



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



DC2010-0003
April 20, 2010

**NEW WORLD, NEW WORLD BANK GROUP:
(I) POST-CRISIS DIRECTIONS**

Attached for the April 25, 2010, Development Committee Meeting is a background document entitled "New World, New World Bank Group: (I) Post-Crisis Directions," prepared by the staff of the World Bank.

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April 2010

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Abbreviations

AAA	Analytic and Advisory Activities
AADAPT	Agricultural Adaptation Program
ADB	Asian Development Bank
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
AMCs	Advanced Market Commitments
BNPP	Bank-Netherlands Partnership Program
BP	Bank Procedure
CAS	Country Assistance Strategy
CAT	Catastrophe
CCF	Central Contingency Fund
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CCT	Conditional Cash Transfer
CFAA	Country Financial Accountability Assessment
CGIAR	Consultative Group on International Agricultural Research
CIF	Climate Investment Fund
CoST	Construction Sector Transparency
CPAR	Country Procurement Assessment Report
CPF	Carbon Partnership Facility
CPS	Country Partnership Strategy
DDO	Deferred Drawdown Option
DfID	Department for International Development
DPL	Development Policy Loan
DPO	Development Policy Operation
DSF	Debt Sustainability Framework
DTC	Developing and Transition Countries
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EU	European Union
FCPF	Forest Carbon Partnership Facility
FPCR	Food Price Crisis Response
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FY	Fiscal Year
G20	Group of Twenty
GAC	Governance and Anti-Corruption
GAIN	Global Alliance for Improved Nutrition
GAP	Gender Action Plan
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEP	Global Economic Prospects
GFDRR	Global Facility for Disaster Reduction and Recovery
GFRP	Global Food Crisis Response Program
GPG	Global Public Good
GTLP	Global Trade Liquidity Program
HIV	Human Immunodeficiency Virus
HR	Human Resource
HSS	Health System Strengthening
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICF	Infrastructure Crisis Facility

ICT	Information and Communication Technology
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFFIm	International Finance Facility for Immunization
IFI	International Financial Institution
IJS	Internal Justice System
IL	Investment Lending
IMF	International Monetary Fund
IMT	Information Management Technology
INFRA	Infrastructure Recovery and Assets Platform
ISN	Interim Strategy Note
IT	Information Technology
JMAP	Joint Management Action Plan
LIC	Low-Income Country
LTIP	Long-Term Income Portfolio
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MEF	Microfinance Enhancement Facility
MIC	Middle-Income Country
MIGA	Multilateral Investment Guarantee Agency
MDTF	Multi-Donor Trust Fund
NCJ	Non-Cooperative Jurisdiction
NGO	Non-Governmental Organization
OKSP	Operations and Knowledge System Program
OP	Operational Policy
PCG	Partial Credit Guarantee
PEFA	Public Financial Management Performance Measurement
PER	Public Expenditure Review
PPP	Public-Private Partnership
PRG	Partial Risk Guarantee
PRSP	Poverty Reduction Strategy Paper
QAG	Quality Assurance Group
RDB	Regional Development Bank
REDD	Reduce Emissions for Deforestation and Forest Degradation
ROSC	Report on the Observance of Standards and Codes
RSR	Rapid Social Response
SARS	Sudden Acute Respiratory Syndrome
SFDCC	Strategic Framework on Development and Climate Change
SIEF	Spanish Trust Fund for Impact Evaluation
SME	Small and Medium Enterprise
SREP	Scaling-up Renewable Energy Program for Low-Income Countries
StAR	Stolen Asset Recovery Initiative
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UNODC	United Nations Office on Drugs and Crime
WBG	World Bank Group
WHO	World Health Organization

NEW WORLD, NEW WORLD BANK GROUP

(I) Post-Crisis Directions

The vision of the World Bank Group is to overcome poverty – by supporting an inclusive and sustainable globalization, enhancing growth with care for the environment, and creating individual opportunity and hope.

I. Introduction

1. As the second decade of the 21st century begins, we face a transformed global landscape. Only a few years ago, the global economy was riding a wave of robust and widespread expansion with encouraging progress in the fight against poverty. Events of the last two years have changed this outlook with progress stalled or reversed and millions pushed back into extreme poverty.

2. The most acute phase of the global crisis is now behind us. But lessons learned from the crisis should not be forgotten. And at a time when challenges have become increasingly global, the world is taking on a new economic power configuration. This will require robust multilateral institutions that can legitimately convene all powers, old and new, to reach effective solutions to solve global development challenges.

3. As a premier development institution with global membership, the World Bank Group (WBG) plays a key role in building a new multilateralism by deploying its strengths and comparative advantages. To step up to the challenge, the WBG is (1) establishing priority areas of strategic engagement; (2) reforming its business model; and (3) improving its governance, transparency, and voice and participation.

4. This paper describes the strategic directions that will guide the WBG in meeting the global challenges over the next decade and beyond. It outlines the salient features of the changing landscape and their implications for multilateral development institutions, describes the WBG's comparative advantage, discusses how the group contributes to the establishment of modernized multilateralism and identifies priority areas that will shape WBG's focus in the coming years. It concludes by outlining key elements of the WBG's plan for reforming itself to more effectively carry out its development role in the post-crisis world.

II. New World

5. Over the last half century, global GDP increased more than six fold, alongside deep structural changes. Sustained periods of rapid growth in developing countries—especially dynamic emerging market economies—means that the economic center of gravity is shifting in the direction of developing countries. This new configuration of economic power implies a need to better integrate rising powers from the developing and transition world into the multilateral system which will have profound implications for how the world comes up with solutions to address unprecedented global challenges.

6. In parallel, the global development architecture has become broader and more complex. In addition to the WBG, IMF, regional development banks (RDBs), United Nations (UN) agencies, and traditional bilateral aid providers, the global development architecture now contains over 150 other multilateral agencies and private foundations, a private sector that plays an increasingly important role in development, and rapidly expanding South-South exchanges of financial resources, development experience and trade and investment opportunities.

7. While this expanding roster of participants has brought additional resources, and new ideas, expertise, and approaches to address global development challenges, it has also brought risks of aid fragmentation, loss of efficiency, and mismatch with country priorities. These problems are most acute in fragile and conflict-affected countries where fragmentation and international agendas can overwhelm government capacity to set priorities and coordinate international assistance, underscoring the need for harmonization and alignment of aid programs.

8. Amid these changes, development challenges remain complex and daunting. Challenges such as poverty reduction and meeting the Millennium Development Goals (MDGs) have taken on increasing urgency and new dimensions. At the same time, new challenges have emerged: the need to foster multi-polar growth; respond to complex global interactions; and anticipate risks, potential new shocks and unpredictable crises.

- ***Redoubling efforts to meet the MDGs:*** With only five years remaining before the deadline to reach the MDGs, there is an urgent need to intensify efforts to achieve these targets, with special attention to increasing investment in girls and women and identifying innovative and targeted approaches, particularly in Sub-Saharan Africa, where 38 percent of the population, or 366 million people, will be living on less than \$1.25 per day by 2015.
- ***Fostering multi-polar growth and integrating rising economic powers:*** The stronger relative growth of developing countries over the last decade has led to a growing share in global economic activity with some economies emerging as dynamic and competitive growth poles. These countries, if well-supported, can help expand global demand further by creating new markets and investment opportunities, with benefits for both developing and developed countries. Supporting multi-polar growth requires large investments in physical and human capital going well beyond the traditional focus on poverty reduction and the MDGs. For example, larger investment needs are materializing for middle-income countries (MICs) in transportation and communication, while the need to innovate and improve competitiveness is raising demand for secondary and tertiary education.
- ***Responding effectively to complex global interactions:*** As globalization deepens linkages among countries and across regions, and global interactions become more complex, the global public goods (GPG) arena presents unprecedented challenges, one of the most notable of which is climate change. As the world struggles to cope with the myriad effects of climate change, recent events in Copenhagen illustrate the difficulty in identifying a basis for a durable, equitable, and effective global agreement. In addition to environment, there is a need to strengthen the global trading system while minimizing protectionism, strengthen the international financial architecture, respond to agriculture and food security needs, and find and implement win-win solutions to address water scarcity and security. Special attention should be given to promoting stability in fragile and post-conflict environments, which create

risks that can cross borders through civil conflict, illegal trade in narcotics, human trafficking, terrorism, and humanitarian crises.

- **Promoting environmentally and socially sustainable development:** Beyond climate change, there is a broader sustainability agenda that must be addressed. The shifting economic center of gravity makes more prominent issues such as social exclusion and gender inequality and complex growing economies require institutions and policies to help address these issues. Protecting against irreversible environmental damage such as biodiversity loss, fisheries collapse, and water pollution is critical. Demand for energy in developing countries is expected to increase dramatically in coming decades, with 1.6 billion people currently lacking access to electricity. Meeting their needs in an environmentally-sustainable manner is an urgent yet difficult challenge, requiring innovative policies and instruments.
- **Managing risks and anticipating potential shocks and new crises:** With increasing global integration, the speed at which problems can be transmitted from one country to another is also increasing. Periodic crises, aggravated by inadequate strategies and weak institutional capacity, have slowed down the development of many countries. One overriding lesson from previous crises—and driven home again in the current environment—is the importance of laying the groundwork for a crisis response before it is needed.

9. In addition to these challenges, the world is dealing with the immediate aftermath of the crisis. Despite recent signs that a global recovery is underway, many analysts anticipate that the recovery will be slow, weak, and bumpy; significant spare capacity and high unemployment will likely characterize both advanced and developing countries for some time. During the recovery, developing countries—particularly low-income countries (LICs)—will continue to suffer disproportionately the consequences of a weak external environment, and they remain especially vulnerable to the downside risks that characterize the recovery (Box 1).

Box 1: Risks to the Global Recovery

- **Uneven recovery:** Strong growth will resume in some countries while others keep sliding. Even by 2011, demand is projected about 5 percent below the global economy's productive potential, nearly twice the output gap witnessed during the 1982-83 recession.
- **Sovereign indebtedness:** Major fiscal stimulus in advanced economies has resulted in an enormous expansion of current and future sovereign borrowing, with debt-to-GDP ratios projected to rise by an average 40 percent of GDP by 2014. Along with a general repricing of sovereign debt risk for all borrowers, the access and cost of credit for emerging market borrowers may also be affected.
- **Asset price bubbles:** Huge monetary stimulus—both conventional and non-conventional—has raised the possibility that some bubbles that recently burst could reflate, or new ones emerge, accompanied by inflationary pressures. Loose monetary policy in high-income countries may already be creating carry trade opportunities that are producing an unsustainable resurgence of capital flows to developing countries.
- **Corporate/financial institution failures:** Recent events such as in Dubai and continuing pressure on bank balance sheets suggest the possibility that further crises could occur, jeopardizing the consolidation and restoration of confidence that has been achieved.
- **Risk of premature withdrawal of stimulus:** Rising concern over fiscal costs and debt sustainability could intensify pressures to curtail fiscal stimulus, leading to early or uncoordinated unwinding of support. Timing the tightening of fiscal policy to avoid choking off the recovery is a major challenge.
- **Extended joblessness:** A continuing “jobless” global recovery will lead to more credit losses and generate political pressure for protectionism.

