Our Mission....

to fight poverty with passion and professionalism for lasting results.
To help people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors.
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter from Katherine Sierra, Vice President, Sustainable Development</td>
<td>1</td>
</tr>
<tr>
<td>About this Review</td>
<td>2</td>
</tr>
<tr>
<td>Events in 2005 and 2006</td>
<td>4</td>
</tr>
<tr>
<td>Countries Eligible for IBRD and IDA Lending</td>
<td>6</td>
</tr>
<tr>
<td><strong>PART 1: FOCUS ON SUSTAINABILITY, OUR DEVELOPMENT COMMITMENT</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Chapter 1: Evolving Development Priorities</strong></td>
<td></td>
</tr>
<tr>
<td>The Development Agenda</td>
<td>8</td>
</tr>
<tr>
<td>Focus on Africa</td>
<td>14</td>
</tr>
<tr>
<td>Reducing Disaster Impacts</td>
<td>19</td>
</tr>
<tr>
<td>The Emerging Challenge</td>
<td>21</td>
</tr>
<tr>
<td><strong>Chapter 2: Facing the Climate and Clean Energy Challenge</strong></td>
<td></td>
</tr>
<tr>
<td>The World Bank’s Energy Portfolio</td>
<td>23</td>
</tr>
<tr>
<td>The Climate Change Program</td>
<td>24</td>
</tr>
<tr>
<td>The Carbon Finance Unit</td>
<td>26</td>
</tr>
<tr>
<td>Support for Adaptation to Climate Change</td>
<td>29</td>
</tr>
<tr>
<td><strong>Chapter 3: The Sustainable Development Network</strong></td>
<td></td>
</tr>
<tr>
<td>Agriculture and Rural Development</td>
<td>31</td>
</tr>
<tr>
<td>Environment</td>
<td>33</td>
</tr>
<tr>
<td>Social Development</td>
<td>35</td>
</tr>
<tr>
<td>Sustainable Energy</td>
<td>37</td>
</tr>
<tr>
<td>Transport</td>
<td>40</td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td>42</td>
</tr>
<tr>
<td>Urban Development</td>
<td>44</td>
</tr>
</tbody>
</table>
Chapter 4: Update on Transparency and Results
Safeguard Policies 47
Inspection Panel 50
Accelerating the Results Agenda 52

PART 2: FOCUS ON SUSTAINABILITY, INSIDE THE WORLD BANK

Chapter 5: Our Environmental Footprint
Measuring our Impact 58
Reducing Emissions 59
Offsetting Emissions 62
Smart Consuming and Reducing, Reusing, Recycling 63
Greening our Buildings from the Start 65

Chapter 6: Our Social Footprint
Our Staff 66
Community Outreach 71

ANNEX
Additional Staff Data 74
Information Resources on the Web 76
GRI Indicators 80
Focus on Sustainability 2005 / 2006 describes the World Bank’s continuing commitment to sustainable development. The activities described in this review include support for strong public and private institutions, debt relief, clean energy, addressing the effects of climate change, and a host of environmental and social initiatives that add value to the lives of the people in the countries in which we operate.

This review also describes the ongoing work of the World Bank’s new Sustainable Development Network, which oversees the infrastructure, environment, agriculture, and social development work of the World Bank. The Sustainable Development Network is working to demonstrate that meeting peoples’ pressing needs while maintaining sound management of the environment is essential for the economy, for local development, and for human well-being.

Focus on Sustainability 2005 / 2006 describes the World Bank’s corporate environmental and social footprint. We are especially proud of our work to reduce and offset our carbon emissions, making our Washington, DC facilities, our business travel, and our key meetings carbon neutral.

In summary, the World Bank is dedicated to conducting our business with integrity and to improving the lives of the people in the communities in which we operate. Our role in development is evolving rapidly. We remain constant, however, in our commitment to work collaboratively with our stakeholders, shareholders, and partners, to learn from each other, and to devote our energy and expertise to helping build an equitable and sustainable world.

LETTER FROM KATHERINE SIERRA
VICE PRESIDENT, SUSTAINABLE DEVELOPMENT

The World Bank Group strives for development that is equitable and balanced and that meets the needs of the present without compromising the ability of future generations to meet their own economic, social, and environmental needs.
ABOUT THIS REVIEW

The World Bank has worked for many years to integrate environmental and social sustainability into our operations and our interactions with stakeholders. This second sustainability review reiterates our continuing efforts to measure and communicate our organization’s performance during the two-year period since our first review. It describes our sustainability priorities, our work to strengthen results on the ground, our commitment to addressing climate change, and our continuing commitment to transparency and results.

OUR APPROACH (GRI 1.1/1.2/2.12/2.14)
In Focus on Sustainability 2004, we brought together information on the basic systems of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) that bear on economic, environmental, and social sustainability, including how we are governed; our products and practices, such as lending, technical assistance, and knowledge-sharing; and our environmental and social safeguards. Although much has changed since that review, these basic activities and policies remain in place.

The objective of this review is to communicate IBRD’s and IDA’s evolving development priorities, and it refers to Focus on Sustainability 2004 and the World Bank’s Annual Report to provide the fuller picture of the Bank’s complex suite of activities. The complete review, Focus on Sustainability 2004, is therefore available on our Web site and is referenced in the Annex on GRI indicators.

This review covers two distinct scopes of reporting. Part 1 reports on our development priorities, sustainability policies, implementation measures, investment data, and project examples. Part 2, on the corporate footprint, reports on our role as an employer and consumer. Issues like corporate procurement policies, staff diversity, energy consumption, and waste management are included.

Priority topics are treated in summary. We provide resources in the annexes for those who are interested in pursuing the issues in more depth, from promoting international development goals, addressing climate change, progressing on results management, or measuring our carbon footprint. For a more complete picture, we encourage those who are interested to explore the vast wealth of information on our Web site and in our publications, many of which are free.

IMPORTANT CHANGES IN FY 2005-2006
On May 31, 2005, the World Bank Group bid farewell to James Wolfensohn, who served as President for 10 years and who guided the Bank through a fundamental shift in development strategies – strengthening the institution’s ability to fight poverty, to engage civil society, and to support sustainable development. On June 1, 2005, Paul Wolfowitz assumed the Presidency of the World Bank Group and began immediately to articulate his vision for the organization. The President made clear the priority for the Bank is to continue to reach out to the poorest countries of the world to alleviate poverty. Some organizational changes have been made since last year, including the combination of the Environmentally and Socially Sustainable Development (ESSD) and Infrastructure (INF) networks into a new network called Sustainable Development, led by Kathy Sierra. The purpose of consolidating these two networks is to mainstream environmental and social
issues, improve synergies, better integrate core operations, and ensure that the Bank’s work is economically, environmentally, and socially sustainable as we increase our investment in infrastructure.

In our first review, we stated that we would report on progress on environmentally and socially responsible procurement to guide the World Bank’s procurement community. We have developed tools and guidance notes on environmental aspects in technical specifications and bid evaluation. We have also prepared clauses for standard bidding documents on forced labor, employment records, and worker organizations and a guidance note on pest management. This effort is still in its infancy, however, so it is not described in this review.

TERMINOLOGY AND DATA (GRI 2.1/2.11/2.19)
The World Bank is made up of the International Bank of Reconstruction and Development (IBRD) and the International Development Association (IDA). At times, we also refer to the World Bank Group, depending on the context or the data available, which includes the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID), in addition to IBRD and IDA.

This review reflects policy and managerial changes that have taken place in the two fiscal years since our first review, from July 1, 2004 to June 30, 2006. Currency amounts are expressed in U.S. dollars. No significant changes have been made since the review in measurement methods applied to key economic, environmental, and social information.

GRI GUIDELINES (GRI 2.17)
The World Bank supports the Global Reporting Initiative (GRI) and is a member of the GRI Charter Group of founding members.

As in Focus on Sustainability 2004, GRI indicators from the 2002 Sustainability Reporting Guidelines are noted next to corresponding sections of text. We also refer to GRI’s pilot Public Sector Supplement and Financial Supplement. The GRI index at the end of the review provides a guide to the location of information. In many cases, the indicators are reported on in Focus on Sustainability 2004, the World Bank Annual Report 2005 and the World Bank Annual Report 2006, in other listed publications, or on the World Bank Web site, www.worldbank.org.

Some GRI indicators have not been referenced because they are not relevant to our line of business or because sufficient data are not available.

FOR FURTHER INFORMATION (GRI 2.10/2.22)
Additional information on the issues discussed in this review can be found at www.worldbank.org and through the Web sites provided in the Annex. Questions about the review should be addressed to eadvisor@worldbank.org. The Review is available electronically at www.worldbank.org/cesr.
EVENTS IN 2005 AND 2006

Following the devastating tsunami in the Indian Ocean on December 26, 2004 the World Bank committed more than $835 million to help countries recover. Working with many of the tsunami-affected countries to assess damage and reconstruction needs, we have been helping communities to rebuild damaged infrastructure, to revive businesses, farms, and services, and to reestablish people’s livelihoods, including providing small cash grants to hundreds of thousands of tsunami-affected families. www.worldbank.org/tsunami.

March 7, 2005: The International Development Association signed a series of agreements with seven African countries for the Africa Emergency Locust Project. Beneficiary countries are Burkina Faso, Chad, Gambia, Mali, Mauritania, Niger, and Senegal. Each country has moved forward on individual strategies to combat the infestation and limit the damage to future harvests. The project encourages coordination among the many donors who have come forward with aid. www.worldbank.org/afr.

April 18, 2005: The Czech Republic graduated from being a recipient of World Bank financial and technical assistance to being an important partner and provider of development assistance. www.worldbank.org/czech.


May 20, 2005: A revised policy on indigenous peoples was endorsed by the World Bank Board of Executive Directors, reflecting a strategic shift toward a broader, direct engagement with indigenous peoples’ communities. According to the revised policy, the Bank will provide financing to development programs that affect indigenous peoples “only where free, prior and informed consultation results in broad community support for the project by the affected indigenous peoples.” The new policy requires a social assessment that spells out steps that will ensure that indigenous peoples affected by projects using World Bank financing will receive culturally appropriate social and economic benefits. www.worldbank.org/safeguards.

May 25, 2005: The 2005 Global Development Marketplace set the stage for a new thematic approach toward incubating solutions to some of the most demanding development challenges and using the results to inform thinking and knowledge-sharing within the World Bank and the development community at large. Environment was chosen as the first theme. More than 2,600 proposals were received, which were reviewed by over 150 environmental experts both within and outside the World Bank. Thirty-one winning projects shared a total award pool of $4 million. www.worldbank.org/developmentmarketplace.

June 1, 2005: Paul D. Wolfowitz took office as the tenth World Bank Group President, succeeding James D. Wolfensohn. He expressed his deep belief in the mission of the World Bank – helping the world’s poorest lift themselves out of poverty. He also affirmed the urgent need to find the right balance among debt relief, loans, and grants; the Bank’s role as lender, grantor, and technical advisor; and timely, high-quality delivery of financial support, balanced with the need for conditions, accountability, and safeguards. www.worldbank.org/president.

August 24, 2005: The Global Program for Sustainable Fisheries (PROFISH) was launched to turn the rising tide of depletion of fisheries and degradation of marine habitats.
PROFISH is a partnership between developing countries, donors, technical agencies, and the private sector to create incentives for sustainable fisheries, better controls, and improvements in the equitable distribution of fisheries benefits to combat poverty. PROFISH is also a platform for dialogue among stakeholders on contentious issues like subsidies, foreign access agreements, and transparency in fisheries. www.worldbank.org/fisheries.

October 24, 2005: The World Bank Group received the 2005 Green Power Leadership Award, which recognized the Bank Group’s leadership among the largest purchasers of green power in the United States. The award is sponsored by the U.S. Environmental Protection Agency, the U.S. Department of Energy, and the Center for Resource Solutions. The Bank has been working for more than 10 years to reduce its environmental footprint, particularly through energy efficiency. In 2004 the World Bank Group took its greening program a step further by purchasing 101,700 megawatts of renewable energy certificates, primarily in wind power, to cover 100 percent of the electricity load of its headquarters buildings in Washington, DC. www.eere.energy.gov/greenpower.

December 15, 2005: To help Pakistan recover from the October 8, 2005, earthquake on the Pakistan-India border, the Board of Executive Directors approved an International Development Association credit for $400 million. The Earthquake Emergency Recovery Credit is supporting housing reconstruction, livelihood support, import financing, and capacity building in Pakistan and will also make funds available for other sectors as needed, such as social protection, health, education, agriculture, roads, water supply, and other infrastructure. www.worldbank.org/pk.

December 19, 2005: The World Bank’s Umbrella Carbon Facility signed emission reductions purchase agreements with two Chinese companies for the largest emission reductions project on record. The two private chemical companies in Jiangsu Province are expected to reduce emissions by about 19 million tons of carbon dioxide equivalent annually. The Bank also signed a Memorandum of Understanding with the Chinese Ministry of Finance to collaborate in the design and development of a Clean Development Fund, which will apply to sustainable development activities the revenues accruing to the government of China from the sale of emission reductions. www.carbonfinance.org.

March 28, 2006: The World Bank’s Board of Executive Directors approved financing and implementation details for the World Bank’s contribution toward the Multilateral Debt Relief Initiative (MDRI), which will cancel the IDA debt of some of the world’s poorest countries starting on July 1, 2006. IDA is expected to provide more than $37 billion in debt relief over 40 years.

May 10, 2006: At the 2006 Development Marketplace Award Ceremony, President Wolfowitz awarded $5 million to 30 innovative projects that will provide concrete benefits to their communities by meeting their basic needs for clean water, hygienic sanitation, and access to energy.

June 5, 2006: On World Environment Day, the World Bank Group announced that we are becoming carbon neutral for emissions from our Washington, DC, headquarters facilities, for the Spring and Annual meetings in 2006, for daily staff commutes in the Washington area, and for all operational travel from headquarters. The Bank Group engages in energy conservation programs and invests in projects to make up for – or “offset” – the amount of carbon we release into the atmosphere from operating our buildings, traveling, and commuting.
# COUNTRIES ELIGIBLE FOR IBRD AND IDA LENDING

## IBRD

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<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Albania*</td>
<td>Egypt</td>
<td>Malaysia</td>
<td>South Africa</td>
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<tr>
<td>Algeria</td>
<td>El Salvador</td>
<td>Marshall Islands</td>
<td>St. Kitts and Nevis</td>
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<td>Antigua and Barbuda</td>
<td>Equatorial Guinea</td>
<td>Mauritius</td>
<td>St. Lucia*</td>
</tr>
<tr>
<td>Argentina</td>
<td>Fiji</td>
<td>Mexico</td>
<td>St. Vincent and the Grenadines*</td>
</tr>
<tr>
<td>Azerbaijan*</td>
<td>Gabon</td>
<td>Micronesia</td>
<td>Suriname</td>
</tr>
<tr>
<td>Belarus</td>
<td>Grenada*</td>
<td>Morocco</td>
<td>Swaziland</td>
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<tr>
<td>Belize</td>
<td>Guatemala</td>
<td>Namibia</td>
<td>Swaziland</td>
</tr>
<tr>
<td>Bolivia*</td>
<td>Hungary</td>
<td>Pakistan*</td>
<td>Trinidad and Tobago</td>
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<tr>
<td>Bosnia and Herzegovina*</td>
<td>India*</td>
<td>Palau</td>
<td>Tunisia</td>
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<tr>
<td>Botswana</td>
<td>Indonesia</td>
<td>Panama</td>
<td>Turkey</td>
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<td>Brazil</td>
<td>Iran</td>
<td>Papua New Guinea</td>
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<td>Bulgaria</td>
<td>Iraq</td>
<td>Paraguay</td>
<td>Ukraine</td>
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<td>Chile</td>
<td>Jamaica</td>
<td>Peru</td>
<td>Uruguay</td>
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<tr>
<td>China</td>
<td>Jordan</td>
<td>Philippines</td>
<td>Uzbekistan*</td>
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<tr>
<td>Colombia</td>
<td>Kazakhstan</td>
<td>Poland</td>
<td>Venezuela</td>
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<td>Costa Rica</td>
<td>Korea</td>
<td>Romania</td>
<td>Zimbabwe*</td>
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<tr>
<td>Croatia</td>
<td>Latvia</td>
<td>Russian Federation</td>
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<tr>
<td>Dominica*</td>
<td>Lebanon</td>
<td>Serbia and Montenegro*</td>
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<tr>
<td>Dominican Republic</td>
<td>Libya</td>
<td>Seychelles</td>
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<tr>
<td>Ecuador</td>
<td>Macedonia</td>
<td>Slovak Republic</td>
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</table>

* Blend countries are eligible for IDA, as well as IBRD, on the basis of (a) relative poverty and (b) lack of creditworthiness.

To receive IDA resources, countries must also meet tests of performance.

## IDA

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<thead>
<tr>
<th>Country</th>
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<tr>
<td>Afghanistan</td>
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<td>Madagascar</td>
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<td>Angola</td>
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<td>Sierra Leone</td>
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<tr>
<td>Armenia</td>
<td>Ethiopia</td>
<td>Maldives</td>
<td>Solomon Islands</td>
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<tr>
<td>Bangladesh</td>
<td>Gambia</td>
<td>Mali</td>
<td>Somalia</td>
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<td>Benin</td>
<td>Ghana</td>
<td>Mauritania</td>
<td>Sri Lanka</td>
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<td>Bhutan</td>
<td>Guinea</td>
<td>Moldova</td>
<td>Sudan</td>
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<tr>
<td>Burkina Faso</td>
<td>Guinea-Bissau</td>
<td>Mongolia</td>
<td>Tajikistan</td>
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<td>Burundi</td>
<td>Guyana</td>
<td>Mozambique</td>
<td>Tanzania</td>
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<td>Cambodia</td>
<td>Haiti</td>
<td>Myanmar</td>
<td>Timor Leste</td>
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<td>Cameroon</td>
<td>Honduras</td>
<td>Nepal</td>
<td>Togo</td>
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<td>Kenya</td>
<td>Nicaragua</td>
<td>Tonga</td>
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<td>Kiribati</td>
<td>Niger</td>
<td>Uganda</td>
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<td>Chad</td>
<td>Kyrgyz Republic</td>
<td>Nigeria</td>
<td>Vanuatu</td>
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<td>Comoros</td>
<td>Lao Peoples Democratic Republic</td>
<td>Republic of Congo</td>
<td>Vietnam</td>
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<td>Cote d’Ivoire</td>
<td>Lesotho</td>
<td>Rwanda</td>
<td>Yemen</td>
</tr>
<tr>
<td>Democratic Republic of Congo</td>
<td>Liberia</td>
<td>Sao Tome and Principe</td>
<td>Zambia</td>
</tr>
</tbody>
</table>

* Blend countries are eligible for IDA, as well as IBRD, on the basis of (a) relative poverty and (b) lack of creditworthiness.

To receive IDA resources, countries must also meet tests of performance.
PART 1

Focus on Sustainability: Our Commitment to Development
The World Bank is made up of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). IBRD works to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services. IDA provides interest-free credits and grants to the world's 81 poorest countries - home to 2.6 billion people - to help support country-led poverty reduction and sustainable development strategies.

THE DEVELOPMENT AGENDA

GRI 1.1/2.7/EC2/EC10/PA3

The international community has reached broad consensus on the central elements of the development agenda.

• Growth and poverty reduction requiring a commitment to sound policies
• Strengthened governance in developing countries matched by substantial increases in aid by industrial countries
• Doubled aid flows to Africa
• Acceleration of debt relief
• Development of clean energy to control carbon emissions along with strategies to adapt to climate change.

In support of this international agenda, the World Bank Board of Governors scaled up its support for poverty reduction and the other Millennium Development Goals (MDGs) in low-income countries, especially in Africa, with an enhanced focus on results. Two themes are central to our support: the need to create the conditions for robust, private sector-led growth that supports the development goals and the need for

The Millennium Development Goals for 2015

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

For more information on progress toward the Millennium Development Goals, see www.developmentgoals.com.
good governance, including capable and accountable national leadership, effective and transparent public financial management, and a determined attack on corruption.

At the global level, we are working to increase our alignment with country-led programs, to improve coordination with our development partners, and to promote greater harmonization among donors’ practices and procedures as we jointly work to achieve the MDGs. In low-income countries, our activities reflect our commitment to support basic education, health, infrastructure, and agricultural needs. In middle-income countries, our portfolio focuses on initiatives that support sustained growth, reduce poverty and inequality, and strengthen institutional and governance structures.
Leveraging Funds for Poverty Reduction Programs

Over the past 30 years, trust funds have helped the Bank leverage its poverty reduction programs. Trust funds, which are accounted for separately from the Bank’s own resources, are financial and administrative arrangements with an individual external donor or a group of donors that lead to grant funding of high-priority development needs, such as technical assistance, advisory services, debt relief, post-conflict transition, and environmental programs.

Much of the recent growth in trust funds reflects the international community’s desire for the Bank to help manage broad global initiatives through multilateral partnerships, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria; the Global Environment Facility; and the HIPC Initiative.

