DEVELOPMENT COMMITTEE
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Boards of Governors of the Bank and the Fund
on the
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Ending Poverty on a Livable Planet: Report to Governors on World Bank Evolution

Attached is the document titled "**Ending Poverty on a Livable Planet: Report to Governors on World Bank Evolution**," for the October 12, 2023 Development Committee Meeting.

For Discussion

Development Committee: Thursday, October 12, 2023

Ending Poverty on a Livable Planet:
Report to Governors on World Bank Evolution

Development Committee

September 27, 2023

Table of Contents

Executive Summary .... **v**

I. We Are Running Out of Time **1**

II. A New World Bank Vision and Mission **1**
a. Our Direction 1
b. Our Ambition to Better Support Clients 2

III. A New World Bank Playbook **5**
a. Doubling Down on Impact 5
b. Modernizing Our Approach to Delivery 10

IV. World Bank Financial Model **13**
a. Financing Capacity 14
b. Concessional Finance 17

V. Conclusion **19**

References **20**

Annex 1: Summary of Agreed Evolution Deliverables as of Marrakech **21**
Annex 2: Provisional Corporate Scorecard for the World Bank with Illustrative Indicators **24**

Abbreviations

AIIB	Asian Infrastructure Investment Bank
CAF	Capital Adequacy Framework
CCDR	Country Climate and Development Report
CEM	Country Economic Memorandum
CRDC	Climate Resilient Debt Clause
CRW+	Crisis Response Window Plus
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
DFI	Development Finance Institution
EDs	Boards of Executive Directors
E/L	Equity-to-Loan
ESF	Environmental and Social Framework
FCS	Fragile and Conflict-Affected Situations
FCV	Fragility, Conflict, and Violence
FIF	Financial Intermediary Fund
G20	Group of 20
GCP	Global Challenge Program
GEMs	Global Emerging Markets Risk Database Consortium
GPG Fund	Global Public Good Fund
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
MTR	Mid-Term Review
PFR	Public Finance Review
SDGs	Sustainable Development Goals
SLL	Statutory Lending Limit
TF	Trust Fund
WESP	Warehouse-Enabled Securitization Platform

Executive Summary

i. **Extraordinary times require urgent action and new solutions**. The world is in transformation. The COVID-19 pandemic upended decades of development progress that lifted more than one billion people out of poverty. Geopolitical tensions are on the rise and the climate crisis is an existential threat to people and the planet. The international community's efforts to end poverty and achieve the Sustainable Development Goals (SDGs) by 2030 have fallen off track. People in many parts of the world face widespread hunger, water and energy scarcity, and fragility, conflict, and violence (FCV). The international community must rise to these needs with urgency. Time is of the essence.

ii. **The World Bank[1] is transforming**. As the leading development financier for more than 75 years, the World Bank has made major contributions to poverty reduction and economic development around the world. We must now significantly step up the way we work to help ensure that the world achieves the SDGs, reaches net zero greenhouse gas emissions, and addresses other global challenges that increasingly affect countries around the world. We need to evolve our ambition, strengthen our solutions, and enhance our financing to do so. And we need the rest of the international development community and the private sector with us: the World Bank alone cannot eliminate poverty, boost shared prosperity, and address global challenges. We need to strengthen our collaboration and partnerships to enable increased action from all.

iii. **We are on the move to become a better and bigger bank**, to deliver development impact more effectively and efficiently for people and the planet. Since the call from Governors at the Annual Meetings in 2022 for the World Bank to evolve, we have taken important steps (see Diagram 1) to transform ourselves to meet the challenges of new times:

- Setting a **new vision** to match our ambition – *to create a world free of poverty on a livable planet* – and a **new mission** *to end extreme poverty and boost shared prosperity on a livable planet*. With these, the World Bank will for the first time have the formal mandate to both fight poverty and address global challenges, leading the way among multilateral development finance institutions.
- Creating a **new World Bank playbook** with solutions to achieve this ambition. We are doubling down on our impact, to better address both country development needs and global challenges, including through scale and replicability. We are enhancing and modernizing how we provide finance and knowledge, including working as One World Bank across our institutions to mobilize private capital and domestic public resources for development. We will use a **new scorecard** to monitor results aligned with the new mission.
- Taking steps to **increase our own financing capacity** to meet development needs. We have successfully implemented many of the measures recommended by the G20 Capital Adequacy Framework (CAF), creating up to US$50 billion of additional lending capacity over the next ten years with our existing resources. We are proposing additional innovative measures that could further increase our financing capacity – but these depend on the interest and actions of our shareholders and development partners.

iv. **Our ambition is high**. This paper to the Development Committee captures the initial steps that the World Bank has taken to evolve. We will continue to identify and adopt new solutions to be a better bank. To respond to the magnitude of challenges facing our clients, we must also become a bigger bank. We will continue to explore measures to increase our financing capacity beyond those that have already been agreed. At the 2023 Annual Meetings, we ask for the endorsement of Governors, and the support of the international community, for the World Bank's new directions, and to explore how – together – we can further increase our ambition and impact.

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[1] World Bank in this context refers to IBRD, IDA, IFC, MIGA, and ICSID here and in the rest of this report.

Diagram 1: Elements of World Bank Evolution

I. We Are Running Out of Time

1. **At this year's Annual Meetings in Marrakech, the international community must collectively set a new course of action to address the emergencies of poverty and the growing number of global challenges.** The world is off track to meet the SDGs. After three decades of development that lifted more than one billion people out of poverty, the COVID-19 pandemic upended this progress and increased rates of poverty and inequality. The global economy is yet to recover. Global tensions are on the rise, with heightened fragility, conflict, and violence. The climate crisis is an existential threat to people and the planet. Many developing countries face increasing debt vulnerabilities. Across the world, people face widespread hunger, water, and energy scarcity. These crises – many with impacts across country borders – require a massive change in how we work together to support countries and address global challenges.

2. **The international community must respond with urgency – and the World Bank can play a leading role.** We need to engage with greater scale and speed as the leader in development to deliver impact for people and the planet at country, regional, and global levels. To that end, the World Bank must adopt a new vision and mission that reflect our stakeholders' shared aspirations. Implementation requires a new World Bank playbook with scalable and replicable solutions underpinned by our knowledge, partnerships, and operations efficiency and effectiveness.

3. **Over the past year, the World Bank has worked to become a better and bigger bank**. At the Annual Meetings in 2022, Governors called on the World Bank to evolve, and we have been on the move since then. Intense engagements between Management, the Boards of Executive Directors (EDs), and external stakeholders guided this process. This paper presents the main elements of the World Bank's evolution (summarized in Diagram 1), including a new vision and mission to respond to the world's needs and reflect the ambitions of our shareholders; a new playbook to achieve the new ambition; and a new scorecard to measure our results. Initial steps have been agreed to increase our financing capacity, and additional measures could make us an even bigger bank with greater financing capacity to serve our clients' growing needs. Annex 1 summarizes the evolution deliverables.

II. A New World Bank Vision and Mission

a. Our Direction

4. **Our new vision is to *create a world free of poverty on a livable planet* and our new mission is to *end extreme poverty and boost shared prosperity on a livable planet*.**[2] Since the World Bank evolution process began, Management and the World Bank EDs have worked together to establish this new vision and mission to strategically guide our work. The collaborative process underscored the need to redouble efforts and increase financing capacity to achieve the goals of poverty reduction and shared prosperity – which we are not on track to reach by 2030 – while noting how their progress is dependent on addressing global challenges. There is recognition that the World Bank needs to support efforts to achieve broad-based economic growth as a precondition for sustained poverty reduction in countries, while addressing resilience to shocks, sustainability, and inclusion. There is also agreement regarding the importance of the private sector in addressing development challenges, as financier, innovator, and engine of job-rich economic growth. The discussions further emphasized that the World Bank needs to deliver solutions that are relevant for the full range of its diverse public and private sector clients. By incorporating these elements in the new vision and mission, the World Bank will strengthen its position with its commitment to advance development at all levels: fighting poverty and inequality as well as global challenges, and recognizing their interdependencies, to achieve good development outcomes across the world.

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[2] A livable planet is a healthy and sustainable planet on which people can prosper. Associated metrics will be included in the final Corporate Scorecard.

5. **The new vision and mission are shaping the World Bank's new playbook**. Time is of the essence, as multiple, intertwined crises threaten the achievement of this vision and mission. A better and bigger World Bank will support all its clients in addressing development challenges at country, regional, and global levels, and will pursue outcomes that revolve around:

- *Poverty reduction*: ending extreme poverty by 2030 or as soon as possible.
- *Shared prosperity*: boosting prosperity, particularly for the poorest, to achieve more equitable societies.
- *Inclusion*: increasing and improving the distribution of opportunities, resources, and choices for all, especially for women, youth, as well as vulnerable and marginalized people, with special focus on human development (including education, health, and social protection).
- *Resilience*: strengthening the ability of people and countries to prevent, prepare, and recover from shocks, including against climate and biodiversity crises, pandemics, and fragility or conflict.
- *Sustainability*: advancing economic growth and job creation, macroeconomic stability, fiscal and debt management, food security, and access to clean air, water, and affordable energy, including recognizing the increasing interlinkages between country-level progress to achieve the SDGs and progress to reduce the impact of climate change and other global risks.

