High Level Retreat in Luxor on Emerging Economies: Egyptian Prime Minister hosts dialogue with James Wolfensohn, President of the World Bank

Egypt is facing some major decisions as it moves forward with a fast track program of economic and social reform to address challenges of unemployment, price distortions and management of subsidies. "The current situation in Egypt represented similar challenges for Brazil and Mexico. From our side we are keen to facilitate the exchange of such experiences among our partners and we are proud to extend support to Egypt at this important time," commented Mr. James Wolfensohn the World Bank President.

Social Implications of Economic Reform
Wolfensohn explained that the social implications of economic reforms need to be translated into a broader-based investments in the social development agenda. "In Mexico, we spent the past 10 years undertaking a major redistribution of income in favour of the poor," said Santiago Levy, Director General of Mexican Institute of Social Security during his presentation which focused on the “Opportunidades” program in Mexico.

Egypt is facing many challenges that have been outlined in the Poverty Reduction Strategy. Egypt has for years provided price subsidies for basic food (bread, flour, oil, sugar) and variety of other items, but the government is now conscious that the country is not getting adequate payoffs. Food subsidies make up nearly 2% of GDP, and total subsidies, some 8%. The bottom 20% of the income distribution get only 20% of the food subsidies, with each of the remaining quintiles also getting about 20%. Social spending on safety nets needs to be better targeted to reach the poor and provide them with greater benefits. "The new government is shifting gear to a modernization and higher growth platform, and as we do so we need to ensure that the needs of vulnerable segments of society are satisfied," said H.E. Dr. Ahmed Nazif Egypt’s Prime Minister.

From Brazil, H.E. Patrus Anarias, Minister of Social Development and Eradication of Hunger presented the cash transfer program Bolsa Familia which targets 11.2 million poor Brazilian families. Michal Rutkowski, Sector Director, MNHD shared the experience of central and Eastern Europe in eliminating energy subsidies.

In conclusion, Mr. Wolfensohn called upon Egyptian and Bank teams to determine the feasibility of advancing action on some of the programs presented within the Country Assistance Strategy currently under preparation.

Taking advantage of the “Knowledge Bank”
This is the second retreat that the Bank has facilitated over the past 6 months upon the request of the Egyptian Government. The first focused on the Bank’s experience in Public Private Partnership. For Egypt, the relationship with the Bank has grown over the past few years and a clear understanding of the role of the institution as a “knowledge bank” is evolving.

(Continued on page 2)
Through economic and sector work in Egypt, the Bank has been able to support the ongoing reform program at an unprecedented pace. Many tools have been put to good use to address the fiscal deficit. For the first time in Egypt, a Public Expenditure Review is being finalized and the results will contribute to dealing with budgetary inefficiencies and enhancing sectoral performance.

Brazil's Brazil and Mexico each have roughly US$ 650 billion in GDP. Mexico has a per capita income of about US$ 6,100, Brazil about US$ 3,700. All are growing currently at about 4.5% a year.

The effectiveness of the Brazilian Bolsa Familia and Mexican Mexico's Oportunidades programs comes from two sources. First, these programs transfer income directly to the poor rather than relying on indirect mechanisms of price subsidies that Egypt, India and others have employed. The direct income transfers makes targeting of the benefits to the poor better and the program costs lower when compared to price subsidies for products. Second, Bolsa Familia and Oportunidades, go further in making these direct income transfers conditional on the recipient families' attention to school attendance and visits to health clinics. This conditionality translates into investment in human capital, making for greater returns to this type of income support compared to unconditional transfers.

Bolsa Familia and Oportunidades have much in common, but also differences; they have achievements and they also face tough challenges. Bolsa Familia is the largest conditional cash transfer program in the developing world, reaching some 6.5 million families or 26 million people. Oportunidades benefits some 5 million families or about 21 million people, which is most of Mexico's poor.

The budgetary costs of these programs are similar at about US$ 2 billion or about 0.35% of GDP in both countries. Including other social assistance programs (such as minimum wage guarantee in Brazil) the total cost of social assistance in Brazil and Mexico are also similar at about 1% of GDP.

In looking at the alternative of income transfers, the recent reforms of Bolsa Familia have relevance. The unification of four major programs (Bolsa Escola, Bolsa Alimentacao, Auxilio Gas and Fome Zero) contributes to greater efficiency. The development of a single registry (Cadastro) is essential to minimize duplication as well as leakages. The implementation fiscal control & monitoring and evaluation are vital to ensure better targeting and better results.

