



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



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**WORLD BANK GROUP STRATEGY**

Attached for the October 12, 2013, Development Committee Meeting is a document entitled "World Bank Group Strategy".

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**DEVELOPMENT COMMITTEE MEETING – OCTOBER 12, 2013**  
**Cover note to guide the discussion**

**World Bank Group Strategy**

The vision for the World Bank Group going forward is summarized in the document entitled “World Bank Group Strategy”. The new Strategy focuses on the ambitious goals of ending extreme poverty and promoting shared prosperity in a sustainable manner, which were endorsed by Governors at the 2013 Spring Meetings. The World Bank Group is committed to helping countries reach these goals through economic growth, inclusion and sustainability. The new Strategy is the first encompassing IBRD, IDA, IFC, MIGA, working together as One World Bank Group. The Strategy lays out how the World Bank Group will reposition itself, based on a value proposition to best serve the development community in pursuit of the two goals. It will focus on customized development solutions and align all its activities with the two goals; work more in partnership with others, including the private sector; and significantly increase collaboration across its agencies. Implementation of the Strategy will require organizational change and a new framework for medium-term financial sustainability to ensure that its resources are commensurate with the roles and responsibilities it carries out on behalf of the international community. Translated into action, the Strategy will reposition the World Bank Group to help transform the lives of the nearly 4 billion people still living in or at the edge of extreme poverty.

Management seeks endorsement of the WBG Strategy by the Development Committee:

- Do the Governors endorse the WBG Strategy?

## ABBREVIATIONS AND ACRONYMS

AU	African Union
CAS	Country Assistance Strategy
CO <sub>2</sub>	Carbon Dioxide
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CSO	Civil society organization
ESMID	Efficient Securities Markets Institutional Development
EU	European Union
FCS	Fragile and conflict-affected situation
GAVI	Global Alliance for Vaccines and Immunizations
GDP	Gross domestic product
GEF	Global Environment Facility
GFATM	Global Fund to Fight AIDS, TB and Malaria
IBRD	International Bank for Reconstruction and Development
ICSID	International Center for the Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IT	Information technology
MDB	Multilateral development bank
MDG	Millennium Development Goal
MIC	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
ODA	Official development assistance
RCM	Regional Coordinating Mechanism
SADC	South African Development Community
SCD	Systematic Country Diagnostic
SMEs	Small and medium Enterprises
UN	United Nations
VPU	Vice presidential unit
WBG	World Bank Group

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# WORLD BANK GROUP STRATEGY

## EXECUTIVE SUMMARY

1. **This Strategy outlines how the World Bank Group will work in partnership to help countries end extreme poverty and promote shared prosperity in a sustainable manner.** The World Bank Group (WBG) has set two ambitious goals:

- End extreme poverty: reduce the percentage of people living on less than \$1.25 a day to 3 percent by 2030.
- Promote shared prosperity: foster income growth of the bottom 40 percent of the population in every country.

Securing the long-term future of the planet and its resources, ensuring social inclusion, and limiting the economic burdens on future generations will underpin efforts. The goals, and the partnerships needed to achieve them, are well aligned with the international community's efforts to reach the MDGs and establish an ambitious post-2015 agenda.

2. **The two goals emphasize the importance of economic growth, inclusion and sustainability--including strong concerns for equity.** Economic growth that creates good jobs requires action to strengthen both the private and public sectors. Inclusion entails empowering all citizens to participate in, and benefit from, the development process, removing barriers against those who are often excluded. Sustainability ensures that today's development progress is not reversed tomorrow and that the pace of progress does not flag in the future. This broad agenda requires actions at the country, regional, and global levels.

### A. Global Context

3. **Important global trends underscore the need for a new WBG strategy to adapt to fast-moving challenges and opportunities.**

- Although the global extreme poverty rate has fallen by half since 1990, progress in the developing world has been uneven. Extreme poverty remains widespread in most low-income countries. Roughly half of low-income countries are classified as fragile and conflict-affected (FCS), posing particular challenges. Many middle-income countries continue to have substantial levels of extreme poverty, and many people who have escaped extreme poverty remain poor and vulnerable. Furthermore, progress in sharing prosperity is decidedly mixed: in many countries growth is accompanied by rising inequality.
- Developing countries' strong economic performance is shifting the world's economic center of gravity, the private sector is driving employment growth and transforming living standards, private investment has become the dominant mode of capital transfer worldwide, and financing for development is coming from more diverse sources.
- A truly global community has emerged through major increases in connectivity.
- Climate change threatens the sustainability of poverty reduction and shared prosperity. Managing risks and volatility is increasingly critical in a globally interconnected world that is dependent on international markets.