6. **We have identified eight global challenges for the World Bank to focus on in the next few years.** These challenges are unique as they affect many countries and have cross-border implications. The costs of addressing them are high and borne by individual countries, while the benefits are often shared, putting them at risk of being under-addressed. Addressing the following challenges will be key to advancing the World Bank's new vision and mission: (i) Climate Change Adaptation and Mitigation; (ii) Fragility and Conflict; (iii) Pandemic Prevention and Preparedness; (iv) Energy Access; (v) Food and Nutrition Security; (vi) Water Security and Access; (vii) Enabling Digitalization; and (viii) Protecting Biodiversity and Nature. The selection of these eight was agreed between Management and the World Bank EDs, considering the need to prioritize global public goods;[3] address the most pressing needs facing many countries at once (often because of global factors); and the World Bank's comparative advantage to provide support. While these are not the only challenges affecting many countries, without addressing them, sustained progress on poverty, shared prosperity, and a livable planet will not be possible. The list will be reviewed and evolve over time, as circumstances change.

7. **The World Bank will continue to provide support through its country-driven model.** Responding to country demand is a core strength of the World Bank and will drive our continued effectiveness. We will respond to country development challenges based on our comparative advantage, additionality, global footprint, and expertise, with the aim of scaling up delivery. World Bank support will continue to address pressing country development priorities, such as education losses and learning poverty, governance, macroeconomic stability, debt vulnerability, gender equality, trade, economic growth, and jobs. There will also be a continued focus on strengthening country institutions as a critical area of support to achieve the vision and mission. In terms of country-level climate action, World Bank financing will seek the appropriate balance between adaptation and mitigation[4] and will remain Paris-aligned. We will take into account equity concerns and the principle of common but differentiated responsibilities and respective capabilities, in light of countries' different circumstances.

b. Our Ambition to Better Support Clients

8. **Delivering on the new vision and mission will benefit all World Bank clients**. The World Bank's evolution responds to countries' complex development challenges and the international community's

[3] The World Bank's Forward Look of 2016 and Capital Package of 2018 outlined the need for an expanded role of the World Bank in helping to deliver global public goods related to climate change, pandemics, and fragility.
[4] Some shareholders have encouraged the World Bank to be even more ambitious in its commitment to adaptation finance beyond current targets in the Climate Change Action Plan.

ambition to accelerate poverty reduction and progress towards the SDGs as well as addressing multiple global challenges, which are to a large extent interlinked. The new playbook will enable the World Bank to deliver more impactful solutions at greater scale and speed to all its clients (see Box 1).

Box 1: World Bank Evolution: Benefits for Clients

The World Bank is evolving to deliver solutions and impact for our clients. The new Knowledge Compact for Action is one way to do so. World Bank investments and operations will increasingly draw on country, regional, and global knowledge to respond to challenges at the country level, and country clients will systematically benefit from training and capacity building. World Bank programs, developed and agreed with country clients, will draw on analytics to identify solutions to development problems. Support will help increase finance from the public and private sectors, from both domestic and external sources, with a particular focus on strengthening private sector development and enabling and mobilizing private solutions and capital. Enhancements to the World Bank crisis toolkit will build clients' resilience and increase their capacity to quickly respond to crises, including through greater access to rapid response support, for both public and private sector clients. Global Challenge Programs will provide country clients with additional support to address development challenges with greater speed, scale, and impact, with new networking and learning opportunities made available by working as part of a globally coordinated program.

With a stronger One World Bank approach, countries will be able to better leverage the comparative advantages of each World Bank institution and access solutions that maximize the respective strengths of the public and private sectors. Partnerships will be strengthened to provide countries with more – and better coordinated – support from diverse partners. These improvements, taken together with operations efficiency and effectiveness measures and reforms to staff functions, policies, and incentives, will enable the World Bank to be more responsive to all its clients; take more risks in line with its capacities; increase the speed and quality of operations; and deliver measurable development impact at the country, regional, and global levels.

9. **Achieving our ambition will require a significant increase in financing for development.** Spending needs to address global challenges in developing countries are massive, with numerous estimates that trillions of dollars per year in additional investment are needed. For example, the United Nations Secretary General has called for an annual increase of at least US$500 billion in financing for developing countries to meet the SDGs. The World Bank estimates that total spending needs to address the three challenges of climate change, conflict, and pandemics are in the order of US$2.4 trillion per year for all IDA and IBRD countries between 2023 and 2030.[5] A recent report of an Independent Expert Group, commissioned by the G20, cited the need for US$3 trillion in additional investments per year by 2030, to come from a range of public and private sources; this includes a tripling of financing from all multilateral development banks (MDBs), as well as US$500 billion per year in incremental private capital to be facilitated by MDBs, and US$2 trillion in additional domestic resource mobilization and local finance. The report further recommends the need for a substantial increase in the level of IDA by 2030, and a general capital increase for IBRD.[6] Additional climate finance was a key part of COP27, with the final agreement highlighting that "US$4 to US$6 trillion a year needs to be invested in renewable energy until 2030 (…) to allow us to reach net-zero emissions by 2050". As significant as these needs are, the costs of insufficient action will be even higher – in terms of negative impact on human health, reduced food production, infrastructure impacts, and other economic costs; for example, in one estimate, the benefit-cost ratio of climate-resilient infrastructure investments is about 6 to 1 due to the magnitude of costs avoided (UN 2019).

[5] Other estimates, while based on different assumptions and methods, arrive at overall similar trillion-dollars magnitudes. For instance, Fay and Rozenberg (2019) estimate total investment needs on the order of US$1.5 trillion per year in the energy, transport, water, flood and irrigation sectors; IMF (2019) estimates total expenditures and investments in the education, energy, health, transport and water and sanitation sectors to be around US$2.6 trillion per year required to achieve the SDG targets.

[6] The report of an Independent Expert Group, commissioned by the G20, argues that each dollar of new equity could be expected to support at least US$15 of additional external financing for sustainable investments: US$7 in direct MDB lending and US$8 in additional direct and indirect mobilization of external private capital.

Box 2: Incorporating Feedback from Consultations

The World Bank held consultations in all its seven operational regions, in Washington DC, and online, along with targeted engagements with key stakeholders. We received input from more than 1,000 external stakeholders from 118 countries, representing more than 600 entities, including civil society, service delivery organizations, academia, think tanks, private sector, and others. The World Bank also received more than 120 online submissions. Stakeholders welcomed the World Bank's effort to evolve and our commitment to remain engaged to ensure further critical input from external stakeholders. The following was emphasized so far:

- **Continuing our focus on poverty reduction:** Stakeholders consistently emphasized continued focus on fighting poverty, inequality, and achieving the SDGs. *Poverty remains central to the new vision and mission.*
- **Addressing climate change and other global challenges**: The importance of a livable planet was welcomed, with climate change seen as the most urgent challenge among many, such as fragility, conflict, and violence. Climate, development, and poverty reduction were often brought up as intertwined. *The concept of a livable planet and the focus on climate in the new mission of the World Bank reflects this sense of urgency.*
- **Enhancing work on inclusion:** Inclusion, especially empowerment of women and youth, is seen as key to successful development, with gender-based violence noted as a major issue. *Inclusion is a key element in the new mission, and Corporate Scorecard indicators will be disaggregated wherever feasible by gender and youth.*
- **Increasing development financing to address escalating challenges:** The need for additional concessional finance was noted, while protecting and increasing concessional resources for the most vulnerable and poorest. Many flagged the need to pool resources with other sources of finance. *The World Bank evolution reflects the need for additional development finance, with proposals to ramp up concessional financing, domestic resource mobilization, private capital mobilization, innovative financing solutions, and co-financing.*[7]
- **Bringing in the private sector while strengthening government capacity:** Enhanced support to mobilize private finance for development is needed. Both the public and private sectors have distinct roles to play to increase domestic fiscal resource mobilization. *The greater emphasis on working as One World Bank – combining public and private sector expertise to facilitate private capital and mobilize more domestic resources will help ensure that public and private sectors complement, leverage, and enhance each other.*
- **Working with partners to strengthen accountability and efficiency:** Stakeholders stressed: greater engagement with civil society; more emphasis on transparency and accountability; improving governance and anti-corruption measures; and improving World Bank agility and efficiency. *Enhanced civil society engagement and other country-level partnerships will provide critical inputs to World Bank investments to better reach clients. Encouraging citizen engagement and social accountability in World Bank work will also enhance accountability and governance. Improving efficiency and effectiveness is a key element of the World Bank evolution to increase speed and quality of delivery to clients.*

In other engagements with governments, we also heard that the implementation of projects with World Bank financing can be slow, cumbersome, and expensive; that more research and knowledge are needed to inform public and private development solutions; and that more hands-on support with implementation of World Bank-financed projects and capacity building are required.

10. **Scaled-up financing from multiple sources will be required given the magnitude of needs.** Since no institution can meet these financing needs alone and public finances are often constrained, the World Bank must work in partnership with governments, the private sector, and other development partners to support the ambition of the new vision and mission. Domestic resources, combined with financing from the private sector and the international community, will help generate economic growth and job creation, improve opportunities for the most vulnerable, and support digital and other solutions to spur innovation. The new playbook will include a focus on helping to increase domestic resource mobilization and enabling and mobilizing private capital at scale to drive impact.