Brazil on the other hand is far more decentralized in the implementation at the municipal level of Bolsa Familia than Mexico, where the implementation of Oportunidades is more centralized. There is also a greater effort in the case of Bolsa Familia to link with complementary programs of municipalities than in the case of Mexico. Brazil also depends more in coordinating across ministries, for example on conditions with respect to education and health, than Mexico.

As others look at these differences, there are pros and cons to the degree of decentralization and needed coordination, and the need to adapt experiences to particular country conditions. The big difference between Brazil and Mexico, however, is not so much in the implementation of these social assistance programs, but rather in their social security programs. The government of Mexico (as well as Egypt) spends some 2.5% - 3% of GDP on social security. The comparable figure for Brazil is around 9.5%. By any measure, therefore the larger financial burden lies with the social security rather than social assistance. The distribution of these larger payments for social security also is not progressive. The larger share of the benefits goes to the top 50% of the income distribution. The social assistance programs, though small in comparison to social security, make a relatively larger contribution to the poor. Social security, while large, does not help to improve the relative standing of the poor.

In view of their unfavorable income distribution, Brazil and Mexico have a special interest in social programs for the poor. Bolsa Familia and Oportunidades hold considerable promise in providing income support to the very poor, while at the same time helping to invest in their human capital and contributing to lifting them out of poverty. For these reasons, they are attracting the interest of other countries. Meanwhile, better targeting, monitoring and evaluation remain continuous and crucial challenges to help these programs deliver on their promise.
Regional Insights:
Interview with Christiaan Poortman, Vice President of the Middle East and North Africa Region

Christiaan Poortman became Vice President for the Middle East and North Africa (MNA) Region in the World Bank in July 2003. Before that, he was Director of Strategy and Operations for the Africa Region. Mr. Poortman joined the Bank in 1976. Since then he has worked in several regions including East Asia and Pacific, Eastern, Southern and Western Africa, and Europe and Central Asia. He was responsible for the World Bank reconstruction and recovery programs in the Balkans.

In this interview, Christiaan Poortman sheds light on the agenda of the World Bank in the Middle East and North Africa region with particular emphasis on development challenges and opportunities in Egypt.

Q: How did the Luxor High Level Retreat Agenda materialize? The idea of the retreat emerged during the discussions that took place between President Mubarak and James Wolfensohn, President of the World Bank, last October. At the time, the suggestion was made to organize a joint meeting between the Bank’s senior management and members of the Egyptian Cabinet to discuss some of the issues associated with the implementation of the economic reform program. Such exercise has been facilitated by World Bank President in a number of other countries with great success. Our Egyptian counterparts perceived this to be a useful and constructive way to share the features of their reform program. The agenda of the retreat was prepared by both sides who agreed that the priority was relevant World Bank staff and also invited expert practitioners from Brazil, Mexico and Poland who designed and implemented similar reforms.

Q.: How would you characterize the MNA response to poverty alleviation in terms of effectiveness and lessons learnt? On a broad scale, levels of poverty in MNA are clearly less pronounced than in other regions. Absolute poverty levels in MNA are significantly lower than in many other countries in sub-Saharan Africa, Asia and certain parts of Latin America. This is partly a reflection of the fact that MNA countries have, over the past four decades, given a lot of attention to social programs and as a result social indicators have improved considerably in comparison to where they were 40 years ago. Now the concern is that these advances depended on oil revenues and flows of aid and remittances, which are all very volatile. And with population increasingly rapidly, the ability to sustain the social gains and more broadly to cover growing social protection needs is in question. Current poverty and vulnerability in the region is associated with high unemployment levels which did not exist at the time when abundant public resources allowed the public sector to be the main job provider. This could not be sustained in MENA economies now face the challenge of economic and social transitions towards private sector driven and open economies that are able to provide jobs to a large number of unemployed and keep up with the growth of their labor force.

Q: What lessons can we draw from the region based on its experience so far? The poverty issue in the region has two facets. One, there are pockets of deep poverty and two, there is the issue of vulnerability, meaning that a large number of people could fall into poverty in case of shock (weather, conflicts), or if the economic and developmental cycle does not shift toward addressing their needs. The regional response has been relatively good in the past in terms of putting in place social programs. In many countries across the region, access to public service has been significantly enhanced in sectors like education and health. Over time however, unemployment rates have surged upwards and some of those indicators were affected as a result of insufficient resources to sustain many of these social programs. Very interestingly, over the past 2 years with the increase in oil prices, some countries were able to retrieve progress in general terms but we have not really seen the impact on the poorest of the poor. On the other hand, you see countries (such as Yemen for example) which depend heavily on rapidly depleting oil resources, whose time has really run out in that if they do not make the necessary changes, many of the social programs that have been put in place will be or are already seriously jeopardized. From a regional perspective, the lessons are mixed.

