowered grassroots communities are successfully implementing the country's education projects now covering 50 million children.

Africa is on the move. On a first-ever joint trip by the heads of the World Bank and the IMF, Horst Köhler and I met with 22 African presidents. We were deeply impressed by their conviction that Africa's future lies in its own hands, and by their commitment to far-reaching change. Leaders stressed the need to deal with conflict and governance; combat HIV/AIDS; and pursue stronger regional cooperation.

Middle-income countries, too, are addressing poverty-related concerns ranging from inequality and governance to urban pollution and rural infrastructure, and are increasingly adopting sound macroeco-



In Hyderabad, India, a group of women peer educators animatedly explain to James D. Wolfensohn their work on HIV/AIDS awareness programs under the Bank-supported National AIDS Control Project.

omic policies. Developing countries, on average, have begun to enjoy higher per capita growth rates than industrial countries.

...AND AT THE GLOBAL LEVEL...

A remarkable development of the past year is the unprecedented alignment of partners around a common global development agenda, embodied in the Millennium Declaration adopted by leaders of the world's nations. Common guiding principles for development partnership, too, as outlined in the Comprehensive Development Framework, have gained growing acceptance—by the United Nations and, most recently, by the Development Committee for application also in middle-income countries. These principles emphasize a comprehensive approach, country ownership, partnership, and a focus on results. Other major steps forward are the European Union's decision to adopt the Poverty Reduction Strategy Papers approach, as well as growing efforts among all donors to harmonize aid procedures and untie procurement.

...BUT 2015 IS APPROACHING, AND ALL MUST ACT

Halving the percentage of those in poverty by 2015 is an immense challenge. Global action is a moral imperative: all have a responsibility.

Developing countries need to ensure sound policy and institutional environments and an attractive investment climate. Equally crucial are inclusive policies, to allow the benefits of growth to reach poor people.

Donor countries need to remove trade barriers and open their markets. They need to provide debt relief and new concessional finance, multilaterally—foremost through an adequate 13th Replenishment of IDA and funding of the Heavily Indebted Poor Countries (HIPC) Initiative—as well as bilaterally. An increase in aid is crucial, from the present 0.22 percent of gross national income to the 0.7 percent share committed by rich countries. And concerted international efforts must help fight major global problems and strengthen the structures needed to help countries avoid crises and integrate into the global economy.

Action and progress, moreover, will need to be built on a solid base of global growth and sound macroeconomic policies.

THE WORLD BANK IS COMMITTED TO CONCERTED ACTION

Guided by the 2015 poverty goal, we have strengthened the poverty focus of our efforts. This has meant intensified support to the HIPC Initiative, helping 23 of the world's poorest countries shift about \$1 billion from annual debt service to spending on basic social services. It has also meant helping the governments of poor countries take the lead in preparing poverty reduction strategies developed with national consensus, and especially involving civil society and the private sector. The role of business in job creation is crucial; we have expanded our work in microcredit and our support for small and medium enterprises.

We have radically transformed the way we do business. A persistent focus on quality has vastly improved the effectiveness of billions of dollars of Bank lending. We are also responding more quickly and flexibly to client needs and have substantially strengthened our knowledge sharing with clients.

We have made partnership—with countries and with other development agencies—intrinsic to all that we do. A key priority is the ongoing initiative for the harmonization of donor policies and procedures to reduce costs for developing countries.

And we have stepped up collaborative efforts to address such enormous development challenges as HIV/AIDS, conflict, environmental decline, and the digital divide. These efforts have included innovative support to help Africa fight HIV/AIDS and become more competitive.

In fiscal 2001 the Bank articulated a Strategic Framework for action over the next three years. The Framework sets two priorities: strengthening countries' investment climates, and helping them empower and invest in poor people. It emphasizes selectivity—within and across countries as well as at the global level—and partnership.

What counts, ultimately, is impact. Outcomes of individual Bank-financed operations have improved markedly. But achieving the broader impact of an overall Country Assistance Strategy is a long-term endeavor, involving players and factors beyond the control of any one institution. The coming together of the development community on a common set of development goals provides a solid basis for progress. The Bank is committed to action to help realize this vision. I am deeply indebted to my colleagues whose commitment has earned us our position of strength today. I rely on them to take the Bank forward, in concert with our partners.

In closing, on behalf of the Board of Directors and Bank staff, I would like to pay tribute to the late Ibrahim Shihata who died on May 28, 2001. As Senior Vice President and General Counsel from 1983 to 1998, Ibrahim was a brilliant lawyer and dedicated officer of this institution (see page 61). History will recognize his landmark contributions to the Bank Group and to the cause of poverty reduction in our client countries.