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[7] For IBRD/IDA, co-financing refers to funding from an external financier to supplement loans, credits, grants, or guarantees for an IBRD/IDA project or program, and for IFC/MIGA, co-financing refers to a third-party financial source for an investment made along-side IFC/MIGA's investment.

11. **The availability of concessional financing will be essential to tackle global challenges, in particular those of a global public good nature**. While continuing to respond to the increasing development needs of IDA countries, additional concessional resources will also be critical to incentivize IBRD countries to address global challenges, particularly when there is a global public good element with spillover benefits. The effective, efficient, and transparent use of concessional blended finance can also leverage private capital in high-impact projects by rebalancing risk-return equations.

III. A New World Bank Playbook

12. **The World Bank is writing a new playbook to work with public and private sector partners in delivering development solutions to clients in these extraordinary times**. The new playbook establishes how we operate to deliver on the new vision and mission, while building on and strengthening the foundational approaches the World Bank has long relied on. The playbook reflects ongoing discussions between Management and World Bank EDs and has been informed by inputs from a wide range of external stakeholders (see Box 2). Since the Spring Meetings 2023, significant progress has been made to flesh out the details of the proposed playbook and begin its implementation (see Annex 1). Remaining aspects will be designed and implemented, following the Governors' endorsement of this paper. Efforts to become a better bank will continue, noting that details of some proposals will be further refined and decided between Management and World Bank EDs post-Marrakech.

13. **The playbook introduces new operational reforms to deliver impact at scale for World Bank clients.** We need to enable clients, from the public and private sectors, to invest in development solutions that respond to both persistent poverty and inequality as well as global challenges in a way that maximizes impact at scale. The new playbook directly responds to this need. Changes to double down on impact include: leveraging knowledge to drive impact; strengthening the country engagement cycle; scaling up private sector enabling activities and private capital mobilization; supporting increased domestic resource mobilization; enhancing crisis preparedness and response mechanisms; and launching a series of Global Challenge Programs (GCPs) to deliver replicable and scalable approaches to critical global challenges. To deliver this, we are modernizing four key aspects of our work: the One World Bank approach; operations efficiency and effectiveness; people and culture; and partnerships with others. A new scorecard will help to drive impact and outcomes and monitor results of this new playbook.

a. Doubling Down on Impact

Knowledge

14. **The World Bank is launching a Knowledge Compact for Action to transform its approach to knowledge.** Knowledge is a key World Bank comparative advantage and is pivotal to create impact through development finance, policy dialog, and capacity building. Stakeholders confirm that the World Bank's knowledge contributes significantly to development results – but there is room to do better. Building on the 2021 Strategic Framework for Knowledge, the new Compact will generate stronger alignment with global challenges – producing country and global knowledge and integrating the best knowledge available from all sources in World Bank engagements and operations. To support these outcomes, it will reinforce knowledge verticals to guide our work at all levels of client engagement. Finally, it will be more outward-looking, and will support clients more systematically with training, data collection, curation, analysis, and dissemination.

15. **The new Knowledge Compact is built upon the following commitments to deliver more impact to clients and replicate development success:**[8]

- Upgrading our *knowledge products* to support the new mission, global challenges, and Global Challenge Programs, with an updated suite of country-level *diagnostic reports* ('core analytics') underpinning country engagements (Box 3). These core analytics will systematically consider challenges that a country is facing, including ones that are global in nature. A more deliberate focus will also be put on assessing barriers to private investment and how to enable and leverage private sector solutions to address development challenges.
- Establishing *knowledge verticals,* including on key development issues that require collaboration, to ensure that the work we do is guided by integrated world-class knowledge and data aligned with our mission goals.
- Generating, using, and sharing *data* more systematically to tackle the roots of poverty and inequality, and promote inclusion, resilience, and sustainability, so countries can design policies and prioritize support where they are most needed.
- New *training and capacity building* for clients and staff to enhance skills, including the launch of World Bank Academies; better leveraging of World Bank Hubs and representation offices to inform policymaking; and promoting joint courses with academia and think tanks to create and disseminate learning materials for clients and partners.
- Enhancing *knowledge partnerships to be more strategic* for our clients, stakeholders, and the public. They will also aim at reaching the full membership of the World Bank – including advanced economies – through flagship publications. Value-added partnerships will also support building a more strategic World Bank information architecture and in using innovative communication tools and social media to reach wider audiences.
- Improving *knowledge processes and systems*, including through cost-effective impact evaluation tools to boost quality and impact, and more systematic use of digitalization and AI tools.

Box 3: Updated Core Analytics

The updated suite will include: the *Country Climate and Development Report* (CCDR), focusing on adaptation and mitigation and linkages between climate change and development outcomes; the *Poverty and Equity Assessment* (PEA), focusing on core poverty and inequality issues; the *Country Economic Memorandum* (CEM), focusing on prosperity and key economic sectors, with a plan to be revamped into a Growth and Jobs report; the *Public Finance Review* (PFR), an expansion of the current Public Expenditure Review to focus on a country's revenues as well as expenditures; and an updated *Country Private Sector Diagnostic* (CPSD 2.0), reframed and focused on specific opportunities to increase private investment. For countries on the list of fragile and conflict-affected situations (FCS), Risk and Resilience Assessments will remain.

Country Engagement

16. **The World Bank's country-based engagement model – an essential part of how we support clients – will be aligned with the new vision and mission.** The World Bank's Country Partnership Frameworks (CPF) will continue to be agreed with countries to reflect their development goals, the World Bank's comparative advantage, and the World Bank's vision and mission. The country engagement process will no longer include the Systematic Country Diagnostics as a stand-alone prerequisite of a CPF in each country, but will draw on a synthesis of the enhanced set of core analytics (Box 3). Core analytics will be undertaken with substantive engagement with the country. The CPF will identify areas to help countries access a comprehensive range of public and private sector solutions, with a renewed focus on enabling and mobilizing both private capital flows and domestic resources. Reflecting client demand, the revamped approach to country engagement will also place focus on work at the sub-national level to better support

[8] The details will be further elaborated for discussion and consultation with the World Bank EDs.

municipalities, state/provincial governments, and sub-national utilities to strengthen policy/regulatory capacity, enhance creditworthiness, and ensure that critical investments are made wherever they can be most effective. The augmented country engagement approach will enable greater scale and enhance the focus on country, regional, and global outcomes. Since country engagement will still be firmly rooted in a country's national development strategy, programming for poverty reduction and shared prosperity will remain central.

Enabling and Mobilizing Private Capital

17. **The World Bank will increase its engagement to enable private sector solutions, mobilize private capital, and strengthen private sector development to achieve impact at scale**. The World Bank has embarked on a broad effort to better identify, develop, and rapidly deploy solutions that address the barriers to private sector investment. The updated CPSD 2.0 will help identify concrete policy interventions and provide the basis for policy reform dialog with governments as One World Bank to improve the enabling environment for private capital. Greater focus on private capital enabling work is a critical precursor to building a pipeline of bankable projects for future investment to scale up private capital mobilization and meet evolution ambitions. This includes investment climate reform, capital market development, support for financial sector development, advancing public-private partnership frameworks, IBRD/IDA development policy operations, IFC Advisory and Upstream engagements, and MIGA's structuring expertise. Implementation steps are underway, including through new platforms and aggregation and securitization approaches to connect (institutional) investors with firms in emerging markets and developing economies, the development of new asset classes, sharing data to help investors calibrate risk-returns, and the selective use of concessional finance. Efforts include:

- The new **Private Sector Investment Lab,** to identify actionable solutions to increase private investment in developing countries. A key aim is to identify ways to improve the availability of appropriate risk-return investments, which can be facilitated through blended finance and other means to credit-enhance or de-risk investments.
- Enabling public access to the default and recovery data of the **Global Emerging Markets Risk Database (GEMs) Consortium,** to increase investment risks transparency and overcome a key constraint to private investment in developing economies. The Consortium is currently engaging with potential users such as institutional investors, fund managers, commercial banks, and rating agencies to inform the best approach to broadening access to this data in a way that meets investor requirements. The Consortium is working towards releasing more private sector statistics and is also evolving into GEMs 2.0. The World Bank is also reconstructing historical sovereign data spanning a longer time period. This effort will translate in GEMs comprising more meaningful statistics for rating agencies and other stakeholders interested in sovereign data. A Request for Proposals is in the process of being sent to the G20 International Financial Architecture Working Group Secretariat and countries that have expressed an interest in hosting GEMs. A market survey is also being conducted to get a better sense of the types of metrics and data the private sector investors would be interested in.
- IFC's development of the **Warehouse-Enabled Securitization Platform** (**WESP)** that will support greater private capital mobilization in Paris-aligned impact loans to the private sector through unified loan standards. This will pioneer an originate-to-distribute model for participating MDBs and other development finance institutions (DFIs).
- IBRD's exploration of a **Private to Sovereign Climate Financing Investment Fund** to directly mobilize private capital from institutional investors to co-finance green public projects, which could also be used to test originate-to-share or co-finance models.