Q: In the case of Egypt, what are the “short term” challenges which affect the progress of the reform program that the government has initiated? I share everybody’s view that the Egyptian reform program is off at a very promising start. There are a lot of well thought out and coordinated changes that have been made over the past year, compared to minor reforms made before which tended to be isolated. The economic reform agenda of this government falls across a broad area, ranging from public expenditure, to customs, trade, privatization and to greater private sector participation in the economy.

(Continued on page 4)
Q: How do you view the evolution of the Bank's relationship with civil society in MNA in the coming years?

As I talk of civil society, I am really thinking about governance and it is the "inclusiveness" dimension that I see as a major part of the governance concept that is particularly weak, not just in MNA but also in many other regions across the world. One of the MNA flagship reports that the World Bank produced in 2004 focused on governance. The report illustrated that unless you significantly enhance governance in terms of transparency and inclusiveness, you are still likely to fall short of the environment you want to create to attract investments and create jobs, even if you do everything else right. To sustain the reform program, the involvement of civil society is critical. This fits well with the World Bank's own intention of bringing civil society into the design of operations. I think indeed significant progress has been made in bringing about World Bank staff engagement with civil society.

Q: What are the key messages that the Bank extracts from its policy dialogue with governments in the regions?

The critical issue of employment is one where we use the flagship report most extensively. The flagship report has really helped in bringing the employment issue with all its elements as the main focus of our attention in the region. The other reports deal with gender and governance where we focus on inclusiveness as I mentioned earlier. And the fourth report emphasizes the broader question of closer integration into the world economy and thereby establishing the investment climate and creating the export market that this region needs.

Q: What are the most recent developments in the Bank's MNA portfolio?

The MNA portfolio has undergone significant growth because of the increased attention we are paying to the specific demands of middle income countries. The Bank is responding to the challenge posed by middle income country agendas, through a "simplification" process which allows us to become more competitive in offering our services. This has given us the tools to develop our portfolio. So this is where the major opportunity lies. I think the airport project in Egypt is a good indication of that. We also need to continue to focus on the existing portfolio in order to ensure that ongoing projects achieve their objectives. In addition to our lending, our Economic and Sector Work program has also been expanding rapidly, again in response to the high demand for knowledge from middle income countries. There are other sources of finance such as the European Investment Bank and Arab Funds which can potentially provide the same kind of finance that we do. So the issue of remaining competitive and being able to simplify our procedures to provide timely advice and knowledge is a pressing one. Knowledge is our clear comparative advantage, but we still have to find the right financing and tools to provide high quality and cutting edge knowledge services and sustain them in the region.

Q: How does the Bank coordinate its response to global emergencies?

This varies from one case to another. We depend on the knowledge of potential partners who know the region or have a particular comparative advantage. In the Balkans, for example, we have a partnership with the EU in light of their political role in the region. For Tsunami, it was very important to engage with the Asian Development Bank that has a good understanding of the region and with the UN for their experience in managing humanitarian relief. In Iraq, we worked primarily with the United Nations Development Program, which was the only agency that operated during the Saddam regime so they had the familiarity on the ground to complement the knowledge and experience we brought in. That was a natural alliance to forge. The important lesson is that these situations always call for a partnership. The issues are usually far bigger than one institution can cover. This is a major challenge and we are getting better at understanding how we can collaboratively work out a successful recovery program. In the MENA region, we have developed a web of coordination arrangements that include the Arab Funds, the EU, ISDB, ADB. These arrangements are proving extremely useful for our work on a day to day basis and they become particularly essential in emergency situations.
James Wolfensohn’s Presidency: Celebrating a Decade of Change

Under Wolfensohn’s leadership, the World Bank has evolved in many significant aspects, and this is a brief summary of some of those developments during his two terms.

Wolfensohn at the Bank, 1995-2005

Over the past ten years, as President of the World Bank Group, Jim Wolfensohn has brought about major changes in the way the world’s largest development organization operates, firmly refocusing it on its main goal, that of fighting global poverty. He has led the modernization of the 60-year old institution through rapid decentralization of Bank activities to over 100 country offices, and through the adoption of cutting-edge business practices and technology. At the same time, there have been new and significant policy directions, most notably major efforts on debt relief, anti-corruption, the environment, the private sector, post-conflict reconstruction, HIV/AIDS, participation, disabilities and a broad range of social issues.

