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CIVIL SOCIETY POLICY DIALOGUES PROGRAM



CIVIL SOCIETY TEAM

Findings of the World Bank Infrastructure Progress Report
Friday, September 23, 2005 / 5:30 – 6:30 pm

MEETING NOTES¹

The purpose of this panel was to **discuss the findings of the Infrastructure Progress Report** with Civil Society Organizations (CSOs) representatives during the Annual Meetings. The Infrastructure Report was written by World Bank staff and presented to the Bank and Fund's Development Committee during the 2005 Annual Meetings. This session was hosted by the Infrastructure Vice Presidency in collaboration with various CSO representatives who requested the session. The informal discussion was co-chaired by Ms. Katherine Sierra, Vice President and Head of the Infrastructure Network and by Mr. Manish Bapna, Executive Director of the Bank Information Center. It was also attended by other members of the Infrastructure Team – Mr. Jamal Saghir, Mr. Thomas E. Walton and Mr. Laszlo Lovei – as well as some 25 representatives from civil society (see participants list attached).

Ms. Sierra began by thanking everyone for coming to the session and then asked participants to introduce themselves. She then **thanked Ms. Shannon Lawrence, International Policy Analyst of Environmental Defense**, for having taken the initiative for calling the meeting and having co-organized the meeting in coordination with the Bank's Civil Society Team. She also thanked Manish Bapna for having agreed to co-chair the session. She finally thanked Mr. Peter Bosshard of International Rivers Network for his thoughtful critique of the Progress Report, contained in the paper "Will the Terminator Reduce Poverty: A Critique of the World Bank's Progress Report on Infrastructure". She gave a brief introduction of her own background on how she started almost 27 years ago in the Bank as a Young Professional with a degree in Urban Planning, and has since worked in a variety of regions and thematic areas across the Bank, including 15 years working on transportation in Latin America. She was appointed to her current position as Infrastructure Vice-President only two month ago.

¹ These summary notes were taken and drafted by a consultant, Hui Mien Tan, and reviewed and edited by the speakers. Attribution is given only to the panelists since it was not feasible to allow audience participants to review the draft text of the questions and comments before posting this note on the web. If any of the participants have comments or suggested edits to this text we ask that they send an email to the Bank's Civil Society Team at civilsociety@worldbank.org.

Ms. Sierra said that the purpose of the session was to share a few of the findings of the Infrastructure Progress Report, that she welcomed the exchange of views, and emphasized the timeliness of the discussion. The Bank's Infrastructure Team is engaged in **scaling up the Bank's infrastructure portfolio** in response to increase demand from developing country governments who views these investments as key to promoting economic growth and meeting the poverty alleviation goals set within the Millennium Development Goals (MDGs). In this light, an important part of the process of scaling infrastructure is to listen to the views and possible concerns from civil society about how the Bank goes about of scaling up in order to avoid mistakes of the past related, in particular, to negative social and environmental impacts.

In presenting the report findings, Ms. Sierra first mentioned that it **covered a wide array of sectors** within the Bank's Infrastructure Vice Presidency: energy, water, transportation and urban development, oil, gas and mining, and telecommunications. Infrastructure activities in other more indirect sectors, such as rural development and education, are also included in the Bank's new infrastructure strategy. She gave the example of girls' education and the role roads play in that effort, and how her unit is conferring more closely with the education department to coordinate their efforts. The same is true with the health department on the health-related infrastructure. She explained that since the report was written for the Development Committee, it **did not cover a number of issues of interest of civil society** which it probably should have, such as environment, poverty, governance. For this reason, Bank staff acknowledges and agrees with the critique made in the IRN paper concerning the absence of these issues from the report. On the other hand, she explained that the report was not meant to be comprehensive but rather focus on a few key areas. This policy discussion is therefore quite timely as it will provide an opportunity to drill down to the issues and concerns of particular interest to CSOs.