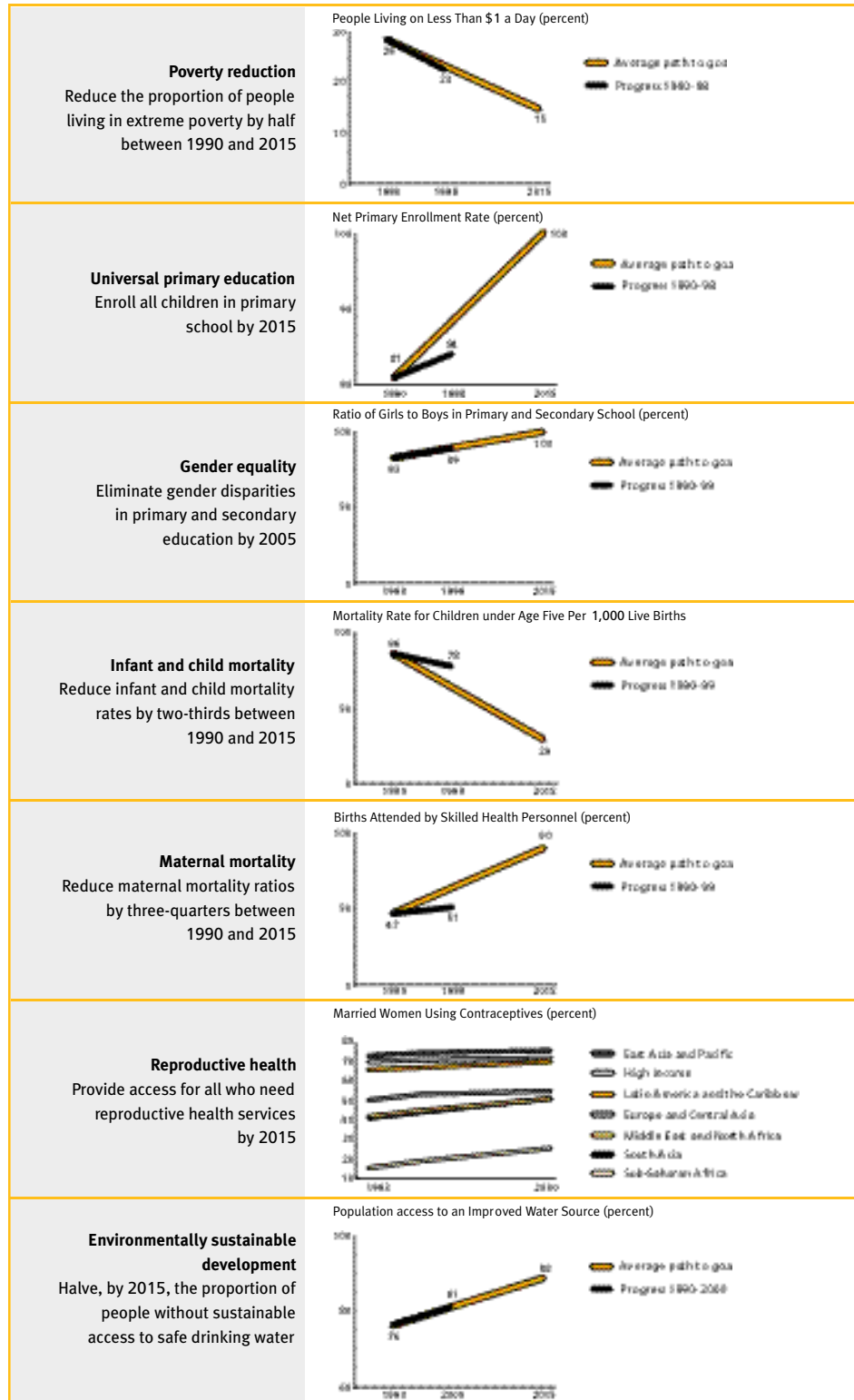
James D. Wolfensohn

Letter of Transmittal

This *Annual Report*, which covers the period from July 1, 2000, to June 30, 2001, has been prepared by the Executive Directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the respective bylaws of the two institutions. James D. Wolfensohn, President of the IBRD and IDA, and Chairman of the Board of Executive Directors, has submitted this report, together with the accompanying administrative budgets and audited financial statements, to the Board of Governors.

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

Meeting the Poverty Challenge: The International Development Goals Ambitious targets for 2015...



More information on the international development goals, including regional and country-level data, is available on a new Web site maintained by the World Bank and its development partners: www.developmentgoals.org. The *World Development Indicators*, published annually by the World Bank, includes a report on progress toward the goals, and many supporting indicators.

Incidence of income poverty down 20 percent, but uneven progress

The global decline has been driven by progress in China and India. With higher growth in developing countries, the goal can be achieved globally, but at current rates of progress many countries will fall short.

Enrollment rates rising slowly

Primary school enrollments remain far off track, especially in South Asia and Sub-Saharan Africa. Even countries that have succeeded in bringing more children to school need to worry about the quality of education.

Progress in some regions, but little time left

Eliminating gender disparities in primary and secondary education is one step toward gender equality and the empowerment of women. Very little time is left before 2005, the target year.

Slow progress on average

Many countries have significantly cut these rates in the last 10 years, but on current trends no region will achieve these goals.

Improved health care needed

While data are not sufficient to measure maternal mortality trends, global estimates suggest that over 500,000 women died from causes related to childbirth in 1995. If skilled health personnel attended 90 percent of all births, those numbers could be dramatically reduced.

Rising contraceptive use in most countries

But there are large regional differences. In Sub-Saharan Africa, only 26 percent of married women practice contraception. In East Asia, over 75 percent do.

Access to water improving

Achieving the 2015 target in Africa, Asia, and Latin America will require providing an additional 1.5 billion people with access to an improved water source.

The international development goals set targets for reduction in poverty, improvements in health and education, and protection of the environment. First agreed on at major United Nations (U.N.) conferences in the 1990s, the goals have been adopted by the World Bank, the International Monetary Fund, the members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, and many other agencies, as a framework for motivating (and measuring) development progress. Marking an extraordinary consensus reflected in the U.N. Millennium Declaration, an expanded set of goals was endorsed by 149 heads of state and adopted by the U.N. General Assembly in September 2000.

The ambitious targets for 2015 provide a formidable challenge to the international community. One-fifth of all people live on less than \$1 a day. About 10 million children under the age of five died in 1999, most from preventable diseases. Over 500,000 women die each year during pregnancy or childbirth. And about 113 million children do not attend primary school. Achieving the goals means lifting more than 300 million out of poverty, preventing more than 55 million infant and child deaths and over 4 million maternal deaths, and providing places for at least 128 million more primary school students by 2015. After 10 years, there are signs of progress, but many of the goals are not likely to be achieved without renewed—and bold—effort.