18. **In addition, the new playbook will enhance the World Bank's guarantee and capital market instruments.** Enhancements and new applications of World Bank guarantee instruments will be developed, including: the new World Bank coordination and innovation center to develop joint guarantee products that

can be supported by MIGA, IFC, or IBRD/IDA guarantee operations; improved and increased IBRD, IDA, and IFC backstopping of risk-sharing facilities through fit-for-purpose guarantees to enable investments in climate infrastructure and other nascent markets; using MIGA and IBRD guarantees to support private investors refinancing IBRD loans; using MIGA political risk insurance in combination with contingent liquidity facilities to crowd in institutional investors; and exploring private reinsurance of IBRD guarantees to unlock access to larger volumes of capital on blended terms.

Domestic Resource Mobilization

19. **IBRD and IDA will expand support to client governments seeking to increase availability of domestic resources for critical development needs.** This will entail creating fiscal space in a holistic way – not only through revenue policy and administration reforms, but also by addressing spending inefficiencies across the budget and harmful subsidies. A dedicated PFR – an expansion of the current Public Expenditure Reviews – will focus on a country's revenues as well as expenditures, providing the analytical basis for this work. We will prioritize countries with low tax collection and/or inefficient tax structures where increased domestic resource mobilization is most needed. Support will be based on the principle that tax structures should be equitable, progressive, efficient, transparent, and sustainable, with a strong focus on addressing illicit financial flows, including through improving governance and anti-corruption measures. The World Bank commits to step up support for tax systems that follow these principles, while responding to country's own needs and demand for such assistance. We also aim to increase support for green and growth-friendly tax policy and administration measures. This agenda will be undertaken in close collaboration with the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and other development partners. Reforms and their implementation will be supported through the full spectrum of World Bank instruments. This new systematic approach aims to improve the current World Bank practice, in which tax analytical work is done at the global level and with country-level engagements on an ad-hoc basis.

Global Challenge Programs

20. **The World Bank will launch a set of Global Challenge Programs.** These will use replicable and scalable approaches to support countries to achieve development results with greater speed and impact, while helping to ramp up response to global challenges. Each GCP will comprise a series of country-level operations that are part of a broader, globally coordinated platform. GCPs will relate to the defined global outcomes measured by the Corporate Scorecard, aligned with the SDGs (see Box 4 for the first six GCPs). Each GCP will contribute to addressing one or more of the global challenges. Country-specific GCP operations will be programmed, where countries wish, through the CPF. GCPs will leverage the One World Bank approach and combine public and private capital and solutions, as well as co-financing from other MDBs to address targeted global challenges. Lessons learned about operations effectiveness and efficiency from the initial GCPs will also be mainstreamed across World Bank operations over time. GCPs will be one platform available to countries to address global challenges, complementing other country-level World Bank knowledge and financing support, and adapting to country needs such as FCV contexts.

21. **The client value proposition of the GCPs comes from the expected speed, scale, networking, and learning opportunities of working through a globally coordinated program.** Key features include access to the World Bank's fast-track advice, guidance, and facilitation in establishing or joining partnerships, and additional assistance such as Bank Facilitated Procurement for IBRD and IDA clients. Partnerships for concessional financing will be facilitated with donors when interests align, including through Trust Funds (TFs) and Financial Intermediary Funds (FIFs) such as the Pandemic Fund and Climate Investment Funds. Early and systematic engagement with private investors through the GCPs, including through upstream work, advisory projects, deal structuring, and by leveraging the broad range of tools available for IFC and MIGA clients, will help mobilize private capital to support investments that address

key global challenges. Each GCP will embed systematic impact evaluation and learning platforms for World Bank teams and clients to benefit from each other's experiences as projects and programs evolve.

Box 4: Global Challenge Programs

Management solicited and evaluated GCP proposals from across the World Bank against seven criteria: (i) Line of sight toward global challenges and One World Bank Approach; (ii) Standardized measurable outcomes and targets; (iii) Country demand; (iv) Well-defined set of interventions that are replicable and scalable with speed; (v) Ability to mobilize and deploy public and private financing and solutions; (vi) Program support and knowledge; and (vii) Incentives and Partnerships. The following GCP pilots were selected to proceed first, with the possibility to scale up in the future to address additional global challenges as lessons from the GCP approach are learned. Management is continuing to engage with the Board on the final design of these pilots, and the titles and specifics will be refined and agreed before implementation:

1. **Fast-Track Water Security and Climate Adaptation**: *to strengthen water security in client countries through systems change and scaling-up more sustainable water management and disaster risk reduction solutions*. The GCP, which relates to SDG 6, will support: (i) improved access to water supply and sanitation; (ii) improved irrigation service delivery and water productivity; and (iii) flood and drought risk reduction through sustainable water management and disaster risk reduction.
2. **Energy Transition, Efficiency and Access**: *to increase access to affordable, reliable, sustainable, and modern energy, by scaling up clean energy, phasing down fossil fuel use, and supporting just transition*. GCP support relates to SDG 7 and is designed around: (i) scaling up energy efficiency; (ii) expanding and improving access; (iii) increasing renewable energy integration; (iv) phasing down fossil fuels; and (v) decarbonizing hard-to-abate sectors, including transport.
3. **Enhanced Health Emergency Prevention, Preparedness and Response**: *to enhance capacity to prevent and prepare for health emergencies by strengthening health systems at country, regional, and global levels*. The GCP, connected to SDG 3, will pivot response to prevention, through: (i) building 'emergency-ready' health systems and (ii) mainstreaming One Health capacities to prevent and prepare for health emergencies.
4. **Accelerating Digitalization**: *to accelerate digitalization at scale to enable innovation and adoption of technology*. This GCP, will address a range of SDGs but is primarily related to SDG 17, promotes: (i) fast-tracking affordable broad band for all; (ii) scaling up inclusive and safe digital public infrastructure; and (iii) building digital skills for jobs.
5. **Food and Nutrition Security**: *to help break the cycle of food and nutrition insecurity by 2030*. This GCP contributes to SDG 2 and will focus on: (i) strengthening food stability, availability, utilization, and access; and (ii) establishing and enhancing crisis preparedness, early warning, and early action systems at country, regional, and global levels.
6. **Forests for Development, Climate, and Biodiversity**: *to build a sustainable forest economy in critical forest biomes.* This GCP, related to SDG 15, will take an inclusive approach to support: (i) investments at scale in management, restoration, and conservation of natural resources; (ii) creating and diversifying nature-based businesses and jobs; and (iii) protecting the interests of indigenous people, smallholders, and small businesses.

Across GCPs, as these six programs are piloted, particular emphasis will be placed on **Fragility, Conflict, and Violence**. This will include a focus on implementation of GCPs in FCV countries, helping to address the interlinkages between FCV and global challenges such as food security and water access.

Crisis Preparedness and Response Toolkit

22. **The World Bank crisis preparedness and response toolkit is being enhanced to help build greater resilience for clients.** Countries will have greater access to rapid response support when crises occur, including through **increased contingent financing**; rapid access to a portion of undisbursed balances in a country's existing portfolio of IBRD or IDA financing through a **new Rapid Response Option**; and **catastrophe bonds** embedded in IBRD or IDA financing operations as well as new types of parametric and other catastrophe **insurance options**. For the private sector, IFC is continuing to innovate and broaden its toolkit of advisory and financing support to help its clients prepare for and manage during crises, including

trade and supply chain solutions, with additional support available from MIGA trade finance guarantees. Crisis preparedness will be increasingly embedded upstream in the country engagement process, especially for countries vulnerable to shocks and countries experiencing FCV. Technical assistance will be provided to help countries assess their exposure to both short- and longer-term risks, informing their broader disaster risk financing strategies as well as World Bank financing support. The One World Bank approach will ensure that preparedness and response optimally involve both public and private sectors as essential elements of disaster risk finance, including for example, a parametric insurance backstop provided by the private sector for MIGA-supported public sector projects and engagement with risk pools to enable private risk capital. This work will continue beyond Marrakech, after the enhancements to specific instruments in the toolkit are operationalized, including strengthening partnerships with other MDBs to help countries optimize their crisis preparedness and disaster risk financing plans.

23. **As part of the broader crisis toolkit, the Climate Resilient Debt Clause (CRDC) is a specific enhancement being launched for countries most vulnerable to natural disasters.** The CRDC will provide countries the option to temporarily defer principal repayments on their IBRD and IDA loans in case of a severe natural disaster, to reduce debt pressures during a crisis and free up domestic resources for disaster response. As a first step, the World Bank has introduced CRDCs as an option available for new loans to small states as a particularly vulnerable group of client countries, while assessing the feasibility of offering CRDCs for their existing loans in a financially sustainable manner.

b. Modernizing Our Approach to Delivery

One World Bank

24. **A strengthened One World Bank approach will leverage the public and private sectors for enhanced client delivery and maximum impact.** To successfully deliver with impact and at scale, we will increasingly work as One World Bank through purposeful collaboration, coordination, and deployment of our collective knowledge and instruments. Drawing on the comparative advantages of each World Bank institution is critical to enable and mobilize private capital, ensuring that private sector finance and solutions are pursued whenever possible as first-best options, and using scarce public sector resources only when necessary and justified. This approach across IBRD, IDA, IFC, MIGA, and ICSID responds to calls we have heard from clients and partners to streamline and simplify our country engagement.