By decentralizing the Bank, working more closely with other development partners such as Non-Governmental Organizations (NGOs), and placing greater emphasis on home-grown development priorities, Wolfensohn has shifted the Bank closer to its client governments than ever before.

The effectiveness of today’s Bank in delivering results for poor countries and people has been recognized by both developing and developed countries. In September, 2004, The Economist magazine stated that the World Bank today “does more to fight poverty than any other public body”. An independent audit of the International Development Association (IDA), the Bank’s lending arm for the poorest countries, by Booz Allen Hamilton in June 2004 showed IDA met and, in some areas, went beyond its performance targets.

Over the past ten years, a fundamental shift has taken place in terms of the Bank’s support for poverty-reduction programs. These are now designed by developing countries themselves – comprehensive, home-grown plans structured in a way that enables both donors and recipients of aid to achieve better results on the ground. There has also been a greatly increased focus in the Bank’s lending for improvements in policies and institutions, meaning that aid is used more selectively, and increasingly is focused on countries with strong records for good policy-making – such as Uganda and Vietnam.

Success rates in Bank-supported projects, as judged by its Operations Evaluation Department, have increased from just over 70 percent in 1995 to closer to 90 percent in recent years.

Other significant changes over the past decade include:

- Ten years ago, debt relief was not on the World Bank’s agenda, nor was it considered a priority by the international community more widely. Today, largely due to Wolfensohn’s drive for an initiative for the Highly Indebted Poor Countries (HIPC), 27 countries are receiving debt relief on the order of $54 billion.
- Ten years ago, corruption was rarely mentioned in international development circles. In 1996 Wolfensohn gave a groundbreaking “cancer of corruption” speech to the World Bank/IMF annual meeting, citing corruption as a major burden for the poor in developing countries. Corruption is now widely recognized as a major impediment to development that must be tackled aggressively. The Bank itself is supporting some 600 anti-corruption programs in nearly 100 countries, and has debarred more than 200 companies and individuals on the grounds of fraud or corrupt activity.
- Ten years ago, HIV/AIDS was not viewed as a significant issue on the development agenda, nor were women’s issues. Today, the Bank is the largest provider of external resources to the developing countries for HIV/AIDS treatment and prevention initiatives. Additionally, between 1995 and 2003 the Bank committed nearly $7 billion for girls’ education as well as for health, nutrition and population projects, where women are the major beneficiaries.

The past decade has also seen the Bank refine and broaden its approach regarding one of its earlier mandates, that of reconstruction. The Bank’s efforts in Bosnia during the mid-nineties showed a new, more active approach to post-conflict reconstruction. Since then, the Bank has played a vital role in West Bank/Gaza, Kosovo, East Timor, and over 30 other countries. The Bank is now working closely with those governments affected by the Tsunami disaster of December 26, 2004 to help pave the transition from relief to longer-term reconstruction.

Ten years ago, the World Bank was perceived almost solely as a lending institution. It is now equally focused on the importance of advice, knowledge and global experience, powered by a technological revolution that links Bank offices all over the world by satellite, allowing video-conferencing on a global scale. The Bank also has taken advantage of the enormous potential of the Internet to help create an independent, web-based portal for all development information called The Development Gateway.

(Continued on page 8)
Ongoing Projects

Health Sector (US$90 million)
The project will: (i) expand the health insurance toward universal coverage for a basic package of primary health care and public health services; and (ii) improve access to, efficiency and quality of primary care and public health services in the three pilot Governorates to meet the service demand created by the expansion of PHC health insurance coverage.

Education Enhancement (US$75 million)
Key objectives of the project are to (i) increase access to equity; (ii) improve the quality of student performance; and (iii) enhance the efficiency of the education system.

Population (US$17.2 million)
The project will help Egypt to: (i) better manage population growth and prevent avoidable population growth by giving the MOHP the institutional capacity to play the lead role in the population sector; and (ii) improve the conditions and status of women and children in areas where fertility remains high, mainly in rural areas of Upper Egypt, by stimulating additional demand for smaller family size and for family planning services.

East Delta Agriculture Services (US$15 million)
The project aims to increase the productivity of 26,000 low-income families who have been recently settled on about 130,000 feddans of saline soil to be reclaimed.