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<thead>
<tr>
<th>Donor</th>
<th>FY05</th>
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<tr>
<td>United States</td>
<td>358</td>
<td>713</td>
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<tr>
<td>United Kingdom</td>
<td>552</td>
<td>664</td>
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<tr>
<td>Netherlands</td>
<td>411</td>
<td>488</td>
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<tr>
<td>European Commission</td>
<td>408</td>
<td>459</td>
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<tr>
<td>World Bank Group</td>
<td>462</td>
<td>422</td>
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<tr>
<td>Japan</td>
<td>405</td>
<td>339</td>
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<tr>
<td>France</td>
<td>373</td>
<td>335</td>
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<tr>
<td>Italy</td>
<td>211</td>
<td>315</td>
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<tr>
<td>Norway</td>
<td>202</td>
<td>272</td>
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<tr>
<td>Sweden</td>
<td>193</td>
<td>193</td>
</tr>
<tr>
<td>Others</td>
<td>1,236</td>
<td>1,069</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>4,811</td>
<td>5,269</td>
</tr>
</tbody>
</table>

DOING BUSINESS IN 2006

Developing a vibrant private sector is central to promoting growth and expanding opportunities for poor people. Encouraging firms to invest, improve productivity, and create jobs requires the right legal and regulatory environment, including the ability to protect property rights, access to credit, and efficient judicial, tax, and customs systems.

Doing Business in 2006: Creating Jobs finds that even simple regulatory reforms can help entrepreneurs and spur the creation of many new jobs. The 2006 report - cosponsored by the World Bank and the International Finance Corporation - introduces global rankings and three new topics: dealing with licenses, paying taxes, and trading across borders.

Doing Business compares the times and costs associated with meeting a set of regulatory indicators related to business startup, operation, trade, payment of taxes, and closedown. It also tracks hiring and firing workers, enforcing contracts, registering property, getting credit, and protecting investors. The global ranking of 155 nations finds that poor countries levy the highest and most complex business taxes in the world. African nations impose the most regulatory obstacles on entrepreneurs and have been the slowest reformers. Every country in Eastern Europe improved at least one aspect of the business environment since the last assessment, and countries such as Georgia, along with Serbia and Montenegro, topped the global rankings for the most reforms enacted.

The report gives country policy makers the ability to compare their regulatory performance with other countries, to learn from best practices globally, and to establish priorities for needed reforms.

Doing Business in 2006 was compiled in cooperation with other donor agencies, private consulting firms, Lex Mundi, and the International Bar Association.

Ten Largest IBRD/IDA Borrowers - Fiscal 2005 and 2006

<table>
<thead>
<tr>
<th></th>
<th>IBRD/IDA Commitment Amount (millions of dollars)</th>
<th>Percent Share of Total IBRD/IDA Commitments</th>
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<tbody>
<tr>
<td>2005</td>
<td>11,245</td>
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<tr>
<td>2006</td>
<td>12,446</td>
<td>52.6</td>
</tr>
<tr>
<td>India</td>
<td>2,886</td>
<td>12.9</td>
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<td>Turkey</td>
<td>1,800</td>
<td>8.1</td>
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<tr>
<td>Brazil</td>
<td>1,772</td>
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<td>China</td>
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Leveraging Funds for Poverty Reduction Programs

Over the past 30 years, trust funds have helped the Bank leverage its poverty reduction programs. Trust funds, which are accounted for separately from the Bank’s own resources, are financial and administrative arrangements with an individual external donor or a group of donors that lead to grant funding of high-priority development needs, such as technical assistance, advisory services, debt relief, post-conflict transition, and environmental programs.

Much of the recent growth in trust funds reflects the international community’s desire for the Bank to help manage broad global initiatives through multilateral partnerships, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria; the Global Environment Facility; and the HIPC Initiative.
The International Finance Facility for Immunisation (IFFIm)

The World Bank is the Treasury Manager for IFFIm, a new international development institution created in 2006 to accelerate the availability of funds for health and immunization programs in 70 of the world’s poorest countries. IFFIm’s purpose is to raise $4 billion over 10 years to support new and underused vaccines (e.g. through measles and tetanus campaigns) and strengthen health and immunization services through the GAVI Alliance (formerly the Global Alliance for Vaccines and Immunization). An anticipated IFFIm investment of $4 billion is expected to prevent at least 5 million child deaths and more than 5 million future adult deaths. IFFIm raises funds in the capital markets and makes grant disbursements from its operating funds to finance country-driven immunization programs. IFFIm’s financial base consists of legally binding commitments from its sovereign donors (currently France, Italy, Norway, South Africa, Spain, Sweden, and the United Kingdom; Brazil and others will join). Through the successful inaugural bond issued November 2006, IFFIm raised $1 billion from investors around the world, including institutional investors such as central banks, fund managers and pension funds. As its Treasury Manager, the World Bank is responsible for IFFIm’s financial management, including funding in the capital markets and risk management.

For more information on IFFIm, visit www.iff-immunisation.org and on the GAVI Alliance at www.gavialliance.org

Working with Middle-Income Country Partners

IBRD is a AAA-rated financial institution – with some unusual characteristics. Our shareholders are sovereign governments, each of which has a voice in setting IBRD policies and many of which are eligible to borrow from it. IBRD’s main goal is to reduce poverty by promoting sustainable economic development in middle-income and creditworthy low-income borrowing countries. We provide financing (loans, guarantees, and related risk management tools) and expertise in development-related technical disciplines.

IBRD provides access to capital and financial risk management tools in larger volumes, on better terms, at longer maturities, and in a more sustainable manner than countries could receive from other sources. Unlike commercial banks, IBRD is driven by development impact rather than profit maximization.

Nations as diverse as China, Belarus, and Swaziland are IBRD clients – middle-income countries (MICs), which are defined as having per capita incomes of above $1,025. These nations play a critical role on key issues such as clean energy, trade integration, environmental protection, international financial stability, and the fight against communicable diseases. Our partnership with and support for MICs strengthens our ability to support low-income countries.

The challenge facing IBRD is how to better manage and deliver its resources to best meet these countries’ needs. Three trends stand out:

IBRD Corporate Statement

IBRD is a development cooperative that works with member countries to promote sustainable, equitable, and job-creating growth; to reduce poverty; and to address issues of regional and global concern consistent with the Bank’s mandate. We help members achieve results by delivering flexible, timely, and tailored financial services, knowledge services, and strategic advice, while using its convening capacity as appropriate to further members’ specific objectives. We seek to enhance our impact by working closely with IFC and MIGA; capitalizing on middle-income countries’ own accumulated knowledge and development experiences; working closely with IMF and other multilateral development banks and; collaborating with the development community.
IBRD Resources

While IDA is funded largely by contributions from the governments of the richer member countries, IBRD funds itself by selling $10-15 billion bonds in international capital markets each year. In fiscal 2006 IBRD raised $10 billion in medium- to long-term maturities by offering investors debt securities in a wide range of maturities and structures in 11 currencies. As a AAA-rated borrower, IBRD is able to borrow high volumes for long maturities on favorable terms. IBRD’s financial strength is based on its prudent financial policies and practices, which help maintain a high credit rating.

IBRD’s operating income was $1,740 million in fiscal 2006. IBRD retained $1,036 million in its general reserve and $64 million in its pension reserve and added $140 million to the surplus account. In August 2006 the Executive Directors proposed that the Board of Governors approve a transfer of $500 million to IDA from allocable net income in fiscal 2006 and an additional transfer of $300 million to IDA from the surplus account.

Examples of Fee-Based Analytic and Advisory Services Provided by IBRD

The Russian Federation has engaged the Bank on a fee-for-service basis to act as an independent investment consultant and provide project implementation support to the Government of St. Petersburg for its Western High Speed Diameter Project, which will be the first concession for toll roads in Russia. Under the reimbursable technical assistance agreement, the Bank will conduct a detailed review of project feasibility to secure financing and, subsequently, help the government of St. Petersburg during the transaction process, including its public competitive bidding phases.

Algeria has entered into reimbursable technical assistance (RTA) programs with the Bank. The first RTA agreement with Algeria for $580,000, signed in August 2005 with the Ministry of Water Resources, is now well under way, covering the preparation of management contracts in water supply for three large cities. A second RTA for $530,000 was signed in April 2006 for the establishment of the Caisse Nationale d’Equipement et de Développement (CNED).

The World Bank Treasury has offered governments financial and advisory services to help them develop the framework, tools, and capacity that will allow them to establish a prudent debt management strategy and implement it efficiently. This work has two stages: first, when a country expresses a desire for Bank assistance to improve the quality of its public debt management, the Treasury team performs a “needs assessment,” free of charge. This assessment is in sufficient detail to serve as a platform for the authorities to begin specifying an action plan and to take a decision on whether and to what degree to engage the Bank team in follow-up activities. The second stage comprises in-depth advisory services, provided on a cost-recovery basis. Clients can pay for the services in two ways. The first is through a straight hourly or fixed fee for the professionals engaged, plus travel costs. These costs may be recovered through direct payments from clients or other donors or internally within the Bank (e.g., analytic and advisory services, loan preparation, and/or supervision). A second approach is for the client to engage Treasury to provide direct financial services, such as asset management or operations services, using a fee schedule that also covers provision of capacity-building and advisory services. Treasury currently has 22 fee-paying clients for its capacity-building businesses.

Working with Romania on Accession

In early 2005 Romania asked IBRD for urgent support for critical reforms to strengthen the efficiency, autonomy, integrity, and accountability of the judicial system, and to step up anticorruption efforts. These reforms were necessary to fulfill European Union requirements in time for Romania’s 2007 accession to the EU. The government needed strategic advice, world-class technical expertise and capital investments to move ahead with the reforms. Leveraging analytic and diagnostic work undertaken since 2002 as well as the experience of a series of programmatic development policy loans, the Bank responded with a $130 million loan prepared in only 10 months. Romania successfully met the EU requirements.

• MICs are increasingly drawing on IBRD’s flexible loan and hedging products to mitigate financial risks and are seeking customized financial advice to help manage their broader balance sheet risk. This includes products for expanding lending in local currency and to sub soverigns and for managing commodity price volatility and catastrophic risk.

• The demand for the Bank’s non-lending services is growing. More MICs are seeking IBRD’s financial, knowledge, and strategy services, and they access the latter two on a stand alone basis, sometimes through fee-based services.

• In addition, all shareholders are increasingly turning to IBRD to use its knowledge, strategic advice, convening capacities, and financial services to address issues of global and regional concern and to provide banking and administrative services to help operationalize these initiatives.
In response, the World Bank is working to improve the delivery of integrated services to meet individual country client needs and to strengthen our capacity in the areas in which we have a comparative advantage. Recognizing the heterogeneity of this group of countries, we provide a flexible program of products, such as strategic policy advice on country and global and regional issues; financial services, including a full menu of financing, credit enhancement, and risk management tools to the sovereign and non-sovereign public sector; and knowledge services in the form of research, project cycle, analytical work, training, institutional capacity building, and technical assistance. In addition, acknowledging MICs’ own contribution to the World Bank as holders of extensive experience in what does and does not work in development, IBRD is working to better channel this knowledge for the benefit of countries that are at an earlier stage in tackling obstacles to growth and participation.

**The World Bank and Human Rights**

GRI HR1,HR2

Through their focus on sustainable development and poverty reduction, the World Bank’s policies and practices are broadly supportive of the realization of human rights. For the World Bank, dimensions of human rights require a careful approach, however, chiefly because of the limitations set forth in the World Bank Articles of Agreement – specifically to avoid interference in political affairs and the prohibition on basing decisions on political rather than economic considerations. In light of the important connection between human rights and development, the Bank’s Legal Vice-Presidency and several other units are looking closely at this issue, with the goal of further elaborating on the nature of the Bank’s role in supporting its members in realizing their human rights obligations. To help achieve this aim, a new Nordic and Swiss-supported Trust Fund has been established within the Bank, which the Bank will use to systematize and improve its engagement on human rights issues. There are several critical dimensions to this work. One involves analyzing the links between economic growth and the respect and protection of human rights. Another is the development and charting of empirical tools to assess and measure human rights – this issue has begun to be addressed by a research project within the Legal Vice Presidency on human rights indicators. Coordination with other international organizations on the issue of human rights is an additional dimension. For example, the Bank participates in the OECD Development Assistance Committee GovNet Human Rights Task Team. Other informal forms of collaboration involve the Office of the High Commissioner on Human Rights and the International Labour Organization. This collaboration may develop into strategic partnerships through which the Bank can advance its work on human rights and benefit from the comparative advantage of others, while bringing its own expertise to bear in international initiatives.
Debt and Development: The Multilateral Debt Relief Initiative

On March 28, 2006, the World Bank Executive Directors approved IDA’s participation in the Multilateral Debt Relief Initiative (MDRI). The initiative provides additional support to Heavily Indebted Poor Countries (HIPCs) to help them reach the Millennium Development Goals.

Donors will compensate IDA for the cost of MDRI debt relief, while maintaining their regular financial support of IDA. IDA began writing off eligible debt owed by HIPCs that had reached the HIPC Completion Point in July 2006. So far, 20 HIPCs have benefited from MDRI debt relief of about $27.8 billion – a figure that is projected to increase to about $36 billion as more IDA countries qualify in the future for debt cancellation under the MDRI.

FOCUS ON AFRICA

According to the Global Monitoring Report, a World Bank/International Monetary Fund publication, progress toward meeting the MDGs has been slow and uneven across regions. The situation is most dire in Africa, where many countries will not reach the targets at the current rate of progress. The continent includes 34 of the world’s 48 poorest countries as well as 24 of the 32 countries ranked lowest in human development. Most African countries will need to double their average annual growth rates to 7 percent in order to halve poverty by 2015.

The World Bank has increased its support for Africa dramatically in the past five years and is currently the largest provider of development assistance to the continent. The money comes primarily from the International Development Association, in the form of grants and interest-free credits. IDA’s gross disbursements to AFR region in fiscal 2006 were $4 billion. The 25 African countries eligible under Heavily Indebted Poor Countries Initiative received a total of $530 million in HIPC debt relief from IDA in fiscal 2006. In addition, these countries received or will receive additional debt reduction under the Multilateral Debt Relief Initiative to provide additional resources to meet the Millennium Development Goals.
Malaria: The World Bank Global Strategy and Booster Program

The World Bank is substantially accelerating its efforts to combat malaria through the Global Strategy and Booster Program. In the short to medium term, the new Booster Program for Malaria Control will provide increased financing and technical support for designing and implementing anti-malaria programs and increasing their coverage.

While the immediate objectives are fixed - increasing coverage, improving outcomes, and building capacity - the means will be flexible. The new Program is taking into account lessons learned from successful malaria programs and experiences from the Multi-country HIV/AIDS Program (MAP). The Bank is mobilizing financial and technical resources from within and outside the institution, including the public and private sectors, to stimulate the production of commodities such as insecticide-treated bed nets and anti-malarial drugs; to lower taxes and tariffs on such items; to improve and maintain long-term commitment to malaria control by governments and civil society groups; and to build public-private partnerships for program design, management, and evaluation.

The World Bank Group’s Africa Action Plan, endorsed by the Board of Governors in September 2005, has three core elements: stronger attention to building capable states and improving governance, strengthening the drivers of growth, and better collaboration and cooperation among development partners - governments, donor countries, and development agencies.

The Action Plan contains commitments to increase financial support for free primary education in 15 countries through the Education for All Fast Track Initiative as well as more funding for roads, power, and other infrastructure programs. It lays out plans for expanding the World Bank’s Malaria Booster Program by 150 percent in 17 countries, scaling up lending support for HIV/AIDS programs in 10 countries, and greater investment in MDG #3 - promoting gender equality and empowering women. The Action Plan also involves working within the African Infrastructure Consortium, hosted by the African Development Bank, to mobilize resources for national and cross-border regional infrastructure projects.

Country strategies will differ and will be based on each country’s Poverty Reduction Strategy Paper. For example, the Action Plan recognizes that HIV/AIDS is a scourge across the continent; at the same time, however, it accepts that in certain Central and West African countries malaria is at least as serious a problem in terms of its impact on people’s health and the economy.

According to former World Bank Vice-President Gobind Nankani, the biggest challenge is implementation of the Action Plan: “The Millennium Development Goals are set for attainment by 2015. We have [less than] 10 years ahead of us... We have before us a tremendous opportunity because of leadership in Africa and international support to work with our partners to support actions by countries towards these goals.” Africa may be the poorest continent, but it is poised for real change.
Kenya: Staying Engaged

Supporting Kenya’s fight against corruption is a top priority for the Bank’s program in that country. All projects must integrate good governance into their core monitorable objectives. For example, upcoming sectoral support operations in health and education will emphasize fiduciary mechanisms designed to ring-fence against possible misuse of funds and will include monitoring that involves communities and individual citizens.

While undertaking measures to guard the Bank’s portfolio against corruption risk, the Bank has also engaged intensively with government to identify corruption risks and is working with the government to implement mechanisms against systemic risks. The government has developed an Annual AntiCorruption Action Plan (now in its second annual phase) that focuses on reforms in the judicial, procurement, and financial management systems, as well as critical anticorruption actions in key sectors including health, education, roads, and water. In support of these system-wide reform efforts, in January 2006 the World Bank approved an IDA credit for $25 million to support the government of Kenya’s fight against corruption and to strengthen the capacity of several ministries – Finance, Agriculture, Planning and Development, Trade and Industry, and Local Government. The goal of the Institutional Reform and Capacity Building Technical Assistance Project is to strengthen public financial management systems in order to improve transparency, accountability, and responsiveness to public expenditure policy priorities.

Thus, the Bank has continued to move forward with investment operations for Kenya, integrating anticorruption safeguards and wherever possible supporting national and community-level capacity to ensure accountable use of public funds. In August 2006 the Bank approved an Additional Financing operation for $60 million for emergency drought response under phase II of the Arid and Semi-Arid Lands Project. Several more projects – in Education, Statistical Capacity, Natural Resources Management, and Community-Driven Development – are scheduled for Board presentation in the 2007 fiscal year.

Update on the Chad-Cameroon Pipeline Project

In January 2006 the World Bank Group announced it would withhold new loans and grants to the Republic of Chad and suspend disbursement of IDA funds allocated to that country. All eight active World Bank projects were affected, including the controversial Chad-Cameroon Pipeline Project. Disbursement of approximately $124 million was suspended. This followed passage of amendments to the country’s Petroleum Revenue Management Law by the Chadian National Assembly. Chad changed the law to gain more freedom in spending its money, but the changes reduced emphasis on programs designed to promote poverty alleviation in the country.

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The 1999 Petroleum Revenue Management Law that was amended had been a deciding factor in the World Bank Group’s support for the Chad-Cameroon Oil Pipeline Project. As part of the loan agreement, Chad specifically agreed not to amend or waive any provisions of the law in ways that would “materially and adversely affect” the revenue management program it established. The bulk of the government’s direct revenue from the pipeline project was directed to agreed-to “priority sectors,” such as health, education, and rural development, and linked to improved living standards and poverty reduction. The laws also created a Fund for Future Generations to ensure continued benefits to the Chadian people once the oil reserves are exhausted.

The December 2005 amendments to the law broadened the definition of priority sectors to include territorial administration and security, and they eliminated the Fund for Future Generations, allowing the transfer to the general budget of more than $36 million already accumulated in that account. In addition, further changes in the definition of priority sectors could be made by decree, and the share of royalties and dividends that could be allocated to nonpriority sectors was more than doubled. Taken together, these changes substantially weakened the poverty focus of the revenue management program and constituted a breach of the government’s loan agreement.

In February 2006 the World Bank Group and the government of Chad held discussions on its poverty reduction programs and public finance management in order to reach a mutual understanding of Chad’s critical needs and budget shortfalls. The World Bank and the government of Chad signed a memorandum of understanding in July 2006, under which the government committed 70 percent of its budget spending to priority poverty reduction programs and agreed that surplus funds will be set aside in a stabilization fund for the future. A subsequent agreement was reached that oil revenues would be used to expand the pool of funds available for programs benefiting the country’s poor people. The Bank’s goals are to ensure that funds reach the poorest citizens, including people displaced by the conflict in Darfur, and to safeguard oil revenues intended for poverty reduction programs per the original agreement. Under the agreement, the Chad authorities have pledged to work with the Bank and others to prepare a Poverty Reduction Strategy program for the country. The agreement also allows for the setting up of a fund for surplus oil revenues to provide for long-term growth and opportunity.

While welcoming Chad’s adoption of a revised budget law in line with the July agreement, the World Bank cautioned that the deal would only work if the Collège de Controle et Surveillance des Resources Pétrolières, an independent body charged with oversight of the use of oil revenues for poverty reduction, was strengthened. A commitment has been made by the Bank, and the Chad authorities agreed to strengthen the Collège by ensuring it has the resources to perform its duties effectively.
REDUCING DISASTER IMPACTS

Since 2004 disasters have taken a tremendous human and economic toll in the developing world as a result of flooding, drought, earthquakes, and disease. The World Bank has long supported disaster management efforts, but reducing disaster impacts goes beyond just financial contributions. This past fiscal year, the World Bank worked with the international community to take preventative actions, mobilize resources, and restore social and physical infrastructure in countries hard hit.