25. **We have started enhancing our One World Bank approach, and more changes will be adopted.** Many aspects of the strengthened One World Bank approach are embedded throughout the new playbook. This approach will start early in the country engagement process, through joint diagnostics and One World Bank engagement with governments to determine priorities and coordinate programming that identifies and delivers the optimal private or public sector solution. GCPs will facilitate the scale-up of joint products or programs across World Bank institutions to respond to specific global challenges. Consistent World Bank-wide metrics will be developed, for instance related to enabling private capital. A pilot is under consideration for One World Bank country representation to better coordinate country engagement and offer client countries optimal public and private sector solutions and instruments. Management will continue to develop these efforts and engage with the World Bank EDs after Marrakech.

People and Culture

26. **Delivering on the new playbook requires the World Bank to attract and retain talent with the right skills, strengthen skills of existing staff, and set the right incentives to enable the One World Bank approach.** Quality and performance of staff are fundamental to the World Bank's operational impact and success. We must attract, retain, and motivate professionals of the highest caliber, and expand our institutional skills and knowledge in areas of expertise related to the global challenges. To do so, we need

to strengthen our competitive position worldwide, by better articulating and enhancing our overall employment value proposition. This includes an enhanced recognition and incentives program to attract the best talent and identify skill gaps needed to deliver on the institution's new ambition. To achieve these goals, we are reviewing the World Bank's compensation approach and considering an expansion of World Bank awards programs to encourage One World Bank behaviors, promote private capital mobilization, and better recognize impact. Mechanisms for staff mobility across the World Bank will be enhanced to enable effective talent deployment, knowledge sharing, and strategic alignment. Other initiatives include reviewing the grading structure and labor model; strengthening leadership accountability for people management; continuous listening to staff and ensuring staff skill development needs are addressed; and taking concrete steps to foster a culture of inclusion, innovation, and responsible risk-taking.

Operations Efficiency and Effectiveness

27. **To achieve greater development impact through the new playbook, the World Bank is taking steps to improve operations efficiency and effectiveness**. Feedback from clients and partners indicates that operations can be slow to progress. Alongside capacity constraints on the side of clients, especially in countries affected by FCV, this can also be due to World Bank bureaucracy and risk-aversion. We are responding by ensuring that our operational approaches, instruments, and tools achieve speed and impact in the delivery of development solutions.

28. **IBRD and IDA will modernize the operating model for delivery to increase the speed, scale, and quality of implementation to better serve our clients.** Change measures will align with five guiding principles: (i) *build country capacity* by better grounding in clients' existing circumstances and supporting them to strengthen capacities, institutions and systems; (ii) *move from retail to wholesale* by offering clients scalable and programmatic approaches informed by the best country and global knowledge; (iii) *apply a risk-based approach* to project preparation, approval, and implementation to focus attention that is proportional to risks and where it is most needed such as in low-capacity FCV countries; (iv) *foster a culture of partnership and trust*, whereby all internal and external parties appreciate the mutual benefits of working together, re-aligning incentives, and changing behaviors; and (v) focus on *staff welfare and productivity* as we change the way we work. IBRD and IDA will increasingly use country systems in project and program implementation, a gradual process as borrower capacity is systematically enhanced. Working within existing parameters, Environmental and Social Framework (ESF) implementation will effectively use the ESF's risk-based approach, placing greater emphasis on stakeholder engagement and support to IBRD/IDA clients, while still ensuring that ESF helps deliver high-quality projects. Management will also adopt measures to streamline design and approval processes, including by delegating more responsibilities to frontline teams with robust accountabilities at all levels. Increased use of programmatic approaches that strengthen long-term engagement with IBRD/IDA clients will enable delivering impact and outcomes through effective prioritization, and a focus on replicability and scalability. Changes to operational procedures and processes will enable IBRD/IDA regions to reallocate funds in country portfolios more quickly. Management and the World Bank EDs will have further discussions about the details of these changes beyond the 2023 Annual Meetings.

29. **IFC and MIGA will maintain the emphasis on streamlined and simplified approval processes to ease the burden on their clients and achieve replicability and scale.** IFC will continue to utilize its recently streamlined Accountability and Decision-Making Framework that has allowed it to significantly build its pipeline and delivery to its clients; leverage platforms to address development challenges at scale; introduce new or update existing approaches to quickly respond to emerging market opportunities and business needs in a more agile fashion; remove duplicative processes; and leverage successes such as Expedited Procedures for Existing Clients. MIGA looks for new ways to engage more efficiently and effectively with its clients and partners to enhance impact. This includes new streamlined operational processes for FY24 that are expected to support MIGA's speed and quality of delivery. MIGA is also moving

select staff to the field, while optimizing the positioning of existing staff to be even more responsive to clients and partners.

30. **Implementing the new playbook will have significant budgetary implications.** The World Bank will undertake a comprehensive review of its budgetary needs and processes to deliver on the financing, operational, knowledge, and partnership proposals of the new playbook. Management will engage with World Bank EDs on the budget needs and process changes required before the Spring Meetings of 2024. These efforts will build on the IBRD/IDA and IFC FY18 capital increase package budget commitments in the first five years of implementation (FY19-23).

Partnerships

31. **The World Bank will deepen partnerships with other organizations to maximize the impact of the new playbook.** Partnerships are key to better serve clients, by enabling collaboration, increasing alignment on principles of engagement, creating and sharing data, and mobilizing co-financing and concessional finance. The World Bank currently partners with a wide range of actors, ranging from the IMF, the World Trade Organization (WTO), and the United Nations, to MDBs and other DFIs, to bilateral donors and partners, the private sector, and civil society. But more can be done to strengthen our approach:

- We will develop a Partnership Charter that will articulate principles for establishing and working in partnerships. Enhancing operational partnerships will require a One World Bank lens and clarifying principles related to cost-sharing for public sector co-financing. Better incentives to partner will be created by establishing framework and contracting arrangements, increasing communications, and improving reporting on partnerships.
- Engaging with partners more actively at the country level will be a priority. This will include more coordinated policy dialogue through country engagement based on core analytics. Working with partners is particularly critical in fragile countries. Country-led partnerships will also be more actively sought within specific sectors and programs. Joint analytics and research as well as transfer of knowledge will also be key elements of strengthened country-level partnerships.
- Partnerships to engage on global challenges and global public goods will continue to grow. The World Bank will explore further engagement with regional and global organizations and supra-nationals to help set and implement international standards. Building on the IDA Regional Window and with the consent of donors, additional opportunities will be sought to provide support at the regional level, via the Global Public Good Fund (GPG Fund) to support regional operations in IBRD countries.
- Across these levels of engagements, partnerships with civil society are critical to ensuring development impact. The World Bank engages with a wide range of civil society around the world to create lasting solutions for people and the planet. Organizations that represent specific groups such as persons with disabilities, children and youth, indigenous peoples, and other vulnerable groups, for example, are critical to development outcomes. The World Bank will deepen its partnership with civil society, especially at the country and regional levels, to make the evolution process more effective.

32. **Improved coordination across the multilateral system will be a particular area of focus, both for knowledge and co-financing**. The World Bank will strengthen cooperation with United Nations agencies to enhance knowledge generation sharing, and data on global public goods, with a focus on the selected global challenges. Creating operations with other MDBs or DFIs and the private sector will also be important. IBRD/IDA will work on a public sector Co-Financing Platform to engage MDBs and bilaterals to share information on lending pipelines, identify co-financing opportunities, and discuss challenges and best practices. The World Bank will also continue to work across its institutions with other MDBs and DFIs to coordinate policies on procurement, ESF, and other requirements. MIGA has developed an approach for expanding partnerships to scale up the use of political risk insurance and has signed cooperation arrangements with several partner institutions. MIGA is also actively working with other

MDBs to scale up access to trade finance through its trade finance guarantee instrument, and is proposing a new application of its guarantee product that would reduce MDBs' sovereign risk exposures, opening headroom for additional MDB lending. IFC leverages other DFIs through the Master Cooperation Agreement, and is strengthening partnerships through its work on the WESP and the GEMs.

Scorecard for Results

33. **The new playbook requires a new management tool to drive impact and outcomes, and we are revamping our Corporate Scorecard to meet this need.** The Scorecard will monitor the collective results of all World Bank financing institutions, reinforcing the One World Bank approach. The Scorecard will be selective, focusing on a small number of thematically structured results to align with the new mission as well as the SDGs, and replace the current expansive, three-tier Scorecard. The new Scorecard will serve three primary purposes: to drive a unified focus on key outcomes; to manage with evidence; and to communicate results. Implementation of the new provisional Scorecard will require fundamental changes to the World Bank's results architecture, including scaling up investments in data, developing a more consistent approach to outcome orientation, and improving the collection and validation of results data. The streamlined Scorecard (a provisional version with illustrative indicators is attached as Annex 2) moves away from metrics on inputs or internal processes, to focus on those that incentivize a results culture. This will drive impactful outcomes to which the World Bank contributes, in collaboration with clients and partners. The new Scorecard will span FY24-30, covering the launch of the playbook with 2024 serving as an initial transitional year, and concluding in line with the final reporting year of the SDGs.