National Drainage II (US$50 million)
The project will: (i) increase the agricultural productivity of about 0.8 million feddans of irrigated land by improving drainage conditions through evacuation of excess irrigation water with subsurface drains into existing open drains; and (ii) avoid yield and production losses on this land, which would result if waterlogging and soil salinity problems were to persist.

Irrigation Improvement (US$80 million)
The project will: (i) increase agricultural production and farmers income by improving the irrigation infrastructure, facilitating a more equitable distribution of water and improving on-farm irrigation management; (ii) improve the long-term sustainability through takeover of responsibility for operation and maintenance of the tertiary level irrigation system by the farmers and their sharing in the costs for tertiary level investments; and (iii) strengthen the institutional planning and implementation capacity of MWRI in the irrigation subsector.

P.S. Rehabilitation III (US$120 million)
The main objective of the project is to improve the efficiency and reliability of delivery of irrigation water and timely evacuation of drainage water to prevent the losses in crop yields resulting from aging pumping stations on the irrigation and drainage system.

Pollution Abatement (US$35 million)
The project will: (i) to strengthen the monitoring and enforcement capabilities of the environmental institutions; and (ii) establish technical and financial mechanisms for industrial pollution abatement investments in Greater Cairo, Alexandria, two new Suez Canal cities of Suez and Ismailia.
Portfolio Highlights:

World Bank Ongoing Projects

<table>
<thead>
<tr>
<th>Projects</th>
<th>Approval Date</th>
<th>Closing Date</th>
<th>Loan Amount</th>
<th>Disbursed Amount (US$ mil)</th>
<th>Primary Sector</th>
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1/ As of February 28, 2005
2/ Loan Amount minus Disbursement will not equate Undisbursed Amount due to exchange rate vis-à-vis SDR

World Bank Assistance (FY1995-2005)

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<th>Fiscal year</th>
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<td>1</td>
<td>50.0</td>
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<td><strong>Result</strong></td>
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<td><strong>1,367.1</strong></td>
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1/ Result as of February 28, 2005 (excluding cancellations)

Sectoral Distribution of ongoing projects (by value)

Infrastrucutre 33%
Agriculture 28%
Education 20%
Health/Social Protection 16%
Environment 3%

Disbursements 1/

US$ million

1/ Disbursement figure for FY2005 is projected to reach US$120 million.
A further major change over the past decade, has been the increase in openness and transparency on the part of the Bank. NGOs now participate in most of the Bank’s projects.

Environmental activities have also expanded rapidly over the past ten years, and the Bank is today the largest external provider of financing for environmental projects, providing $1.3 billion in the most recent fiscal year.

At the World Bank’s most recent Annual Meeting of its member countries in September 2004, Wolfensohn commented on how he saw some of the major changes at the Bank over the last decade. "We listen more and we lecture less," he said. "And we are not afraid to be self-critical...I am proud of our achievements over the past ten years. We may be 60, but we are young. We are a united institution, determined in our goal to fight poverty with passion and professionalism."

Commenting on Wolfensohn’s announcement, The President of Nigeria, Olusgun Obasanjo said: "Over the past ten years that Jim has led the World Bank Group, he has made the institution a beacon of hope and a true partner for developing countries working hard to improve the lives of their people. He has led the fight to improve education and health outcomes, beat back the HIV/AIDS pandemic, and provided debt relief thought the HPIC initiative for the poorest countries in the world. Jim stands out for his passion, enthusiasm and boundless dedication to the cause of poverty eradication. Early in his tenure, he promised that the World Bank would put Africa at the centre of its development efforts. He kept his word and today, the Bank Group enjoys an unprecedented partnership with African countries and institutions across the whole spectrum of development challenges, from post-conflict support to early childhood education."

The Egyptian Minister of International Cooperation, Fayza Aboulnaga said: "The Reform of the Bank, initiated and managed under Mr. Wolfensohn’s, direction, has brought it closer-physically and conceptually-to the concerns of developing countries. The resulting decentralization, the emphasis on home-reform policies and the faster pace of response to crises have made a tangible difference in resolving or at least containing the severity of problems encountered."

**World Bank Support for Early Childhood Education Project in Egypt**

Her Excellency Fayza Aboulnaga, shaking hands with Mr. Christiaan Poortman, World Bank vice President for MNA

The US $20 million dollar loan from the Bank will provide support to access, quality and building capacity for the Early Childhood Education Project (ECEP) targeting disadvantaged children in 18 governorates across Egypt. Bank assistance will support the Government of Egypt’s in moving toward its goal to expand early childhood education coverage from 13% to 60% by 2010.