Prevention

Based on lessons learned from recent outbreaks of SARS and influenza, governments and agencies are now giving greater priority to preventative measures, early international coordination, and collaborative response efforts. While tsunamis and hurricanes cannot be stopped, preparing for them by properly involving communities, developing better building codes, designing better coastal structures, and improving management of coral reefs and mangroves could go a long way toward limiting their impact. The World Bank has developed a new set of financial tools to allow countries to better hedge against the crippling economic effects of natural disasters before they strike.

The World Bank is also taking a proactive stance in battling avian flu. The H5N1 strain has spread in birds and sometimes pigs from Asia, to Central and Eastern Europe, Northern Europe, Africa, and North America. Fighting avian flu requires a long-term effort, a high degree of coordination, and a global strategy.

The World Bank Avian and Human Influenza Facility is a multidonor, grant-making mechanism supported by the European Commission and seven other donors. In the Kyrgyz Republic, the World Bank provided a grant of $4 million for the Avian Influenza Control & Human Pandemic Preparedness & Response Project. This country, located in Central Asia on a major migratory flyway path, was the first to draw resources from the facility. Similar grants in Moldova and Nigeria quickly followed suit and more will follow in fiscal 2007.

Mobilization of Resources

The Bank implemented a trust fund to respond to the Southeast and South Asian tsunami - the most powerful such event the world had seen in a generation. The waves hit 11 countries and killed an estimated 200,000 people. The disruption to the social fabric of coastal areas was enormous. In Indonesia alone, an estimated 700,000 people were displaced; in India, the tsunami and its after-effects disrupted the ability of some 645,000 families to earn a living, most of them from fishing communities. This event caused immense social, economic, and environmental devastation to areas that were already poor.
New and innovative mechanisms for funding the recovery were formed to mobilize resources for recovery and reconstruction. Fifteen donors came together to pool their grant assistance in a $526 million Multi-Donor Trust Fund, co-chaired by the European Commission, the World Bank, and the Rehabilitation and Reconstruction Agency. Indonesia received a $25 million grant from IBRD’s surplus and an additional $39 million in IDA financing for recovery and peace building in Aceh was allocated. The World Bank committed more than $835 million its own funds for reconstruction to South Asian countries affected by the Tsunami.

**Reconstruction**

World Bank-supported reconstruction projects are typically multisectoral and implemented in both urban and rural areas. They have focused on repairing infrastructure and damaged community facilities as well as economic recovery through emergency import support. Rebuilding in urban areas has often focused on health facilities, such as hospitals that are themselves important to the recovery process.

Following an earthquake in Pakistan on October 8, 2005, the World Bank worked to assess recovery needs and to provide financial support. According to the government, at least 73,000 people were killed and 3.5 million persons displaced. At the government’s request, a joint team from the Asian Development Bank and the World Bank assessed the needs and reconstruction costs in a record 19 days. This assessment set out clear guidelines for a comprehensive recovery approach to meet the needs of the affected people following a common framework adopted by all organizations and institutions involved to ensure consistency and equity across rehabilitation efforts.

The Bank also approved a $400 million Emergency Recovery Credit to further support the earthquake recovery and reconstruction effort over three years. This follows the Bank’s initial commitment of $475 million as part of the overall pledge for recovery. The assistance has helped rebuild communities along with agriculture, transport, and basic services and supported the resumption of livelihoods in the most remote and poorest earthquake-affected districts.

Prime Minister Shaukat Aziz noted “the speed and scale of this commitment is exactly what Pakistan needs right now.”
THE EMERGING CHALLENGE

If we are to sustain the progress we have made on any of the issues described on the preceding pages, the threat of climate change must be addressed. To ignore this threat is to risk losing all that we have gained in the last few decades, and more.

In July 2005 world leaders at the G-8 Gleneagles Summit asked the World Bank to take a leadership role on developing an investment framework for international coordination on climate change, clean energy, and sustainable development. A team from across the World Bank is currently working on this framework and on ways to further expand access to clean and efficient energy technologies, to assess climate risk in development planning, and to promote innovative markets to assist the movement to low-carbon economies. Our activities to promote changes in energy technologies, energy efficiencies, and adaptation to climate variability, including the piloting of carbon funds, are discussed in Chapter 2.
Helping our clients prepare for increased climate stress and variability is essential to the World Bank’s mission of sustainable poverty reduction. The impacts are expected to be far-reaching, adversely affecting virtually all aspects of social and economic life for the poorest of the poor.

The challenge for nations is to achieve sustainable development while adapting to the changing economic and environmental conditions brought by climate stress.

Energy supply is a central component of both the problem and the solutions to this growing challenge. The World Bank is helping developing countries gain access to clean and efficient energy services, control greenhouse gas emissions, and adapt to growing climate risk.

To meet minimum needs in the developing world, about 100 million more people each year will have to be connected to energy services over the next two decades – at the same time that massive greenhouse gas reductions in both the industrial and the developing world are needed to help stabilize Earth’s climate. Finding a way to meet these energy needs requires broad-scale innovation and an alignment of global interests to work to reduce greenhouse gas emissions.

The World Bank is looking at how to protect vulnerable communities from extreme climate variability and examining the barriers to increased investments in clean and efficient technologies in developing countries. We must find financing mechanisms that will support both less carbon-intensive development paths and adaptation strategies. Strengthening cooperation among international financial institutions will be essential in this effort.
Access to affordable energy is central to the goals of poverty alleviation and economic growth, while mitigating and adapting to climate change will be essential to limit adverse impacts on water resources, agriculture, human health, and economic performance.

– Kathy Sierra,
Sustainable Development Network VP

THE WORLD BANK’S ENERGY PORTFOLIO

Many of the World Bank’s current energy sector investments are focused on basic energy infrastructure – such as energy generation, transmission, and distribution; oil and gas development; refinery and handling facilities; and transport – which remains at the heart of development in our client countries. The Bank’s participation, however, in financing such energy infrastructure has declined as a percentage of its overall portfolio due to an increase in private sector engagement. Although traditional energy investments still formed 92 percent of the Bank’s total energy portfolio in fiscal 2006, they were less than 10 percent of the Bank’s portfolio across all sectors.

To augment conventional energy sources and to address growing environmental challenges, the World Bank continues to build both alternative forms of energy and energy efficiency into our project programming and our dialogue with client countries. In June 2004 the Bank Group pledged to scale up investments in new renewable energy and energy efficiency by 20 percent a year. We met and exceeded that commitment in fiscal years 2005 and 2006.

The World Bank promotes local sources of energy that are environmentally clean and sustainable over time to help diversify country energy portfolios and protect them from price and supply shocks. These sources include conventional renewables, such as hydropower development. Across the developing world, only about 20 percent of these renewable resources have been tapped, compared with about 80 percent in the industrial world.

Although the World Bank is a leader in the promotion of renewable energy technologies, policies, and applications, fossil fuels are likely to remain dominant until the global energy paradigm shifts to internalize grave environmental externalities and true price/supply risks. Until that happens, coal in particular will remain central in the energy strategies of the larger rapidly industrializing countries like India and China. Energy efficiency can be improved, however, by advanced combustion and gasification technologies and by better fuel processing. Carbon capturing techniques may also emerge to help manage emissions. The World Bank promotes technological innovation, better policy frameworks, and practical incentives for the transition to cleaner sources.
**Hydroelectric Projects**

The World Bank supports investments in dams only after they have been identified by governments through a strategic planning process as the priority alternative in water and energy development. Increasingly, these projects must show that they yield multipurpose benefits, build cooperation across regional and international boundaries, and are able to adapt and change as conditions change. Strict environmental and social safeguards are imposed by the Bank. Two examples of the Bank’s scope of work in hydroelectric projects are Cambodia’s Opongmoi Community Hydro Project and the Nam Theun 2 project in Laos.

**Opongmoi Community Hydro Project (Under project design):** With 85 percent of its population living in rural areas, the government of Cambodia is emphasizing rural electrification-on-grid where possible, and where there is no access to public grids, through mini-grids based on renewable energy sources and run by small and medium-size enterprises (SMEs). The Opongmoi Community project is a small community hydro plant originally funded as an SME to provide electricity to 200 households. The plant, however, was only partially completed and currently provides electricity to just 50 households. With assistance from the World Bank, the project will supply electricity to all 200 households that previously used candles, kerosene, and batteries for lighting.

**Nam Theun 2 Power Project (P076445):** In March 2005 the World Bank’s Board of Directors approved the Lao Nam Theun 2 Power Project. The hydroelectric project will enable Lao PDR, one of the poorest countries in East Asia, to sell energy to neighboring Thailand. The resulting revenues will be used to accelerate growth, curtail poverty, and potentially help better integrate the country into the region. This is a very large project, and the Bank has a mixed history of financing dams in developing countries. Lessons from past experience have helped shape this new project. It has been examined rigorously not just from a technical and economic perspective, but also from broader social and environmental perspectives.

The goal of the project is for the government to generate revenue through the sale of hydropower to use in poverty reduction and conservation programs. Basic governance reform is included in the project to strengthen the system of public expenditure management, particularly in terms of improving fiscal prudence, transparency, and management of the delivery of key social services. The project also includes initiatives to improve natural resource management and biodiversity conservation in the affected areas, to mitigate any environmental and social impacts of the project, and to protect the project watershed so that the effective life of the hydropower facilities goes far beyond the 25 year concession period. Comprehensive social and environmental baseline studies are being conducted to guide future monitoring of Nam Theun 2.

External stakeholders have expressed significant concern about the project’s role in poverty alleviation and the management of the project’s impact on local communities and the environment. The World Bank and nongovernmental organizations will be monitoring the project as it develops. In particular, the Bank has been working hard to develop a more rigorous process of consultation with the villagers and others affected by the project and to establish conditions where such a consultation process will stay in place over time. This includes specific arrangements for grievance processes so that people know where they should go to seek resolution. In addition, independent experts will monitor the progress of the project over the course of the loan.

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**THE CLIMATE CHANGE PROGRAM**

Since the early 1990s the World Bank has primarily worked with client countries to reduce greenhouse gas emissions through mitigation strategies. Countries have been reluctant to borrow for activities related to vulnerability or adaptation to climate change. In particular, we have helped clients mobilize additional grant resources to support greenhouse gas reductions, mainly in the energy sector. We are building on our existing role in energy policy reform to develop a range of technologies and markets essential for creating a level playing field among energy sources.

In addition to commitments to the Global Environment Facility (see next section) and to renewable energy projects, the World Bank is working to integrate climate change considerations into the sustainable development agenda by:

- Establishing multi-shareholder public/private partnerships to catalyze the market for project-based greenhouse gas emissions reductions within the framework of the Kyoto Protocol
- Pledging to strengthen our clients’ capacity to adapt to climate change and climate variability.

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**THE WORLD BANK - GEF PROGRAM**

The World Bank is one of the three implementing agencies of the Global Environment Facility. We are working with the GEF to expand projects that promote energy efficiency, renewable energy supplies, improved waste management, afforestation, and community forestry - all of which can reduce greenhouse gas emissions while directly supporting our clients’ development goals by improving rural energy supplies, reducing indoor and local air pollution, diversifying energy supply sources, and promoting productivity. In particular, the incremental funding provided by the GEF has helped make cleaner (but more expensive) energy alternatives attractive against a backdrop of competing development demands. With GEF, we have scaled up renewable energy and energy efficiency investments by promoting:
• New technologies, ranging from small solar home systems to large-scale wind turbines to innovation in fuel cells

• New markets, including support for businesses selling and servicing renewable energy products and services, engaging nongovernmental organizations in reaching new customers, and encouraging a variety of participants delivering energy efficiency services

• Direct investments, subsidies, guarantees, and contingent financing approaches to leverage funds, as well as new financing channels to offer credit to small companies and households for services and end-use investments.

In fiscal 2006 42 new World Bank-GEF projects were approved for $335.3 million in GEF grants, which mobilized an estimated additional $171 million in Bank financing for strategic initiatives in:

• Market transformation to remove barriers for energy-efficient products
• Increased financing for renewable and efficiency projects
• Strengthened power sector policy and regulatory frameworks for grid-based renewable energy
• Promotion of renewable energy in agriculture, water, education, telecommunications, and rural industry
• Global market aggregation and national innovation for advanced renewable energy technologies
• Modal shifts in urban transport and clean vehicle and fuel technologies.

FIGURE 5
All Active World Bank-GEF Climate Change Commitments by Project Type, Fiscal 2005 (share of $265 million) and 2006 (share of $1.1 billion), including GEF Grants and IBRD/IDA Additionally Leveraged Funds

New Renewable Energy in China

The World Bank is providing a total of $87 million for the Renewable Energy Scale-up program for China. This program aims to create a legal, regulatory, and institutional environment conducive to large-scale, renewable-based electricity generation and to demonstrate success in large-scale, renewable energy development with participating local developers in two provinces. An institutional development and capacity building component was designed to meet national priorities and the needs of the pilot provinces to initiate the scale-up of renewable energy. This will include market policy research and implementation support, technology improvement for wind and biomass, and long-term capacity building. There are two subcomponents to this program:

• In Fujian, a 100 MW wind farm at Changjiang‘ao, Pingtan Island: The Pingtan wind farm will consist of wind turbines, associated civil and electrical works, an extension to an existing control room, a switchyard, and a 15 km, 110 kV transmission line from the wind farm to the Beicuo substation, which will be upgraded to meet the evacuation needs of the wind farm.

• In Jiangsu, a 25 MW straw-fired biomass power plant at Mabei Village, Rudong County: The Rudong power plant will consist of one 110 ton per hour, high-temperature, high-pressure straw-fired boiler, one 25 MW steam turbine, and associated mechanical, electrical, and civil works.
THE CARBON FINANCE UNIT

“Our client countries should be given an opportunity to participate and compete in this global carbon market. Without Bank involvement, it is likely the market will remain confined to a few sectors and countries delivering large volumes of emission reductions, leaving most of our client countries and the rural and community sectors of all developing countries by the wayside.”

– Joelle Chassard, Manager, Carbon Finance

The World Bank administers nine carbon funds and facilities through the Carbon Finance Unit, leveraging public and private investment for projects to reduce greenhouse gas emissions. Through these funds, the Bank has helped spur a new form of international trade, seeking to ensure that our client countries and in particular the least developed countries reap the benefits of this emerging market and obtain a sizable share of the carbon market under the Kyoto Protocol’s Clean Development Mechanism and its Joint Implementation projects. Under these arrangements, developing countries provide the arena for high-quality carbon emission reduction projects in exchange for development assistance, technological know-how, and transfer of clean technologies for sustainable development. Participants in the carbon funds in return receive credits for greenhouse gas emission reductions that they can use to meet their commitments under various reduction regimes.

World Bank Carbon Finance Funds

- **Netherlands Clean Development Mechanism Facility.** $268.3 million. Netherlands Ministry of Environment. CDM energy, infrastructure, and industry projects.
- **Community Development Carbon Fund.** $128.6 million. Multishareholder. Small-scale CDM energy projects.
- **BioCarbon Fund.** $53.8 million. Multi-shareholder. CDM and J I LULUCF projects.
- **Italian Carbon Fund.** $155.6 million. Multi-shareholder (from Italy only). Multipurpose.
- **Spanish Carbon Fund.** $282.4 million. Multi-shareholder (from Spain only). Multipurpose.
- **Danish Carbon Fund.** $69.4 million. Multi-shareholder (from Denmark only). Multipurpose.
- **Umbrella Carbon Facility.** $998.8 billion. 2 HFC 23 projects in China.
We are supporting the growth of carbon markets because of their potential to leverage significant resources for equitable and sustainable development. Emission reduction credits are now being traded. Developing countries can use the revenue from these credits to improve energy efficiency, switch fuels and energy sources, improve landfill operations, and improve forest cover and biodiversity.

In fiscal 2006, 27 Emission Reductions Purchase Agreements (ERPAs) were signed for a total volume of 148 million tons of carbon dioxide equivalent (CO2e), including two Trifluoromethane (HFC-23) projects totaling 129 million tons of CO2. In the last seven years, the Bank’s carbon finance activities have grown from the pioneering $180-million Prototype Carbon Fund to funds and facilities that represent almost $1.6 billion, with more than 62 private sector companies and 13 governments as participants.

Under the Kyoto Protocol, countries with obligations to cut greenhouse gas emissions need to purchase reductions that help them meet their commitment by 2012. Consequently, these are demanding times for the business of carbon finance. In particular, there is the pressure to spread the benefits of carbon finance to Africa. All projects must begin delivering emissions reductions by 2008 if they are going to help meet the targets agreed to in the Kyoto Protocol. That means there is less than two years to have projects up and running in parts of the world where project development can be difficult at the best of times.
Honduras La Esperanza Hydro Project: First Ever Certified Emission Reductions Issued

A historic milestone in the global carbon market was reached in October 2005 when the Executive Board of the Kyoto Protocol's Clean Development Mechanism issued the first certified emissions reductions to two small projects located in Honduras: the La Esperanza Hydro Project and the Rio Blanco Small Hydroelectric Project.

The La Esperanza project is selling certified greenhouse gas emission reductions to the World Bank - managed Community Development Carbon Fund. The public and private participants in the Fund support projects like La Esperanza that measurably benefit poor communities and their local environment. The certified emission reductions can be used to meet the participants' greenhouse gas reduction commitments under the Kyoto Protocol. La Esperanza's groundbreaking certification was for a small but historically important reduction of 2,210 emissions. The issuance of certified emissions reductions is the final step in a process that officially recognizes the project and its greenhouse emissions reductions under the rules of the Clean Development Mechanism. Implemented by Consorcio de Inversiones S.A. (CISA) from Honduras, La Esperanza Hydro Project is in the remote and mountainous rural area of the Intibuca region of central Honduras. The project will sell the electricity generated to the National Utility Company, ENEE, for the next 15 years. The electric power generated by this 12.7-megawatt containment/run-of-river hydro project will, for the first time, guarantee a reliable and steady supply of electricity to the town of La Esperanza and many of the surrounding communities, reaching about 400,000 people. The company is committed to helping local communities currently without electricity in the Rio Intibuca basin apply for rural electrification grants from the government and other sources. In addition, CISA will also plant about 25,000 seedlings a year to gradually reforest degraded watershed areas around the project site.

Uganda Kakira Sugar Works Cogeneration: A World Bank Community Development Carbon Fund Project

Kakira Sugar Works (KSW) is a sugar manufacturing company in Kakira village, about 100 kilometers east of Kampala, Uganda. KSW crushes cane supplied by more than 4,000 small farmers to produce sugar. It also generates electric power for its own use from bagasse, the fibrous residue left after crushing sugarcane. But most of the excess bagasse is disposed of through open-field burning. This project will expand KSW's bagasse power generation capacity from 4 megawatts to over 20, for both internal use and for sale to the national grid. The Community Development Carbon Fund project will purchase from this project emissions reductions equivalent to 440,000 tons of carbon dioxide over 10 years. The revenues from the Kakira project will go to community services, including expanded health services, education, and other welfare facilities, as well as creating about 100 new jobs and providing agricultural extension services to over 3,500 farmers, employment to 6,200 rural workers, worker housing, a 100 bed hospital, and 12 schools.
Support for Adaptation to Climate Change

Adaptation and Vulnerability in the Climate Change Context: The imperative to ‘climate proof’ development

Our climate is changing and even with our best efforts at mitigation, experts agree that some change is unavoidable. All people will need to adapt to new conditions, but for the poor the need is even more pressing. The burden of adapting to climate change falls most heavily on poor nations and the poor people of all nations. The statistics tell the story: more than 2.5 billion people in developing countries were affected by climate disasters in the past decade. If you take just one variable in one country, Ethiopia for example, rainfall variability is estimated to reduce Ethiopia’s growth potential by a third.

The World Bank’s goal is to contribute to reducing the vulnerability of the poor. Under the threat of changing climate, the Bank and all other development institutions must become proactive in helping clients prepare for and protect against these changes. Bank investments themselves are generally designed in accordance with today’s climate: no road engineer designs a highway, no hydraulic engineer designs dams, and no agronomist suggests new cash crops without taking into account the local climate.

Projections of future change are regarded as too uncertain to be factored into the analyses. It is now clear, however, that the risks associated with climate variability and extreme events are increasing. The failure of development activities to incorporate natural hazard risks into strategic planning and forecasts could result in losing decades worth of development efforts.

Assessment of climate risks will be an important part of due diligence of development planning. The World Bank is developing tools to help identify risks in infrastructure, agriculture, natural resources, and health projects. It is expanding adaptation measures to incorporate investment in resilient agroecosystems (better adapted crops and cropping systems), forestry of all kinds, and coastal zone and river basin management. Taking future changes into account may lead to increased costs in the project, however, which already cash-strapped clients are often reluctant to accept. Responsibility for meeting the increased costs of adaptation is still an unresolved issue, and discussions are continuing within the United Nations Framework Convention of Climate Change and related frameworks.

Although all countries and all people will have to adapt to and cope with climate change, the poorest people face the greatest challenges. Increased climate stress is expected to affect all natural ecosystems and the use of natural resources. Developing countries often have economies that depend heavily on agriculture, forestry, and natural ecosystems, where the impacts of change are likely to be the greatest.

Adaptation to climate change is and will be a process rather than a series of activities. It is important that all stakeholders – from local communities to national governments to international agencies - understand and accept that new forms of institutional and social organization may be necessary to cope with a changing climate.