10. Beyond the risks associated with the global recovery, the recent 2010 *Global Economic Prospects* (GEP) predicts that fallout from the crisis will change the landscape for finance and growth over the next decade. Developing countries are likely to face reduced access to global capital flows for a protracted period. In particular, syndicated cross-border bond and bank lending, as well as portfolio equity flows, are likely to be constrained in the new global financial environment. Foreign bank participation in developing country financial systems may also be limited by the need for parent banks in advanced countries to build up capital in a more restrictive regulatory environment, as well as through “financial protectionism” that places pressure on banks to concentrate on home markets. LICs may suffer the most from this shrinkage, as their already small share of total private capital flows (2.6 percent in 2007) dwindles to almost nothing in 2010 and is not expected to bounce back anytime soon.

11. In the aftermath of the largest global economic crisis since the Great Depression, it is not surprising that there is considerable attention to extracting lessons from recent events, both in terms of what went wrong as well as what should be done differently in the future. While it will undoubtedly take several years, perhaps longer, for researchers and policy analysts to sift through events, rethinking is already underway in a range of critical areas (Box 2).

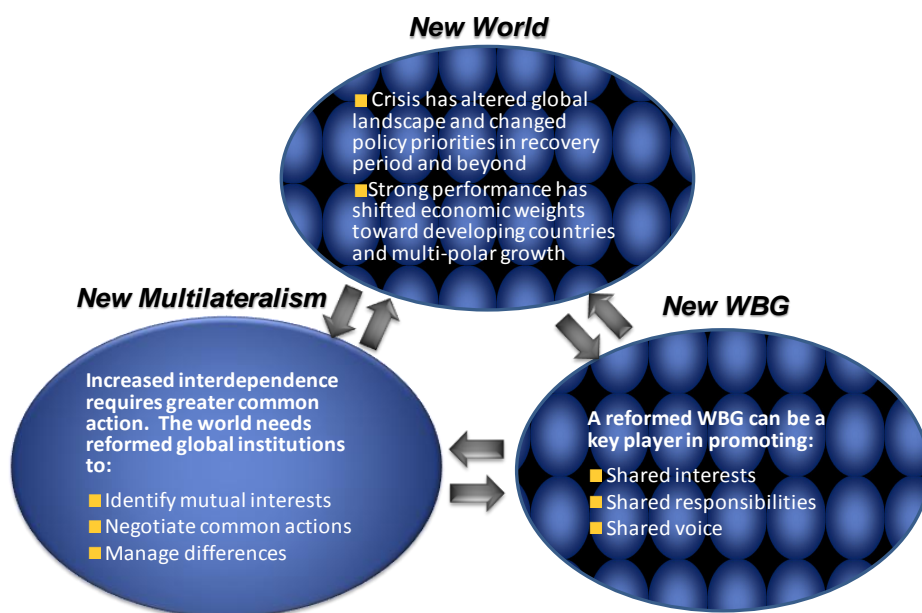
Box 2: Rethinking Development after the Global Crisis

There are a number of areas in which existing institutions and policy frameworks are being revisited:

- **Financial failures:** As is now widely recognized, regulatory and supervisory failures lay at the heart of the crisis, creating both the spark leading to the blaze and contributing to the inadequate capacity to extinguish the fire in its early stages. The crisis has underscored the importance of broader reforms to improve financial system stability and soundness. As part of the global response led by the Group of Twenty (G20), extensive work is underway to deal with these weaknesses, including formulation of a broader, more representative Financial Stability Board (FSB) to deal with supervisory concerns and improve global financial and macro coordination, relying in part on an expanded IMF role.
- **Importance of social safety nets:** Experience in all countries during the crisis confirmed the critical role that social safety nets such as Conditional Cash Transfers (CCTs) and school grants can play to cushion the impact on the vulnerable, to sustain or promote demand for education, and to stem increases in inequality. Countries with well-functioning safety nets were able to respond quickly and more effectively, rather than through sub-optimal policies (e.g. price subsidies) which can leave a legacy of fiscal burden, economic distortion, lower growth and greater poverty. Moving ahead, design and implementation of such programs, taking into account local administrative capacity, will take on even greater importance.
- **Changing development thinking:** A rethinking of development paradigms is occurring, with the crisis likely accelerating the shift toward more pragmatic approaches to policy frameworks, which give primacy to a competitive private sector and a dynamic export sector as drivers of growth, employment and productivity.
- **Reassessing the role of government:** After years of debate over ‘big’ versus ‘small’ government, what the global crisis drives home is the importance of *effective* government regardless of size. There is growing recognition of the critical role that committed, credible, and capable governments can play by providing a supportive environment through sound governance, infrastructure and institutions.

There is also a need to reconsider how best to approach a broad range of other policy issues—from public-private partnerships (PPP), to the viability of various exchange rate regimes, to the appropriate degree of capital account openness in a world of highly volatile capital flows.

Figure 1: New World, New Multilateralism, New World Bank Group



III. New Multilateralism, New World Bank Group

12. The previous section provided a view of how dramatically the development landscape has changed. As it evolves, so must institutions. The world needs strong global, multilateral institutions that can convene, leverage, and solve problems.

- The number and scale of challenges calls for multilateral institutions with a global reach, responsive to country needs and requests, flexible to circumstances and changing environments, and effective in combining and deploying assets.
- Confronting global financial and economic crises requires globally-coordinated action, and responding to disasters and conflict situations requires globally-deployable emergency response capacity.
- Dealing with GPGs—especially in critical areas such as climate change, health and trade—requires global presence, experience, and coordination.
- Reinvigorating efforts to address poverty and achieve the MDGs depends more than ever on integrated and effective global action, with an emphasis on aid effectiveness built on strong donor coordination with the client country at the center.

13. Building on its comparative advantages, the WBG has an important role to play in fostering a new multilateralism. A reformed WBG can be a key player in promoting shared interests, responsibilities, and voice.

World Bank Group Comparative Advantages

14. The value of the WBG as a cooperative rests on its global membership and engagement in all developing regions, its endowment of capital and reserves and its ability to leverage

financial resources from around the globe, its knowledge and expertise gained globally and customized locally, and its wide range of products and services. These features enable the WBG to raise funds competitively, diversify risk, and combine many services to address development challenges.

15. Among international financial institutions, the WBG's comparative advantage lies in five broad areas:

- **Presence:** a global, local and cross-sectoral presence with the competence to work with public and private sectors, and with MICs and LICs, in partnership with developed countries;
- **Knowledge:** a continually expanding and upgraded repository of best practices in development combining global implementation experience, research, and learning, as well as the ability to mobilize and connect global knowledge and customize it to local conditions;
- **Finance:** world-class risk management and banking competencies and the capability to leverage a strong balance sheet;
- **GPGs:** a leadership role in the growing global public goods agenda; and
- **Convening power:** catalytic and convening powers in international arenas, which set it apart from regional organizations.

16. Considered individually, these strengths may not be unique, but together, they make for a truly unique WBG. Combining these assets creatively has enabled the WBG to:

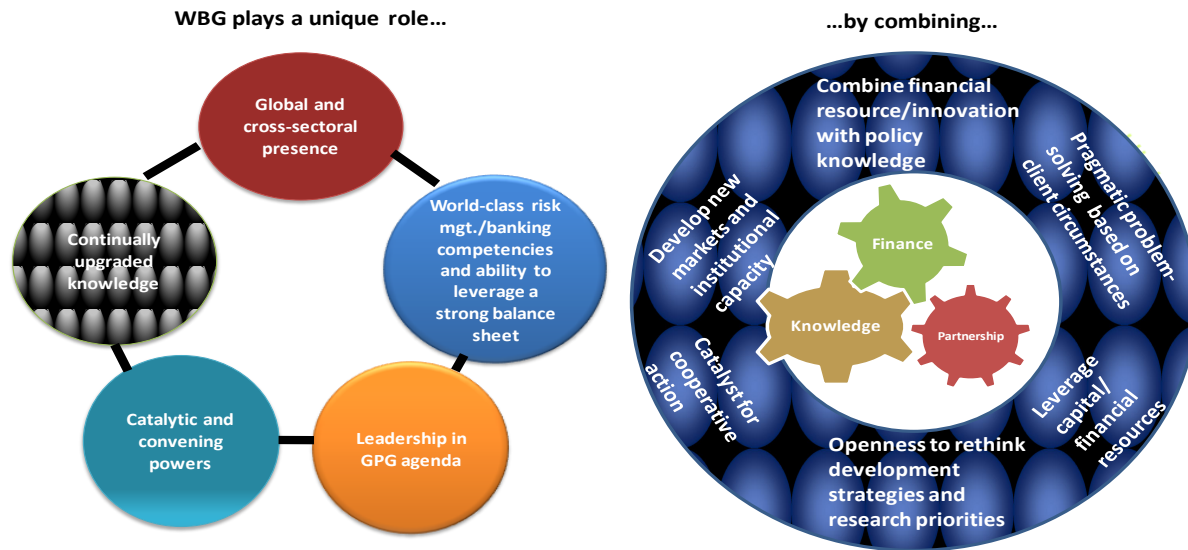
- Foster best practice in building effective institutions, including by promoting good governance and anti-corruption, transparency, results and monitoring
- Provide global leadership in research, analysis and data collection
- Establish global and local platforms for donor coordination and pooling financial resources, to reduce the administrative burden on clients
- Foster regional integration within a global framework while avoiding the creation of regional blocs, and catalyzing South-South interaction
- Address GPGs, deploy global crisis response, and integrate emerging economies
- Offer a global partnership platform, leveraging a global private sector
- Use its country strategy framework to integrate global action into country programs

Complementarity among International Financial Institutions (IFIs)

17. At the September 2009 G20 Summit in Pittsburgh, leaders called for “greater coordination and a clearer division of labor” between the World Bank and the RDBs and stated that “MDBs should take into account their respective comparative advantages, while at the same time improving their coordination for more efficiency and minimizing overlap with both IFIs—including the IMF—and private financial institutions.”