She provided the background on the World Bank's Infrastructure Agenda by stating that a few years ago when the World Bank was asked to rethink its agenda, there was no consensus among Board members or even among Bank staff on whether infrastructure was key to economic growth or important to poverty reduction. The discussion has since evolved into a **discussion of how to go about scaling up infrastructure efforts**, learning from mistakes of the past, analyzing lessons learned, and adapting to the new demands and requirements presented by borrowing countries. Her team has also taken a step back to reflect on several issues, such as the role of the private sector, the importance of subsidies, and the need to focus more on upgrades and maintenance investments rather than simply financing new facilities and infrastructure works. Other emphasis include the need to ensure transparency and support anti-corruption efforts, two areas new Bank president, Mr. Wolfowitz, has demonstrated early interest in.

The Progress Report has shown that the **Infrastructure team has done a good job in terms of increasing the reach of the sector**. The infrastructure portfolio has grown by a billion dollars per year over the last 3 years in terms of new lending with good quality numbers and broad-based lending in most regions and sectors. The water and energy sectors experienced the largest growth since they were the ones which were most cut over the past decade. On the other hand, her team wants to avoid an excessive burgeoning of the portfolio since this might lead to a return of inappropriate projects and overwhelm developing country absorptive capacity. Hence the Infrastructure team's goal is to continue to grow in a steady but measured fashion of an additional billion dollars per year through the next couple of years. This would take the proportion of the infrastructure portfolio back to the level of the

1980s, or about 40% of IBRD and IDA lending combined. She hastened to emphasize, however, that this proposed higher amount is still considered a small part of the overall demand for financing needs in the various infrastructure sectors. For this reason, the Bank will attempt to use its leverage to raise additional funds for countries via the private sector and in the capital markets, as well as among bilateral agencies. The Infrastructure Team also expects to continue advising governments to carefully consider their public expenditures in order to maintain an overall economic framework which is sustainable and well-articulated.

Ms. Sierra said that since the G8 Summit in Gleneagles, the Infrastructure Team has been asked by Bank management to take a **stronger role in the climate change agenda**, particularly in the area of carbon financing. Since they have already been working in such areas as renewables, energy access, and energy security, they welcome working in this new area as well. Regional projects have also been getting more prominence, especially in Africa with regional power grids. At the sub-national level, the Bank continues to experiment supporting local governments and municipalities in the area of small-scale utilities and water systems, through the Bank's Community-Driven Development portfolio.

On the issue of new instruments and approaches, Ms. Sierra talked about how there is a conscious effort to **re-think the advice given to clients on private sector involvement** since it is now universally acknowledged that touting privatization a decade ago, as a solution to the chronic financing gaps of the sector was unrealistic. Though private sector investment has been a documented success in several sectors such as telecommunications, in other sectors such as water it has not worked as well and it would be unlikely that the Bank would continue to invest heavily in the privatization of water. For this reason, the infrastructure team has revamped the advisory services provided governments on the issue of water privatization. Rather than giving set prescriptions on what would work and what would not, there is greater attention being paid to the regulatory aspects and ways privatization would result in greater water access to poor people.

On the **issue of subsidies**, Ms. Sierra commented that the team has tried to take on a more flexible and pragmatic approach, experimenting with "output-based aid" which is a more targeted approach to subsidies provision. She acknowledged that while most Bank infrastructure projects have had subsidies built in, they were not always presented in a clear fashion and were generally designed in a traditional manner which most often than not, benefited middle rather low-income users.

Ms. Sierra concluded her remarks by sharing with participants the **instructions Mr. Wolfowitz gave her** at a recent senior management retreat. He said that the team was on the right track to scale up infrastructure, but cautioned against arrogance and complacency as people working on infrastructure have a tendency to over emphasize technical aspects and ignore social and environmental dimensions. The second point Mr. Wolfowitz raised was the need to focus on results, which is an area the infrastructure area has admittedly lagged behind compared to other sectors. She went on to say that Mr. Wolfowitz had called for an honest assessment of past projects which have not gone well, and for the team to learn from the past. She said that the team is currently engaged in constructive self-reflection and is certain that the civil society community will assist in this respect. Finally, she explained that the propensity for corruption is higher in the infrastructure sector than in other sectors due to the existence of government monopolies and large capital investment contracts. For this reason, Mr. Wolfowitz also instructed the team to work aggressively to fight corruption in their sector.