At this stage, the World Bank is focusing is on providing analytical tools and better regional climate and impact models, as well as on learning through pilot programs. The Climate Change team is developing a screening tool for projects to help identify sectors and regions where the risks of damage and losses from climate change are high, with accompanying links to knowledge resources to share experiences for dealing with these risks. This publicly available tool will assess the level of hazard (such as increased droughts, floods, or storm surges), as well as the vulnerability and adaptive capacity of local institutions and communities. Global work under way on hazard mapping and vulnerability indices will be incorporated in the screening tool. Several pilot projects are also in development to promote community-level activities aimed at reforestation, conservation and restoration of wetlands, protection of mangroves and coral reefs, and the strengthening of local institutions to protect incomes that could be reduced by the impacts of climate change.

In addition, the World Bank has facilitated dialogue on adaptation for the Vulnerability and Adaptation Resource Group, which acts as an informal clearinghouse for information exchange, knowledge sharing, and coordination among UN agencies and international financial institutions.
On June 27, 2006, the World Bank announced its decision to integrate the Infrastructure and Environmentally and Socially Sustainable Development Vice Presidencies into one new network called Sustainable Development. The new vice presidency brings together key areas of development activity, such as energy, water supply and sanitation, transport, urban development, agriculture, rural development, environment, and social development. The purpose of consolidating the two networks is to ensure that the World Bank strengthens its focus on sustainability as it increases its support for infrastructure.

The goals of the Sustainable Development Network, in partnership with the international development community, are to:

• Ensure reliable economic opportunities in developing countries through agriculture, rural and urban development, expanded energy access, transportation services, access to clean water and sanitation services, and telecommunications

• Expand our focus on sustainable management of natural resources, with global programs on, sustainable land management, forest conservation and development, and sustainable fisheries development, involving key stakeholders (governments, civil society, donor community, and private sector)

• Improve governance in all of the above sectors of the economy through social accountability and participatory approaches

• Minimize the impact of natural disasters and climate change.

This chapter provides a brief overview of the key sectors of the Sustainable Development Network portfolio: agriculture and rural development, environment, social development, energy, transport, water and sanitation, and urban development.
AGRICULTURE AND RURAL DEVELOPMENT

Overall, the agricultural sector employs half of the labor force in developing countries, and in many of the poorest countries it is the principal source of economic growth. Most of the rural poor, particularly in Africa, depend directly or indirectly on agriculture through farming, food processing, fishing, forestry, or trade. Thus, higher rates of sustainable growth in agricultural productivity are essential in order to reduce poverty, promote broad-based economic growth, and conserve natural resources.

The World Bank’s lending in agriculture and rural development focuses strategically on reaching the rural poor, particularly integrating their needs into national policy dialogues, scaling up innovative approaches in rural development, and integrating lessons learned from past project approaches. A significant number of the Bank’s agricultural projects supports the improvement of the governance structure or capacity within which agriculture can grow and rural development can take place. Partnership with key internal and external entities is essential. In addition to working with the ministries of agriculture or rural development, the World Bank also works with land administration entities and with the private sector and producer organizations. One major lesson is that agriculture cannot prosper in isolation. In addition to the need for a proper policy and institutional framework, agriculture requires inputs from other sectors. Transport is essential to provide farm-to-market linkages, and education is needed for increased mobility and competitiveness, to name just two sectors. In general, rural development strategies aim to develop on-farm as well as off-farm work opportunities, with agriculture often playing the key role of engine of economic growth.

Key Global Partnerships

Increasing agricultural productivity is critically important to economic security in many rural areas. The Consultative Group on International Agricultural Research (CGIAR) was established to ensure the flow of new and adapted agricultural technologies that will benefit the poor. It is a strategic alliance of countries, international and regional organizations, and private foundations supporting 15 international agricultural centers that work with national agricultural research systems and civil society organizations, including the private sector. The alliance produces global public goods that promote agricultural growth, protect the environment, and are available to all. The World Bank is one of the leading contributors to CGIAR, granting $50 million annually to the system, and the Bank hosts the CGIAR secretariat.

The International Assessment of Agricultural Science and Technology for Development (IAASTD) is a three-year (2005-2007) international collaboration to evaluate the quality and effectiveness of agricultural knowledge, science, and technology as well as the effectiveness of public and private sector policies and institutions to meet the development goals of environmental sustainability, improved rural livelihoods, nutritional security, and human health. IAASTD brings together multiple international agencies and stakeholder groups, including governments, nongovernmental organizations, the private sector, producers, consumers, and the scientific community to share views and gain common knowledge and a vision for the future of agricultural research. The Chief Scientist of the World Bank is the director of the IAASTD secretariat.

The Global Program on Fisheries (PROFISH) seeks to improve sustainable livelihoods in the fisheries sector and in coastal rural communities and to help developing countries meet the fisheries targets set forth by the World Summit on Sustainable Development. Activities include the promotion and implementation of the Code of Conduct for Responsible Fisheries and collaboration with other major initiatives in the area of marine resource management, such as the Global Coral Reef Targeted Research and Capacity Building Project and the Strategic Partnership for a Sustainable Fisheries Investment Fund in Sub-Saharan Africa.
Mongolia: Index-Based Livestock Insurance Project

In Mongolia, the livestock sector represents 87 percent of GDP and supports at least half of the population, providing income, jobs, and food security. Between 1999 and 2002, however, one-third of the national herd was lost in successive harsh seasons. This experience showed the extreme vulnerability of herders to climatic shock and the inability of government alone to provide full catastrophic insurance for the sector, particularly as past attempts to insure livestock herders had been unsustainable and susceptible to corruption. This project introduces a market-based approach that spreads the risk across herders, the government, and the private sector. The project is not only testing a new insurance product, but also piloting a disaster response program for highly catastrophic livestock mortality events.

OVERVIEW OF FISCAL 2005 AND FISCAL 2006 LENDING FOR RURAL DEVELOPMENT

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<td>Of which, in the agriculture sector</td>
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FIGURE 8
Agriculture, Fishing, and Forestry, New Lending Commitments, Fiscal 2000 to 2006 ($ millions)
ENVIRONMENT
GRI EN7/F12

The World Bank’s mission to reduce poverty means achieving the sustainable use of natural resources and managing resources, effectively to minimize pollution, degradation, and risks. This requires a broad range of efforts at the global, national, and local levels, across a number of critical and interrelated sectors.

When working on key environmental issues, World Bank teams are guided by the following principles:

- focus on the positive linkages between poverty reduction and environmental protection
- focus first on local environmental benefits and build on the overlaps with regional and global benefits
- address the vulnerability and adaptation needs of developing countries
- facilitate transfer of financial resources to client countries to help them meet the costs of generating environmental benefits
- stimulate markets for environmental public goods.

Commitments in environment and natural resource management have kept pace over the past years, with an unusually high level in fiscal 2005 due to two atypically large development policy loans in Latin America – the Programmatic Reform Loan for Environmental Sustainability Project in Brazil and the Programmatic Development Policy Loan for Sustainable Development Project in Columbia.

The total active portfolio of World Bank projects with environmental and natural resource activities amounted to $9.7 billion in fiscal 2006, or about 10.4 percent of the total Bank portfolio. This broader portfolio includes project components from the agriculture, energy, urban development, and water supply and sanitation sectors. Increasingly, environmental management activities are being integrated into projects in these other sectors. For example, more water and sanitation loans are addressing water quality management issues. Irrigation and other water management operations include support for policies that address sustainable water resource management, and urban projects include components for wastewater and solid waste management. The Betim Municipality project in Brazil is an example of how environment concerns are integrated in other investment lending. In addition, projects like the Betim Municipality involve investment in urban infrastructure, social services, project, and strengthened municipal governance and regulatory policies that improve the urban environment.

The Global Program on Sustainable Fisheries (PROFISH)

Marine fisheries are heavily overexploited and coral reefs are seriously threatened. While total fish yields are about the same every year, large commercially valuable species have been overfished, and increasingly smaller fish species are being captured, depleting the entire food chain. As Environment Department Director Warren Evans notes: “The crisis stems from a simple fact. We are currently taking fish out of the sea much faster than our existing fish stocks can replenish themselves.”

Overfishing has dramatic implications for developing countries. Many people worldwide rely on fisheries for income and, even more important, as their primary source of protein. The depletion of fish stocks threatens people’s health in coastal and inland communities, and overfishing leads to fewer jobs, higher fish prices, and is reducing an important source of revenue for developing countries – directly affecting economic development.

The World Bank has established a new Global Program on Fisheries in association with key donors and stakeholders to meet this growing crisis. PROFISH is a programming and funding partnership working to create incentives for sustainable fisheries, better enforcement, and the equitable distribution of benefits. PROFISH serves as a platform for dialogue among stakeholders on contentious issues, such as subsidies for fleets, foreign access agreements, and transparency in fisheries management.
Complementing the operational and sector environmental work, the World Bank works with our client countries to help them meet the objectives of the international environmental conventions and associated protocols that they have ratified. To accomplish this, the World Bank actively engages in public and private partnerships to facilitate technical assistance, the transfer of financial resources and environmentally friendly technologies, and the development of markets for environmental goods and services. The World Bank is also an implementing agency of the Global Environment Facility (GEF), the Multilateral Fund for the Montreal Protocol, and the Convention to Combat Desertification. These facilities have enabled the institution to become the largest funder of projects in support of the Biodiversity Convention and the Stockholm Convention on Persistent Organic Pollutants (POPs).

The World Bank’s Global Environment Facility program supports projects addressing climate change, biodiversity, international waters, ozone layer depletion, land degradation, and persistent organic pollutants. The World Bank’s active portfolio in fiscal 2006 consisted of 231 projects. Total GEF grant commitments were $1.61 billion (including EAs). This was an increase in commitments of 9 percent over fiscal 2005 compared with increases of 1, 5.6 and 3.4 percent respectively in the previous three years.
SOCIAL DEVELOPMENT

With the goal of empowering the poor, social development is a process of transforming institutions for greater inclusion, cohesion, and accountability. Inclusive institutions promote equal access to opportunities, enabling everyone to contribute to social and economic progress and to share in its rewards. Cohesive societies enable women and men to work together to address common needs, overcome constraints, and consider diverse interests. Accountable institutions are transparent and respond to the public interest in an efficient and fair way.

The World Bank focuses its activities in support of inclusion, cohesion, and accountability in five key areas:

• **Community driven development** – with the goal of improving the overall quality of lending programs using community driven techniques and finding ways to effectively scale-up community driven activities in our client countries

• **Civic engagement and participation** – promoting methods and approaches that encourage stakeholders, especially the poor, to influence and share control over priority setting, policy making, resource allocations, and access to public goods and services

• **Conflict prevention and post-conflict reconstruction** – supporting development efforts that go beyond rebuilding infrastructure to a comprehensive approach that includes economic recovery, evaluation of social sector needs, support for institutional capacity building, revitalization of local communities, as well as specific efforts to support mine removal, demobilize and reintegrate ex-combatants, and reintegrate displaced populations

• **Indigenous peoples** – focusing on the rights of indigenous peoples to participate in and benefit from development projects, particularly through investments in the fields of education, health, community development, agriculture, natural resources management, and land tenure security

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**Brazil: Integrated Municipality Project/Betim Municipality**

The goal of this project is to promote sustainable socioenvironmental development, reduce inequality, and enhance the city’s quality of life through integrated investments in urban environment infrastructure and social services coupled with broader efforts to improve municipal governance and regulatory policies and to strengthen institutional capacity. A major part of the $24 million investment will provide sewerage and water treatment facilities, resulting in better water quality in the Betim River and thereby improved public health conditions in the urban community. The project will provide assistance to families who need to move to safer grounds from areas subject to flooding, will create three new urban parks, and will restore riparian vegetation along the main river.
- **Social analysis and monitoring** – mainstreaming social analysis within World Bank-financed projects, applying social analysis as an integral part of project appraisal, and promoting social assessment as an instrument that the Borrower uses to identify the social dimensions of investment projects. Almost 50 percent of Bank operations undergo some form of social analysis. Several important global programs partially funded by the Development Grant Facility are strengthening the implementation of social development at the Bank:

- The Post-Conflict Fund makes grants to a wide range of partners (such as civil society organizations, U.N. agencies, transitional authorities, and governments) to provide early and broad Bank assistance to conflict-affected countries. In fiscal 2005 the Post-Conflict Fund approved $6.1 million through 12 grants and disbursed a total of $7 million across the current portfolio. In fiscal 2006, the fund had approved a total of 7.1 million.

- The Small Grants Program provides block grants to country offices to be allocated to activities in support of civic engagement. Although small (about $2 million per year total), this program has had an important impact in terms of leveraging other funding and improving the Bank’s ability to engage with local civil society.

- The recently established Global Fund for Indigenous Peoples provides direct grants to indigenous peoples and support to the U.N. Permanent Forum on Indigenous Issues.

**FIGURE 11**
Social Development, New Lending Commitments, Fiscal 2000 to 2006 ($ millions)
Key Social Policies in the World Bank

The World Bank has safeguards to protect cultural heritage, enhance the well-being of indigenous peoples and involuntarily resettled people, and mainstream gender concerns. These policies have provided a platform for the participation of groups who might otherwise be marginalized in project design and have been an important instrument for building ownership among local populations.

Indigenous Peoples Policy - Indigenous peoples are distinct populations in that the land on which they live and the natural resources on which they depend are inextricably linked to their identities and cultures. On May 10, 2005, the Executive Directors approved a revised policy on Indigenous Peoples. The updated policy applies to all investment projects for which a Project Concept Review took place on or after July 1, 2005 and has the potential to benefit directly or indirectly 250 million indigenous peoples around the world. World Bank-financed projects must be designed not only to avoid adverse impacts on indigenous communities, but also equally important to provide culturally appropriate benefits.

Physical Cultural Resources - Cultural resources are important as sources of valuable historical and scientific information, as assets for economic and social development, and as integral parts of a people's cultural identity and practices. The new Operational Policy Physical Cultural Resources, adopted April 2006, seeks to avoid or mitigate adverse impacts on cultural resources from development projects that the World Bank finances. The new policy specifies that cultural property or physical cultural resources are included in the policy on environmental assessment and gives more explicit guidance on aspects of protection such as the management of material encountered unexpectedly during project implementation "chance finds".

Involuntary Resettlement Policy - World Bank projects seek to avoid involuntary resettlement, but there are times when this is unavoidable. The Bank's policy on Involuntary Resettlement, revised in 2004, is triggered in situations involving enforced land acquisition and restrictions of access to legally designated parks and protected areas. The policy aims to avoid involuntary resettlement to the extent feasible or to minimize and mitigate its adverse social and economic impacts. It promotes participation of displaced people in resettlement planning and implementation. The key economic objective is to help displaced persons in their efforts to improve or at least restore their incomes and standards of living after being displaced.

Gender and Development - Though not one of the 11 Safeguard Policies, the World Bank's gender and development policy (revised in 2004) guides staff to address gender disparities and inequalities that are barriers to development and help member countries formulate and implement their gender and development goals. The Bank periodically assesses the gender dimensions of development within and across sectors in the countries in which it has an active assistance program. This gender assessment informs the World Bank's policy dialogue with the member country, as well as the Country Assistance Strategy (CAS). In sectors and thematic areas where the CAS identifies the need for gender-responsive interventions, the lending and technical assistance program in the country includes measures to address this need.

SUSTAINABLE ENERGY

The International Energy Agency's World Energy Outlook indicates that with current policies roughly 1.4 billion people will not have access to electricity by 2030, marginally fewer than the current number of 1.6 billion. More than 3 billion people use wood, dung, coal, and other traditional fuels inside their homes to meet cooking and heating needs. The indoor air pollution caused by the use of biomass in inefficient cook stoves is responsible for 1.5 million deaths per year – mostly of young children and mothers. Achievement of the Millennium Development Goals requires the provision of grid and off-grid solutions to key public facilities such as schools, health clinics, and communications centers.

The commitment of the World Bank energy program is to improve access to clean, modern, and affordable energy services for poor communities and to achieve environmental and financial sustainability in the countries’ energy sectors. To achieve these, the World Bank uses a comprehensive approach, based on four priorities:

• Helping the poor directly by facilitating access to modern fuels and electricity; reducing the cost and improving the quality of energy supplied to low-income households; ensuring that energy subsidies are targeted to and reach the poor; and promoting energy-efficient and less polluting end-use technologies for traditional fuels.
Improving macroeconomic and fiscal balances, including protecting budgets for social programs that help the poor through rationalizing energy taxes; stabilizing the balance of payments effects for oil-importing countries; stabilizing expenditures for oil exporters; and closing loss-making coal mines.

Promoting good governance and private sector development by creating objective, transparent, and nondiscriminatory regulatory mechanisms; introducing and expanding competition and cross-border trade; strengthening the voice of consumers and communities; and strengthening local financial institutions to provide long-term financing for rural energy.

Protecting the environment by promoting clean transport fuels and switching from coal to gas; facilitating environmentally sustainable extraction, production, processing, transport, and distribution of gas, oil, and coal; reducing gas flaring; and strengthening environmental management in energy supply.

Energy loans are classified into six categories – power, oil and gas, coal, district heating and energy efficiency, renewable energy, and general energy (where specific sectoral allocations cannot be determined). While lending fluctuates year-to-year, World Bank energy sector lending has steadily risen, reaching $3.1 billion in fiscal 2006, up from about $1 billion in fiscal 2004. Investments in low-carbon projects rose to $1.2 billion in fiscal 2006 compared with less than $0.8 billion in 2005. Low-carbon projects include renewable energy, energy efficiency, power plant rehabilitation, district heating, biomass waste fueled energy, gas flaring reduction, and high-efficiency coal-fired plants (super-critical and ultra-supercritical). Total World Bank commitments dedicated to improving energy access, including those linked with low carbon, such as solar off-grid electrification or sustainable biomass fuel supply, were about $750 million in fiscal years 2003 to 2005. These commitments leveraged approximately $3.5 billion in additional funds from other sources.

In June 2004 the World Bank Group committed to increasing financing for new renewable energy and energy efficiency by 20 percent per annum between fiscal 2005 and 2009. In fiscal 2006 the World Bank Group’s financial support for renewable energy and energy efficiency was $860 million. Commitments for new renewable energy and energy efficiency were $668 million, more than double the Bonn target. World Bank (IBRD-IDA) commitments for renewable energy and energy efficiency were $431 million. World Bank commitments were $370 million in fiscal 2004 and $468 million in fiscal 2005. The latter included financing for several large renewable energy projects, such as China Renewable Energy Scale-up Program ($127 million), Sierra Leone Bubbuna Hydro ($51 million), Romania Energy Community of SE Europe (hydro rehabilitation, $84 million) and Ukraine hydro rehabilitation ($86 million). These types of projects typically leverage three times more co-financing from other private and public sources. Looking forward, investments for renewable energy and energy efficiency are projected to increase in line with the objectives of the clean energy and development investment framework (see Chapter 2).
Lending for power increased considerably, reaching $2 billion in fiscal 2006 compared to $0.4 billion in fiscal 2004. This was mostly due to an increase of sector investment loans that were dominated by two large projects: India’s Power System Development Project (III) and Turkey’s Electricity Generation Rehabilitation and Restructuring Project. Lending for oil and gas also increased, with one large gas project responsible in fiscal 2006 – the Turkey Gas Sector Development Project.

**FIGURE 12**
Energy New Lending Commitments, Fiscal 2000 to 2006 ($ millions)

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**Lending for Energy in Turkey**

Turkey is facing rapidly growing demand for energy. In fiscal 2005 and 2006 several large projects were approved to increase energy supply in Turkey. Two were designed to stabilize energy supplies, making supply more efficient and dependable, and the third to stimulate new sources of renewable energy power generation.

**Electricity Generation Rehabilitation and Restructuring Project ($330 million)**

Rehabilitation of existing generation capacity at the Afsin-Elbistan A Power Plant is the fastest alternative for increasing energy supplies at a time when Turkey is facing potentially serious power shortages in the coming years. The need for rehabilitation is urgent. The plant has deteriorated significantly and prematurely due to a lack of maintenance and investment. Rehabilitation will restore power reliability, availability, and output and will increase plant efficiency. The investment will also substantially reduce dust and particulate emissions in the area, and bring the plant into compliance with Turkish and most international standards. While engaging in this rehabilitation project, the World Bank is also supporting the government in restructuring its power generation business into a financially and operationally viable portfolio of companies.

**Gas Sector Development Project ($325 million)**

The Turkish gas sector faces a number of challenges including the lack of gas storage to meet peak seasonal and daily demand, which can lead to disruptions in supply. The goals of the Gas Sector Development Project are to increase the reliability and stability of gas supply by financing the Tuz Golu underground storage facility, thereby strengthening the gas storage and network infrastructure, and by supporting the state-owned company BOTAS in its efforts to strengthen its operations as a financially stable and commercially managed corporation. This project also has important regional implications: Turkey is rapidly turning into a key player in the European Gas Market through its potential as a key transit country, with gas flowing initially to Greece but thereafter to Bulgaria, Romania, Hungary, and eventually Austria, thereby feeding into the main European transmission system. The Tuz Golu storage facility is expected to play a significant role in enabling Turkey to transit the gas to Europe, as well as meet peak demands at home.