The ECEP would help to increase access to registered kindergartens and community-provided facilities. The Quality component of ECEP will support curriculum and educational materials development based on national standards. The project will further support teacher training, and the provision of food for the improvement in quality of teaching and learning in public KG programs and NGO-operated KGs for 4- and 5-year-old children. Project design saw an active collaboration among the Ministry of Education, the Ministry of Social Affairs (MISA), Governorates and local communities.

The total cost of the project is US$108 million of which the Bank will finance $20 million and the remaining amount represents the Government of Egypt as well as expected support from international partners: the Canadian International Development Agency (CIDA) and the World Food Program (WFP).

Over the past decade, Egypt’s has made remarkable progress in increasing Net Enrollment Rates (NER) for primary, preparatory and secondary levels. Higher education enrollment has grown rapidly, increasing by 28 percent between 1996 and 2000. Furthermore, progress has been made in narrowing regional and gender disparities and introducing technology. Egypt’s future challenge and a constraint to its economic and social development, will be to provide access to education to poor families, especially girls.

The current education system relies on standards in teaching, curricula and learning outcomes—from early childhood education through university—that could be improved to effectively respond to knowledge and problem-solving skills required to improve the global competitiveness of Egypt.

Through Community Participation Grants, the ECEP project will increase the enrolment of disadvantaged boys and girls in MISA-registered kindergartens and community facilities, enhance the quality of existing programs and strengthen community capacity to support these programs and their children. Technical and financial support will be provided to support government capacity at the central and local levels, non-governmental organizations (NGOs), Community Development Associations (CDAs), Parent Teacher Councils (PTCs) and other community-based organizations.

*The Bank’s strategy for this project builds upon the Government’s strong commitment to ECE reform as a critical element of Egypt’s agenda for economic growth and human development. This strategy is in line with the Bank’s Country Assistance Strategy for Egypt supporting the reduction of poverty and upgrading human capital.*

During Mr. Wolfensohn’s visit, the Bank and the Government of Egypt signed a new loan agreement in support of the Early Childhood Education Project. "Our support to this project is a response to the commitment that the government is expressing to education reform. We are pleased to join hands with international partners from the World Food Program and the Canadian International Development Agency in this significant endeavour," commented Mr. Christiaan Poortman, Vice President for the MNA region at the signing ceremony.
Bank takes further step in Anti-Corruption Fight

February 2005 – Taking another step in its anti-corruption efforts, the Bank today released its first annual report on investigations into allegations of fraud and corruption, both internally and in Bank-financed projects. Transparency International issued a positive response to the Bank’s report.

The report provides detailed data for the fiscal year 2004 as well as summary data for the period 1999-2004. Since 1996, the World Bank has taken a leading role in the fight against corruption, supporting more than 600 anti-corruption programs and governance initiatives developed by its member countries.

According to findings, in the five years since 1999, the Bank’s Institutional Integrity Department has investigated and closed over 2,000 cases, both internal and external.

Bank President James D. Wolfensohn said, “We are determined to root out fraud and corruption wherever they exist. I am encouraged by this report, which shows that the Bank continues to be a leader in the fight against corruption, and that we’re looking into every allegation we receive related to our work and we are being fully transparent about it. Anyone who looks at the report will see that this is real action in confronting the cancer of corruption.”

According to findings, in the five years since 1999, the Bank’s Institutional Integrity Department has investigated and closed over 2,000 cases, both internal and external. Moreover, allegations received through the Bank’s 24-hour hotline, Bank staff, and other sources ranged from instances of fraud and corruption in Bank-financed projects or in relation to the Bank’s own administrative budget, to other forms of workplace misconduct such as sexual harassment, violations of policies and procedures, and non-compliance with personal financial obligations. Since 1999 to date, the Bank has sanctioned over 300 firms and individuals for fraud and corruption in Bank-financed projects. The number of serious allegations involving Bank staff represents less than 1% of the total and corruption, when it occurs, directly injures the ability of the Bank, its partners and its borrowers to achieve the goals that have been set for poverty reduction.”

The Institutional Integrity department, is a special independent unit created in 1999 to uncover fraud and corruption. In an indication of the Bank’s commitment, the report notes that the units’ budget has been steadily increasing ($10 million in fiscal 2004) and has a staff of nearly 50 people—a stronger force than all other multilateral development banks combined in this area.