Mr. Manish Bapna, of the Bank Information Center (BIC), thanked Ms. Sierra for her introductory remarks and expressed his appreciation for the opportunity to meet with the infrastructure team in such busy circumstances as the Annual Meetings. He began by saying that everyone in the room is committed to reducing poverty in an environmentally and socially sustainable way and sees infrastructure as an important element of this strategy. However, there are some **important questions related to infrastructure such as issues of sustainability, environmental and social impacts**, and the role of local communities, which needs to be addressed. He said that this discussion is particularly relevant today as the Bank has already begun to scale up its financing in the area of infrastructure, the IFC is considering changes to its safeguard policies, and the Bank is introducing the “country systems” approach.

In addition, there have been some worrying signs coming out of the Bank such as the message conveyed by a senior Bank staff member who used the image of Arnold Schwarzenegger during a global conference on water in September 2004 to say that infrastructure was back in a big way at the Bank. He explained that this policy dialogue meeting was not being viewed by the CSOs present as a moment for advocacy, but rather one of dialogue and an opportunity to ask questions and learn more about the new vice president’s views on infrastructure. This is also a **good opportunity to set a precedent for future conversations with Ms. Sierra** and her team, and thus I look forward to a frank and constructive exchange of views. He then introduced Mr. Bosshard of International Rivers Network, who wished to make a few introductory comments about the Infrastructure Progress Report.

Mr. Bosshard began by thanking the organizers for the opportunity to exchange views with Bank staff and observed that the large turnout of participants on such short notice shows the keen interest by CSOs in the issue of infrastructure. He also reiterated that, as most everyone in the room, he considers infrastructure to be important for poverty reduction and that additional investment is therefore required for this area. He said that he would like to raise some general concerns about the Progress Report since it demonstrates that **World Bank’s approach to infrastructure is misguided in important areas**.

The **first concern** is that the infrastructure sector is dominated by powerful vested interests within government and the private sector which lends itself to corruption. It seems that the Bank **doesn’t place as much importance on corruption in practice as it does at the rhetorical level**. A recent example of this contradiction was the World Bank’s new country water assistance strategy for Pakistan. While acknowledging that there are serious government corruption problems in the Pakistani water sector, Bank investments are projected to increase tenfold in the next four years. The Bank’s senior water advisor even announced that should the government desire funding for the Kalabagh Dam in that country, the World Bank would be ready to support it. In addition, while the Bank had numerous consultation meetings with the government on the water strategy draft, no such meetings were held with civil society.

The **second concern** relates to the fact that the World Bank’s infrastructure framework **does not focus sufficiently on the needs of the poor**. Many of the poor do not live in areas with an electrical grid and the majority of the rural poor live in areas where there is no irrigation. He stressed that since the livelihood of the poor is based on agriculture and small-scale infrastructure needs, investments need to focus on this area rather than on large, capital-intensive, centrally-located projects whose benefits will not reach the poor.

The **third** concern stated by Mr. Bosshard, is that the Bank infrastructure strategy is **too focused on bricks and mortar**. He referred to the World Bank's document on water security which clearly demonstrates a preference for new infrastructure works rather than on maintenance or refurbishing. It would be much more cost efficient for the Bank to first explore "soft" or restorative and maintenance options, and only then consider investing in new "hard" and generally much more expensive options. The **fourth** concern is that the World Bank is **not effectively mainstreaming environmental standards** into its loans despite the rhetoric or good intentions. While the Bank recently co-published a new report with the World Resources Institute and other organizations on the importance of the environment, when he and his NGO colleagues meet Bank representatives at hydropower conferences, the message often given is that environmental concerns are Northern values which should not be imposed on Southern countries. The International Rivers Network, however, feels strongly that the environment is very important for the livelihoods of the poor in developing countries.

Mr. Bosshard concluded by saying that the International Rivers Network acknowledges that while there are different views and emphasis exist within the Bank, there will be a strong **tendency to return to the inconsistent and dangerous practices** of the past, which would result in negative environmental and social impacts. These concerns, if not taken into account, will not only stand in the way of achieving the MDGs but could potentially create a good deal of avoidable conflict with the civil society community.