**Renewable Energy Project ($202 million)**

Through the Turkey Renewable Energy Project a commercial financing mechanism for renewable energy projects has been established to demonstrate the feasibility of financially viable privately developed renewable energy projects within a competitive market framework. The key component of the project is the Special Purpose Debt Facility for Renewable Energy Generation Financing, a lending facility operated by two financial intermediaries to spur private development of renewable power generation facilities. The goal of the project is to add renewable energy generating capacity to the system, substituting fossil-fuel generated power with renewable energy, reducing carbon dioxide emissions, and stimulating additional private sector financing for renewable energy in Turkey.
**Selected Energy Partnerships**

The World Bank works with a number of public and private sector partners to promote sustainable energy in developing countries.

**Energy Sector Management Assistance Program (ESMAP)**

ESMAP is a global World Bank UNDP technical assistance program that promotes the role of energy in poverty reduction and economic growth in an environmentally responsible manner. It works in low-income, emerging, and transition economies and contributes to achieving the Millennium Development Goals. ESMAP’s work focuses on pre-investment activities that have clear potential for strengthening key policies and energy investment. The financial support from 12 donors to ESMAP increased by 7 percent to a total of $16 million in 2006, with expenditures in analytical and capacity building activities increasing by 20 percent. ESMAP has established a Multi-Donor Trust Fund in response to the need for increased support for the implementation of the Clean Energy Investment Framework.

**Global Village Energy Partnership (GVEP)**

Launched in Johannesburg during the World Summit on Sustainable Development in 2002, GVEP brings together developing and industrialized country governments, public and private organizations, multilateral institutions, consumers, and others to ensure access to modern energy services by poor communities.

**Asia Sustainable and Alternative Energy Program (ASTAE)**

ASTAE promotes renewable energy and energy efficiency projects in the power sector in Asia. Partners include Dutch, Canadian, UK, US, Finnish, German, Danish, and other governments, as well as multilateral organizations such as UNDP and the European Commission. ASTAE support contributed substantially to the $230 million or 53 percent of total World Bank support for renewable energy and energy efficiency in the East Asia and Pacific region in fiscal 2006. In addition, ASTAE-supported projects are providing over 747,500 households with access to energy. Of particular note is the support provided to China for promulgating the China Renewable Energy Law that is increasing the share of renewable energy in electricity production to 15 percent of total generation, up from 7 percent in 2005.

**Global Gas Flaring Reduction Initiative**

The Global Gas Flaring Reduction Initiative helps create incentives to develop and finance sound investments in gas flaring reduction. A World Bank-led initiative, it brings around the table representatives of governments of oil-producing countries, state-owned companies and major international oil companies so that together they can overcome the barriers to reducing gas flaring by sharing global best practices and implementing country-specific programs. The partnership tackles constraints on gas utilization, such as insufficient infrastructure and poor access to local and international energy markets, particularly in developing countries.

**TRANSPORT**

The mission of the World Bank’s transport group is to work with our development partners to reduce poverty by improving the efficiency and equity of transport policy and interventions. Physical isolation is a strong contributor to poverty, and problems of access are particularly severe in rural areas that are distant from transport services. It is estimated that about 900 million rural dwellers in developing countries are without reliable transport access. As a result, in many of the poorest countries, poor people must travel much further and take much longer to reach basic services such as health and education than richer people in the same country do.

The context in which transport contributes to development varies greatly by region and country. In the poorest countries, the main challenge is usually to meet the basic needs of the poor for both physical transport and for appropriate transport policies and to facilitate the working of markets in support of economic growth. By contrast, most middle-income countries have moved beyond these thresholds and aspire to the levels of personal mobility, transport systems, and freight logistics infrastructure that are typical of more developed countries. In these countries, transport advice and products are structured to help sustain the economic successes already achieved while addressing the considerable pockets of poverty that remain.
Despite the differences among countries, governments in all regions confront two broad trends of significance for the transport sector. The most challenging of these is urbanization. Urban population growth has been rapid since 1996, yet more than 600 million more people are expected to move into cities in developing countries in the next 10 years. This implies a need for new transport capacity to serve the equivalent of 75 cities the size of London or Moscow. And in many cities of the developing world, the rapidly growing use of private motor vehicles is overwhelming the road network, worsening congestion, reducing mobility, causing unsafe conditions for road users, and harming health by polluting the air.

A second trend concerns the emerging role of transport as a constraint on international trade. Adequate freight services at affordable prices are increasingly important to integrate developing economies into longer, more complex, and more demanding supply chains. As tariff barriers have diminished, transport inefficiency and cost have, for many countries, emerged as the most important constraint on trade. High transport costs magnify the impact of distance and are particularly challenging to landlocked countries. Aviation services are becoming more important to some regions to support high-value trade, international tourism, and inward investment.

The World Bank works with the public and private sectors and communities in several distinct areas: road transport, maritime and inland waterway transport, rapid mass transport, railway transport, air transport, and non-motorized transport. In responding to country needs, activities vary from investment in a single mode and market to national or regional strategies involving transport policies and logistics as a whole. In addition, transport interventions often need to be and are coupled with complementary policies to help socially and economically disadvantaged households reap the benefits of improved transport access.

The Bank’s comparative advantage in the transport sector stems from global reach and experience, the synergies among Bank Group organizations and disciplines, and the multimodal scope of Bank transport skills. Though circumstances vary among regions and countries, policy and institutional challenges are similar internationally, as are many physical transport problems such as urban road congestion, road traffic accidents, and vehicle emissions. The Bank is the only international financial institution that has such well-developed global reach in the transport sector that it can draw lessons from the wide variety of circumstances worldwide and adapt them for use by other jurisdictions.

The Bank’s transport professionals have a particular responsibility to deploy the breadth of their knowledge through global programs and partnerships. Three of the most important partnerships, in which the Bank has played a formative and leading role, are the Global Facilitation Partnership for Transportation and Trade, the Global Road Safety Facility, and the Air Transport Safety Partnership. The Bank is currently in discussion with international groups involved in urban public transport with a view to creating an urban transport partnership or program that will have a development focus.
WATER AND SANITATION

Water is vital to life. It ensures survival of natural systems, enables crops to grow, and is essential for economic growth and prosperity. It can also be deadly, with floods, droughts, and epidemics capable of destroying lives and communities.

Every country in the world - even those with abundant rainfall and well-endowed water resources - faces water challenges. These are more acute in the developing world, which is characterized by lack of infrastructure and weak institutions and where the situation is usually exacerbated by high rainfall variability. Without thoughtful and timely action, these challenges will intensify over time. The priorities for action fall into the following categories:

- Allocating increasingly scarce water across multiple uses (ranging from drinking water supply and sanitation to agriculture to energy to ecology and associated human services) to ensure sustainable and equitable access to water and water services
- Increasing efficiency and reducing overuse while safeguarding water quality to ensure public health and ecosystem integrity
- Ensuring effective stakeholder participation in the management of water
- Managing transboundary rivers and promoting regional cooperation for effective water management
- Developing sustainable water infrastructure to reduce societies' vulnerability to water-related shocks, especially as climate change affects hydrological cycles.

These challenges form the foundations of the World Bank's involvement in the water sector. As set out in the Bank's Water Resources Sector Strategy.
and the Water Supply and Sanitation Business Plan, the Bank assists client countries in developing and maintaining an appropriate stock of water infrastructure and developing laws, regulations, policies, and institutions required for managing water resources in a more economically productive, socially acceptable, and environmentally sustainable fashion.

New lending in the World Bank's water portfolio in fiscal 2006 amounted to $2.2 billion. The largest component was water supply and sanitation, accounting for $1.5 billion (about 70 percent) and reflecting the Bank's role as the largest external financier in the sector. Lending for irrigation and drainage (water for food) and water resources management (water for environment and energy) accounted for about $415 million (19 percent) and $260 million (12 percent), respectively. East Asia accounted for the largest share in each of the three sectors in fiscal 2006 at 32 percent of new lending (over $700 million). Africa is the second largest, accounting for about 23 percent of the portfolio overall ($510 million), although it ranks third in lending to irrigation and drainage after South Asia. South Asia and Latin America both have strong portfolios at almost $500 million and $300 million, respectively. Reflecting their level of development and, hence, lower levels of lending for water supply and sanitation, Middle East and North Africa and Europe and Central Asia were the smallest portfolios in fiscal 2006, accounting for the remaining 9 percent of new lending.

Some Key Water Partnerships

The World Bank is engaged in a wide variety of partnerships on water:

- The Bank-Netherlands Water Partnership Program (BNWPP) was established in 2000 by the government of the Netherlands and the World Bank. The BNWPP draws upon the expertise of these two partners to address current challenges in integrated water resources management across the world. The BNWPP promotes innovation and reform in water resources management by leveraging the World Bank's global portfolio of water-related activities.

- The Bank-Netherlands Water Partnership (BNWP) complements the BNWPP partnership with a focus on water supply and sanitation.

- The Water and Sanitation Program (WSP) is a 20-year-old partnership of leading development agencies hosted by the World Bank to improve the access of poor people to water and sanitation services.

- The Global Water Partnership (GWP) is a partnership of government agencies, public institutions, private companies, professional organizations, multilateral development agencies, and others committed to the Dublin-Rio principles. It identifies critical knowledge needs at global, regional, and national levels; helps design programs for meeting these needs; and serves as a mechanism for alliance building and information exchange on integrated water resources management.
URBAN DEVELOPMENT

The world is urbanizing fast, bringing with it unexplored economic opportunities for large groups of populations but also increasing the challenges in terms of environment and sustainable development. The Bank is committed to helping cities and governments explore the synergies and economic potential of increased urban activity while promoting policies that would prevent negative impacts on the environment. Therefore, working closely with cities and municipalities to address urban development is an urgent Bank priority.

The World Bank is concerned with both urban livability and urban development’s larger impact on regional pollution and natural resources. Urban livability issues, including access to safe water, adequate sanitation, and indoor and outdoor air pollution, affect urban populations in general but are of most concern to the poor. In addition, urban development has direct impact on concerns such as regional water, soil, and air quality; environmental health; vulnerability to natural disasters in urban areas; and other regional and global scale impacts, such as wetland loss and climate change.

The urban portfolio, while thematically divided into categories like finance and governance, is embedded in lending to sectors such as transport, energy, water, sanitation, flood protection, and education. While each of these issues is commonly addressed separately, the World Bank supports integrated urban analysis, planning, and management. For example, an initial upstream and comprehensive environmental assessment is done to prepare an urban environmental profile in a multisectoral context, addressing cross-cutting challenges in waste management, water supply and sanitation, or transport.

Currently there are more than 250 active projects aimed at improving urban environments with investments over $12 billion and accounting for 12 percent of the Bank’s total lending. The majority of these projects fall under water supply and sanitation or explicitly urban development.
The Cities Alliance

Launched by UN-Habitat and the World Bank in 1999, the Cities Alliance is a global coalition of cities and their development partners committed to scaling up successful approaches to reducing urban poverty. The Alliance promotes cities as proven poverty fighters and engines of economic growth. By promoting the positive impacts of urbanization the Alliance supports learning between cities and also between cities and bilateral and multilateral agencies and financial institutions. Through providing matching grants for two key mechanisms – slum upgrading and city development strategies – the Alliance works to build the political commitment, partnerships, and learning networks for strategic city development planning, in which local stakeholders define their vision for their city, analyze its economic prospects, and establish priorities for action that capitalizes on the city’s potential for growth and poverty reduction.

In fiscal 2006 a $541,100 grant from the Cities Alliance Trust Fund was signed for the “City Development Strategies in the Philippines: An Enabling Platform for Good Governance and Improving Service Delivery.” The goal of the project is to enhance the strategic planning, governance, and resource mobilization capabilities of Philippine cities to support economic growth and urban poverty reduction. The League of Cities of the Philippines is implementing the project. The project is working with city agencies to apply a participatory approach to define strategies for local economic development and to enhance competitiveness. Over 40 cities are participating in the project, and more than 500 programs and projects across the Philippines have been generated in areas such as infrastructure, environment, and governance. The concept of the City Development Strategies has already been institutionalized within the League of Cities and forms the backbone of city development in the Philippines.

FIGURE 15
Urban Development, New Lending Commitments, Fiscal 2000 to 2006 ($ millions)
The World Bank is intensifying its initiatives to improve adherence to our operational policies. All of our World Bank loans are governed by policies designed to ensure that projects are consistent with our mission, corporate priorities, and strategic goals. The 11 Safeguard Policies and the disclosure policy are established to keep our projects from having unintended adverse effects. The Quality Assurance and Compliance Unit (QACU) ensures that these policies are implemented consistently across the Bank. An independent Inspection Panel provides a forum for private citizens who believe they have been or could be directly harmed by a project financed by the World Bank. The Independent Evaluation Group (IEG), an independent unit within the World Bank reporting directly to the Bank’s Board of Executive Directors, assesses what works and what does not, how borrowers plan to run and maintain projects, and the lasting contribution of the Bank to a country’s overall development.

CHAPTER 4
Update on Accountability and Results
GRI 3.6, 3.10, 3.11, 3.12, 3.13, 3.16, 3.17, 3.19, IB1, PA3, PA7, PA12

Update on the Organization of Operations Evaluations

The independent evaluations of operations have now been brought under one umbrella in a group that is charged with assessing World Bank Group operations overall, under the leadership of the Director General of Evaluations. The Operations Evaluation Department of the World Bank, the Operations Evaluations Group of the International Finance Corporation (IFC), and the Operations Evaluations Unit of the Multilateral Investment Guarantee Agency (MIGA) are all now housed within the new Independent Evaluation Group. There is no change in the independent relationship of the evaluation group, which reports directly to the Board of Directors. The IEG is the umbrella organization, with separate departments for the World Bank, IFC, and MIGA.

The IEG’s purpose is to enhance development effectiveness through independent evaluation. The goals are to provide an objective basis for assessing the results of the Bank’s work, provide accountability in the achievement of its objectives, and disseminate lessons within the Bank and across the wider development community.
SAFEGUARD POLICIES

GRI F1,F2,F3,F5

The World Bank’s 11 Safeguard Policies promote environmentally and socially sustainable development by requiring that potentially adverse environmental impacts and selected social impacts of our investment projects be identified, avoided, or minimized where feasible and be mitigated, compensated, and monitored.

The Quality Assurance and Compliance Unit provides oversight on consistent implementation of the Safeguard Policies across all regions. Six regional safeguard units screen projects early in the project cycle to identify potential environmental and social risks and to determine the type and extent of the instruments - such as Environmental Assessment, Resettlement Policy Framework, or Indigenous Peoples Plan - required to mitigate adverse impacts and enhance positive ones. QACU also provides training to staff on these safeguards in order to improve their skills in addressing environmental and social risks and opportunities. In fiscal 2006 530 staff participated in 30 different training sessions.

11 Safeguard Policies include:

Two major events dominated the environmental and social safeguard agenda over the last two years: approval of a policy for the piloting the Use of Country Systems and revision of the Indigenous Peoples policy.

The Pilot Program for the Use of Country Systems. Development assistance is more effective when development agencies help strengthen the institutions and systems that countries already have in place. Over the next two years the World Bank will be supporting a limited number of pilot projects in which lending operations will use the borrowing country's systems for environmental assessment and other environmental and social safeguards rather than the Bank's operational policies and procedures on safeguards. The rationale for doing this is to scale-up country ownership, build institutional capacity, facilitate policy harmonization, and increase cost effectiveness. The pilot operations are governed by an Operational Policy: Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP 4.00), issued in March 2005.

The World Bank considers a borrower's environmental and social safeguard system to be equivalent to its own if it is designed to achieve the objectives and adhere to the applicable operational principles set out in OP 4.00. Since equivalence is determined on a policy-by-policy basis, the Bank may conclude in the pilot project that the borrower's system is equivalent to the World Bank's in some areas but not others. In the latter cases, the Bank's Safeguard Policies apply then to those project activities.

Before deciding on the use of borrower systems, the World Bank also assesses the borrower's implementation practices, its track record, and its institutional capacity. This approach and the criteria for assessment were developed in consultation with external stakeholders, such as representatives of governments, bilateral and multilateral development institutions, civil society organizations, and the private sector, and are consistent with commitments made by the development community in the Paris Declaration on Aid Effectiveness in March 2005. For more information and a list of pilot projects, see our Web site on country systems.

Indigenous Peoples Policy. The revised Indigenous Peoples policy went into effect on July 1, 2005. The policy was the outcome of a multiyear consultation process that involved government representatives, indigenous peoples’ leaders and organizations, civil society organizations, and nongovernmental organizations.

The new policy has retained the requirement of the previous Operational Directive (OD 4.20) that Bank-financed projects be designed not only to avoid adverse impacts but – equally important - to provide culturally appropriate benefits. In addition, it improves on OD 4.20 in three critical ways:

A FEW OF THE WORLD BANK’S OPERATIONAL POLICIES

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• It clarifies policy on a number of issues, including screening to determine whether indigenous peoples are present in a project area; the need for social assessment; equitable sharing by indigenous peoples in the commercial development of natural and cultural resources on lands they have traditionally owned, used, or occupied; their rights of access to legally designated parks and protected areas; and noncoverage with respect to economic migrants to urban areas.

• It simplifies the project processing requirement by establishing five clear steps: screening; social assessment; free, prior, and informed consultation with affected communities; preparation of Indigenous Peoples Plans or Frameworks; and public disclosure. Under the policy of free, prior, and informed consultation, if commercial use of indigenous peoples’ knowledge and resources is involved, the project going forward is conditional on the communities’ prior agreement.

• It adds flexibility to the processing requirements by specifying that the level of detail needs to be proportional to the complexity of the proposed project and commensurate with the nature and scale of its potential effects. It also proposes a planning and process framework, rather than an upfront plan, for complex projects and those that involve parks and protected areas.

Each World Bank project is assigned an environmental category based on the type and magnitude of potential impacts and risks. In fiscal 2006 the Bank approved 198 new investment projects, totally about $14.2 billion, to which Safeguard Policies apply.

<table>
<thead>
<tr>
<th>Environmental Assessment Category</th>
<th>Fiscal 2006 IBRD/IDA Number of Projects</th>
<th>Fiscal 2006 IBRD/IDA Amount ($ millions)</th>
<th>Percentage of Lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>A – projects likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented; impacts may affect more than specific sites or facilities</td>
<td>20</td>
<td>3,151</td>
<td>22%</td>
</tr>
<tr>
<td>B – projects may have adverse environmental impacts on people or environmentally important areas, but effects not expected to be severe</td>
<td>117</td>
<td>7,181</td>
<td>50%</td>
</tr>
<tr>
<td>C – projects likely to have minimal or no adverse environmental impacts</td>
<td>47</td>
<td>2,650</td>
<td>19%</td>
</tr>
<tr>
<td>F – projects involve Bank funds through a financial intermediary in subprojects that may or may not have adverse environmental impacts</td>
<td>14</td>
<td>1,221</td>
<td>9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>198</td>
<td>14,203</td>
<td>100%</td>
</tr>
</tbody>
</table>
INSPECTION PANEL

GRI F4

The Inspection Panel is a three-member body created in 1993 by the World Bank’s Board of Directors to serve as an independent mechanism to ensure accountability in Bank operations with respect to its policies and procedures. Two or more private citizens who believe that they or their interests have been or could be harmed by Bank-financed activities can present their concerns to the Inspection Panel through a Request for Inspection. The Panel is independent of management and reports directly to the Board of Executive Directors. Its mandate covers any project or program financed at least in part by IBRD or IDA and all Bank policies except for procurement (which comes under other World Bank regulations).

In fiscal 2006 the Panel received four new Requests for Inspection: one each from affected people in the Democratic Republic of Congo (DRC), Honduras, Romania, and Nigeria. The Panel recommended, and the Board approved, investigations for the Request from the DRC and Honduras. The requesters from Romania asked that the Panel defer a decision on whether to recommend an investigation because the problems giving rise to the Request were being addressed. The Panel reviewed the Request for Investigation by the requesters from Nigeria and concluded that the concerns expressed the

World Bank Policy Dialogue and Consultation with Civil Society

Civil Society Organizations (CSOs) have grown exponentially since the early 1990s and have developed into major players in development finance and policy making, successfully campaigning in such areas as debt relief, increased aid, and environmental and social safeguards. The World Bank’s relations with CSOs are multifaceted and complex, and they vary by sector and constituency. We have learned from experience that engaging civil society is important to development effectiveness and poverty reduction and that often CSOs can deliver services to the poor more effectively than government can.

In 2005 and 2006 the World Bank held substantive dialogues and consultations with CSOs at the global level on a range of policy issues such as extractive industries, debt reduction, agriculture, environmental and social safeguards, and its social development strategy, as well as on a number of controversial Bank-financed projects such as the Chad-Cameroon oil pipeline and the Nam Theun 2 Hydroelectric Project in Lao PDR. One major policy dialogue event was a World Bank-Civil Society Global Policy Forum in April 2005. The Forum was an important milestone for Bank-civil society relations, bringing a broad set of actors – including representatives of developed and developing country CSOs, governments, parliamentarians, and Bank Executive Directors and managers from over 50 countries – to discuss Bank-civil society relations at the global level.