34. **The illustrative indicators in the provisional Scorecard are organized around twelve thematic outcome areas with a line of sight to the World Bank's vision and mission**. The outcome areas are intentionally selective to enable a focus on key outcomes; they do not, however, capture all development challenges relevant for client countries. They cover the eight global challenges and six GCPs identified in the evolution process, though not with a one-to-one mapping. While many of the indicators are still under development, the outcome areas will measure the World Bank's contributions to client countries' development, including building a dynamic private sector within countries by enabling and mobilizing private capital. Reflecting the World Bank's people-centered approach to development, the Scorecard provides a snapshot of how many lives were improved by outcomes achieved through World Bank support. These indicators will be reported side-by-side with higher-level impact indicators to position World Bank results in the broader development landscape and measure global progress toward the World Bank's vision of reducing poverty, increasing shared prosperity, and preserving a livable planet. These Scorecard indicators will be supplemented by metrics that capture the context in which the World Bank operates, and complementary qualitative narratives will describe the World Bank's contributions to building systems and policies that amplify the sustainability of results in client countries. Scorecard indicators will be disaggregated wherever feasible to describe support to whom (by gender and youth), where (such as across FCS and small states), and how (including through World Bank collaboration and partnerships). Additional institution-specific and thematic monitoring and reporting, such as on IDA, FCS, gender, and climate (including Climate Change Action Plan commitments) among others, will continue in parallel to Scorecard reporting.

IV. World Bank Financial Model

35. **Increasing the financing capacity of the World Bank will be essential to deliver on the new vision and mission, and to ultimately meet massive country development needs**. Maximizing financing from multiple sources – including domestic public resources, private sector resources, and additional development partner resources – will be critical to achieving impact. These different financing resources are complementary and not mutually exclusive: they address distinct market gaps across public and private sectors and provide distinct risk-return profiles to donors and investors. The World Bank aims to scale up

financing provided to our client countries across these sources, both by leveraging our own balance sheets and by mobilizing additional finance, including through partnerships and co-financing. As part of this, there is a critical need for an increase in concessional resources, in particular to incentivize investments with cross-border benefits and to mobilize private investment. Significant steps have been agreed through the evolution process to further leverage existing World Bank resources while maintaining the triple-A rating, Preferred Creditor Treatment, and long-term financial sustainability, and discussions are ongoing about ways to increase sources of concessional financing for clients.

a. Financing Capacity

IDA

36. **IDA remains the primary source of concessional financing for lower-income countries, and the World Bank is taking steps to protect and increase resources available to IDA countries, with a greater focus on IDA after the Annual Meetings in the lead-up to the IDA20 Mid-Term Review (MTR) and the IDA21 Replenishment.** To help IDA countries deal with recent multiple crises, the Crisis Response Window Plus (CRW+) was created, as part of the IDA Crisis Facility. The final size of the Crisis Facility will be announced at the IDA20 MTR in December, after the pledging period ends. IDA is taking additional measures to address its short-term financing gap, such as cancellation and recommitment of unused committed balances and, subject to favorable market conditions, issuing additional long-term fixed rate bonds to support FY24/25 financing. To strengthen IDA's medium- to long-term financing capacity, further measures will be assessed as part of the IDA20 MTR in December 2023 and IDA21 negotiations throughout 2024. Strong donor support will be needed to significantly ramp up the next IDA Replenishment.

IBRD

37. **Significant steps have been taken to increase IBRD lending capacity.** Balance sheet optimization measures endorsed at the Spring Meetings, many of which are in line with the recommendations of the G20 CAF Report, have already created up to US$50 billion in additional lending capacity over the next 10 years. These measures include: (a) lowering the policy minimum equity-to-loan (E/L) ratio to 19 percent; (b) increasing the limit on shareholder bilateral guarantees by US$5 billion; (c) preparing for a pilot for issuing up to US$1 billion of hybrid capital in the capital markets; and (d) Board approval for pursuing removal of the Statutory Lending Limit (SLL) from IBRD Articles.

38. **Additional steps to increase IBRD lending capacity are being proposed, with implementation contingent on the interest of shareholders and development partners.** Further IBRD balance sheet optimization measures, including via path-breaking innovative capital instruments, have the potential to significantly boost IBRD lending capacity. Table 1 below summarizes this based on indicative asks to shareholders and development partners, with the potential for further adding tens of billions to IBRD's lending capacity. These proposed measures[9] include:

- A further US$5 billion increase in the limit on shareholder bilateral guarantees.
- A US$1 billion guarantee from the Asian Infrastructure Investment Bank (AIIB).
- A portfolio guarantee platform – a shared approach to risk, with shareholders stepping in to provide coverage if countries are unable to repay their IBRD loans on time – to provide additional IBRD leverage and make more financing available to clients.
- Raising non-voting capital through Shareholder/Development Partner Hybrid Capital Bonds, denominated in hard currencies or Special Drawing Rights, giving shareholders and other partners an

[9] The proposed measures, along with the 'preferencing' approach described in paragraph 40, also respond to the innovative fundraising mechanisms ("Global Challenges Funding Mechanisms") proposed in the report of an Independent Expert Group, commissioned by the G20.

opportunity to invest in bonds with special leverage potential. These potential non-shareholder development partners could include central banks, fully government-owned agencies, non-member official institutions, interested donors, sovereign wealth funds, trust funds, foundations, philanthropies, and others.[10]

- Increased value from callable capital could enable greater ability for IBRD to absorb risk and expand its lending, via shareholders clarifying call and payment procedures on existing forms of callable capital, and/or specifying the conditions in a manner that can address current limitations.

Table 1: Summary of Measures to Increase IBRD Capacity

Impact on IBRD Annual Lending Capacity		Status	Estimated increase over 10 years
Endorsed at SMs	Lowering minimum E/L ratio to 19% from 20%	Implemented	+US$40b
	Increasing bilateral guarantee limit by US$5b (from US$10b to US$15b)	Implemented	+US$5b
	Hybrid capital from capital markets (up to US$1b)	Pilot endorsed by Board, Issuance in FY24/25	+US$6b
	Remove SLL from IBRD Articles	Governors approved the resolution; Members approval is in process.	n.a.*
Additional Measures	Increasing bilateral guarantee limit by US$5b (from US$15b to US$20b)	Implemented	+US$5b
	AIIB guarantee (US$1b)	Agreement being finalized for signing	+US$1b
	Portfolio guarantee platform	Ready for shareholder commitment at Marrakech	+US$60b *(If eligible shareholders provide US$10b Portfolio Guarantee)*
	Hybrid capital	Ready for shareholder commitment at Marrakech	+US$40 b *(If shareholders/development partners provide US$5b Hybrid Capital)*
	Clarifying call and payment procedures on existing callable capital and developing optimal trigger conditions for a call	Subject to shareholder agreement and rating agency treatment	(TBD – see description in footnote 11)
	Enhanced callable capital	Further shareholder discussions required and subject to rating agency treatment	TBD

* Removal of SLL is necessary to enable IBRD to fully utilize the additional lending space created by the various balance sheet optimization measures.

39. **After the Marrakech meetings, work will continue to realize the potential of these new instruments for scaling up development finance.** IBRD will meanwhile continue to develop the capital market hybrid capital instrument. We will continue to work with shareholders on proposals to increase value

[10] Partnerships with non-shareholder development partners in innovative capital instruments will be subject to the completion of due diligence process.

from callable capital for IBRD to absorb risk and expand lending,[11] building on the discussions we have already had with the Board on an Enhanced Callable Capital proposal. We will also continue to explore other measures to further expand IBRD's lending and mobilize resources for development.

40. **While unrestricted contributions would be most effective through mechanisms such as portfolio guarantees and hybrid capital, some shareholders and other contributors may provide additional capacity only if linked to their thematic preferences.** The proposed balance sheet optimization measures could be complemented by arrangements that would allow shareholders and other contributors to link their contributions to specific uses ('preferencing'), thereby attracting additional funding from development partners and supporting incentives, for example, to IBRD countries to enable investments that address global challenges. Many shareholders representing the Bank's client countries have expressed concern with the potential financial, operational, and governance implications of preferencing. It will be important to ensure that any preferencing approach remains consistent with Board-driven strategic priorities, the goal of promoting operations efficiency, and the value proposition of IBRD as a model where country demand drives allocations. Management and World Bank EDs are continuing discussions about the feasibility of preferencing and potential principles for it.

IFC

41. **IFC will leverage its existing capital base to meet the ambitions of its 2018 capital package and the World Bank evolution.** A broad range of efforts are underway in IFC to support future mobilization growth. To grow private sector investment opportunities, IFC will further strengthen its origination capabilities and utilize its Upstream approach to expand the pipeline of bankable projects. IFC will leverage the One World Bank approach in support of private capital facilitation, including through the deployment of more blended finance where appropriate. IFC will also deepen collaboration with new and existing partners, in particular increasing reach to institutional investors, and explore innovative means through the pooled expertise of the Private Sector Investment Lab. IFC will continue to scale the use of mobilization funds (e.g., Managed Co-Lending Portfolio Program One Planet, Financial Institutions Growth Fund III) and raise capital for IFC's equity investments through IFC Emerging Markets Sustainability Funds, managed by the Asset Management Company. IFC will further pioneer an originate-to-distribute model (i.e. through the WESP) to efficiently scale mobilization to maximize impact by creating a new asset class based on underlying DFI/MDB loans. Finally, IFC will scale up its successful experience in private capital mobilization.