QUESTIONS AND COMMENTS FROM THE AUDIENCE: (First Round)

1. Participant: I have been working on different water projects, including controversial ones in **Pakistan**, where an outdated Land Acquisition Act dating from the colonial days has been the main stumbling block for communities to obtain just compensation for their lands. The Asian Development Bank has been trying to promote good practices around resettlement issues within its projects, but since it has no resettlement policy many poor communities lose out. In addition, the Environment Ministry is the weakest ministry in Pakistan beset by both policy and implementation problems. I would just like to appeal to the World Bank to keep its attention and funding focused on Africa and stay away from Pakistan.

2. Participant: In the **Democratic Republic of Congo**, the **World Bank generally consults with the government but does not consult civil society** on activities that directly affects its population. This lack of consultation not only encourages corruption, but it is simply unfair and unjust when the people of DR Congo do not benefit from the vast resources that the country possesses and exports. The corruption is rampant with some 32 million dollars of the people's money disappearing into the pockets of government officials. Why has civil society, acknowledged to be important in Bank projects, not been involved in the consultations?

3. Participant: My question relates to the infrastructure plan in the post G8-process framework for a **low carbon future**, and the key issues to be addressed in that process. What will be the investment framework for infrastructure in this process, and how will the Infrastructure Team be involved.

Ms. Sierra first responded by saying that she will attempt to answer some of the questions and will bring in her colleagues with more in-depth knowledge of the sector, such as on the question on Pakistan's water strategy. She began by **addressing Mr. Bosshard's comments on corruption**. As mentioned in her opening remarks, she was personally involved in the anti-corruption agenda when former President Wolfensohn asked staff to start addressing corruption in a more proactive fashion a decade ago. The initial efforts involved installing stronger financial management systems at the country level, as well as hiring more qualified procurement staff. She explained that while it is still too soon to know whether this has been an effective approach, there is no doubt that there has been progress compared to years ago when allegations of fraud and corruption were more common in the World Bank Group. She went on to say that the infrastructure team has at least one experiment in place - the Extractive Industries Transparency Initiative – which is quite innovative and promising. Now, it is necessary to broaden this more proactive anti-corruption approach to other areas within the infrastructure sector such as transportation and water. The difficulty is determining whether sufficient safeguards have been put in place when the Bank lends into risky environments, but the infrastructure team is looking actively into this issue. She **suggested a workshop with CSOs** at some point to account for the progress on the anti-corruption strategies within the infrastructure unit.

Responding to the issue of why the Progress Report **didn't focus on decentralized infrastructure that directly reduces poverty**, Ms. Sierra said that it was simply a case of not detailing it further in the paper. She stressed that the team strongly agrees with the need for Bank-financed infrastructure projects to have direct benefits to both the rural and urban poor. She cautioned that one should not forget that over the next forty years, most of the world's poor will be living in urban areas and urban poverty is a growing problem in itself. There is a plethora of rural electrification projects being carried out by the Bank, as well as small-scale water supply works, which were not described at great length in the paper. The infrastructure team is trying to determine the right balance between these two types of interventions – small and large scale – as the latter structural-type projects are also needed in order to leverage economic growth. In this light, while there are no limits for middle-income countries to carry out the necessary balance between small and large scale project, in IDA countries (where there are scarce resources for competing needs) there is a greater need to support local level and small-scale infrastructure lending which is tied to the Poverty Reduction Strategy (PRS), and which is coordinated with other donor agencies.

On Peter's comments about bricks and mortar projects, namely the **trade off between new versus maintenance type financing**, Ms. Sierra agreed that this aspect was not addressed strong enough in the Progress Report. If one looks at the Bank's current infrastructure investment portfolio, half of it is geared to maintenance. Based on this, she has encouraged the infrastructure team to think not just about financing new facilities, but refurbishing existing facilities. On the other hand, she reminded participants that the cost of refurbishing sites and upgrading the technology can be quite substantial, and borrowing countries have not been asking for that kind of financing. She did concede, though, that the Bank has not been actively offering that type of financing and that the infrastructure team needs to start showing the substantial economic benefits to be derived from refurbishing and upgrading existing facilities. Furthermore, these kinds of projects do not face the same environmental and social challenges as new projects and would most likely be more attractive in Eastern Europe and perhaps Africa.