18. The underlying premise is simple: given the growing needs of our clients, it is essential to work effectively with others to leverage individual strengths and resources to achieve maximum impact, while providing our clients with distinct perspectives and expertise.

Figure 2: WBG Comparative Advantages



Complementarity with the IMF: Sustaining Development Engagement

19. The IMF and the WBG have distinct mandates—and the means to carry them out—with the Fund helping countries deal with external and macroeconomic instability and the WBG assisting with longer-term development and sectoral reform. The IMF’s financing is more crisis-driven and episodic, while the WBG maintains a more sustained lending engagement. Financing to developing countries from the two institutions is mutually complementary in several ways:

- The design and implementation of structural (rather than macroeconomic) reforms required to address protracted external imbalances often require sustained engagement and policy expertise from a development institution like the World Bank.
- Led by IFC’s innovation and investment, the WBG plays a critical role in more directly stimulating private sector-led growth.
- WBG financing has longer maturities than that of the IMF and provides critical funding for countries with significant development needs but limited, volatile and costly access to private capital markets, and for which repeat Fund programs are neither desirable nor available.
- WBG lending to LICs is considerably more concessional than that of the IMF, even with the interest holiday introduced by the Fund (and set to expire at end 2011).

20. Despite distinct mandates and approaches, the two institutions share aspects of their mandates. Both institutions frequently provide *de facto* budget and balance of payments support simultaneously to a particular country since fiscal and external financing needs often overlap. Where overlaps arise in dealing with common client countries, the two institutions tend to focus on different aspects of the same broad issues by deploying their respective strengths—for example, the Fund focuses on the overall fiscal policy stance, while the Bank addresses issues related to the composition and effectiveness of spending. The joint IMF-World Bank Financial Sector Assessment Program (FSAP) provides another example of how these institutions draw on their respective comparative advantages to deliver effective solutions to clients. In addition,

periodic initiatives have been undertaken to define more operationally-relevant boundaries between the Bank and the Fund (most recently with the Joint Management Action Plan (JMAP) prepared in response to the 2007 Malan Report).

Complementarity with the Other MDBs: Bringing the World to the Regions

21. Formal MDB mandates tend to be similar, with poverty reduction among the most obvious common objective. Differences are relatively nuanced, with the most pronounced being an explicit RDB mandate to promote regional interests, including regional economic integration (although in reality the WBG pursues an ambitious regional and sub-regional agenda as well) and the global characteristics of the WBG, including with respect to its knowledge exchange platform as well as its range of activities and clients (IBRD/IDA/IFC/MIGA).

22. Where the WBG is unique is in “bringing the world to the regions”—providing the means to disseminate innovation and knowledge across regions. Building on its global reach and experience, the WBG has taken a leading role in the knowledge arena, and frequently serves as convener as well as standard-setter in areas such as sanctions, safeguards, transparency, research, and procurement. The WBG also serves an important role where there is no RDB (such as in parts of the Middle East) and where RDBs have a limited mandate (such as in Eastern Europe where EBRD’s focus is on the private sector) or less developed capabilities (such as analytic capacity or the ability to reach the poorest or the private sector). Compared to the RDBs, the WBG’s global character also gives it valuable advantages through a more diverse client base and portfolio. IBRD’s greater ability to diversify risk creates more flexibility to operate at a lower equity-to-loan ratio and leverage its capital more effectively than RDBs while still adhering to prudent financial policies.

Box 3: Complementarity with the UN: Supporting Integrated Strategies for Peacebuilding and Statebuilding

Preventing the outbreak of violence and helping countries build effective states, particularly in the aftermath of conflict, requires strategies that integrate development, diplomacy and security assistance. The UN has complementary expertise in security and the political aspects of governance (such as security and electoral reform) that are critical to the successful implementation of the Bank’s development mandate in settings of fragility and conflict. The WBG has strengthened cooperation with the UN at both the country level and at headquarters. The Partnership Agreement signed by the UN Secretary General and World Bank President in October 2008, and subsidiary agreements, including the Fiduciary Principles Accord, provide a framework for cooperation and division of labor as well as ensuring the smooth utilization of funds provided to UN agencies through Bank-administered trust funds.

23. There are few formal principles to guide the division of labor in the provision of financing among the MDBs although the WBG’s global reach gives it an unparalleled ability to leverage resources from across the globe. WBG lending is focused both on hard infrastructure and institutional and regulatory reform, and is often designed in cooperation with RDBs. At the operational level, a division of labor has emerged in many areas, defined by complementarity rather than duplication. For example, trade is one area where MDBs have overlapping mandates. A division of labor has evolved between the WBG and the RDBs with the WBG focusing on globally-informed trade-related technical assistance and knowledge products to guide country policy dialogue, as well as on diagnostic tools and data to support policy making. The WBG also provides analysis and advocacy to support cooperative solutions to global issues and specialized expertise in areas such as trade facilitation, logistics and border management.

24. The production of data is another example of the division of labor among MDBs having evolved in line with acknowledged institutional expertise, with the WBG establishing itself as a leader in developing the data programs and frameworks which are subsequently adopted and implemented by regional counterparts. For example, the International Comparison Program is the largest statistical program in the world. Its Global Office is housed at the WB, which serves as coordinator of the program, in cooperation with an institution in every region of the world (e.g., the ADB and AfDB). Other examples include the catalytic role played by the WBG in advancing selected issues such as gender or climate change, motivating other MDBs and development institutions to launch their own action plans to integrate these issues into their regular lending and policy assistance.

25. In practice, the division of labor among MDBs is also driven by individual client needs and resource availability. Clients often seek a range of inputs and financing options from MDBs and are mostly interested in complementarity rather than competition among these institutions. At the same time, parallel or co-financing arrangements allow MDBs to bring together expertise and experience from different institutional perspectives. These arrangements facilitate risk sharing, allowing each institution to move beyond its own resource or creditworthiness constraints in a particular country or sector. This is particularly true for concessional financing where supply constraints can be most acute, or private sector engagement where exposure limits can be binding. Recent examples of WBG cooperation with RDBs include the joint IFI Action Plan for Africa, designed to leverage additional financing, protect critical ongoing programs, and support investment-ready initiatives; the IFI Action Plan for Central and Eastern Europe, focused on financial sector needs for capital and liquidity; and the Multilateral Crisis Initiative for Latin America and the Caribbean, which helps pool global financing from public and private sources and scale up crisis-response initiatives.

26. In collaborating with the RDBs, the existence of effective mechanisms (formal or informal) to facilitate collaboration is especially important. This occurs in a wide range of fora, including through regular meetings of the heads of agencies, chief economists, chief financial officers and other key staff. This is complemented by significant working level engagement in areas such as procurement, evaluation and aid effectiveness. The recent crises have encouraged greater coordination and cooperation among IFIs. The challenge moving forward is to maintain that momentum and ensure that together we deliver the best designed and most effective products and services to our clients.

Exercising Selectivity

27. In recognition of the changing development landscape, and in collaboration with its development partners, the WBG needs to continue adapting and innovating. Along with other global institutions, the WBG will need to extract lessons on its own performance from both the crisis and the response. Addressing new priorities for its engagement in the post-crisis world will require choices, which in turn will rely on a selectivity framework (Box 4). This framework can also be used to adjust the scope of WBG activities if it faces future constraints in capital adequacy or lending capacity. Box 5 draws on the health sector to illustrate how this selectivity is being introduced at the sectoral level.

Box 4: WBG's Framework for Selectivity

While the WBG needs to operate across regions, sectors, and client groups to maintain its global knowledge, enhancing the WBG's effectiveness also implies an increased focus on those areas where it can have maximum impact. That means making explicit trade-offs. The following framework for selectivity, involving three dimensions, will guide the WBG in making these trade-offs:

- **At the global level:** Decision-making on WBG's engagement follows a high-level process, with significant interaction with the Board. The criteria that guide our work include:
 - Clear linkage to core institutional objectives and country operational work
 - Proven leveraging and catalytic effects
 - Clear understanding of the resources required and potential risks involved.
- **At the sectoral level:** Trade-offs and decisions about specific roles and focus within a sector are made by considering best practices and the WBG's comparative advantage. This is not a question of exiting from entire sectors: the Bank's earlier scaling-back of engagement (both financial and policy) in infrastructure and agriculture is now widely recognized as having been short-sighted. In fact, it is essential to avoid any erosion of core competencies which would undermine the WBG's ability to respond to critical client needs. A key strength of the WBG is the capacity to bring expertise from multiple sectors to address challenges.
- **At the country level:** Selectivity is built around longer-term development plans such as Poverty Reduction Strategy Papers (PRSPs) for IDA countries, Country Assistance Strategies (CASs), Country Partnership Strategies and Interim Strategy Notes. WBG interventions are based on country needs, and an understanding of what other stakeholders are doing. The principles for making trade-offs within a particular country are:
 - Long-term vision and strategy
 - Clear country ownership of development goals and actions
 - Strategic partnership among stakeholders, and
 - Accountability for development results

The WBG will continue to modify country strategies to sharpen its focus where it can have the greatest impact on poverty reduction.

A general principle for making trade-offs is that the WBG will work with development partners to ensure that its efforts are complementary and well coordinated. The WBG will step back where others have clear comparative advantage, and it will actively encourage and support leadership roles for partner organizations.

In addition, WBG's activities will be driven by the need to:

- Have a clear results framework and the adaptability and flexibility to discard approaches that are not yielding development impact and develop innovative alternative approaches, and
- Respond to the international community when it calls for an expanded WBG role in emerging issues.
- Maintain engagement in problematic circumstances and difficult sectors.

28. There are other areas where the Group bridges the gap created by other donors concentrating on specific issues – for example, in trade, where the trade sector strategy now under preparation will emphasize our role as differentiated by region, in recognition of the different capacities of our RDB counterparts and the varying needs of our clients (MICs versus LICs). And in agriculture, we will pursue a set of interventions that builds on the Bank's capabilities at managing risk and promoting greater engagement with the private sector.

Box 5: How the WBG Is Adapting: Selectivity in the Health Sector

Over the last decade, increased awareness and expanded international financing for health has constituted a great opportunity for the WBG to help client countries and global partners improve results on the ground, particularly for the poor and the vulnerable. However, formidable challenges persist. Actual and potential pandemics and regional epidemics continue to emerge or expand (e.g., HIV/AIDS, malaria, drug resistant tuberculosis, severe acute respiratory syndrome (SARS), avian flu). High population growth poses significant challenges to country efforts to alleviate poverty and to facilitate access to basic services. Food security and malnutrition remain high priorities, not only for the poorest countries.