MIGA

42. **MIGA will deploy its capital-efficient financial model to advance the new vision and mission**, **working as One World Bank**. MIGA aims to support an ambitious level of guarantee business, expanding the use of its existing instruments, innovating a new toolkit to align with the new playbook, and accelerating scalable, replicable, and efficient platform approaches in support of mobilizing private finance for solutions to global challenges, especially through engagement with the Private Sector Investment Lab. MIGA will work more purposefully with IBRD/IDA and IFC through knowledge sharing, the new World Bank coordination and innovation center for guarantees, an enriched country engagement process, and the GCPs at the same time as deepening relations with external partners in the public, private and philanthropic communities. As part of this enhanced collaborative approach, MIGA is also proposing a new program that would deploy MIGA's guarantee instrument (Non-Honoring of Sovereign Financial Obligations) to help alleviate headroom constraints at MDBs.

[11] The leveraging benefits of callable capital are subject to rating agency treatment. Based on clarifications of IBRD call triggers and shareholder payment procedures and timeline, additional uplift of the IBRD callable capital proposals may be possible; but this would require methodological changes by the ratings agencies, which are likely to take time.

b. Concessional Finance

43. **The concessional resources that are already available to the World Bank to support its clients are insufficient to deliver on the new vision and mission, in particular for IBRD-eligible countries.** The concessional resource flows available to clients typically originate from TFs, FIFs, and partner co-financing with IBRD/IDA, which do not have the necessary magnitude, predictability, flexibility, and overall strategic orientation. As a core guiding principle, there is widespread agreement that increasing concessionality for clients in IBRD-eligible countries must not be at the expense of IDA countries. In turn, expanded concessionality in IBRD-eligible countries will be key to incentivize public and private clients to invest in addressing global challenges, especially those with cross-border impacts, and to support the commercial viability of priority projects to drive private sector participation and innovation. Concessionality incentives could be offered in many different forms, including grant financing alongside IBRD financing, buy down of interest, or longer tenors. Given the scarcity of concessional resources, it is imperative that these funds are also available to sufficiently catalyze private capital as well as private sector investment opportunities, including from institutional investors, and are used judiciously and transparently. Due attention should also be paid to non-financial incentives such as commitments in the context of a country's Nationally Determined Contributions (NDCs). Management and the World Bank EDs are converging towards a set of common One World Bank principles for the allocation of concessionality (see Box 5).[12] Moreover, World Bank institutions have agreed to strengthen modalities around donor outreach, with the objective of ensuring that new fundraising for global challenges and addressing market distortions considers the complementary roles of the public and private sector. In allocating concessionality, IFC already follows the Enhanced DFI Blended Concessional Finance Principles for Private Sector Projects and established internal blended finance governance. As a concessionality framework for IBRD is developed (including an allocation framework and identifying potential sources and mechanisms for raising concessional financing), Management will work with shareholders and development partners to fundraise, building on existing mechanisms as well as mobilizing new sources of additional financing.

44. **The World Bank will seek to build on existing mechanisms to increase financing for clients in IBRD countries, in partnership with donors.** This effort would focus on TFs, FIFs, and partner co-financing with IBRD/IDA, as well as augmenting the existing GPG Fund with contributions from donors and any hybrid capital coupon payments relinquished by shareholders and development partners.

- *TFs and FIFs:* Partnering with TFs and FIFs could be an avenue for the World Bank to mobilize additional concessional funding for clients in IBRD-eligible countries, within the existing mechanisms of each fund for allocating concessional resources. Measures to better utilize TFs and FIFs include: (a) strengthening World Bank partnership with FIF stakeholders (including to co-finance GCPs and private sector operations implemented through IFC and MIGA); (b) developing programmatic approaches; (c) deploying concessional funds to support mobilization approaches/ platforms, such as WESP, that aim to attract private institutional investor capital at scale; (d) adding more grant-like resources for private sector projects (where the ratio of concessional funds to investment can be significantly higher), in addition to the returnable capital instruments that have been historically available; and (e) simplifying funding approval procedures.
- *Co-financing:* Partner co-financing of IBRD/IDA funding will be an increasingly important and effective mechanism that can crowd in resources and enhance alignment. Steps to improve and expand co-financing will include a review of the World Bank's cost-recovery framework, as well as work under the new playbook to create a public sector Co-Financing Platform to engage and leverage MDBs and

[12] The proposed common World Bank concessionality principles are aligned with and complementary to existing principles for concessionality in private sector activities, including the DFI Enhanced Blended Finance Principles for Private Sector Projects Principles. The proposed common World Bank principles are not intended to override existing legal agreements, such as trust fund agreements, with donors.

bilaterals on public sector projects, and continued efforts to coordinate policies, procurement, and ESF requirements for operations with co-financing partners to better support clients.

- *GPG Fund:* The current IBRD GPG Fund will be augmented – coupled with a parallel multi-donor trust fund and allowing contributions from non-shareholders – to mobilize additional concessional financing to address GPGs in IBRD-eligible countries. The expanded Fund will be designed to align with agreed common World Bank concessionality principles.

Box 5: Draft Principles for the Allocation of Concessionality[13]

- **Providing concessionality for IBRD countries that is additional to IDA concessionality**: As a high-level objective, concessionality for IBRD-eligible countries should be additional to the concessional resource envelope available to lower-income countries.
- **Addressing global public goods and domestic market failures**: Concessional financing should prioritize global public goods and domestic market failures and be additional both with respect to markets and domestic public resources.
- **Mobilizing finance for development**: Concessional funds should be allocated to eligible activities that: (i) are in line with the country's development priorities and embedded in a country-based development model; especially for public sector projects; (ii) combine knowledge transfer and financial support in a single package to the extent feasible; (iii) have a demonstrably positive development impact; (iv) generate sustainable outcomes; (v) are commercially viable (for private sector investments, as applicable, after allocation of concessional funds); and (vi) catalyze market development and mobilize private capital (as applicable).
- **Providing minimum concessionality and preventing allocative distortions and moral hazard**: To prevent the unintended creation of perverse incentives or market distortions through the expanded access to concessional resources, it is critical that: (i) the grant element reflects the minimum concessionality required for a given IBRD-eligible country to be willing to borrow for public sector projects; (ii) responsible borrowing behavior is fostered; and (iii) private sector investments are not crowded out.
- **Promoting transparency, accountability, and simplicity in the use of concessional resources**: The mobilization, administration, and allocation of concessional resources should: (i) adhere to high standards, including in areas of applicable corporate governance, environmental impact, integrity, transparency, and disclosure; and (ii) strive for procedural and administrative simplicity to reduce transaction costs.

45. **Fundraising from non-member public and philanthropic sources will be explored to expand the pool of concessional resources for clients.** This approach to fundraising represents mostly new territory for the World Bank and would require carefully balancing governance considerations with the thematic preferences of non-member contributors such as sovereign wealth funds and philanthropies. Furthermore, mechanisms such as Hybrid Capital, which do not affect voting rights, could be a source of concessional finance from philanthropies and sovereign wealth funds via the option to partially or fully relinquish coupon payments. IFC and MIGA are jointly exploring the development of a global multi-donor, multi-thematic blended finance fund that would aim to raise financing from non-member sovereign and philanthropic sources to provide concessional funding for private sector projects that address global challenges and local market distortions. A replenishable IFC-MIGA multi-donor fund would increase predictability and consistency and fill urgent funding needs to address global development challenges.

46. **As part of developing the concessionality framework, Management will assess the potential use of vulnerability criteria for the allocation of concessionality.** There is a clear need to ramp up funding to support IBRD clients with fragility as well as those with vulnerability to economic shocks, natural disasters, and climate change, which may require concessionality, especially to encourage uptake in IBRD countries. For IBRD countries, this could involve including vulnerability criteria for IBRD eligibility and allocation decisions, based on the development of a vulnerability assessment methodology, with due

[13] These draft principles are under discussion and have not been approved by Management or the World Bank EDs.

attention to prudential risk considerations. The vulnerability assessment could also be applied to consider further expanding IDA eligibility on the same basis.

V. Conclusion

47. **The World Bank has been on the move to become a better bank since the first call for World Bank evolution one year ago.** We have set a new vision and mission in line with our ambition to help ensure that the world achieves the SDGs and addresses the global challenges that are increasingly affecting countries around the world. We have created a new playbook with solutions to achieve this ambition. With the endorsement of the Governors, we will implement the new playbook and continue to evolve toward a better and bigger bank that is fit-for-purpose to respond to the most pressing needs of people and the planet.

48. **But more is needed to fully respond to existing needs, and there has never been a more important moment for stepped up global action.** MDBs offer high value for money to the international community due to their leveraging model. The World Bank's ongoing efforts toward becoming a better bank further enhance its value proposition. The proposed financial measures currently under review are important steps to increase World Bank capacity to support our clients. With strong support from shareholders, these innovative balance sheet optimization mechanisms have the potential to significantly add to IBRD's financing capacity. Investing now to address the SDGs and global challenges will save future costs as a result of insufficient action today. Significantly more could be done for clients by mobilizing new, additional resources for the World Bank – especially by maximizing IDA replenishments to address the needs of the poorest countries, and with a general capital increase for IBRD. After we deliver a better bank, we will need to be a bank that is bigger than can be achieved through balance sheet optimization and other CAF measures alone. With Governors' support, Management and World Bank EDs could work together to lay out the steps to further increase the World Bank financing capacity.

49. **With the Governors' endorsement, Management will adopt the new World Bank vision and mission and move forward with the new playbook and proposed financing measures.** Management will continue to engage with the World Bank EDs as we move into implementation of these measures. Feedback is invited on the following**:**

a) Do Governors endorse the new World Bank vision and mission?
b) Do Governors endorse the elements of the new World Bank playbook and proposed financing measures?
c) As we deliver a better bank, what are the views of Governors regarding the financing capacity of the World Bank to support the new vision and mission?