On the question of **mainstreaming environmental concerns**, Ms. Sierra explained that the existences of Bank environmental policies and safeguards do show that they have been mainstreamed in the Bank's infrastructure strategy. At the same time, the process of embedding environmental standards in projects from the onset has proven to be more difficult to implement. Resources have been devoted to ensure that environmental concerns are addressed up stream in high profile and environmentally sensitive projects, and it is hoped that the good practice standards achieved in flagship projects, such as Nam Theum 2, will positively influence the infrastructure portfolio as a whole, but we are still waiting for evidence on this intention. She conceded that the Progress Report did not address environmental concerns as it should have or reflect its level of importance to the infrastructure team.

In response to the question on Pakistan, Mr. Thomas Walton (World Bank) explained how the team typically approaches infrastructure projects in a country with **outdated or anachronistic land laws**. The Bank works with governments to try to reform these policies and encourages governments to actively seek the views and participation of civil society in the process. There are many countries where the Bank has supported agrarian reform efforts, and having more equitable and modern land laws is a pre-requisite. On the other hand, in some countries this approach sets up conflicts with the government which feels that the Bank is forcing the government to break its own laws.

Ms. Sierra responded to the question on the DR Congo by saying that she does not yet know the specifics of the project, but in principle, it should not be a matter of dispute whether civil society should be consulted about Bank-financed loans. However, if the project is still in the formulation stage, the consultation process may not have yet started since the government is responsible for this stage. If, on the other hand, the Bank is already engaged in the appraisal or implementation phases, she would expect civil society involvement to be actively sought by the infrastructure team. She would therefore appreciate more information on the projects in question from the questioner in order for them to provide a more informed answer in the future.

On the issue of profits, Ms. Sierra responded by saying that the team does have experience in Africa using **revenue management techniques**, such as in the Chad-Cameroon pipeline project, but acknowledged that they are still learning how to implement them and the effectiveness of that particular mechanism is still being assessed. She stressed the need for balance, transparency, and accountability in revenue flows to ensure financial sovereignty and consideration of risks involved.

Mr. Jamal Saghir responded to the questions on water projects by explaining that the **team's work on water supply and sanitation** has already begun moving lending from large cities to small towns, and acknowledged that more still needs to be done in the future. This shift in the water portfolio is still a "work in progress" which requires rigorous analytical work to be carried out in order to provide greater clarity on the needed changes. A concept note on water and growth, which is being prepared for the Water Forum in Mexico in 2006 will try to frame the issue of efficiency not only as being part of the solution, but as part of the right policy mix needed to achieve the proper balance.

Ms. Sierra responded to the question on how the Infrastructure Team will respond to the post G8 plans for **reducing carbon emissions**, by saying that the team is working very closely with the Environmental and Socially Sustainable Development (ESSD) network team on how to implement these recommendations. She went on to say that most of the actual response would come from the energy sector and sectors such as urban transportation. The first part of their response has been to take

stock of the World Bank programs in countries that are significant contributors to carbon dioxide emissions, as well as examining the Bank's accumulated experience with the issues of renewables, energy access, and security. Secondly, the team is assessing the financing needs of guarantees used normally for private sector investment in the energy sector, and attempting to determine what kinds of concessional financing would be needed to buy down the difference in prices.

The third area the Infrastructure Team is analyzing, jointly with the Bank's environmental department, is that of **environmental adaptation**. They are attempting to adapt current modeling needs and engineering standards for readiness in environmental disasters. She went on to explain that the fourth area would be that of technology assessment, by assessing the current status of renewable technology such as low carbon coal, for which there has been external interest in financing. The Team has been working with the International Energy Association to analyze different scenarios for achieving lower carbon paths and to figure out the costs associated with each of these. She stressed that the most important part of the process would be to have an honest discussion on what the process would cost. She foresees a long and difficult road but said that President Wolfowitz has asked the team to be proactive about implementing the G8 recommendations and the team is committed to do so.