Moreover, the operating environment has changed dramatically, requiring important changes in the way the WBG operates. Ten years ago, the WBG was the main financier of health. Today, new multilateral organizations, initiatives, and foundations have assumed a prominent role, among them the Global Fund, Global Alliance for Vaccines and Immunization (GAVI), Global Alliance for Improved Nutrition (GAIN), and the Bill and Melinda Gates Foundation. Bilateral aid has also increased substantially. Much of this is earmarked for specific diseases such as HIV/AIDS, malaria, and tuberculosis. Less is available for health system strengthening at the country level, for maternal and child health, for nutrition, and for population priorities.

The support for health system strengthening (HSS) over the last few years is a concrete operational response to the need for stronger health systems to enhance the pace of results in achieving the health and nutrition-related MDGs; for enhancing capacity to monitor and manage possible pandemic outbreaks or natural disasters; for concentrating Bank contributions on its comparative advantages vis-à-vis other actors; for supporting government leadership and international community programs to achieve these results; and for exercising selectivity in engagement with global partners. This focus is not intended to constrain what the WBG does—country circumstances will continue to drive WBG programs. However, a selective and disciplined framework is being put in place to ensure that the WBG is ready to support country efforts and requests for assistance in a core set of key areas where the WBG can play a major role. This framework is also essential for the WBG to collaborate with global partner efforts to enhance aid effectiveness.

IV. World Bank Group Priorities

29. In keeping with its core mandate, the WBG will reinvigorate efforts to overcome poverty, and counter the slowing—or in some settings, reversal—of progress made prior to the crisis. But the harsh reality is that in many parts of the world, the rate of progress before the current downturn toward most MDGs was not sufficient to reach the goals by 2015. The crisis set things back even further, and diverted the attention of donors and multilateral agencies away from the MDG challenges to coping with the immediate crisis.

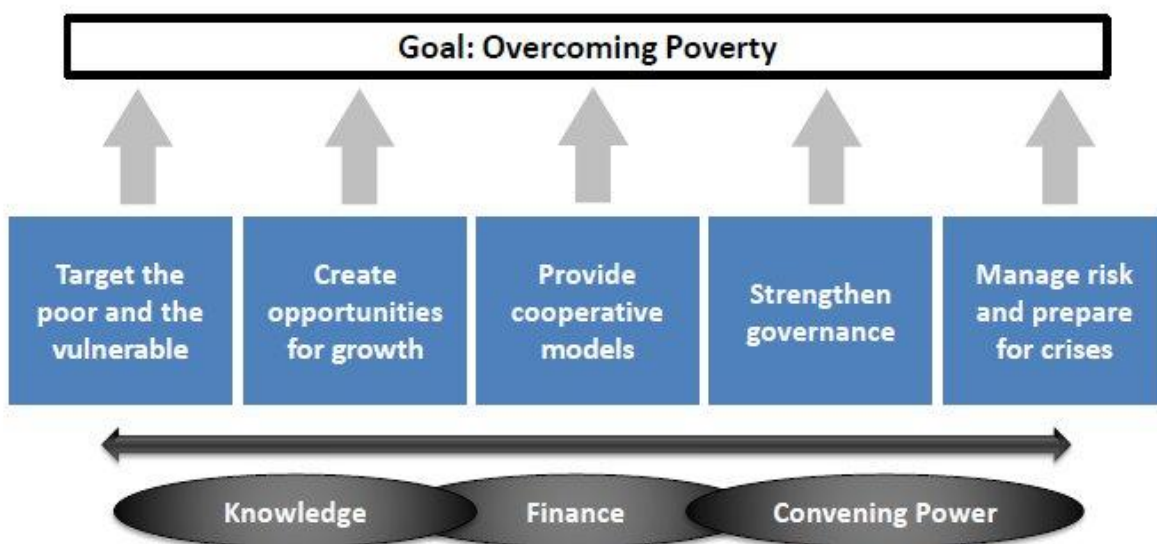
30. As countries and regions recover at differing speeds, the WBG's post-crisis engagement on its core poverty objectives and broader development agenda must reflect these differences, building on the strength of its country-based model:

- **Africa:** The global financial and economic crises, coming in the wake of the food and fuel crises in 2007–08, are having a major impact on Africa through declines in commodity prices, tourism earnings, exports, remittances, and private capital flows. For many, this has signaled the end to a period of robust performance, which in turn risks setting off a development crisis, as children stop attending school and infant mortality rises. Africa's investment rate remains low, due to an infrastructure deficit and constraining business regulations, and recent growth has failed to create sufficient jobs to absorb the 7-10 million Africans entering the labor force every year. Reigniting growth, creating jobs, and protecting the most vulnerable are pressing priorities.

- **The “bottom billion” located in fragile and post-conflict states:** Treating states blighted by fragility and conflict simply as harder cases of development is not enough. Their challenge is not only resources, but legitimacy and the existence of institutions with the capacity to deliver services. Legitimacy must be built on a foundation of improved security, strengthened governance, and development progress, which comes in part by delivering basic services. Capacity can be built by supplying clean water, sanitation and trash removal, roads to connect cities, electricity for part of the day, and basic preventative health care such as immunization.
- **The 70 percent of the world’s poor living in MICs:** Successful development in MICs is essential if the global goal of poverty reduction is to be met. Many of the poor in MICs face conditions similar to those in LICs, particularly with respect to access to health and social infrastructure. And even where good policies are in place and conditions for scaling up action to combat poverty are favorable, governments face constraints in mobilizing resources to reach the MDGs. The global crisis has added a new dimension to the MIC agenda, compelling the WBG to accelerate efforts to make its services more attractive to MICs’ immediate and pressing needs. Given the sophistication of many MIC clients, innovation in development and customized financial solutions will be critical: WBG lending can help bridge the gap and WBG knowledge and global policy experience can be customized to country conditions to better target poverty.

31. Figure 3 illustrates the five strategic priorities that will guide the WBG’s effort to achieve its overarching goal of overcoming poverty through an inclusive and sustainable globalization, creating growth with care for the environment, and creating individual opportunity and hope. A combination of actions across the five priorities, supported by the WBG’s strengths in knowledge, finance and convening power, will be required in the efforts to overcome poverty, particularly in Africa, fragile and post-conflict states, and MICs.

Figure 3: WBG Strategic Priorities



32. It is important to note that these five priorities are shared by all arms of the WBG–IFC, MIGA, IDA and IBRD—and outline the broad directions toward which all parts of the WBG are moving. Underpinning all five is a clear focus on service to clients, problem solving, flexibility, delivery, innovation and results. The priorities are mutually reinforcing; many of the specific examples cited encompass several (or all) of the priorities. These priorities build on and integrate the six broad strategic themes that President Zoellick presented in 2007 and that have served as the guiding principles for the WBG’s activities. Out of those six themes, four were largely focused on adapting services to the differing needs of client countries, including LICs, MICs, fragile and post-conflict states, and the Arab world.¹ Through the recent crises and in the face of future challenges, the need for an integrated but adaptable role for the WBG across its diverse membership has grown; considering the needs of these distinct but interrelated groups of client countries remains relevant now and beyond the crisis. Country customization will continue to be pursued within our strategic priorities to meet the diversified needs of our clients.

Box 6. Mobilizing and Connecting Global Knowledge to Support Strategic Priorities

The recent global crises have highlighted the fragility of many advances in poverty reduction, and raised questions about development priorities and strategies. Countries are increasingly looking to the WBG to connect them to practitioner experience and innovation on “what works.”

Globally, the way forward calls for innovation and experimentation to learn from experience and from each other. A conscious effort is needed to distill and share lessons. More than ever, developing country policymakers and practitioners want to connect with each other to exchange experiences and work collaboratively on common problems. They also want to connect to the many sources and centers of knowledge and innovation dispersed across the world. Many MICs are actively looking for ways to support the development efforts of LICs, including through knowledge exchange and learning activities. Developing countries are looking to the WBG to use its global presence, wide-ranging research, operations, knowledge, and learning and innovation networks to help foster and facilitate these South-South connections including by distilling and sharing lessons. And in keeping with the cooperative character of the WBG, in more and more areas—such as conditional cash transfers (CCTs) and PPPs—the lessons learned in developing countries are being translated and applied in advanced countries as well.

This connector role is both facilitated and made imperative by longer-term global trends, such as increasing decentralization and rapid pace of change in technology. Interactive platforms like blogs and other social media tools make it possible for a wide range of actors to co-create, critique, and share knowledge in a variety of ways. What this means for the WBG is sourcing knowledge from wherever it lies, critiquing and interpreting it, and connecting increasing numbers of people to it.

Now, more than ever the WBG’s in-house knowledge generation, which is essential to an effective “Knowledge Bank” and a premier global development institution, is critical to the WBG staying ahead of the curve on key development issues, identifying knowledge gaps (including at the operational level), and working in areas for which no other institution may have the capacity, resources, or the mandate (e.g. producing and analyzing development data).

¹ The other two themes are GPGs and knowledge and learning. GPGs are one of the five strategic priorities, and knowledge, along with finance and convening power, permeates all five priorities.

Target the Poor and Vulnerable

33. While overcoming poverty remains the core mission of the WBG, the characteristics of the poor and vulnerable are changing. First, the geographic dimensions of poverty have shifted; in some countries and regions, substantial progress has been achieved, with the result that extreme poverty (measured at less than \$1.25 a day) has become less of a concern. Extreme poverty was projected (before the crisis) to fall to almost insignificant levels in East Asia by 2015, concentrating most of the remaining one billion poor in South Asia and Sub-Saharan Africa, each accounting for roughly 40 percent of global poverty. On the other hand, deep poverty (below \$2 a day) was expected to remain widespread, at close to 2 billion people by 2015, with two-thirds living outside IDA-only countries. In most of these countries, poverty is regionally and/or ethnically concentrated. Second, progress on non-income MDGs was more limited, so that even as millions benefited from rising incomes, wide gaps remained in access to basic services, leaving households vulnerable to shocks and downturns in the short run, and less able to sustain improvement in their well-being in the long run.

Box 7: How the WBG is Adapting: Targeting Social Safety Nets

Support for social safety nets in the poorest countries has evolved beyond emergency responses to natural disasters and humanitarian crises. There is a growing consensus that safety nets are justified even in resource-constrained low-income settings because they help households manage risk and protect them from irreversible shocks, thereby increasing longer-term productivity.