In addition, 62 percent of the Country Assistance Strategies approved in fiscal 2005 incorporated results from civil society consultations, and a review found that most Poverty Reduction Strategies had benefited from civil society involvement, although the scope and intensity of this participation varied among countries.

The World Bank also supported the efforts of thousands of community groups carrying out local development and poverty reduction efforts through country-based social funds and Community-Driven Development projects. Approximately 5 percent of the Bank’s annual portfolio is channeled to CSOs through these types of funds. We will continue to deepen our engagement with civil society in a more informed, strategic, and coordinated way.

For a comprehensive review of the World Bank’s engagement with CSOs, visit www.worldbank.org/civilsociety and see, in particular, the publication World Bank-Civil Society Engagement: Review of Fiscal Years 2005 - 2006.
**World Bank Praised for Accountability**

“The World Bank, regularly criticized for being unaccountable, is one of the world’s most transparent institutions... The 2006 global accountability index, released by the UK charity One World Trust, said the World Bank and other international organizations ... outscored non-governmental bodies and multinational firms on measures of transparency...”

Guardian Unlimited (UK), Dec. 5, 2006

The Global Accountability Index, developed by One World Trust, is the first initiative to measure and compare the accountability of transnational organizations from intergovernmental, nongovernmental, and corporate sectors. Thirty organizations were ranked according to this index in the 2006 Global Accountability Report. Of the 30, IBRD scored high, second only to the Global Environment Facility and above organizations such as the ILO, OECD, and WHO in transparency capabilities as a result of the organization-wide policy that identifies what, when, and how information will be disclosed and what the conditions are for non-disclosure. IBRD also scored high in evaluation capabilities, particularly for making a commitment to evaluate our internal administrative policies. IBRD scored considerably lower than other organizations in the area of participation, especially in relation to member control at the governing body level.

For the report, visit [www.oneworldtrust.org](http://www.oneworldtrust.org)

were unrelated to the project funded by the Bank. Environmental staff specialists from the Bank’s Abuja office will follow up on the matter with the requesters to ensure that the concerns are appropriately referred to the Nigerian environmental authorities.

In fiscal 2006 the Panel was engaged in five investigations concurrently:

- Mumbai Urban Transport (India)
- Cambodia Forest Concession Management and Control Pilot Project (Cambodia)
- National Drainage Program Project (Sindh province, Pakistan)
- Forestry component in the Transitional Support for Economic Recovery Operation and the Emergency Economic and Social Reunification Support Project (DRC)
- Land Administration Project (Honduras).

Of the five investigations, the Panel completed two this year: the Urban Transport Project in Mumbai, India, and the Forest Concession Pilot Project in Cambodia. The Investigation Report on the project in Pakistan will be delivered to the Board in fiscal 2007. Investigations for the requests from DRC and Honduras are under way.

As a result of the Investigation Report on the Mumbai project, the Bank suspended disbursements on the road and resettlement components. Bank Management’s Response and Action Plan subsequently set forth the need for progress and completion of a suite of actions related to these components. The Board asked the Panel to review Management’s progress; the Panel returned to Mumbai to convey the results of its investigation and to discuss its findings and the Bank’s Action Plan with affected people. One of the Panel’s experts was invited to attend subsequent meetings in Mumbai with affected people as an observer.

In response to the Investigation Report on the Cambodia project, Bank Management explained to the Board how it planned “to use the lessons learned from the Panel Report and the project in its future work in forestry and natural resources management in Cambodia.” The Panel will return to Cambodia and convey the results of its Investigation Report to the Requesters.

ACCELERATING THE RESULTS AGENDA

At the International Conference on Financing for Development 2002, the presidents of the multilateral development banks pledged to work together to improve monitoring and managing for development results emphasizing the need to evaluate lending programs in terms of their impact on people and their needs rather than in terms of inputs. The World Bank is focusing on results not only to improve our effectiveness in supporting country development but also to help donor countries, clients, and stakeholders monitor our contribution to development. This results-based agenda complements the work done by the Bank’s compliance monitoring bodies – the Internal Auditing Department, the Independent Evaluation Group, the Quality Assurance Group, and the Department of Institutional Integrity – that oversee all aspects of the Bank’s work.

Implementation of the Bankwide results agenda began in 2003 with actions in three areas:

- In countries, where development results are achieved, we are helping governments strengthen both their capacity to manage for results and their ownership of a results-based approach.
- Within the World Bank, we are strengthening our skills and systems to better understand and enhance our contribution to results.
- Across development agencies, we are harmonizing results-based approaches and improving our coordination of support for country capacity building.

During the last two years the World Bank has made real progress on these three pillars of the results agenda, and experience has confirmed that this strategy is useful. Country partners, particularly those developing Poverty Reduction Strategies, are successfully laying the foundations for poverty reduction plans that include specific results desired. Within the Bank, there has been considerable progress in modifying key instruments, such as Country Assistance Strategies (CASs), to strengthen their focus on results. Externally, the Bank has been a leader in the global dialogue on managing for results, which seeks to harmonize approaches, policies, and procedures among donors and to reduce the costs to countries of dealing with multiple aid agencies.

Pillar 1: Progress in Countries

- Fourteen case studies were undertaken to analyze the poverty and growth impact of key macroeconomic and sectoral policies. They are available on PovertyNet, and a synthesis was published in 2005. The first volume of reform-specific notes, based on Poverty and Social Impact Analysis reviews, was also published in 2005.
• All Poverty Reduction Strategies now include poverty monitoring systems. Countries are being encouraged to improve their monitoring systems, and we offer our analytic and advisory activities, lending for public sector management, poverty assessment guidelines, training programs, and knowledge sharing.

• Public Expenditure Reviews have become central to the World Bank’s analytical support for building client capacity in results-based approaches. They have also been key to aligning donor support for country development strategies and in supporting systemic reforms to budget management.

• The Trust Fund for Statistical Capacity Building, working closely with PARIS21 (a partnership to promote evidence-based policy making and monitoring in all countries), has invested over $20 million in more than 80 statistical capacity-building projects since 2000. The Bank has supported the completion of National Strategies for the Development of Statistics in 13 out of 59 countries, with another 16 strategies in preparation.

Pillar 2: Progress within the Bank

• The pilot phase of the results-based Country Assistance Strategies was completed, and results-based CASs were mainstreamed in the World Bank in January 2005. An evaluation of the pilot is available on the Bank’s Web site as Results Focus in Country Assistance Strategies: A Stocktaking of Results-based CASs.

• The newly issued Bank Procedure 2.11 reflects experiences with results-based CASs. The CAS guidelines are being updated to reflect the requirements and features of the new methodology, new procedural arrangements, and lessons learned during the pilot phase.

• Development Policy Lending 8.60 was approved by the Executive Directors. Good practice notes have been designed to help task managers and others implement the new policy. One such note, Results in Development Policy Lending, is available on the Web.

• The IDA14 Results Measurement System was approved and included an agreement on monitorable actions for IDA14. A Web-based tool was launched that allows tracking of all IDA commitments in the IDA14 Results Management System. This tool is publicly available and updated on a regular basis.

Pillar 3: Progress in the Global Community

• Key organizations have joined the Multilateral Development Bank Working Group and Joint Venture, and survey data, metadata, and methodologies are being shared and coordinated. The agencies involved in the international statistical system have agreed on a set of principles and practices against which their accountability can be measured.

To improve monitoring of the Millennium Development Goals, the World Bank has provided Development Grant Facility grants of $200,000 to UN-HABITAT to work on urban indicators, $180,000 to the UNESCO Institute for Statistics to work on education indicators, and $2 million to PARIS21 to support new “accelerated data programs” in pilot countries.

Results-Based Country Assistance Strategies

Country Assistance Strategies are tailored to each borrower’s needs and are the tool that guides World Bank lending and services in each country. The new results-based CAS is oriented toward achieving realistic outcomes and incorporating a results-oriented monitoring and evaluation system. Its central innovation is the design of an explicit framework that links the World Bank’s activities with a country’s long-term development goals. It includes measurable indicators of progress, allowing both self-evaluation and independent evaluation. The results-based CAS improved alignment of the World Bank’s programs with the country’s priorities, sharpened the design of the Bank programs, and mobilized country teams around a common vision of how to deliver results on the ground.
• The International Household Survey Network was created, with a secretariat in the Bank. The network brings together survey producers, sponsors, and users to foster better use of survey data for policy making and monitoring.

• The MDB Joint Venture on Managing for Development Results, of which the World Bank is a core member, has developed a Sourcebook on the principles and emerging good practices in the field in a number of sectors, ranging from infrastructure to HIV/AIDS. The Sourcebook, with 20 case studies, is available online. A primary focus of this working group is to understand and disseminate what it takes to get governments to focus on results and to facilitate partnerships among donors in assessing and supporting country capacity for results.

The World Bank’s goal is to help our partner countries take the lead on the results agenda. At the most basic level, developing a results orientation in public sector management means fostering a changed environment in which citizens demand results and the government has systems in place to achieve and provide evidence of those results. For this, at least three fundamental things are needed: high-level leadership, demand at all levels for information on results, and ministry capability.

It is important for resource allocation systems to require information on results; otherwise, there is no incentive to collect or use such information. Effective use of the information collected requires sufficient analytic capacities within either government or the local academic community. The Brazil Bolsa Familia Social Protection Program is an example of all these things coming together in one project.

One important innovation is the formal extension of the “results framework” approach to decentralized governmental entities. The Ministry of Social Development and Eradication of Hunger in Brazil has carried this framework into its relations with the numerous subnational entities involved in implementing specific aspects of the program (26 states and over 5,000 municipalities) by formalizing agreements that include specified results in exchange for financial incentives. A critical lesson learned is the importance of properly “calibrating” technical milestones with the financial disbursement incentives. President Lula da Silva has praised the results achievements of this program.

Mainstreaming a results orientation in the Bank and among development institutions cannot be a “quick fix” – it means a change in a 60-year-old development culture. The changes necessary are complex, and success will require time, money, and persistence. Building on progress to date, we are working on increasing the understanding of all Bank staff of how the results agenda affects their own work, and we are developing a Bank-wide system to engage country and sectoral teams in assessing and reporting on project and country-level results. We are also getting our country partners more involved in learning how to manage for results.

Delivering on Results: The Brazil Bolsa Familia Social Protection Program

The World Bank’s project to support Brazil’s Bolsa Familia Social Protection Program was established within the results-based management framework. This large program consolidates three previous social protection programs and has three key aspects. First, it is clearly designed to benefit the poorer segments of the population. Second, mechanisms were developed to pace loan disbursements according to results – for example, activities in the technical components of the project contribute to attaining performance milestones, and as these are met they trigger increases in the rates of loan disbursements. Third, the project has a detailed monitoring and evaluation system that is focused on results and is intrinsic to both the architecture and the implementation of the program.
PART 2

Focus on Sustainability: Inside the World Bank
Corporate environmental and social responsibility (CESR) is essential to sustainable development and good business. This belief is at the core of the World Bank's mission and is therefore part of our lending practices as well as our programs and initiatives in our offices and communities. The World Bank's focus on corporate environmental and social responsibility includes the impact of our physical facilities, staff, and daily operations on the environment and on the local communities in which we work and live.

This second sustainability review reiterates our continuing efforts to measure and communicate our organization's performance during the two year period since our first review. Since publication of Focus on Sustainability 2004, we have continued the programs described there and have started new initiatives to measure and manage our social and environmental impacts in our offices and with our staff. In this 2005-2006 review, we focus largely on describing our newest initiatives.

This section of the review describes our environmental and social footprint. In Chapter 5, you will learn about our progress in measuring our environmental impact from our staff and buildings and our everyday activities. You will learn about how we have made a commitment to reduce our impact through energy management and smart consuming. You will also see how we have started incorporating environmental principles into our buildings before they are even built.

The impact of an organization is not only environmental, and so chapter 6 is a description of our social footprint, specifically our staff and community outreach programs.
What is the World Bank’s Footprint?

Our environmental footprint refers to activities that happen in our buildings and the activities associated with daily operation at the World Bank, such as:

- Energy for our facilities to operate
- Transportation of people, goods, and services
- Procurement of goods and services
- Activities of our staff and contractors
- Management of buildings.

Throughout the World Bank there are environmental champions who work to minimize our footprint. The Bank’s General Services Department (GSD) has taken the lead on reducing our energy demands and resource consumption. We also have a dedicated group within the Sustainable Development Vice Presidency - the Corporate Environmental and Social Responsibility Team - that collaborates with other departments to lessen the impacts of our physical facilities, to integrate environmental and social concerns into corporate and operational procurement, and to communicate with staff, clients, and partners on issues related to CESR, including corporate reporting.

In 2005 and 2006 we focused on understanding, managing, and reducing our carbon footprint, which captures the greenhouse gas emissions that result from our buildings and activities.

### Our Environmental Footprint Progress

<table>
<thead>
<tr>
<th>Goals</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand our green power purchases.</td>
<td>Through the purchase of renewable energy certificates, our green power purchases now cover 100 percent of our electricity consumption in Bank-owned buildings in Washington, DC, and in three international offices.</td>
</tr>
<tr>
<td>Track our carbon footprint and invest in solutions to reduce it.</td>
<td>We performed an inventory of our carbon emissions due to our facilities and expanded our energy conservation initiatives. We also purchased offsets equivalent to emissions related to 2006 carbon emissions from our Washington, DC offices, key meetings, and staff travel. In fiscal year 2006 the World Bank was carbon neutral for these emissions.</td>
</tr>
<tr>
<td>Promote consistency and transparency in our corporate greenhouse gas emissions accounting, offset purchases, and reporting practices.</td>
<td>This review includes information on our carbon emissions and offsets.</td>
</tr>
<tr>
<td>Generate information useful for decision making regarding offset strategies and facilitate yearly measurement of progress and benchmarking.</td>
<td>An energy consumption and emissions inventory has been established for yearly tracking.</td>
</tr>
</tbody>
</table>
MEASURING OUR IMPACT
GRI EN3, EN4, EN8, EN11, EN17

Over the last two years we developed a greenhouse gas inventory, starting with our Washington, DC-based operations, which are our largest facilities. We plan to expand our inventory to include our 116 international offices, most of which are quite small, generally with fewer than 50 staff.

The inventory is based on the World Resources Institute/World Business Council for Sustainable Development’s Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (2004). In this Protocol, the emissions are categorized as direct or indirect. Direct emissions are those within the control of the World Bank from sources that we own, such as boilers, furnaces, and vehicles. Indirect emissions are those that result from our activities but that we do not directly control. Our carbon footprint largely consists of indirect emissions from business travel and electricity consumption.

FIGURE 16
The World Bank’s carbon emissions in FY06 were approximately 107,111 metric tons.
“Our decision to purchase renewable energy, reduce waste, and support environmentally - and socially - sustainable procurement is consistent with our commitment to sustainability, both within our organization and through our operations. The ‘greening’ efforts in our offices will reduce our environmental footprint, increase demand for this practice locally, and set an example for other institutions in the Washington area and globally.”

- Van Pulley, Director, General Services Department

The World Bank took an inventory of our carbon emissions to:

- Increase transparency of our activities through reporting
- Track our environmental impact and determine patterns over time
- Generate data to guide decisions and to set goals and targets for the Bank.

**REDUCING EMISSIONS**

**Our Buildings**

Aligned with our operational commitment to sustainable development, energy efficiency, and alternative energy lending, the World Bank has made a commitment to focus on energy efficiency in our daily operations. This is part of our goal to reduce carbon emissions.
FIGURE 18
Lighting and office equipment are more than three-fifths of our Washington, DC, buildings' electricity demand.

FIGURE 19
Energy conservation efforts have resulted in reduced energy demands overall, fiscal 2001 to 2006. (KwH per workspace)
The decrease in our energy consumption is the result of energy conservation initiatives focused on operational and procedural changes over the years, such as:

- Maintaining equipment and operating our buildings efficiently
- Choosing equipment that will minimize energy demand
- Assessing workspace needs and compressing where possible
- Designing our buildings for energy-efficient operations
- Advising procurement activities to purchase energy-efficient appliances
- Reassessing our energy needs.

**Business Travel**

Each year World Bank staff travel millions of miles on business. The World Bank decentralization goal has increased the number of staff working in our country offices. Complemented with technology to allow long-distance teleconferencing, we expect that some business travel is avoided. Yet travel is still a necessary part of our work with our clients.

We are developing a tool to track and report the complex traveling patterns of our staff. When this tool is ready we will be able to make our carbon emissions inventory more accurate and to reduce and mitigate emissions as much as possible.

**Educating Our Staff**

World Bank employees have environmental footprints of their own associated with their homes, vehicles, and consumer choices. To educate staff about their impact on the environment, we host events such as Commuter Week, Bike-to-Work Day, and learning events. In our Washington offices, we also provide resources for staff to recycle their personal electronics and batteries, as well as information to empower staff to reduce their personal carbon footprint.

**Commuting**

Our Staff Travel-to-Work Program, started in 2002, continues to expand. Our Commuting Office manages the staff Parking Program and runs the Metrochek Program, car and vanpooling, car-sharing, and cycling initiatives.

To encourage the use of mass transit, the World Bank provides a monthly incentive to 3,400 Washington staff who use public transportation, and the
Bank has partnered with two car-sharing businesses, Zipcar and Flexcar, to offer membership benefits to World Bank employees.

The World Bank has the largest bicycle parking facility in Washington, DC. There are close to 300 covered and 150 uncovered bicycle parking spaces available to Bank staff. Staff who commute by bike also have access to shower facilities and lockers.

**OFFSETTING EMISSIONS**

Our first priority is reducing greenhouse gas emissions, where feasible. A zero emission business is not possible, however, in the near term given our activities. Therefore, we purchase directly from the grid a small amount of renewable energy and purchase renewable energy certificates (RECs) equal to 100 percent of our consumption in the buildings we operate in Washington, DC, and the surrounding areas as well as in a few of our international field offices.

We invested in verified emission reduction credits (VERs) to offset our remaining direct and indirect carbon emissions. The VERs targeted investment in projects in developing countries focused on afforestation, reforestation, and clean power production. The proceeds from the VERs benefit local communities through improved productivity of land and promote sustainable rural livelihoods.

The World Bank purchase of carbon offsets in, Mexico, Costa Rica, and in Moldova support afforestation efforts.

**GREEN POWER LEADERSHIP AWARD**

For several years the World Bank has been a member of the Green Power Leadership Club organized by the U.S. Environmental Protection Agency and the U.S. Department of Energy. In 2005 the World Bank Group was awarded a Green Power Purchasing Award. We increased our green power purchase from 12 percent to 100 percent of annual electricity use at our Washington, DC, buildings by purchasing 101,700 megawatt hours of RECs. As a result, an equivalent amount of renewable power was generated by a mix of wind turbines and low-impact hydro generators, mainly in the U.S. Midwest, reducing the need for electricity generated from less environmentally friendly sources.
**Buying Environmentally Preferable Products**

Our cleaning contractor uses Green Seal-certified products or environmentally preferable products (EPP). Green Seal-certified and EPP products reduce health risks to product users and building occupants, lower environmental impact, are cost-effective, and work as well as or better than traditional products. Because Green Seal certification standards do not exist for every product category of cleaning chemicals, our contractor works to select the EPP that will be as effective as traditional cleaning products.

**Smart Consuming and Reducing, Reusing, Recycling**

Examples are found throughout the World Bank of green procurement and of reducing, reusing, and recycling goods. We have continued programs to:

- Purchase products with reduced life cycle impacts
- Reuse and recycle equipment, building materials, office products, and waste materials where possible
- Identify equipment and practices that help us to reduce our water and energy demands.

**Reducing Water Usage**

By installing low-flow faucets and other equipment, we were able to reduce water use in prior years. In the last year, however, we saw an overall increase in water usage since the last time we reported. Our water usage in 2006 was almost 83 million gallons. This is attributed to warm summer temperatures, which results in water loss from our cooling operations. In the next year we will look for more opportunities to reduce our water usage.

**Recycling Office Products**

The World Bank procures almost 20,000 toner and printer cartridges a year. Remanufactured toner cartridges account for 38 percent of our total purchases. We continue to promote these and other recycled and remanufactured products when possible. We return used cartridges to the manufacturer for recycling.

**Reducing Food Waste**

The World Bank Group’s food operations handle relatively few leftovers due to purchasing and menu management practices that control food waste. We donate leftover unprepared food to the D.C. Central Kitchen, a local nonprofit. In 2005 and 2006 we donated more than 4,000 pounds of food.

**Reducing Paper Use**

The World Bank's Printing, Graphics, and Map Design unit has several initiatives to reduce the environmental footprint of the Bank's graphic arts and printing activities, particularly seeking ways to reduce paper use overall. When paper is used, we identify ways to reduce environmental impacts through the types of equipment, paper, and inks used.

**FIGURE 20**

Between fiscal 1999 and 2006 the Bank’s printing and copying has had a steady reduction in paper usage of approximately 181 tons per year (tons of paper used)
Reusing Electronic Equipment

Information and communications technologies hold many promises for human development. But access to these technologies is beyond the reach of most of the world’s poor. In 2005, the World Bank took a small step toward narrowing the digital divide by donating more than 11,000 computers to nongovernmental organizations and charities in more than 50 countries. This donation provides an opportunity for increased access to information and technology for impoverished communities in addition to diverting harmful electronic waste from landfills.