QUESTIONS AND COMMENTS FROM THE AUDIENCE: (Second Round)

1. Participant: In the session yesterday on **climate change** we heard, for the first time, the suggestion that there might be a "quid pro quo" between governments that agree to get on board the climate change agenda and a relaxation of environmental and social safeguards. Will you reassure me that that is not true?

Ms. Sierra responded that she has not heard that suggestion and asked the rest of the team who responded in the negative as well. She has heard suggestions of attempts to finalize the G8 proposal by ensuring that grant **financing for environmental adaptation efforts** be made available to developing countries interested in climate change. The primary interest here, though, is to get energy for growth and poverty alleviation, costing out energy security, and finding ways to make countries more climate-resilient. She said that the team does not have a finalized analysis with all these considerations yet, but is working on it.

Mr. Saghir further clarified that the water background paper is still in the initial brainstorming stage, but that the Water Team will be finalizing it in the next few months.

QUESTIONS AND COMMENTS FROM THE AUDIENCE: (Third Round)

1. Participant: It was interesting to read in the Report that the **quality of water sector projects** was considered to be consistently high, yet when I take a look at water projects in Africa, I see a high rate of failure instead. With regard to water sector reform in the Report, I understand that there are often conditions or triggers related to promoting water sector reforms, but that these are generally not publicly available for review. In this regard, I would like to know whether the Bank respects local legislation in the water area. I would also like to hear about the risk mitigation solutions Ms. Sierra talked about, specifically on the water sector and perhaps energy as well, such as who pays and who

benefits from these services. It was interesting to hear you use the word affordability when most of the time it is about the ability to pay. I understand that it is expensive to deliver energy and water, but I would like to know what the Bank expects people to pay, particularly those which live on less than a dollar a day. The private sector and aid agencies have only proven to be good at delivering services to the middle and upper classes thus the World Bank should stop considering privatization is a solution.

2. Participant: I appreciate your comments on corruption and understand there is a lot more work to be done but I was wondering about what steps can already be taken to **disclose more documents related to infrastructure projects**. I have been doing a lot of research on the Chad-Cameroon pipeline project, particularly the sequencing of interventions related to social investment and building the capacity of local governments to undertake infrastructure projects, and in improving the governance situation of the country. Clearly the experience there showed that governance and capacity building had to happen prior and not lag behind investments, yet the Progress Report gives the impression that these investments should be carried out simultaneously. We feel that this lack of attention to the sequencing issue is a serious methodological problem.

3. Participant: Coming back to the **G8 issue of climate change**, I understood you saying that the team is carrying out some kind of technical assessment. At a press conference in New Delhi, Mr. Wolfowitz seemed to confuse members of the press when he responded to a question about nuclear energy by saying that in light of the climate change agenda, nuclear power might be an option worth considering. I understand that the World Bank's technical papers make it very clear that nuclear energy is not economic nor viable, thus I would like to ask if the Bank is considering changing its position on nuclear energy.

Mr. Bosshard, following up Ms. Sierra's comment on corruption as a procurement issue, commented that **corruption has also to be taken as a planning issue**. Anti-corruption measures thus need to be factored into the planning process of infrastructure programs and projects, for example through a balanced and transparent assessment of all options.

Mr. Saghir first responded to the **question on reform and privatization options** related to water projects, by stressing that it is carried out on a case by case basis with no fixed blueprint for client countries. He gave the example of Tunisia where public utilities are running very well and the Bank may even be prepared to give a further loan if they seek external support in order to expand their water grid. Thus it is hard to prescribe blanket solutions. In cases of water utilities where public boards are corrupt or inefficient, there is often a need to corporatize them in order to bring in an effective board with competent individuals who can effectively tackle the corruption issue. In these cases, he noted, the water assets remain in public hands. He stressed that ensuring effective governance at public utilities is part of the larger corruption agenda. But even commercialization would depend on a case by case basis, with no checklist for the water team to determine when to do what specifically.