The WBG provides support to establish and refine social safety net systems both at times of crisis and in periods of growth. Its lending to support social safety nets reached over \$3 billion in 27 countries during FY2009, seven times the pre-crisis period. The launch of the Rapid Social Response (RSR) Program is also a milestone, and builds on lessons learned from the success of safety net programs, particularly in IBRD countries, to sow the seeds of future safety net systems and empower LICs to leverage Bank and donor resources through *inter alia*, the RSR Multi-donor Trust Fund. This should lead to more robust programs, triggering enhanced demand for lending and technical assistance to support efficient administration, targeting and evaluation of safety net systems and maintenance of access to basic health, nutrition, education and other vital services for communities, especially poor and vulnerable groups.

In MICs, the safety net agenda focuses on increasingly sophisticated information systems for program management, improved delivery and governance, and making links or integrating different programs with overlapping client groups. In LICs, there is active experimentation and learning about how to adapt lessons from MIC experience to lower capacity settings using a mix of community input and new information and communication technologies to handle the systems integral to the smooth implementation of any safety net (e.g. targeting especially women and girls, payment systems, monitoring and evaluation frameworks, governance).

The role of the Bank as a knowledge provider is expected to expand, reinforced by the recently-launched Global Expert Team on Social Safety Nets. The Central Contingency Fund (CCF), DfID technical assistance trust fund and RSR bring new resources for South-South knowledge sharing activities. The Spanish Trust Fund for Impact Evaluation and Bank-Netherlands Partnership Program trust funds also supply resources to assist in impact evaluation of safety net programs.

34. **Short-term vulnerability** must be addressed by improving the targeting and effectiveness of existing social safety nets so they can be scaled up or established where none exist. Addressing **long-term vulnerability** (e.g. food, water and sanitation, education, maternal and child health) requires expanding access, quality and affordability of basic services to enhance opportunities to invest in human capital and help those facing discrimination and empower families and communities in lagging regions and areas. Box 7 illustrates how the

WBG will adapt and focus its support for social safety nets, an area of special relevance because of the way that lessons from successful programs in MICs are informing program design in LICs (and even in developed economies), with CCT programs a notable example.

35. While cash transfers help maintain the demand for basic services, the WBG is also accelerating efforts to strengthen supply. Together with partners, we are strengthening health systems so that the available resources are productively utilized (Box 5). Our multidonor partnership in education, “Education for All—Fast Track Initiative,” provides resources and technical assistance to countries to strengthen primary education systems. Building on this success, the WBG will also be targeting secondary and higher levels of education. A cornerstone of both the health and education programs is the use of different methods to improve service delivery—greater autonomy to schools or parents’ associations, pay-for-performance for doctors, vouchers—and rigorous impact evaluations that help inform about what works and under what circumstances.

36. With 70 percent of the poor in LICs deriving their income from agriculture, the WBG’s program to increase productivity of agriculture (described below) is a powerful channel to target the poor. A one-percent increase in agricultural growth has four times the impact on poverty reduction as a one-percent increase in non-agricultural growth.

37. For most poor people, their labor is their primary—if not sole—asset. Ensuring that economic growth translates into productive employment is critical to helping them escape poverty. For many countries, pursuing strategies that emphasize labor-intensive growth, matched by efforts to enhance the skills of workers, will be a key component of efforts to target the poor and vulnerable.

38. The WBG will also continue to involve the private sector in its efforts to target the poor and the vulnerable. Whether it is microfinance, small and medium enterprises, labor-intensive manufacturing, agricultural productivity, or public-private partnerships in the provision of services, the private sector can play a significant role in the fight against poverty, even in fragile and post-conflict countries.

Create Opportunities for Growth

39. Evidence indicates that sustained growth offers the most robust and durable path to overcome poverty. Promoting environmentally- and socially-sustainable growth calls for a broad range of policy actions, ranging from improving investment climates to enhancing opportunities for human capital creation (especially empowering women and girls) to fostering innovation and competitiveness. In the aftermath of a crisis, creating productive jobs is particularly important since employment opportunities and income are expected to recover only slowly and with a lag, leaving lasting scars on human capital, labor productivity, and prospects for long-term growth and poverty reduction.

40. The next decades will also see growing pressure to create jobs in LICs in the face of labor supply growth due to sharp increases in working age population and rising female labor market participation rates. But LIC labor markets, particularly in fragile states, tend to have small bases of productive wage employment, with extremely high rates of self- and informal employment. In

such environments, policies that enhance the productivity of micro and small enterprises will be required. Traditional active labor markets policies that might work in MICs might not adequately serve poorer and more fragile economies.

41. The WBG's support for growth centers around addressing a set of critical challenges: promoting agriculture and food security; addressing pressing infrastructure needs, including efficient energy; fostering an investment climate and private sector that encourages innovation and productivity; harnessing trade opportunities through improved competitiveness; fostering women's economic empowerment; and addressing critical public finance challenges. While engagement in these areas may be associated in some instances with financial resources, the provision of knowledge and policy expertise to help policymakers manage tradeoffs will be essential.

42. On **agriculture**, the WBG's Agricultural Action Plan puts particular attention on increasing production, improving productivity in an environmentally sustainable way and building supply chains, while working on innovative ways to reduce risk and vulnerability, particularly for small-scale farmers. Specific measures to help clients include:

- Scale-up efforts to spur agricultural productivity through support for adoption of improved technology; improved agricultural water management, tenure security and land markets; and strengthening agricultural innovation systems.
- Better link farmers to markets and strengthen value chains through continued support for Doha round; encouraging private investment in farming systems and transport infrastructure; strengthening producer organizations; improve market information and access to finance.
- Leverage synergies between Consultative Group on International Agricultural Research (CGIAR) research and WBG operations on analytical and advisory activities and lending projects; and partnering with the Agricultural Adaptation Program launched by the WBG with partners from the agricultural science community.
- Support for social safety nets to encourage a shift from subsistence into more lucrative and volatile food markets; greater trade diversification; more innovative insurance products; protection against catastrophic loss and costly disease outbreaks.
- Facilitate agriculture entry and exit and rural non-farm income including improved rural investment climates and upgraded skills.
- Enhance environmental services and sustainability through better managed livestock intensification; improved rangeland, watershed, forestry and fisheries management; and support to link improved agricultural practices to carbon markets.

43. Helping countries build **infrastructure** is crucial, not only for supporting agriculture—without good infrastructure, much agricultural production can go to waste—but also to create the foundation for long-term economic growth. Lessons of previous financial crises point to the need to maintain or expand investments in infrastructure. The current global crisis has severely impacted infrastructure services in developing countries, as governments face shrinking resources and declining private financing. In order to ease this constraint, the WBG will:

- Implement the World Bank Infrastructure Recovery and Assets Platform (INFRA), which will provide \$45 billion in infrastructure lending over three years with a particular focus on supporting efforts to use infrastructure investment to advance the “green agenda.”
- Pursue twin objectives of supporting sustainable development and poverty reduction in developing countries, building on the progress achieved with the 2006 Clean Energy Investment Framework and the 2008 Strategic Framework on Development and Climate Change, while facilitating global action and interaction among all countries.
- Move ahead with increased IFC support, including the Infrastructure Crisis Facility (ICF), developed to bridge the gap in available financing for viable, privately-funded or PPP infrastructure projects in emerging markets that are facing financial distress.
- Expand MIGA cover for private investors in complex infrastructure projects in LICs, and push ahead with new products aimed at mitigating political risk for investors in infrastructure, particularly in PPPs, by providing insurance cover against changes to regulatory frameworks and other government commitments.
- Support additional private participation in infrastructure investment through facilities that help localities and public utilities attract private investments through PPPs; the Asset Management Company IFC subsidiary that can manage third-party capital and mobilize external funds; and enhancement of guarantee products and use of enclave lending to provide innovative support to investment in IDA countries.

44. Creating opportunities for **private-sector** growth will be critical, particularly as stimulus packages wind down. A vibrant, entrepreneurial private sector will be required to sustain growth. This will involve policy, technical and operational support for a broad competitiveness agenda to eliminate barriers and promote opportunities. Fostering a robust investment climate, promoting a stable and sound financial sector, and encouraging foreign investment are important to creating the conditions for inclusive growth. Programs in support of the investment climate and private-sector development include:

- Continuing focus by the integrated WBG on innovative support for investment in IDA countries and other frontier markets, building long-term client relationships using a full range of products and assisting their cross-border growth, addressing climate change and ensuring environmental and social sustainability.
- Expanding capacity to provide specific transaction advice for the design and implementation of large-scale concessional agreements and other PPPs with a special focus on transparency.
- Fostering a firm foundation for financial services and a diversified financial system, sound banking systems, strong capital markets, and effective financial sector regulation and supervisory frameworks, including through the reformed joint Bank-Fund FSAP.
- Meeting the financing needs of SMEs by strengthening domestic financial markets, increasing access to trade finance, and developing microfinance instruments that complement access to savings, credit and services provided by formal financial institutions.
- Advising policymakers on ways to improve the investment climate (through the WBG Foreign Investment Advisory Service) and expanding the use of analytical and diagnostic / benchmarking tools that help improve competitiveness and exploit trade opportunities.

45. **Greater integration into global and regional markets** is key to helping developing countries boost growth, reduce poverty and increase the participation of women in trade.

- Trade policy reform remains a priority in some countries. The WBG will continue to support efforts to make the trade incentive regime more conducive to investment in activities in which countries have a comparative advantage, thereby raising incomes and employment.
- The WBG will continue to provide operational support for pro-active policies to promote trade competitiveness through steps to promote value added, increase productivity, overcome market failure, remove bottlenecks in supply chains, and increase diversification.
- Lowering trade costs is a key precondition for the competitiveness of farmers and firms. Strengthening trade facilitation and logistics programs and helping to improve border management will help reduce poverty by connecting the poor—especially those living in landlocked or remote areas—to regional and world markets.

Box 8: Gender Equality as Smart Economics: The WBG Gender Action Plan (GAP)

The GAP was adopted for the WBG in 2007 to intensify and scale up gender mainstreaming in the economic sectors where progress was lagging, such as agriculture, private-sector development, finance and infrastructure. The plan aims to increase WBG lending and non-lending operations that promote women’s economic participation, and to build a body of analytical evidence in support of gender equality as smart economics. The GAP promotes the collection, quality and use of sex-disaggregated statistics, and supports rigorous impact evaluation of WBG operations in the economic sectors. The four-year plan ends in December 2010, having to date financed 220 initiatives in 74 countries, with most operations taking place in LICs.