In other developments, the Bank noted significant progress overall in clarifying policy and procedural issues for its investigative work, and in moving forward with a more proactive approach—a key element of its new strategic directions for fighting fraud and corruption in Bank-financed projects. In addition to further use of proactive project implementation reviews, the Bank indicated its intention to institute, in the near future, a formal program to encourage firms participating in Bank-financed projects, to voluntarily disclose fraud and corruption and undertake corporate reform in return for more lenient sanctions—a program similar to those in use in the United States, the European Union and Australia.

In the Bank’s fiscal year ending June 30, 2004, the Sanctions Committee received 23 new cases from the Integrity Department, met 8 times and heard 16 cases, debarred 55 firms and 71 individuals and issued 7 letters of reprimand–four to firms and three to individuals. The World Bank is the only multilateral development bank to make public its sanctions.

Nine staff members were found to have engaged in fraudulent or corrupt practices, and were terminated and barred from rehire. Three staff members found to have engaged in other forms of misconduct received other disciplinary action consistent with Bank rules and procedures. These actions are a part of the World Bank’s wide-ranging anti-corruption efforts initiated in 1996.

The report cites progress in mainstreaming the investigations and sanctioning functions within the Bank, including:

- Endorsement by former U.N. Undersecretary and former U.S. Attorney General Dick Thornburgh, of the Bank’s new directions in the fight against fraud and corruption;
- Approval by the Bank’s Board of Executive Directors, of recommendations for reforming the Bank’s sanctioning process to improve its efficiency and effectiveness, now in the process of implementation;
- Increases in budget and staffing for the Integrity department;
- Improvements in case management and development of a new case management database to facilitate more effective analysis of case-related data; and
- Approval of a communications policy and changes to the Bank’s disclosure policy, designed to enhance the visibility and deterrent effects of the anti-corruption work.

Egyptian Pollution Abatement Project (EPAP) Phase 1: 1997 - 2004

During the early 1990's Greater Cairo, Alexandria and Suez accounted for over 80% of industrial activity in Egypt generating a pollution burden affecting the quality of the environment and standards of public health. The ratification of the Environment Protection Law in 1994 triggered an environmental movement during the 90s bringing pollution concerns at the forefront of the public and political agenda in Egypt. Despite the innovative nature of the law in terms of offering new tools for compliance and enforcement, the implementation of many environmental standards still represent a costly and technically complex challenge for Egyptian industrial enterprises.

The objective of the Egyptian Pollution Abatement Project (EPAP), jointly financed by the Government of Egypt (GoE), the Government of Finland (GoF), the World Bank (WB) and the European Investment Bank (EIB), is to assist the GoE in reducing industrial pollution. During the implementation period of the project (1997-2004), the purpose was to assist the most polluting industries to finance their pollution abatement projects and mobilize the participation of non-governmental organizations (NGOs) and media to increase public awareness and sustain their positive participation.

The relevance of EPAP objectives to Egypt's economic growth and sustainable development is evident and verifiable. According to the study, the cost of environmental degradation in Egypt was 14.5 billion Egyptian pounds or 5% of the GDP. The industrial sector, which contributes significantly to the environment, is a major contributor to this burden. The implementation of EPAP projects aimed to improve the efficiency of industrial processes, reduce emissions, and comply with environmental standards. Through technical assistance, capacity building, and infrastructure development, the project sought to enhance industrial efficiency, reduce pollution, and promote sustainable environmental management.
Recent World Bank Publications

Responsible Growth for the New Millennium: Integrating Society, Ecology, and the Economy

Responsible Growth for the New Millennium contends that economic growth is essential for development, but that it is not enough. It presents a vision of a responsible approach to growth – sustainable growth in consumption, healthfulness, human capital, environmental quality and social equity - that can achieve a far more equitable world in 2050. Conceiving the sheer scale of the world economy in 2050 (as much as four times the current economy) this book raises stark questions: How resource and pollution-intensive will this economy be, particularly in the developing world? How will critical resources, such as biodiversity, be shielded from development pressures? How will we deal with impending water scarcity? Achieving responsible growth will require concerted efforts in establishing a more balanced relationship between rich and poor countries, opening up trade, fostering agricultural productivity, delivering water and energy, managing the environment and natural resources, building health and human capital, and attaining social equity and inclusion.

Three issues stand out: (i) dealing with near-term poverty and inequality; (ii) improving governance and capacity in developing countries; and (iii) the need to invest in technological public goods, particularly agricultural technologies for the tropics and treatments for infectious diseases.