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Annex 1: Summary of Agreed Evolution Deliverables as of Marrakech

Evolution Process Deliverables	Discussed and decided[14]	Discussion ongoing, not yet decided
A New Vision and Mission		
<u>Our Direction</u>		
Establish new vision and mission		
Define eight global challenges		
A New World Bank Playbook		
<u>Doubling Down on Impact</u>		
Knowledge		
Introduce new and updated knowledge products, adapted to the enhanced mission		
Define and establish Knowledge Compact		
Country Engagement		
Reframe core analytical products (in line with new vision and mission)		
Consider regional and global challenges more systematically within existing CPF framework		
Increase upstream coordination on country-level programming to determine appropriate mix of public and private sector solutions and jointly identify investment opportunities.		
Enabling and Mobilizing Private Capital		
Engage the private sector more, including through the Private Sector Investment Lab		
Upgrade Country Private Sector Diagnostics as core analytical product		
Increase public access to the Global Emerging Markets default and recovery rates (GEMs)		
Launch design of the WESP and develop an originate-to-distribute model in collaboration with MDB community		
Scale up green bond structure backed by a contingent liquidity facility and MIGA's political risk insurance		
Scale up support for risk-sharing facilities that enable climate financing through World Bank guarantees, including IBRD/IDA guarantees		
Explore engaging the private insurance and reinsurance markets to cover Bank exposure to IBRD guarantees		
Explore MIGA or IBRD/IDA guarantee products to mobilize private capital to refinance IBRD loans		
Explore the launch of a Private to Sovereign Climate Financing Investment Fund		
Mobilizing Domestic Public Resources		
Establish PFRs as a core diagnostic		
Seek to increase policy-based and investment lending support to strengthen domestic resource mobilization for countries with low tax collection rates		
Strengthen partnerships with key institutions such as the IMF		

[14] Most deliverables marked as "decided" will require an implementation period, as laid out in individual notes discussed in Phase II of the Board engagement. "Decided," in the context of the evolution process discussions, refers to agreement between Management and the World Bank EDs to move forward with the implementation – not full decision on details. Status is as expected by the 2023 Annual Meetings in Marrakech.

Evolution Process Deliverables	Discussed and decided	Discussion ongoing, not yet decided
Global Challenge Programs		
Launch the development of Global Challenge Programs		
Select pilots for GCPs		
Launch GCP pilots		
Crisis Preparedness and Response Toolkit		
Establish a Rapid Response Option to allow countries to use undisbursed funds for emergency response		
Increase country access to IBRD and IDA contingent financing		
Launch Climate Resilient Debt Clauses for the most vulnerable countries		
Design a parametric insurance backstop for MIGA-enabled public sector projects		
Assist private sector clients in crises preparation and response		
Scale-up issuance of catastrophe bonds, insurance, and other parametric products to transfer disaster risk to the private sector		
Modernizing Our Approach to Delivery		
One World Bank		
Increase the use of One World Bank metrics, including through the new Scorecard, as well as institution-wide metrics related to enabling private capital		
Establish coordination and innovation center on guarantees		
Leverage staff incentives and flexibilities to promote World Bank collaboration and cross-institutional mobility		
Launch a pilot for One World Bank country representation		
People and Culture		
Review of incentives		
Labor model review		
Review of talent management and career development framework		
Operations Efficiency and Effectiveness		
Enable regions to reallocate funds in portfolio quicker to better meet client needs		
Scale-up programmatic approaches for financing to facilitate replicability and scalability		
Launch client capacity building and efficiency in implementation for impact under the ESF		
Assess administrative and operational staffing needs and budget of new playbook		
Partnerships		
Develop a Partnership Charter		
Use country engagement tools and analytical products to strengthen dialogue and coordination with partners at the country level		
Strengthen incentives and mechanisms to increase global and regional partnerships across the multilateral system		
Scorecard for Results		
Define provisional World Bank Corporate Scorecard		
Adopt final Scorecard		
World Bank Financing Model		
Financing Capacity		
IDA		
Fundraise for CRW+		
Explore measures to strengthen medium-term financing capacity		

Evolution Process Deliverables	Discussed and decided	Discussion ongoing, not yet decided
IBRD		
Lower minimum E/L ratio to 19% from 20%		
Increase bilateral guarantee limit by US$5b (from US$10b to US$15b)		
Pilot hybrid capital from capital markets (pilot up to US$1b)		
Remove SLL from IBRD Articles		
Increase bilateral guarantee limit by US$5b (from US$15b to US$20b)		
Introduce AIIB guarantee (US$1b)		
Establish portfolio guarantee platform		
Develop shareholder hybrid capital option		
Clarify call and payment procedures on existing callable capital		
Explore enhanced callable capital		
Consider augmenting donor interest in IBRD balance sheet optimization measures with thematic preferencing		
IFC		
Leverage internal efficiency measures to meet ambition of the new vision and mission of the World Bank		
MIGA		
Target an ambitious level of guarantees and private capital mobilization through new toolkit, the One World Bank, and enhancing partnerships		
Introduce Non-Honoring of Sovereign Financial Obligations cover to MDBs for their exposure to sovereign loans		
Concessional finance		
Identify sources of concessionality – augmented GPG Fund, Umbrellas, FIFs, co-financing		
Establish principles of concessionality for World Bank		
Define allocation framework of concessionality for IBRD-eligible countries		
Explore multi-donor trust funds for IFC and MIGA to provide concessional funding for private sector operations		

Annex 2: Provisional Corporate Scorecard for the World Bank with Illustrative Indicators

WORLD BANK SCORECARD

Illustrative indicators

PROVISIONAL

FY24 - FY30

VISION — Our vision is a world free from poverty on a livable planet

MISSION — Poverty, Prosperity, Planet

Aspiration

- Global population headcount living in poverty (at \$2.15/day and \$6.85/day)
- Global average income shortfall from a prosperity standard of \$25/day
- Number of countries with high inequality (at the 25th percentiles country Gini Indices)
- Global greenhouse gas emissions (gigatons of CO2 equivalent)
- Millions of people highly vulnerable to climate risks *^

CLIENT CONTEXT *Challenges*	WORLD BANK RESULTS *Contribution*
1 INCLUSION OF THE POOREST	
Percentage of people in the poorest quintile not covered by social protection and labor programs Number of people that use a financial account	Millions of beneficiaries of social safety net programs† Millions of people and businesses using financial services*
2 GENDER EQUALITY	
Number of legal changes that advance gender equality	Millions of people benefitting from interventions that advance gender equality*
3 NO LEARNING POVERTY	
Percentage of children who cannot read by end-of-primary-school age	Millions of primary-school age students obtaining better education
4 HEALTHIER LIVES	
Percentage of people undernourished Percentage of people without access to basic drinking water, sanitation services, and hygiene	Millions of people receiving essential health, nutrition, and population services Millions of people provided with water, sanitation, and hygiene, of which is safe*
5 RESILIENT POPULATIONS	
Millions of people exposed to high environmental harms* Millions of people exposed to high health harms*	Millions of people with reduced vulnerability to climate risks* Millions of people with enhanced health resilience*
6 GREENER PLANET	
Number of countries without renewable natural capital wealth accumulation* Hectares of tree cover lost Proportion of fish stocks within biologically sustainable levels	Net GHG emissions per year Hectares of deforestation prevented*
7 WELL-BEING FOR PEOPLE IN FRAGILITY, CONFLICT, AND VIOLENCE	
Number of displaced people in need of protection Number of extreme poor living in FCS*	Millions of displaced people and people of host communities provided with services and livelihoods*
8 MORE AND BETTER JOBS	
Waged employment share of working age population Percentage of youth not in education, employment, or training	Millions of people with new or better jobs*
9 EFFECTIVE MACROECONOMIC AND FISCAL MANAGEMENT	
Countries at high risk of or in debt distress Countries with tax revenue-to-GDP ratio above or equal to 15%	Countries at high risk of or in debt distress that implemented reforms towards debt sustainability†* Countries with tax revenues to GDP below 15 percent that have increased collections, considering equity implications†*
10 SUSTAINABLE FOOD FOR ALL	
Millions of people facing acute food Insecurity	Millions of people with reduced risk of food insecurity*
11 CONNECTED COMMUNITIES	
Percentage of population without access to electricity Percentage of population with access to reliable roads all year-round Percentage of population not using the internet	Millions of people provided with electricity GW of renewable energy capacity enabled Millions of people with access to sustainable transportation* Millions of people using internet services
12 MORE PRIVATE INVESTMENT	
Private investment as a percentage of GDP*	\$ billions in total private capital enabled* \$ billions in total private capital mobilized

Connection — Results narratives illustrate the contributions of World Bank support for institutional and policy reforms, which are not fully reflected in the data

Indicators are disaggregated and aggregated by FCS-, sex-, youth-, partnerships, and World Bank collaboration, where applicable. *New indicator. † IBRD and IDA only indicator.
^ Discussions are underway to better reflect biodiversity aspects and planetary boundaries in the Scorecard. Icons in blue represent the relevant SDGs for each thematic outcome area.
Global Challenge/s.