The plan has tested several innovative mechanisms to increase gender mainstreaming in traditionally difficult sectors. For instance: small amounts of seed funding has helped leverage the initiative across much larger Bank operations; competitive calls for proposals have attracted proposals from large numbers of “non-gender” Bank staff, leading to learning-by-doing. One effect has been increased gender coverage in economic sector operations. As the GAP period ends, these innovative mechanisms will be applied to an increasing share of mainstream Bank operations—a Transition Plan is under preparation on modalities. Some examples of GAP-funded initiatives include:

- **Labor markets:** Developing employment orientation tools and training for women and career ladders for domestic workers for a \$350 million Heads of Household Transition Project, with an expected 400,000 low-income women expected to benefit.
- **Infrastructure,** particularly transport and energy: A rural electrification project has helped increase the connection rate of poor female-headed households. GAP has also financed work to address women’s transport needs in a series of countries.
- **Agriculture:** Increasing women’s agricultural productivity and access to markets through a range of interventions. A comprehensive sourcebook to support women in agriculture has been developed in collaboration with FAO and IFAD, and is being used in the design of five ongoing Bank operations.
- **Adolescent Girls Initiative** to smooth the transition from school to work and entrepreneurship—a key stumbling block on the road to earning a living—with a focus on low-income, post-conflict countries.

46. The need to **expand economic opportunities for girls and women** cuts across efforts to create opportunities for growth. Education and health outcomes have improved greatly for women in both MICs and LICs, in some regions catching up to men, but this resource is still largely untapped, with little progress in economic participation. Women’s access to employment and economic assets stimulates productivity, earnings, and better child development outcomes,

leading to reduced poverty and stronger growth. To support client countries in increasing women's economic opportunity, the WBG Gender Action Plan was launched in 2007 (Box 8) and the focus of the 2012 *World Development Report* will be on Development and Gender Equity. Scaling-up efforts to increase women's economic opportunity include:

- Increasing the focus in agriculture on the “ultimate client,” particularly women farmers, livestock keepers, and/or fishermen. Specific attention to women's increased access to assets (particularly land), finance and extension services can yield significant returns.
- Intensifying private-sector work to improve the productivity of women entrepreneurs and their access to critical resources, such as financial literacy and access to financial services.
- Targeting training and other active labor market interventions to help smooth the transition of girls and young women from school to productive employment, thereby increasing private and social returns to schooling.
- Expanding collection and analysis of sex disaggregated statistics, with particular emphasis on employment, entrepreneurship and access to assets at national and international levels.
- Measuring what works, what does not, and why: A series of rigorous impact evaluations are underway or being planned to assess the effectiveness of new interventions that promote women's labor market participation, and will guide future WBG operations.

47. Engagement on critical **public finance** issues continues as a priority for the WBG, ranging from how to adjust spending composition in the least harmful way during a crisis, to how to maximize the impact of investment spending, to how to increase revenues and improve their administration. These issues play out in different ways at different levels of government. The Bank can play an important role in helping countries faced with future revenue volatility and uncertainty make the most effective use of their resources to support growth and to strengthen the flexibility, responsiveness and transparency of their public finance systems (Box 9). The WBG also provides treasury advisory services, training and tailored capacity building services to public debt managers on establishing an asset-liability management framework to help governments balance their financing, cost and risk objectives, as well as services to official-sector investment managers to help countries efficiently manage foreign currency reserves and other investment portfolios.

Box 9: How the WBG is Adapting: Making Fiscal Policy Work for Growth

The WBG's role in fiscal issues encompasses macro-fiscal management, fiscal sustainability, tax and expenditure composition and quality, and public financial management. Diagnostic and analytical tools such as Public Expenditure Reviews, Public Financial Management Performance Measurement Framework assessments, Country Financial Accountability Assessments and Country Procurement Assessment Reports support the dialogue with country authorities and provide critical inputs to loan and grant operations.

The WBG will continue its engagement in these areas, while responding to new and emerging issues. In particular, concerns about the design of fiscal policy frameworks have increased in recent years for several reasons. First, there is growing interest in the role of fiscal policy as an instrument to promote not only short-run stabilization but also longer-run growth and poverty reduction. Second, concerns have arisen in the context of increased aid flows, volatility of government revenues, and earmarked assistance to specific sectors or for specific outcomes. Finally, the current crisis has renewed focus on counter-cyclical fiscal policy and the need to protect core public spending during downturns. For LICs, the crisis has turned attention to better use of domestic resources, including improving the efficiency of government spending, designing safety nets to target and protect the most vulnerable groups, increased revenue mobilization and strengthening domestic capital markets.

This evolution of thinking on the need for fiscal policy to integrate both stabilization and growth objectives, and the search for rules that ensure "fiscal space" for necessary public investment, growth and development, have recently led to revisions to WBG and IMF guidance on the design of fiscal policies, debt sustainability frameworks, and public expenditure measures.

While the need for a sustainable, pro-growth approach to fiscal policy is accepted in principle, operationalizing it is not easy. Inadequacies in the availability and quality of data for developing countries are extensive, empirical estimates of effects of fiscal policy on growth are imprecise, and there remains considerable debate on the proper boundary between public and private sectors. At the country level, strong budget institutions, public financial and project management capacities are needed to ensure that a growth-oriented fiscal policy does not become the basis for corruption and waste. Other institutional demands include better revenue policy and administration capabilities to ensure that the government captures fiscal benefits from higher growth.

Bank-Fund collaboration on fiscal issues is evolving to provide clients a more integrated view grounded in the WBG's expertise and comparative advantage in assisting countries improve the composition and efficiency of public spending, manage public investment in support of longer-term growth, strengthen debt management and fiscal sustainability, improve budget institutions and evaluate the social implications of expenditure and tax policies. Moving forward, the WBG will invest more in its knowledge of interactions between public expenditure, taxation and growth, taking into account initial conditions and level of development as well as the quality of institutions and public financial management. More attention will also be paid to the distributional implications of fiscal policy.

Promote Global Collective Action

48. The recent wave of crises and the resulting need for comprehensive, coordinated and global responses highlights the importance of developing cooperative models for dealing with existing and emerging challenges. Some of these efforts are directed toward traditional public goods, while others target problems with global scope. For the WBG, expanding its already extensive provision of cooperative models to deal with global challenges will be an important priority in the years ahead because the absence of internationally-agreed principles and frameworks can disproportionately affect the poor (e.g. trade-distorting policies, financial market volatility, climate change).

49. International institutions are critical to providing and managing global public goods (GPGs). They are needed to build on, reinforce and coordinate national actions, channel funds to national programs, and monitor and report on progress. Many multilateral and specialized

institutions are engaged in these areas, with some fully dedicated to a single issue, which suggests the need for careful consideration of the rationale for WBG involvement.

50. In response to a request by the Development Committee during the 2006 Annual Meetings in Singapore, a framework for the WBG's engagement in the GPG agenda was prepared which endorsed special emphasis on preserving the environment, controlling communicable diseases, strengthening the international financial architecture, enhancing developing country participation in the global trading system, and creating and sharing knowledge for development.

51. A natural role for the WBG in the GPG agenda lies at the intersection of national development priorities and global interests. The WBG has a demonstrated capacity to respond quickly by mobilizing substantial resources and knowledge to provide a multisectoral institutional response with a global reach grounded in country programs, combining policy advice, building institutional capacities and systems and financing investments and programs. The WBG's value-added in supplying GPGs rests predominantly on three attributes:

- **Integration.** The WBG is in a strong position to assist governments prepare national development strategies that are consistent with regional and global objectives. This is critical because, without informed and careful planning, conflicts can emerge between regional and global interests and countries' own development objectives. Through country strategies, AAA, lending/grants, and regional and global program and trust fund activities, the WBG helps enhance complementarity among national, regional, and international priorities.
- **Partnership.** The WBG's global span, country knowledge, private-sector experience, and financial, administrative and implementation capabilities make it a valuable partner and source for innovative finance to support development and respond to global challenges.
- **Constructive Advocacy.** Based on its research and analytical capacity, the WBG is well placed to represent the perspective and interests of developing countries in international fora that address GPGs and other global issues. It can help bridge the gap between the perceptions and interests of countries at different stage of development, a role it has played in the G20.

52. Moving forward, the WBG will pursue a prominent role in addressing GPGs with a significant poverty dimension, capitalizing on its convening powers and ability to bridge between global issues and country-level development needs. The WBG will prioritize its engagement based on poverty and development considerations, recognizing that the growing disparity among countries requires differentiation in the tools of cooperation. For example:

- Along with the World Health Organization, bringing together a range of international stakeholders to strengthen health systems, and achieve strong progress towards national health goals and achievement of the MDGs.
- In the current crisis context, leveraging funds from the IFC with contributions from governments and other IFIs to bolster trade finance flows.
- Working with the World Customs Organization and other partners, assisting developing countries to participate more effectively in WTO negotiations on trade facilitation and working at the country and regional levels to address trade facilitation priorities.

53. Given the need for cost sharing among donors, the WBG can serve as catalyst, bringing together diverse country and multilateral interests. Its stature and expertise can help unlock financial innovation in support of GPGs in a number of ways, including by mobilizing funds from institutional investors, using its balance sheet to leverage scarce donor resources, and structuring creative mechanisms to frontload future financial pledges. The IBRD has begun tapping the socially responsible investor universe by issuing bonds linked to environment-related outcomes and indicators (Cool Bonds, Green Bonds, Eco-3 Bonds). It has been actively engaged with the Montreal Protocol to develop ways to scale up and/or frontload donor commitments to accelerate the reduction of ozone depleting substances (Box 10).

Box 10: How the WBG is Adapting: Innovation and Partnership on Climate Change

Over the last decade, and most recently under the SFDC, the WBG has increasingly given attention to protecting the environmental commons and constructively and innovatively engaging on climate change where it has demonstrated an ability to respond quickly by mobilizing substantial resources and knowledge, and delivering in a volatile environment. The 2010 World Development Report extended this work by providing a strong analytical framework to support policy discussions at the global and country level, while other knowledge work, like the study on the Economics of Adaptation, hone in on specific elements of this complex issue.

The WBG has expanded support to climate-resilient and low-carbon investments by blending and leveraging a suite of financing instruments, packaging “core” financial products with specialized climate resources, and complementing finance with technical assistance and policy advice. With the CIFs, the carbon finance products, and as the largest GEF partner on climate change, the WBG continues its long tradition of blending specialized resources with standard WBG instruments.

In one year, the Clean Technology Fund of the CIF has endorsed eight investment plans with an envelope of \$3.25 billion in investment plans leveraging over \$28 billion (as of December 2009). This is being followed with a new CIF Scaling-up Renewable Energy Program for LICs (SREP). The IFC has strengthened its engagement with the private sector through advisory services and support for clean production and technology innovation, achieving a 5:1 leveraging ratio to private sector resources. The WBG earned broad recognition for pioneering the carbon market and continues to pilot new approaches, most recently through the Forest Carbon Partnership Facility (FCPF) and the Carbon Partnership Facility (CPF).