Financial Sector Policy and the Poor: Selected Findings and Issues

Financial Sector Policy and the Poor is part of the World Bank Working Paper series. These papers are published to communicate the results of the Bank’s ongoing research and to stimulate public discussion. This paper presents new empirical evidence on how financial sector policy can help the poor. It is often thought that promotion of specialized microfinance institutions is the best or only way forward. However, a strong mainstream financial system is also pro-poor—perhaps even more so. While mainstream financial depth is measurably associated with lower poverty, for microfinance this is not yet so. The roles played by microfinance and mainstream finance in tackling poverty should be regarded as complementary and overlapping rather than as competing alternatives. The essential similarities between the two will become more evident as individual microfinance firms, or associations of firms, grow to the scale needed for sustainability. Policy design that recognizes the need for larger and stronger microfinance institutions poses no threat to the health of mainstream finance. Such a policy would not impose low interest rate ceilings; nevertheless, the goal of protecting the vulnerable from credit market abuses and prejudice should not be neglected in an effective package of policies favorable to the growth of both micro and mainstream finance.

Global Agricultural Trade and Developing Countries

Global Agricultural Trade and Developing Countries, presents research findings based on a series of commodity studies of significant economic importance to developing countries. First, the book sets the stage with background chapters and investigations of cross-cutting issues. Trade and domestic policy regimes affecting agricultural and food markets are described, and the resulting patterns of production and trade are assessed. The book follows with an analysis of product standards and costs of compliance and their effects on agricultural and food trade. An investigation of the impact of preferences given to selected countries and their effectiveness is next. The evidence on the attempts to decouple agricultural support from agricultural output is then reviewed. The last background chapter explores the robustness of the global gains of multilateral agricultural and food trade liberalization. The book presents detailed commodity studies for coffee, cotton, dairy, fruits and vegetables, groundnuts, rice, seafood products, sugar, and wheat. These markets feature distorted policy regimes among industrial or middle-income countries. The studies analyze current policy regimes in key producing and consuming countries, and document the magnitude of these distortions and estimates the distributional impacts—winners and losers—of trade and domestic policy reforms. The book aids policy makers and researchers, both in their approach to global negotiations and in evaluating their domestic policies on agriculture. It also complements the recently published Agriculture and the WTO.
Empowerment and Poverty Reduction: A Sourcebook

Empowerment and Poverty Reduction: A Sourcebook is an outcome of World Development Report 2000/2001: Attacking Poverty, which highlighted opportunity, empowerment, and security as key elements in the creation and implementation of poverty reduction strategies. This book provides a framework for empowerment that concentrates on increasing poor people's freedom of choice and action to shape their own lives. This framework pertains to five areas of action to improve development effectiveness—provision of basic services, improved local governance, improved national governance, access to justice and legal aid, and pro-poor market development. This Sourcebook gives 20 "Tools and Practices," which concentrate on a wide-range of topics to encourage the empowerment of the poor from poor people's enterprises, information and communication technologies to diagnostic tools including corruption surveys and citizen report cards.

Gender, Conflict, and Development

Gender, Conflict, and Development was written as an effort to fill a gap between the Bank's work on gender mainstreaming and its agenda in conflict and development. The authors identify a link between gender and conflict issues and provide the most comprehensive review of external and internal sources on gender and conflict, with a particular focus on policy relevance for an institution such as the Bank. The book highlights the gender dimensions of conflict, organized around major relevant themes such as female combatants, sexual violence, formal and informal peace processes, the legal framework, work, the rehabilitation of social services and community-driven development. And for each theme it analyzes how conflict changes gender roles and the policy options that might be considered to build on positive aspects while minimizing adverse changes. The suggested policy options and approaches aim to take advantage of the opportunity afforded by violent conflict, to encourage change and build more inclusive and gender balanced social, economic and political relations in post-conflict societies. The book will be of interest to policymakers, scholars, researchers, graduate and upper-level undergraduate students of conflict studies/regional studies/gender studies.

Customs Modernization Handbook

Trade integration contributes substantially to economic development and poverty alleviation. In recent years much progress was made to liberalize the trade regime, but customs procedures are often still complex, costly and non-transparent. This situation leads to misallocation of resources. Customs Modernization Handbook provides an overview of the key elements of a successful customs modernization strategy and draws lessons from a number of successful customs reforms as well as from customs reform projects that have been undertaken by the World Bank. It describes a number of key import procedures, that have proved particularly troublesome for customs administrations and traders, and provides practical guidelines to enhance their efficiency. The Handbook also reviews the appropriate legal framework for customs operations as well as strategies to combat corruption.

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