The Bank worked with a donations contractor, Gifts In Kind International, to ensure that the computers were donated in accordance with national and international standards. An additional criterion was that the donations benefit poverty alleviation organizations, in alignment with the Bank’s mission.

Among the recipient organizations was World Links, a global nonprofit organization with the mission to improve educational outcomes, economic opportunities, and global understanding for youth through the use of information technology and new approaches to learning. The World Bank donated 5,000 computers to World Links that were then distributed to schools and to training and development centers in 15 countries in five different regions.

Recycling

We diverted a significant amount of materials from landfills through recycling, resale, and donations. Especially important was our electronics recycling program. Through collection of cell phones, computers, and other electronic equipment, we were able to keep this electronic waste out of landfills. In 2005 and 2006 the Washington, DC, offices generated approximately 1,365 tons per year of solid waste that were sent to landfills, which was approximately half of our total solid waste generated. Our recycling program includes paper, cardboard, plastic, glass, aluminum and steel, light bulbs, and 100 percent of our carpet and ceiling tiles.

Copy paper provides an example of a dramatic success. By working with paper manufacturers to improve the quality of recycled papers, as well as with copy machine vendors to improve the ability of the equipment to handle recycled paper, we have transitioned from 100 percent virgin paper in the mid-1990s to 100 percent post-consumer recycled content paper as the standard in all digital print and copy centers.

By reducing our paper consumption since 1999, over 9,174,000 pounds of paper were not used, which generated the following estimated environmental savings:

- 110,088 trees not cut down
- 317,890 pounds of waterborne waste not created
- 46,762,630 gallons of water/wastewater flow saved
- 4,961,349 pounds of solid waste not generated
- 9,696,296 pounds of atmospheric emissions eliminated
- 63,369,637,622 BTUs of energy not consumed.

In addition to initiatives to reduce paper, our print shop uses soy-based inks, works to reduce and recycle production waste, and is testing new products such as non-tree fiber papers. We have also applied for Forest Stewardship Council (FSC) certification for our print shop. FSC is an international network to promote responsible management of the world’s forests. Through it, forest managers and forest products producers are certified to FSC standards.

We collect cell phones, PDAs, and other small electronics that are replaced with newer equipment or are no longer in working condition. These items are either broken down and the components reused or they are reused as is. In 2005 and 2006 we donated more than 300 small electronics to charities.
GREENING OUR BUILDINGS FROM THE START

Before construction of the World Bank's newest office in Chennai, India, Bank project managers studied the site and local services to develop efficient approaches for environmental management. The building was designed with "green building principles," which included reduced energy and water needs, and incorporated environmentally preferred building materials. The US Green Building Council took notice of these measures. The Bank's Chennai office received a Silver rating under the LEED system (Leadership in Energy and Environmental Design), one of the few in the country as a whole. LEED is a voluntary, consensus-based national standard for developing high-performance, sustainable buildings. Some of the design features of the Chennai building include:

Energy Efficiency
- Natural light maximized through window placement
- Insulated glass with low emissivity (low-E) used throughout to reflect heat
- Thermal insulation in solid walls and roof
- Special thermal reflective paint applied to the roof
- Automated building management system that controls lights and heating and air conditioning to be more efficient

Water Conservation
- Rainwater captured for reuse on landscaping and recharged into ground after filtering
- All water and wastes are treated before release into city sewer system

Material Choices
- Recyclable carpet with glue free of volatile organic compounds
- Recyclable ceiling tile made from mineral wood, recycled paper, corn, and wheat starch binders
- Panel fabric made from recycled plastic
- Wood for doors and other features was purchased from local, renewable sources
- Reused fixtures and fittings from current leased facility

A Worldwide Effort

As with headquarters, the World Bank country offices work to raise environmental awareness both internally and within the community. Some of the successes in country offices include:
- Teams of staff members formed to work on environmental concerns
- Environmental audits
- Implementation of green procurement policies
- Waste reduction and recycling programs
- Energy efficiency achievements
- Coordination of commuting programs.

Middle: The World Bank Madagascar Office features illumination using natural lighting and is cooled by natural ventilation to save energy. It was built with locally grown and fabricated timber and recyclable carpeting, and it has an on-site sewage treatment system.
Bottom: The World Bank Bangladesh Office was built with energy efficiency as a priority. It has a grass roof, heat-absorbing windows, high-efficiency lighting, and natural lighting. It also has an on-site wastewater treatment system.
The World Bank is a global employer and a global citizen. We value the diversity, health, safety, and security of our employees and the communities in which we live and work. We strive to create a working environment that values human differences and mobilizes them as strategic business assets in the service of poverty reduction and to build and retain a globally representative World Bank workforce.

We provide data about our staff and policies below. Additional data are found in the Annex, including staff composition and compensation.

OUR STAFF

GRI INT 1, INT3, LA3, LA6, LA8, LA10, LA11, HR5

Diversity, Equality, Inclusion, and Respect

The World Bank is committed to diversity. We hire women and men from all over the world, and we make reasonable arrangements in the workplace to meet the needs of persons with disabilities. The Office of Diversity is the focal point for the organization’s efforts to promote diversity and inclusion. Using a holistic and cross-cutting approach, the office focuses on several specific aspects of diversity:

• Planning and Accountability: Each working unit has developed Diversity Compacts, defining actions to improve recruitment, career development, and the work environment, and has set unit targets for gender, race, and nationality.

• Organization: We have Vice Presidential Unit Diversity Coordinators, who act as an interface between the Office of Diversity and the management team, and Respectful Work Advisors, who provide peer-level resources for staff who experience harassment, discrimination, or other negative workplace behaviors.

• Awareness-raising: A Celebration of Diversity every March includes celebrations of International Women’s Day (March 8), the International Day for Elimination of Racial Discrimination (March 21), and sessions on specific aspects of diversity and inclusion topics.
• Rewards and Recognition: Since 2003 we have given Diversity and Inclusion Leadership Awards to staff and managers who model behaviors to create an inclusive environment.

• Research, Analysis, and Monitoring: We commission research to create a base of knowledge (on gender differences in performance evaluations, for example, or barriers to inclusion); we issue quarterly reports on diversity statistics to managers.

• Training on Working with Respect: Training is provided to work teams in the Washington and country offices.

The World Bank Group has set quantitative goals for diversity. Progress is assessed and reported quarterly. A new diversity and inclusion strategy is being developed to specifically promote nationality diversity and a clearer corporate accountability framework.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Reference Population</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Country Nationality</td>
<td>Professional and managerial</td>
<td>48%</td>
<td>48%</td>
<td>49%</td>
<td>50%</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Female</td>
<td>Professional level</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>41%</td>
<td>41%</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>Managerial level</td>
<td>24%</td>
<td>24%</td>
<td>25%</td>
<td>27%</td>
<td>27%</td>
<td>30%</td>
</tr>
</tbody>
</table>

There are many facets to a supportive and diverse workplace - from accessible buildings to effective recruitment and career development. To bring together everyone involved, the Bank Group created a Disabilities Working Group (DWG) in 1999. The DWG identifies issues and priorities and works to make the organization a better place for people with disabilities. The Bank Group:

• Takes a proactive approach to recruit people with disabilities
• Provides accommodations for people to function effectively in the workplace
• Removes barriers to access in our offices worldwide
• Improves accessibility to information technology
• Raises awareness among staff to dispel myths and remove invisible barriers.

The GSD Corporate Procurement and GSD Business Units are also committed to increasing diversity and the participation of business enterprises owned by minorities, women, and disabled individuals in our corporate procurement. We contract directly and work with our prime contractors to help them expand their subcontracting of Bank Group-related business to these firms.
Employee Satisfaction

The World Bank has a strong policy of work-life balance. World Bank employees are expected to work 40 hours per week unless an alternative schedule is specified at the time of hiring or there are other special circumstances. To make the work week more convenient, we have a telecommuting program and flexible work-schedule options. The job-sharing program, where two staff members work less than full-time and share responsibility for one position, also provides flexible employment. Bank staff receive between 26 and 30 days of paid annual leave and 15 days of sick leave per year as well as paid leave for various specific circumstances such as adoption and paternity/maternity leave.

The World Bank policy is that staff remuneration is linked to performance through annual evaluations conducted in consultation with managers and peers and is based on work program objectives, which are established at the beginning of each year. Work Program objectives include explicit indicators linking staff contributions to the World Bank’s strategic objectives for sustainable development. Raises are awarded following this review, with both cost-of-living and merit components. Merit raises are within clear and limited ranges, however. Staff salaries, which are determined net of taxes for all staff, are taxable for all U.S. residents. Salary ranges are based on market reference points for each grade and are subject to review each year.

Training and learning are priorities for World Bank employees, and it is our policy to assess training and development needs of employees and to offer courses to update and improve staff skills. We offer continual individual, managerial, and team learning in more than 50 categories.

Staff Association

The Staff Association was created in 1971 to promote and safeguard the rights, interests, and welfare of staff. It represents all staff in the World Bank Group, including our country offices. Although the group represents all staff to management, becoming a dues-paying member of the Staff Association is voluntary. Membership fluctuates, but in 2005 between 55 and 60 percent of staff at headquarters were members. Eighty country offices also have established chapters, of which about 35 are active.

Health and Safety

The World Bank has its own Health Services Department, which provides certain medical services to staff and consultants in the workplace to maintain health and prevent illness while traveling and in the office. The department promotes good health for staff and their families by offering compassionate, cost-effective, state-of-the-art educational programs and services locally and
globally. Many of our employees travel throughout the world and the World Bank views proper and convenient health care as an important service.

Health Services provides resources such as:

- On-site clinical services and laboratory tests
- Travel health support and medical evacuation
- Vaccinations and allergy shots
- Counseling
- Environmental assessments when health is affected
- Return-to-work advice after illness
- Fitness center
- Health and wellness programs/services such as: weight management and nutrition counseling, First Aid and CPR training, blood drives, meditation classes, strength training programs, lactation rooms for nursing mothers, lecture series, breast cancer support group, ergonomic evaluations, back health advice, and more.

In addition, the Bank and the International Monetary Fund have a Health and Safety Working Group that acts as an advisory group to the Director of the Joint Bank/Fund Health Services Department with the aim of providing

Staff Feedback

A World Bank Group staff survey is conducted every two years. The 2005 survey occurred during the transition period following the retirement of James Wolfensohn and the appointment of Paul Wolfowitz as the new President. The survey was an opportunity for all staff members to voice their opinions anonymously. Survey questions were developed through an inclusive process with the help of an advisory committee that represented all parts of the Bank Group, including country offices, all work units and levels of staff, and the Staff Association.

The 2005 survey had a high participation rate: 80 percent of the staff who received the survey filled it out. The majority of those surveyed believed that the Bank Group had changed for the better or stayed the same over the last year. In particular, staff responded positively in key areas such as:

- The clarity of the World Bank Group’s overall goals
- Feeling proud to work at the World Bank Group
- Our ability to serve our partners and clients
- The overall work environment
- Overall morale and job satisfaction.

Staff expressed some confusion about the direction in which senior management was leading the institution, indicating that senior management needed to articulate organizational strategy more clearly. Recognition for individual job performance was also a continuing concern.

The staff survey was conducted by an independent company, the Gelfond Group, which made results available to staff.
recommendations to address health and safety issues. The group includes occupational health specialists, environmental consultants, and representatives from the General Services, security, fire, legal, procurement, human resources, and other departments from both organizations.

In the past two years, management and staff have been particularly concerned with the avian flu and HIV/AIDS as they relate to themselves and their families.

Avian Flu

The current outbreaks of the H5N1 avian influenza virus, which began in Southeast Asia in 2003, are the largest and most severe avian influenza outbreaks on record. The avian flu represents a potentially serious risk for the Bank Group. Currently, human cases of the H5N1 virus remain rare, and no one can predict with any certainty if the virus will mutate and become able to move easily from humans to humans. If it does, the result could be a pandemic, and large numbers of our staff could be vulnerable. For this reason, we have developed plans to protect Bank staff in both country offices and headquarters and to ensure, to the extent possible, the business continuity of the organization. Further information about our work with our development partners and clients to combat the spread of avian flu is provided in Part 1 of this review.

HIV/AIDS in the Workplace

HIV/AIDS is a serious health problem, but it is also a development problem that threatens human welfare, productivity, social cohesion, and even national security. The World Bank is working with all regions in the developing world to prevent the further spread of HIV/AIDS, to promote multisectoral approaches, and to expand the basic care and treatment of those already affected by the disease. The World Bank also works actively to educate staff, and most country offices have strong programs in place to address HIV/AIDS in the workplace. The World Bank Health Services Department has an HIV/AIDS Response Team that is able to address any HIV/AIDS-related concerns and that offers confidential advice on medical or insurance issues, evacuation, referrals, psychological support, and help in securing antiretroviral drugs.

Each year, a World AIDS Day Activities Competition is held to promote a heightened awareness of HIV/AIDS and disease prevention among staff and family members.
COMMUNITY OUTREACH
GRI EC10, SOC 1

The World Bank is an active citizen in the communities in which we live and work. Staff members donate both their time and their money to local and international organizations in Washington, DC, and abroad.

Summary of Community Outreach in 2005 and 2006

- In 2005 and 2006 community grants totaled $1,450,000.
- Bank staff donated more than 20,000 hours of community service. That was matched with $60,000 in small grants to support their efforts.
- On average, individual Bank staff members donate more than $200 a year to charities around the world.
- The total value of donated goods and services in 2005 and 2006 was more than $250,000.

Disaster Relief

During fiscal years 2005 and 2006 natural disasters killed hundreds of thousands of people and displaced millions, leaving them without food, shelter, or resources. Bank staff often mobilize to respond to natural disasters around the world by setting up donation tables at the various cafeterias. During 2005, funds were raised for several international relief campaigns and for victims of Hurricane Katrina in the United States. Funds raised through these donation drives are provided to international organizations such as non-governmental organizations (NGOs) directly involved in the disaster relief operations.

World Bank Washington, DC-based Staff Disaster Relief Donations: Fiscal Years 2005-2006

<table>
<thead>
<tr>
<th>Relief Effort</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children of Niger</td>
<td>$14,700</td>
</tr>
<tr>
<td>Central America Flood</td>
<td>$18,142</td>
</tr>
<tr>
<td>Hurricane Katrina</td>
<td>$83,244</td>
</tr>
<tr>
<td>South Asia/Pakistan Earthquake</td>
<td>$192,019</td>
</tr>
<tr>
<td>Tsunami</td>
<td>$1,434,192</td>
</tr>
</tbody>
</table>
Worldwide, our staff gives back to their communities through volunteering their time, money, and materials. In the Chennai office, for example, staff donate significant amounts of money, books, clothes, blankets, medicines, and food to service organizations in the city. After the December 26, 2004, tsunami, volunteers from the Chennai staff went to the affected areas in Tamil Nadu to construct houses and shelters for displaced people. Experts from other World Bank offices also traveled to the affected areas around the Indian Ocean, volunteering their time to find solutions to critical issues such as health care, waste removal, and reconstruction.

In November 2005, World Bank employees helped build houses with Habitat for Humanity on the national mall in Washington, DC. Habitat co-sponsored the construction of 51 house frames, one for each state plus one for the District of Columbia, between November 10th and 18th. The frames were sent to the southern United States to provide homes for families displaced by the Gulf hurricanes of 2005.

The Bank continues its Volunteer Day policy, which allows staff to take administrative leave one day a year to offer their time to a charity. Following Hurricane Katrina, President Wolfowitz extended this policy to an extra four days of administrative leave to work with charities involved in the relief effort. Many Bank staff took advantage of this opportunity.

**Dollars for Doers**

While Bank staff provide more than 10,000 hours of community service in the Washington metro area on an annual basis, our goal is to increase the number of Bank staff serving on Boards of nonprofit organizations and to provide support for all volunteer activities. To help drive this effort, we increased our budget for Dollars for Doers – which awards $500 grants to nonprofits that staff and retirees volunteer for regularly – and we have worked closely with numerous Bank departments wishing to undertake community service projects as a team. Last year, the program worked closely with numerous Bank departments wishing to undertake community service projects and integrating team-building activities with these projects.

**WB Community Connections Fund**

Community Connections is a nonprofit organization set up by the World Bank in order to make staff workplace giving more effective and to leverage existing resources. We support an annual campaign that has 193 of the best known Washington-based charities and NGOs such as Bethany House, DC Central Kitchen, Habitat for Humanity, and Whitman-Walker Clinic. In 2005, more than $1.5 million was donated by staff through the Community Connections Fund. In 2005 and 2006 staff donated more than $2 million with close to a million dollars in corporate matching funds also donated.

An additional $11,000 in spare change was collected from cash registers in 2006 at World Bank Group coffee bars and cafeterias in Washington.
money was donated to five local charities that focus on delivering meals to those who are in need.

**Education**

Our high school internship program serves as a model in the Washington, DC, community. In 2005 we hired 22 students and 21 students in 2006 from three local public schools to work for the summer. The interns are paid a salary and are also provided paid training once a week. The program has also included homeless students for whom this experience has often proved to be an important self-affirming opportunity. This program was recently expanded to include yearlong internships for several students.

The Bank also supports DC Scores – a program that works in partnership with businesses and law firms to create opportunities for poor children through a grant that will allow them to participate in sports, literacy training, and civic service. Last year, nearly a third of the students in DC Scores improved their reading and writing skills by one whole grade level.

In May 2006 our Community Outreach program announced a $400,000 grant to support training for 100 Washington, DC, public school teachers to work toward National Board Certification, a program that promotes high standards for professional performance. The teachers will strengthen their credentials and the result will be a better education for the children in the community.

Another grant was designated for the DC Creative Writing Workshop, a nonprofit organization that has been working east of the Anacostia River since 2000. The grant will support an in-class and after-school literary arts program for 400 students who are at high risk for academic failure, dropping out of school, exposure to criminal behavior, and depression. The program gives students an opportunity to avoid these risks and acquire a love of learning.

**Grants**

The World Bank’s program of small grants, led by a Community Outreach Grants Committee, is foremost in our workplace-giving efforts. The Committee consists of Bank staff active in the local community and non-Bank Committee members selected from other grantmakers in the region for example, the Community Foundation of the National Capital Region. The committee is responsible for reviewing and selecting grantees on an annual basis.