Our goal is to **increase water sector lending in Africa** through the use of a flexible governance approach across the spectrum of public, private, and public-private approaches. Yet if one looks at the demand emanating from the public sector, there is little demand for reforming the water sector and it is often difficult to assess their effectiveness. He explained that the water sector is actually one of the least regulated and less benchmarked ones, in comparison to the other public sectors. For this reason, there has been interest in benchmarking these utilities in order to be able to compare and assess them

all via more objective criteria. In short, the guidance Bank management is giving staff at the country level is to approach the water governance / service delivery issue based on a very practical, case-by-case, country-by-country basis in order to determine which is the most sensible approach from a economic return, universal coverage, and operational efficiency perspective. He mentioned the Guidance Note referenced on the Bank's water website about the role of the private and public sectors, and said that he would be happy to give a copy to anyone interested.

On the **issue of risk mitigation**, Mr. Saghir wondered whether the question was on why the team started engaging in risk mitigation solutions. He responded by explaining that the water sector has a relatively low cost recovery and financing rates of return, with average rates hovering around 5%. This makes this sector a largely unattractive sector for investors, as well as one which is beset by high risks. Thus the World Bank needs risk mitigation instruments for the maturity of loans to be extended and to make them more viable for private sector investors. On the other hand, the team has not yet done any risk guarantees for the water sector as it has been difficult to get clients interested in investing in this area.

On the point of cost recovery, Mr. Saghir responded that while there is the need to cover operations, the **World Bank does not expect full cost recovery** for its water investments right away, but perhaps over a period of 4-5 years. In terms of protecting the poor, with the lack of sufficient financing it is important to ensure that the poor are not subsidizing the middle and upper classes through a regressive tariff structure. This happens, for instance, when the wealthy home owner with a pool pays the same rate as the shanty town dweller. He acknowledged, though, that much more needs to be done in terms of structuring tariffs as an integral part of the policy dialogue. He gave the example of Jordan, where as part of the reform, the price of the first block of usage of water is lowered, while in South Africa water and electricity are provided free of charge to the very poor through cross subsidies. He said that the Bank generally prefers to subsidize service provision for very poor users to ensure that they will receive the services. He mentioned the example of Tunisia where the disparities in wealth and affordability have led to deep subsidies for low-income residents, but they still receive the water bill so they both understand and value the subsidy being received from the government.

In response to the question about the quality of the portfolio, Mr. Saghir said that the team used to have 30% of **projects at high risk of failure** just five years ago due largely to unrealistic expectations and lack of government implementation capacity. Another common factor which contributed to the high level of unsuccessful projects was the fact that they were too complex and had too many components and objectives, thus rendering them difficult to implement.

Mr. Lovej added that the **portfolio satisfactory ratings** for water and sanitation projects outcomes was only 52% in the second half of the 1990s, which was quite low and not acceptable to the Bank. More recently, during fiscal years 2000-2004, the numbers the satisfactory ratings have climbed to 76%. He explained that if one analyzes the leading risk indicators for failure of water projects in the current portfolio, the signals would show that the current numbers should come up even higher as current projects terminate.

Ms. Sierra emphasized that, despite this improving trend, there is no room for complacency especially due to the Bank's **mixed track record in water and energy projects**. In those cases where the World Bank has funded unsuccessful projects, the World Bank's responsibility is to learn from its mistakes,

incorporate the relevant lessons into new operations and ensure that the portfolio outcomes ratings keep climbing. On Mr. Bosshard's comment on seeing corruption not just as a narrow procurement issue, she fully agreed with him. Anti-corruption measures should be taken into consideration from the very beginning of project preparation and all the way through project implementation, including the procurement stage, in order to ensure transparency, accountability, and effective monitoring.

Ms. Sierra acknowledged that the issue of **disclosure on Public-Private Partnerships (PPPs)** is rather controversial and asked if any of her team members had any comment on that.