The WBG has also intensified its efforts to support adaptation. Through its first year, IDA15 scaled up financial flows to climate-affected sectors: core lending to sectors such as agriculture, flood protection, water supply and health reached \$3.3 billion, a 17 percent increase above IDA14 average annual engagement in those sectors. The CIF Pilot Program on Climate Resilience aims to generate know-how on scaling up adaptation strategies.

The WBG continues strengthening partnerships with members and development partners. Scaled-up programs are a testimony to growing trust and interest by developing country partners in collaborating with the WBG. The WBG has engaged in major joint initiatives with RDBs, which are partners in the CIFs, and with the United Nations Development Program (UNDP), United Nations Environment Program (UNEP) and United Nations Framework Convention on Climate Change (UNFCCC) Secretariat, resulting in tangible “global good” outcomes, such the Climate Finance Knowledge Platform. It will join UN partners in supporting strong GEF-5 replenishment in early 2010. Partnerships and collaboration with the private sector, local governments, non-governmental organizations (NGO), and the research community have expanded markedly.

Looking ahead, the WBG is working to provide financial packages best suited to the diverse needs of its clients. For instance, in supporting efforts to reduce emissions for deforestation and forest degradation, FCPF capacity building grants will be complemented by concessional and innovative finance, notably through the CIF Forest Investment Program, to support an enabling environment and required investment. These will then attract performance-based incentives, again through the FCPF.

54. The WBG will continue to provide leadership in financial innovation, bringing together a wide range of investors and donors. Carbon funds, Climate Investment Funds (CIFs), the

International Finance Facility for Immunization (IFFIm), and the AMC pilot are important recent achievements. IFFIm is expected to deliver \$4 billion over ten years to the GAVI to help protect an additional 500 million children in the world's 70 poorest countries against preventable diseases. IBRD partnered with GAVI and AMC donors to provide the financial platform for the initiative. This entailed placing donor subsidies of \$1.5 billion directly on IBRD's balance sheet to provide the needed financial presence and funding guarantee to support ongoing investment from the private sector, using market-based risk management to transfer the currency risk to market. Specialized health funds, carbon finance, the Global Environment Facility (GEF), and grant funding from bilateral sources show the potential for blending (including from nonofficial sources) between grant funding and WBG loans and credits. Such subsidies could be expanded to address situations where global benefits significantly exceed national benefits.

55. The WBG also continues to play a major role in promoting **aid coordination** in IDA countries, especially fragile states. The growing number of actors in the development arena puts pressure on the country-based model and strains the capacity of policymakers and implementing agencies within developing countries. As development efforts focus on overcoming poverty and improving lives for the poorest and most vulnerable, the need for leadership to reduce fragmentation and promote aid effectiveness becomes even more evident. Given the rapid expansion in the size and number of WBG-administered trust funds, the Bank will step up consolidation efforts and improve their alignment with Bank strategies and processes.

Strengthen Governance

56. Good governance and institutional capacity are critical to sustainable development. They are essential for the efficient and adequate supply of public services, while checks and balances help ensure that governments are accountable to the public. In the wake of the global crisis, governments worldwide are asking how to more effectively manage resources, how to better support service delivery to achieve concrete results, and how to rebuild citizens' trust in public institutions. The WBG's focus on strengthening governance follows from its mandate to reduce poverty—a capable and accountable state creates opportunities for poor people, provides better services, supports growth and improves results. In contrast, weak governance results in poor economic outcomes and deterioration in public trust, and creates fertile ground for corruption. The WBG's work in this area builds on several pillars:

- At a *country level*, the Bank can facilitate problem solving, bringing together knowledge of what has worked around the globe with detailed knowledge of country circumstances on the ground in core areas such as anti-corruption, public finance, public administration reform, decentralization, mechanisms for accountability, fiduciary systems and procurement.
- At a *global and regional level*, the WBG is an agent of change, bringing together or supporting regional and global networks to focus on a wide range of key governance issues. Through efforts like the Extractive Industries Transparency Initiative (EITI++), the WBG serves as a catalyst to improved transparency and governance. Its work with the Stolen Asset Recovery Initiative (StAR), undertaken in partnership with the UN Office on Drugs and Crime, seeks to strengthen international mechanisms for identifying and recovering the proceeds of corruption. The WBG is mobilizing technical assistance to help countries improve their AML/CFT, stepping up delivery on ROSC/FSAP assessments, preventing

illegal tax havens, and continuing to participate in multilateral efforts to deal with non-cooperative jurisdictions.

- The WBG serves as a *standard bearer* for good governance and anti-corruption by ensuring that the resources entrusted to it are used well. Its GAC Strategy lays out a multi-pronged approach to building knowledge and awareness of governance and anti-corruption into all levels of its work (Box 11). The Volcker Panel recommendations have enhanced the Bank's Integrity Department, reinforcing the Bank's focus on prevention and its ability to follow up on corruption allegations related to its own projects. The recently approved disclosure policy sets a standard for transparency among international institutions.

Box 11: How the WBG is Adapting: Governance and Anti-Corruption

Over the past two decades, governance and anti-corruption (GAC) has become increasingly central to the WBG's work. In 2007, the Board of Executive Directors approved *Strengthening World Bank Group Engagement on GAC*, based on extensive global consultations. The paper laid out the principles to systematically mainstream GAC approaches throughout the WBG's work. GAC implementation supports two principal operational goals.

- *Enhanced development effectiveness.* GAC supports poverty reduction – a capable and accountable state creates opportunities, provides better services and improves development outcomes.
- *Strengthened risk awareness.* The WBG's mission necessarily involves risk, especially in countries with weak institutions; the challenge is to manage—not avoid—that risk.

To achieve these goals, GAC work is fostering the design and implementation of three sets of tools. First, tools to help strengthen the accountability of policymakers and service providers including:

- Multi-stakeholder engagement tools to support participatory reform and, to build transparency, participation and independent monitoring of the WBG's investment operations and public-service provision programs.
- Country system improvement tools, including support for country procurement systems, strengthened institution-building, and results-focus in WBG operations.
- Fiduciary tools to further protect WBG investment operations, including enhanced disclosure, improved complaints handling, and a strengthened sanctions process.

Second, tools to support enhanced risk awareness in the WBG's work, including:

- Diagnostic tools to better understand the political, institutional, and corruption realities with which country programs and individual operations have to contend;
- CASs with a heightened focus on GAC challenges and approaches.
- A new Operational Risk Assessment Framework for all new investment operations as of July 2010.

Third, tools to engage the global community (since corruption requires a global response), including support for:

- *StAR*, to help developing countries recover assets stolen through corruption by officials.
- *EITI and the Construction Sector Transparency initiative (CoST)* plus other global multi-stakeholder efforts to strengthen probity and accountability among public and private actors.
- *Global corporate integrity and governance initiatives*, to enhance private-sector commitment to responsible business practices, including where institutions are weak.

57. The WBG's future work on strengthening governance will focus on three areas:

- **Helping address governance issues in fragile and conflict-affected states.** These countries raise particular issues of both state legitimacy and capacity, weaknesses which may have particularly dire consequences. A key area for the Bank is to link the related issues of

security, governance and development in these difficult environments. The Bank has in-depth experience in fragile countries and work is underway, in close consultation with international and country partners, to better understand the circumstances faced in these countries and mechanisms that can best provide support.

- **Improving results and capacity for effective service delivery in critical sectors.** Delivering services efficiently and effectively, without resort to bribes or corruption, is critical to development results. Understanding governance bottlenecks and finding ways to address them is critical to building trust with citizens. Improving government transparency and responsiveness in service delivery are focal points on the supply side, while drawing on systems for strengthened voice and accountability provides tools on the demand side. The WBG's sectoral programs increasingly identify indicators of progress on governance and develop innovative methods to address GAC issues, leading to stronger results on the ground.
- **Mainstreaming the Governance and Anti-Corruption (GAC).** The WBG's GAC strategy focuses on programs at the country, sectoral, project, and global level, as well as making sure that, as an institution, the WBG is strengthening its own approaches to integrity and anti-corruption. The Second Progress Report on the implementation of the Strategy was presented to the Board in October 2009. In the coming year, the WBG will assess the results and the lessons learned so far and build these into the second phase of its work. These efforts are key to ensure the WBG remains at the forefront of the GAC agenda and continues to scale up GAC efforts to promote the most effective use of resources.

Manage Risk and Prepare for Crises

58. Two defining features of globalization are the extent to which economies have become interconnected, and the increasing speed with which problems that develop in one part of the world can spread to others. These factors are evident in the transmission of the financial crisis from industrialized countries to the rest of the world; in the spread of communicable diseases; and in the accelerating pace of global climate change. More often than not, it is developing countries—especially LICs—that are least prepared and most vulnerable to emerging financial, environmental, epidemiological and other threats. The current downturn is estimated to have resulted in 30,000 to 50,000 additional infant deaths in sub-Saharan Africa in 2009, with more girls than boys dying in all regions, underscoring the need for policies to protect girls in times of crisis. Periodic disasters aggravated with inadequate strategies and weak capacities to manage them have slowed the development of many countries.

59. The WBG is routinely called upon to play a leading role in responding to a range of crises. The Group has demonstrated its ability to quickly redirect human and financial resources to where they are most needed. Examples include:

- Financial crises such as in Mexico in 1994, East Asia in 1997, and the current global crisis;
- Sectoral shocks such as the food price and fuel price surges in 2007-08;
- The spread of communicable diseases such as SARS, avian flu, and H1N1 flu; and
- Natural disasters such as the Indian Ocean tsunami in 2004, the Pakistan earthquake in 2005, and the 2010 earthquake in Haiti.

60. In response to the current wave of global crises, the WBG has created or expanded a diverse range of programs and initiatives—often in collaboration with ministries, agencies, and donors—to cushion the impact on our clients and speed the restoration of growth.