The Grants Program provided small-sized grants to nonprofits throughout the Washington metropolitan area. In 2006, community grants totaled $970,000 and supported over 40 local charities undertaking the following activities: education programs in the District of Columbia’s public schools, after school tutoring, renovating low-income housing, HIV/AIDS prevention, skills training for unemployed workers, distribution of meals to street residents, Latino youth support, and prenatal and well-baby care.
## Annexes

### Additional Staff Data

**World Bank Staffing Costs, FY04-05 Actual, FY06 Estimated, FY07 Planned ($ millions)**

**GRI EC5**

<table>
<thead>
<tr>
<th>COST CATEGORY</th>
<th>FY04 Actual</th>
<th>FY05 Actual</th>
<th>FY06 Estimate</th>
<th>FY07 Plan</th>
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<tbody>
<tr>
<td><strong>HQ-appointed staff costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff salaries</td>
<td>637</td>
<td>677</td>
<td>695</td>
<td>675</td>
</tr>
<tr>
<td>Staff severance costs</td>
<td>33</td>
<td>53</td>
<td>34</td>
<td>50</td>
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<tr>
<td>Staff benefits &amp; allowances excl. retirement plans</td>
<td>169</td>
<td>201</td>
<td>196</td>
<td>200</td>
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<tr>
<td>Allowances for HQ staff located in COs</td>
<td>37</td>
<td>48</td>
<td>45</td>
<td>50</td>
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<tr>
<td>Other staff costs</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>7</td>
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<tr>
<td>Total HQ staff costs excl. retirement plans</td>
<td>883</td>
<td>986</td>
<td>974</td>
<td>982</td>
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<tr>
<td><strong>CO-appointed staff costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff salaries</td>
<td>51</td>
<td>59</td>
<td>66</td>
<td>69</td>
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<tr>
<td>Staff severance costs</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Staff benefits &amp; allowances, excl. retirement plans</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>7</td>
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<tr>
<td>Total CO staff costs excl. retirement plans</td>
<td>57</td>
<td>63</td>
<td>72</td>
<td>77</td>
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<tr>
<td>Total staff costs excl. retirement plans</td>
<td>940</td>
<td>1,049</td>
<td>1,046</td>
<td>1,059</td>
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<tr>
<td>As % of Total Admin Exp/Budget excl. SRP &amp; DGF</td>
<td>61.3%</td>
<td>65.4%</td>
<td>63.3%</td>
<td>63.0%</td>
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<tr>
<td>Total Admin Exp/Budget excl. SRP &amp; DGF</td>
<td>1,531</td>
<td>1,603</td>
<td>1,651</td>
<td>1,682</td>
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**World Bank Workforce, by Category, FY05-06**

**GRI LA1**

**Breakdown of workforce by category**

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<thead>
<tr>
<th>CATEGORY</th>
<th>FY05</th>
<th>FY06</th>
<th>CHANGE FOR FY06</th>
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<tbody>
<tr>
<td>Non-managerial staff</td>
<td>76%</td>
<td>77%</td>
<td>1.12%</td>
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<tr>
<td>Managerial staff (GH+)</td>
<td>13%</td>
<td>12%</td>
<td>-0.90%</td>
</tr>
<tr>
<td>Consultants and temporaries</td>
<td>11%</td>
<td>11%</td>
<td>-0.22%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
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**World Bank Staff Leave and Fatality Due to Work-Related Injury, FY05-06**

**GRI LA1**

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>WORK-RELATED DEATH</th>
<th>TOTAL SICK LEAVE (DAY)</th>
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<tbody>
<tr>
<td>2005</td>
<td>1</td>
<td>39,470</td>
</tr>
<tr>
<td>2006</td>
<td>0</td>
<td>41,853</td>
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### World Bank Staff by Primary Location of Duty, FY05-06

**GRI LA2**

<table>
<thead>
<tr>
<th>COUNTRY-BASED STAFF</th>
<th>TOTAL STAFF</th>
<th>FY05</th>
<th>FY06</th>
<th>CHANGE FOR FY06</th>
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<tbody>
<tr>
<td>Africa</td>
<td></td>
<td>800</td>
<td>840</td>
<td>5.0%</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td></td>
<td>452</td>
<td>451</td>
<td>-0.2%</td>
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<tr>
<td>Europe and Central Asia</td>
<td></td>
<td>551</td>
<td>519</td>
<td>-5.8%</td>
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<tr>
<td>Latin America and the Carribean</td>
<td></td>
<td>269</td>
<td>276</td>
<td>2.6%</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td></td>
<td>138</td>
<td>154</td>
<td>11.6%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>683</td>
<td>707</td>
<td>3.5%</td>
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<td>Total Country Office Staff</td>
<td></td>
<td>2893</td>
<td>2947</td>
<td>1.9%</td>
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<table>
<thead>
<tr>
<th>HEADQUARTERS-BASED STAFF</th>
<th>FY05</th>
<th>FY06</th>
<th>CHANGE FOR FY06</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>13</td>
<td>12</td>
<td>-7.7%</td>
</tr>
<tr>
<td>France</td>
<td>39</td>
<td>41</td>
<td>5.1%</td>
</tr>
<tr>
<td>Ireland</td>
<td>0</td>
<td>1</td>
<td>100.0%</td>
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<tr>
<td>Italy</td>
<td>3</td>
<td>2</td>
<td>-33.3%</td>
</tr>
<tr>
<td>Japan</td>
<td>12</td>
<td>11</td>
<td>-8.3%</td>
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<tr>
<td>Switzerland</td>
<td>4</td>
<td>4</td>
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<tr>
<td>United Kingdom</td>
<td>8</td>
<td>4</td>
<td>-50.0%</td>
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<tr>
<td>United States</td>
<td>5720</td>
<td>5560</td>
<td>-2.8%</td>
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<tr>
<td>Total HQ-Based Staff</td>
<td>5799</td>
<td>5635</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Total Staff</td>
<td>8692</td>
<td>8582</td>
<td>-1.3%</td>
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### World Bank Staff Turnover Reasons, FY05-06

**GRI INT2**

<table>
<thead>
<tr>
<th>BANK MANAGED</th>
<th>FY05</th>
<th>FY06</th>
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<tbody>
<tr>
<td>End of Contract</td>
<td>58</td>
<td>42</td>
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<tr>
<td>Ethics Case</td>
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<td>5</td>
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<tr>
<td>Separation by Mutual Agreement</td>
<td>22</td>
<td>40</td>
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<tr>
<td>Non-Confirmation of Appointment</td>
<td>6</td>
<td>1</td>
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<tr>
<td>Redundant Employment</td>
<td>34</td>
<td>55</td>
</tr>
<tr>
<td>Unsatisfactory Performance</td>
<td>2</td>
<td>0</td>
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<tr>
<td>Total Bank Managed</td>
<td>126</td>
<td>143</td>
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<table>
<thead>
<tr>
<th>NATURAL ATTRITION</th>
<th>FY05</th>
<th>FY06</th>
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<tbody>
<tr>
<td>Coterminous</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Death</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Ill Health, Disability</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Resignation</td>
<td>213</td>
<td>213</td>
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<tr>
<td>Retirement</td>
<td>210</td>
<td>187</td>
</tr>
<tr>
<td>Total Natural Attrition</td>
<td>447</td>
<td>415</td>
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<tr>
<td>Total Exits</td>
<td>573</td>
<td>558</td>
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CHAPTER ONE: EVOLVING DEVELOPMENT PRIORITIES

Africa Action Plan
Africa Development Bank
Agriculture and Rural Development
Anticorruption
Chad-Cameroon Pipeline Project
Cities Alliance
Consultative Group on International Agricultural Research
Corruption
Country Systems
Donor Harmonization
Education for All
Environment
Environment Matters
Environmental Assessment
Sustainable Development Vice Presidency
Extractive Industries Review
Financial Sector
Fisheries
G8 Summit in Gleneagles
Gender
Gleneagles: Plan of Action
Global Environment Facility
Global Monitoring Report
Global Partnerships
Government Performance Diagnostic Toolkits
Hazard Risk Management
Health
Heavily Indebted Poor Countries and Multilateral Debt Relief Initiative
HIV/AIDS
Independent Evaluation Group
Information Disclosure
Inspection Panel
International Bank for Reconstruction and Development
International Development Association
Labor
CHAPTER TWO: THE TWIN CHALLENGES OF ENERGY AND CLIMATE

Adaptation
Capacity Building in the Area of Climate Change
Carbon Expo
Carbon Finance
Climate Change and features

Energy
Environment Strategy for the World Bank
Gleneagles Summit and Development and G8 follow up on climate change

Global Environment Facility
World Bank-GEF team
Mitigation

www.worldbank.org/climatechange > key themes
www.worldbank.org/climatechange > key themes
www.carbonexpo.com/
carbonfinance.org
www.worldbank.org/climatechange
www.worldbank.org/energy
www.worldbank.org/environment > strategy
www.gefweb.org
www.worldbank.org/gef
www.worldbank.org/climatechange > key themes
Nam Theun 2 Hydroelectric Project  
Renewable Energy  
UNFCCC United Nations Framework Convention on Climate Change, including information on Clean Development Mechanism and Joint Implementation

CHAPTER THREE: THE SUSTAINABLE DEVELOPMENT NETWORK

Agriculture and Rural Development  
Bank-Netherlands Water Partnership Program  
Consultative Group on International Agricultural Research  
Asia Alternative Energy Program  
Development Grant Facility  
Energy Oil Gas, and Mining  
Energy Sector Management Assistance Program  
Environment  
Global Gas Flaring Initiative  
Global Integrated Pest Management Facility  
Global Program on Fisheries  
Global Village Energy Partnership  
Global Water Partnership  
Infrastructure  
International Assessment of Agricultural Science and Technology for Development  
Social Development  
Transportation  
UN Human Security  
Urban Development  
Water and Sanitation Program  
World Water Council

CHAPTER FOUR: UPDATE ON ACCOUNTABILITY AND RESULTS

International Conference on Financing for Development

www.worldbank.org/energy
www.unfccc.int

www.worldbank.org/ruraldevelopment
www.worldbank.org/bnwpp
www.cgiar.org
www.worldbank.org/dgf
www.worldbank.org/energy
www.worldbank.org/mining
www.esmap.org
www.worldbank.org/environment
www.worldbank.org/ggfr
www.fao.org/globalipmfacility
www.worldbank.org/fisheries
www.gvep.org
www.gwpforum.org
www.worldbank.org/inf
www.agassessment.org

www.worldbank.org/socialdevelopment
www.worldbank.org/transport
ochaonline.un.org/webpage.asp?MenuID=10473&Page=1494
www.worldbank.org/urban
www.wsp.org
www.worldbank.org/watsan
www.worldwatercouncil.org

www.un.org/esa/ffd/
 CHAPTER FIVE: OUR ENVIRONMENTAL FOOTPRINT


Energy Star®

US EPA Clean Power Partnership

The World Bank's Corporate Procurement Group

Green Seal

DC Central Kitchen

Gifts In Kind International

CHAPTER SIX: OUR SOCIAL FOOTPRINT

Human Resources

Community Outreach

Staff and other information
## GRI CONTENT INDEX

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Content</th>
<th>Location</th>
<th>Location in Sustainability Review 2005/2006</th>
<th>Reporting Status</th>
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<td><strong>1</strong></td>
<td><strong>Vision and Strategy</strong></td>
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<td>Statement of organization’s vision and strategy regarding its contribution to sustainable development</td>
<td>2006, 2004, Annual</td>
<td>About this review, Ch 1</td>
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<td>1.2</td>
<td>Statements from senior management</td>
<td>2006, 2004, Annual</td>
<td>About this review, Letter</td>
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<td><strong>2</strong></td>
<td><strong>Profile</strong></td>
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<td>Name of reporting organization</td>
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<td>Operational structure of the organization</td>
<td>2006, 2004</td>
<td>Cover</td>
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<td>2.4</td>
<td>Description of major divisions, operating companies</td>
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<td>Countries in which the organization’s operations are located</td>
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<td>Nature of ownership legal form</td>
<td>2004, Annual</td>
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<td>2.7</td>
<td>Nature of markets served</td>
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<td>Ch 1, Annex 1</td>
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<td>Contact persons for the report</td>
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<td>GRI Indicator</td>
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<td>-------------------------------------------------------------------------</td>
<td>----------</td>
<td>---------------------------------------------</td>
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<td>Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report</td>
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<td>2006, Annual</td>
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<td>Means by which report users can obtain additional information and reports about aspects of activities</td>
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<tr>
<td>3</td>
<td>Governance Structure and Management Systems</td>
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<td>3.1</td>
<td>Governance structure of organization</td>
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<td>Cover</td>
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<td>Percentage of board of directors who are independent, non-executive directors</td>
<td>Annual</td>
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<td>3.3</td>
<td>Process for determining the expertise of board members</td>
<td>2004</td>
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<td>3.4</td>
<td>Board-level process for overseeing the organization’s identification and management of economic, environmental, and social risks and opportunities</td>
<td>2006, 2004, Annual</td>
<td>Ch 4</td>
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<td>3.5</td>
<td>Linkage between executive compensation and achievement of organizational financial and non-financial goals</td>
<td>Annual</td>
<td></td>
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<td>3.6</td>
<td>Organizational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies</td>
<td>2006, 2004</td>
<td>Ch 4</td>
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<td>3.7</td>
<td>Mission and values statements, codes of conduct and policies relevant to economic, environmental, and social performance</td>
<td>2006, 2004, Annual</td>
<td>Cover, Letter, Ch 4,</td>
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<td>3.8</td>
<td>Mechanisms for shareholders to provide recommendations or direction to board of directors</td>
<td>2004</td>
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<td>3.9</td>
<td>Basis for identification and selection of major stakeholders</td>
<td>2004</td>
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<td>2, 3</td>
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<td>3.10</td>
<td>Approaches to stakeholder consultation reported in terms of frequency of consultation by type and by stakeholder group.</td>
<td>2006, 2004</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>3.11</td>
<td>Type of information generated by stakeholder consultations</td>
<td>2006</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>GRI Indicator</td>
<td>Content</td>
<td>Location</td>
<td>Location in Sustainability Review 2005/ 2006</td>
<td>Reporting Status</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>---------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>3.12</td>
<td>Use of information resulting from stakeholder engagements</td>
<td>2004, 2006</td>
<td>Ch 4</td>
<td>2, 3</td>
</tr>
<tr>
<td>3.13</td>
<td>Explanation of whether and how the precautionary approach or principle is addressed by the organization</td>
<td>2004, 2006, Annual</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>3.14</td>
<td>Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organization subscribes or that it endorses</td>
<td>2004</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>3.16</td>
<td>Policies and/or systems for managing upstream and downstream impacts</td>
<td>2006, 2004</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>3.17</td>
<td>Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities</td>
<td>2006, 2004</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>3.19</td>
<td>Programmes and procedures pertaining to economic, environmental, and social performance</td>
<td>2006, 2004, Annual</td>
<td>Ch 1, Ch2, Ch 3, Ch 4</td>
<td>2</td>
</tr>
</tbody>
</table>

### 4  GRI Content Index

**4.1** A table indicating location of each element of the GRI report content by section and indicator

<table>
<thead>
<tr>
<th>Performance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC1</td>
</tr>
<tr>
<td>EC2</td>
</tr>
<tr>
<td>EC3</td>
</tr>
<tr>
<td>EC5</td>
</tr>
<tr>
<td>EC6</td>
</tr>
<tr>
<td>EC7</td>
</tr>
<tr>
<td>GRI Indicator</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>EC10</td>
</tr>
<tr>
<td>EN1</td>
</tr>
<tr>
<td>EN3</td>
</tr>
<tr>
<td>EN4</td>
</tr>
<tr>
<td>EN5</td>
</tr>
<tr>
<td>EN7</td>
</tr>
<tr>
<td>EN8</td>
</tr>
<tr>
<td>EN11</td>
</tr>
<tr>
<td>EN14</td>
</tr>
<tr>
<td>EN17**</td>
</tr>
<tr>
<td>LA1</td>
</tr>
<tr>
<td>LA2</td>
</tr>
<tr>
<td>LA3</td>
</tr>
<tr>
<td>LA4</td>
</tr>
<tr>
<td>LA5</td>
</tr>
<tr>
<td>LA6</td>
</tr>
<tr>
<td>LA7</td>
</tr>
</tbody>
</table>
## GRI Indicators

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Content</th>
<th>Location</th>
<th>Location in Sustainability Review 2005/2006</th>
<th>Reporting Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA8</td>
<td>Description of policies or programmes (for the workplace and beyond) on HIV/AIDS</td>
<td>2006</td>
<td>Ch 6</td>
<td>1</td>
</tr>
<tr>
<td>LA9</td>
<td>Average hours of training per year per employee by category of employee</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>LA10</td>
<td>Description of equal opportunities policies or programs, as well as monitoring systems to ensure compliance and results of monitoring</td>
<td>2006</td>
<td>Ch 6</td>
<td>1</td>
</tr>
<tr>
<td>LA11</td>
<td>Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate</td>
<td>2006, Annual</td>
<td>Ch 6</td>
<td>2</td>
</tr>
<tr>
<td>HR1</td>
<td>Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results</td>
<td>2006</td>
<td>Ch 1</td>
<td>1</td>
</tr>
<tr>
<td>HR2</td>
<td>Evidence of consideration of human rights impacts as part of investment and procurements decisions, including selection of suppliers/contractors</td>
<td>2006, 2004</td>
<td>Ch 1</td>
<td>2</td>
</tr>
<tr>
<td>HR3</td>
<td>Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>HR4</td>
<td>Description of global policy and procedures/programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring</td>
<td>2004</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>HR5</td>
<td>Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures / programmes to address this issue</td>
<td>2006, 2004</td>
<td>Ch 6</td>
<td>1</td>
</tr>
<tr>
<td>HR6</td>
<td>Description of policy excluding child labor as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring</td>
<td>2004</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>HR7</td>
<td>Description of policy to prevent forced and compulsory labor and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring</td>
<td>2004</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>GRI Indicator</td>
<td>Content</td>
<td>Location</td>
<td>Location in Sustainability Review 2005/2006</td>
<td>Reporting Status</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------</td>
<td>--------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>SO1</td>
<td>Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures / programs to address this issue, including monitoring systems and results of monitoring</td>
<td>2006</td>
<td>Ch 4, Ch 5</td>
<td>2</td>
</tr>
<tr>
<td>SO2</td>
<td>Description of the policy, procedures / management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption</td>
<td>2006, 2004</td>
<td>Ch 1</td>
<td>2</td>
</tr>
<tr>
<td>SO3</td>
<td>Description of policy, procedures / management systems, and compliance mechanisms for managing political lobbying and contributions</td>
<td>Prohibited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO4**</td>
<td>Awards received relevant to social, ethical, and environmental performance</td>
<td>2006</td>
<td>Ch 5</td>
<td>1</td>
</tr>
<tr>
<td>F1</td>
<td>Description of environmental policies applied to core business lines</td>
<td>2004, 2006</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>F2</td>
<td>Description of processes for assessing and screening environmental risks in core business lines</td>
<td>2004, 2006</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>F3</td>
<td>Threshold(s) at which environmental risk assessment procedures are applied to each core business line</td>
<td>2006</td>
<td>Ch 4</td>
<td>1</td>
</tr>
<tr>
<td>F4</td>
<td>Description of processes for monitoring clients implementation of and compliance with environmental aspects raised in risk assessment process(es)</td>
<td>2006, 2004</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>F5</td>
<td>Description of process(es) for improving staff competency in addressing environmental risks and opportunities</td>
<td>2006</td>
<td>Ch 4</td>
<td>1</td>
</tr>
<tr>
<td>F6</td>
<td>Number and frequency of audits that include the examination of environmental risk systems and procedures related to core business lines.</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>F9</td>
<td>Percentage of assets subjected to positive, negative and best-in-class environmental screening.</td>
<td>2006</td>
<td>Ch 4</td>
<td>1</td>
</tr>
<tr>
<td>F12</td>
<td>Total monetary value of specific environmental products and services broken down according to the core business lines</td>
<td>2006, Annual</td>
<td>Ch 1, Ch 3</td>
<td>1</td>
</tr>
<tr>
<td>F13</td>
<td>Value of portfolio for each core business line broken down by specific region and by sector</td>
<td>2006, Annual</td>
<td>Ch 1</td>
<td>1</td>
</tr>
<tr>
<td>CSR 6</td>
<td>Description of the stakeholder dialog and involvement procedures</td>
<td>2004, 2006, Annual</td>
<td>Ch 4</td>
<td></td>
</tr>
<tr>
<td>INT 1</td>
<td>Description of the social responsibility issues covered in the company’s human resources policies</td>
<td>2006</td>
<td>Ch 6</td>
<td>2</td>
</tr>
<tr>
<td>GRI Indicator</td>
<td>Content</td>
<td>Location</td>
<td>Location in Sustainability Review 2005/ 2006</td>
<td>Reporting Status</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------------------------------------------------------------------</td>
<td>----------</td>
<td>-----------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>INT 2</td>
<td>Staff turnover and job creation quantitative %</td>
<td>2006</td>
<td>Annex</td>
<td>1</td>
</tr>
<tr>
<td>INT 3</td>
<td>Employee satisfaction</td>
<td>2006</td>
<td>Ch 6</td>
<td>1</td>
</tr>
<tr>
<td>INT 4</td>
<td>Senior management remuneration</td>
<td>Annual</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>SOC 1</td>
<td>Report on contributions to charitable causes, community investments, and commercial sponsorships</td>
<td>2006</td>
<td>Ch 6</td>
<td>1</td>
</tr>
<tr>
<td>IB 1</td>
<td>Socially relevant investment policies</td>
<td></td>
<td>Ch 3</td>
<td>1</td>
</tr>
<tr>
<td>IB 2</td>
<td>Identify transaction structure according to World Bank classification of economies</td>
<td>Annual</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>IB 3</td>
<td>Report on provision of tailored and innovative products and services applying special ethical/sustainability criteria</td>
<td>2006</td>
<td>Ch 1</td>
<td>2</td>
</tr>
<tr>
<td>PA1</td>
<td>Relationship to other governments or public authorities</td>
<td>2004, Annual</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>PA2</td>
<td>Definition of sustainable development</td>
<td>2006</td>
<td>Cover, Letter</td>
<td>1</td>
</tr>
<tr>
<td>PA3</td>
<td>Aspects for which sustainable development policies have been established</td>
<td>2006</td>
<td>Ch 3, Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>PA5</td>
<td>Description of the process by which the aspects in PA3 were set</td>
<td>2004, 2006</td>
<td>Ch 3</td>
<td>2</td>
</tr>
<tr>
<td>PA6</td>
<td>Actions to support continuous improvement</td>
<td></td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>PA7</td>
<td>Role of and engagement with stakeholders</td>
<td>2004, 2006</td>
<td>Ch 4</td>
<td>2</td>
</tr>
<tr>
<td>PA8</td>
<td>Gross expenditures broken down by type of payment</td>
<td>Annual</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>PA9</td>
<td>Gross expenditures broken down by financial classification</td>
<td>Annual</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>PA10</td>
<td>Capital expenditures by financial classification</td>
<td>Annual</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>PA11</td>
<td>Procurement policy as related to sustainable development</td>
<td>2004</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>PA12</td>
<td>Economic, environmental, and social criteria that apply to expenditures and financial commitments</td>
<td>2006</td>
<td>Ch 3, Ch 4</td>
<td>1</td>
</tr>
</tbody>
</table>

**LOCATION KEY**


2004 -- Previous Sustainability Review (www.worldbank.org/sustainabilityreport)


**REPORTING STATUS KEY**

1 Fully Reported
2 Partially Reported
3 Locally managed indicator, not globally aggregated
4 Not Applicable to reporting organization's operations
5 Detailed data not collected or not yet available in this report
** Indicates an Additional Indicator
ORGANIZATION CHART OF THE WORLD BANK
GRI 2.3

As of July 2007