Mr. Lovei responded by noting that a publicly accessible database of Infrastructure Concessions and Licenses had been under development for quite a while in the Bank, and indeed it was not easy to secure the agreements of governments and private investors to the disclosure. **Regarding the issue of corruption, as Ms. Sierra emphasized, there is a need to look at the whole project cycle.** Even this may not be sufficient, since a fully "ring-fenced" Bank project may still leave corruption flourish in the rest of the sector. Therefore, what also now needs to be done is to assess institutional arrangements and proposed reforms in order to reduce corruption at a sector-wide scale. For instance, in the case of the Pakistani power sector, the World Bank is now looking at what aspects of the Government's approach to IPPs (Independent Power Producers) made the adopted reform model particularly vulnerable to corruption. Learning from this, perhaps we could try to identify reform models and approaches that not only promote efficiency, but also take into account corruption risks, so we would be able to help clients institute anti-corruption measures at a sector-wide scale. He acknowledged that while there is still work to be done at the project level, the next phase of the anti-corruption agenda calls it to be mainstreamed at the sectoral level.

Ms. Sierra addressed the comment on the **sequencing of interventions in the Chad-Cameroon oil pipeline project** by saying that hopefully the project team had figured out how to carry out sufficient ring-fencing to protect the project while the project was developed, and is now in the process of being implemented. The problem, of course, is that in the urgency of securing financing and getting work on the ground started, it is sometimes hard to determine the best operating model. Nonetheless, while some civil society organizations might be skeptical, her team is hopeful that the innovative resources transparency and revenue approach being introduced in that project will work as expected, although they will need to keep a close watch on the project.

On the question of **nuclear energy**, Ms. Sierra emphasized that the Bank has not changed its policy on this matter. While she acknowledged that the Bank has received many questions on the role of nuclear power in conversations with the banking community and technology companies as part of the climate change agenda, there has been no change in policy or even plans to change it. She also clarified that no requests for clarification on the Bank's nuclear policy has come from the Bank's board.

QUESTIONS AND COMMENTS FROM THE AUDIENCE (Final Round)

1. Participant: Can we have **specific follow-up questions** after the meeting on different issues addressed in the Progress Report?

Ms. Sierra responded in the affirmative and said that she would be happy to **forward specific questions** to the right contact person with the specific sector knowledge and promised to respond and clarify further via email if necessary.

2. Participant: Asked about the **disclosure dates of the Recent Economic Developments in Infrastructure** (REDIs) that were mentioned and also would like to ask Mr. Saghir about the 17 dam projects purportedly in the pipeline as had been mentioned by Bank staff at World Water Week in Stockholm. The person requested the Bank to share with the list of these projects to the CSOs present.

Mr. Saghir responded that he would talk to the water resources team in the Bank, responsible for the dam's portfolio, to send the CSOs the **draft list of proposed hydroelectric projects** as a follow-up to the meeting.

Ms. Sierra responded to the question on **disclosure policy** by saying that some of the REDIs have already been published and released in the public domain, such as the reports done on East Asia and Latin America. There is not set timetable for disclosure as these studies don't typically require the Board's approval and are not considered sensitive or controversial within the Bank. In this regard, she would be happy to help locate and share any outstanding REDIs or locating particular documents that civil society representatives are interested in.

Mr. Bapna added that it would be helpful to get a **list of REDIs** from the Infrastructure team as well as the dam projects in the pipeline.

3. Participant: It would be great if you could provide some clarification on the **nature of the Africa Infrastructure Consortium** in terms of the core stakeholders and sources of funding, as well as on the specifics on disclosure of Power Purchase Agreements (PPAs). Would the same definition of infrastructure as laid out in World Bank parlance be applied to the Consortium?

Ms. Sierra responded to the question on the **Africa Infrastructure Consortium** by saying that it is still in the formative stage but would not be a fund or institution per se, but simply a framework and process to facilitate greater inter-institutional collaboration. She expected the Consortium, which is expected to be launched on October 6 in London, to be led by African countries. Specifically, the consortium has several objectives geared to assisting countries in the process of scaling up infrastructure works. These include assisting governments and donor agencies exchange information; explore operational synergies; promote greater inter-institutional collaboration; and achieve economies of scale.

Mr. Bapna **closed the session** by thanking Ms. Sierra and her team for having participated and noted both the constructive tone and technical substance of the meeting, as it can set a good standard for future policy dialogues. Ms. Sierra, in turn, thanked Mr. Bapna for co-chairing the session and the civil society representatives for having participated. She also expressed her willingness to attend future similar sessions.