- IFC has provided guarantees for trade transactions; liquidity for trade-related transactions through banks; refinancing to micro-finance institutions in up to 40 countries; additional capital to ensure banks can continue to lend during the crisis and beyond; capital for strategically important banks in Africa; debt and equity funds to support private infrastructure projects affected by capital shortages; and working capital to agribusinesses.
- Regional Crisis Initiatives include the joint IFI Action Plan for Africa, designed to leverage additional financing and support investment-ready initiatives; the joint IFI Action Plan for Central and Eastern Europe led by IFC and MIGA which responded to the region’s financial sector needs for capital and liquidity; the Multilateral Crisis Initiative for Latin America and the Caribbean organized to pool global financing from public and private sources and scale up crisis responses.
- The WBG also created special facilities to augment available resources, especially to IDA countries, including: the Global Food Crisis Response Program focusing on social protection and priority food policy interventions, a share of which target women; the INFRA, focusing resources on the critical needs of infrastructure during the downturn; and a pilot crisis response window to provide additional funding to IDA countries affected by the crisis.

61. Building on lessons learned from current and previous crises, the WBG’s future work in managing risk and preparing for crises will focus on:

- Developing global approaches to disaster and post-conflict needs assessments
- Helping design fiscal policy to smooth expenditures and revenues, with particular attention to the problems of resource-rich economies
- Developing risk-sharing mechanisms and political risk insurance products to ensure sustained lending to SMEs and facilitate better-designed PPP contracts to minimize adverse impact during downturns
- Designing innovative finance and insurance products to spread and manage risk
- Helping governments establish institutions and capacity to use market mechanisms to manage energy and food price movements
- Developing stress tests and contingency plans for the financial sector, debt, and pensions
- Enhancing capacity to manage borrowing by sub-nationals to avoid contingent liability difficulties
- Helping countries manage reserves to provide a better cushion against external shocks

62. The WBG will continue to support private-sector efforts to provide risk management products to governments (Box 12). The WBG is uniquely positioned to bridge the gap between developing countries and the market by: (i) supporting countries in developing sound strategies and governance and operational frameworks to use these products; (ii) helping level the playing field with respect to understanding and negotiating details of financial contracts; (iii) using its

balance sheet, as well as MIGA's unique insurance products, to assume government performance risks until private providers reach a sufficient level of comfort with emerging country counterparts; and (iv) connecting donor funding with opportunities for private-sector solutions (e.g., donor financing for catastrophe insurance premiums):

Box 12: How the WBG is Adapting: Innovative Financial Solutions to Managing Global Risks

The WBG plays a unique role in developing and expanding developing countries' access to innovative financial solutions to help them manage, leverage and protect scarce development resources.

As governments place increasing emphasis on risk mitigation in managing public finances, the WBG closes market gaps by providing financial products to help manage exogenous shocks linked to natural catastrophes, commodity price volatility, interest rate and currency volatility and financial contagion. Since the onset of the crisis, there has been a surge in the number of countries seeking WBG expertise and risk-management services to reduce borrowing costs and manage volatility. The WBG has partnered with Colombia, Indonesia, and Mexico as an intermediary to help them implement risk-management strategies. Its contingent financing product, the Development Policy Loan (DPL) with a deferred drawdown option (DDO), provided Colombia with much-needed liquidity after the global financial turmoil reduced the country's access to capital markets. Indonesia benefited from a \$5.5 billion contingent financing facility launched by the Bank and other donors that helped leverage funding from other sources, sending a strong signal to international and domestic markets. WBG financial solutions are also helping countries plan efficient responses to catastrophic weather-related events:

- The Bank is partnering with Malawi, a landlocked African country heavily exposed to the risk of drought, to hedge its exposure with weather derivatives.
- Costa Rica became the first country to benefit from the catastrophe (CAT) DDO, IBRD's contingent financing for natural disasters.
- The WBG also assisted Caribbean countries in establishing the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which paid \$8 million to Haiti after the recent earthquake. Many small developing countries lack the financial reserves to deal with major disasters themselves.
- The Bank has developed a catastrophe bond issuance platform—the MultiCat Program—that allows governments to use a standard framework to buy insurance on affordable terms by issuing catastrophe bonds. The program supports a wide variety of structures, including the pooling of multiple risks (earthquakes, floods, hurricanes and other wind storms) in different regions.

Governments with volatile debt portfolios, managing large official reserves, or directing sovereign wealth funds also benefit from WBG expertise. Building on its own asset management experience, the Bank can provide management of fixed income portfolios with related advisory services and training to official sector investment managers to help improve management of foreign currency reserves and other investment portfolios.

63. The new global economic and financial architecture emerging from the crisis calls for renewed efforts to provide appropriate *knowledge and policy* expertise to developing countries. As clients, developing countries expect their particular needs to be addressed by customized development solutions integrating diagnostics, finance, technical assistance, risk management, and increasingly, peer learning. WBG initiatives in this arena include:

- Helping clients address policy choices and tradeoffs through more accessible and better targeted analysis and dissemination.
- Expanding efforts to foster cross-regional and South-South knowledge, relying on the Bank's established role as a "clearinghouse" and a "broker" of development knowledge among research institutions and networks in developing countries.
- Increasing flexibility in the delivery modalities for technical assistance to clients, especially MICs – including AAA, trust funds, free TA, and fee-based services.

- Producing just-in-time research and analysis on the impacts of the crisis and options available to return to sustained growth.
- Setting out an integrated approach to address the special challenges of fragile and conflict-affected countries, particularly through the forthcoming World Development Report, knowledge exchanges through international fora such as the OECD-DAC International Network on Conflict and Fragility, and strengthening support to country teams.

V. Towards a Stronger WBG

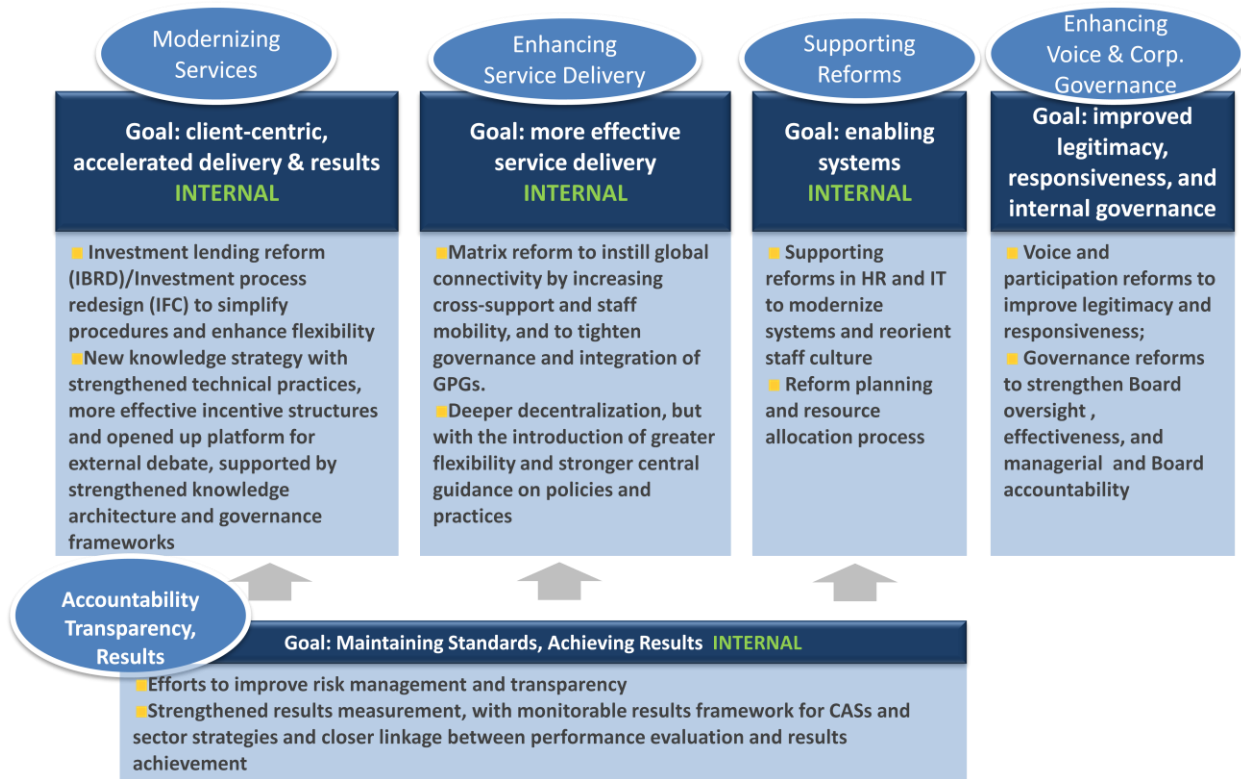
64. Over recent decades, the WBG has been at the forefront of the global fight against poverty and served as a major contributor to global development. Yet the world is changing. New global challenges, the global nature of crisis, and a new international economic power configuration are transforming the development landscape. As the economic center of gravity shifts, there is a pressing need to better integrate rising economic powers into the international system. The success of this integration will have profound implications for how the world comes up with solutions to address unprecedented global challenges.

65. As the world changes, so must institutions. Increased interdependence requires modern, flexible institutions that reach across low-income, middle-income and advanced economies to help identify common interests, broker solutions and manage differences. The WBG's response to the crises of the past two years provides a snapshot of the untapped potential of the institution to address the challenges and opportunities of this new world. During this period we have seen an unprecedented and coordinated drive by all parts of the WBG to provide global leadership; coordinate, leverage and deliver substantial financial resources; and mobilize global knowledge and expertise to serve the broadest range of member countries.

66. The WBG was able to achieve these results rapidly and flexibly through innovative approaches building on its worldwide reach and local presence. Most importantly, it was able to do this with a clear focus on targeting the poorest and most vulnerable. This experience underscores that for the WBG to realize its full potential in the future, a broad range of reforms is needed. These reforms emerge from a growing consensus of staff, management, member states and civil society and can be presented in an integrated, interdependent framework (Figure 4). The overall vision is ambitious but recognizes the need to carefully sequence and manage changes to the organizational culture in a manner which brings the WBG together and is adaptable to a dynamic world. Implementation will occur in stages and at the global, regional and country levels and by building on and strengthening existing results frameworks, including CASs and sector-level indicators. New approaches are being developed, such as the proposed Annual Results Report, that would focus on global development results, sector outputs and outcomes, and operational effectiveness.

67. The reforms cluster around three themes: voice and participation, including corporate governance reforms, to achieve a more legitimate WBG; internal reforms, to achieve a more effective, efficient and accountable WBG; and financial capacity, to ensure a financially-strong and flexible WBG. Each of these will be the subject of separate Development Committee papers.

Figure 4: Reforms Overview



68. Looking forward, the WBG has an even greater role to play in continuing efforts to meet the MDGs and in providing cooperative models to address unprecedented global challenges. In a new world of strengthened multilateralism, a reformed WBG can be a key player in delivering development solutions – promoting shared interests, shared responsibilities, and shared voice.