## B. Repositioning the WBG

4. **The WBG Strategy builds on a strong foundation; what is new is the singular focus on the two goals in a rapidly changing global context.** The WBG offers a platform where the perspectives of all countries and citizens can be brought to bear. The WBG’s global reach can help shape the international community’s response to crisis and volatility and to complex threats like climate change, which require concerted action at all levels. In a world where the private sector is driving growth and capital flows, the WBG can help the public and private sector work together, using official development assistance to leverage private investment. To ensure that citizens are empowered, the WBG can build on its open data, open knowledge, and social media initiatives to make knowledge more accessible. Finally, the WBG can offer solutions that integrate finance with knowledge enriched through global networks, world-class research, and hands-on implementation experience.

5. **Operating as One Group, the WBG intends to work with the public and private sectors in partnership to end extreme poverty and boost shared prosperity sustainably through a value proposition to:**

- Contribute to the global development agenda through dialogue and action on ongoing and emerging development challenges, bringing the perspectives of all its member countries.
- Support clients in delivering customized development solutions backed by finance, knowledge, and convening services.
- Help advance knowledge about what works, combining the world’s leading development research and practitioner experience with a commitment to transparency, open data, global outreach, and knowledge dissemination.

6. **To deliver on the value proposition, the WBG needs to reposition itself.** It needs to invest in knowledge, technical skills, information technology, and the “solutions” platform, break down silos, focus on multi-sector approaches, and increase flexibility and speed up delivery. The WBG needs to crowd in resources, experience, and ideas more effectively through partnerships and to deepen global engagements that are aligned with the two goals. It needs to strengthen its country engagement model and support evidence-based public policy. It also needs to develop a new framework for medium-term financial sustainability to ensure that its resources are commensurate with the roles and responsibilities it carries out on behalf of the international community.

## C. Meeting Development Challenges

7. **As a global multilateral institution, the WBG will customize its support to member countries’ needs to end poverty and promote shared prosperity sustainably.** As the traditional grouping of developing countries into income categories becomes less relevant, more attention is needed to the multiple facets of fragility and resilience across the income spectrum. While meeting the needs of poor countries will remain a high priority for the WBG, it will also continue to help middle- and upper-middle-income countries sustain progress toward the goals and to support higher-income countries, notably during times of distress. The specific challenges of countries struggling with fragility, and the particular needs of small and island states, will receive critical attention.



8. **The WBG will use evidence to align all its activities with the two goals, maximize development impact, and draw on its comparative advantages.** The WBG will support country-specific policies and investments that strengthen growth, inclusion, and sustainability—including support for job creation, good governance and anticorruption, gender equality, environmental sustainability, and crisis response. It will emphasize drawing in multiple stakeholders. The WBG will also continue to help countries improve the business environment, and to support the private sector in overcoming constraints to investment and growth—to create jobs; promote innovation, technology, and skills transfer; and develop supply chains and export markets. With its ability to work with both public and private sector clients, the WBG will increasingly promote public-private partnerships.

9. **The WBG will strengthen the strategic alignment of its regional and global engagements with the two goals.** The WBG faces growing demands for engagement at the regional and global levels, and demands for services ranging from international standard-setting to convening on global agendas. Global and regional engagements represent an important opportunity to enhance development impact, but this rapidly growing role also places additional demands on the WBG that it must ensure are aligned with the goals.

#### **D. Becoming a “Solutions WBG”**

10. **Helping accelerate progress toward the two goals demands a new form of problem-solving engagement by the WBG**—one that moves definitively from a project mentality to a development solutions culture embedded in widely disseminated knowledge and evidence of what works and how to deliver it. Systematically supporting clients in delivering customized solutions that integrate knowledge and financial services and encompass the complete cycle from policy design through implementation to evaluation of results lies at the heart of the WBG’s value proposition.

- To increase development impact, delivery speed, and agility, the WBG will manage risk better, focusing on smart risk-taking while preserving its internationally respected fiduciary, integrity, and safeguards norms.
- It will establish global practices, which will combine the established strengths of local delivery support with the ability to generate, share, and deploy knowledge from inside and outside the WBG—facilitating rapid response to client demands for support in tackling complex development challenges.
- Building on its existing results orientation, the WBG will focus on how its engagements contribute concretely to the sustainable achievement of the two goals, as well as how to monitor and measure results as One WBG.
- In partnership with others, the WBG will help to build the science of delivery—evaluating whether an intervention is having the intended outcomes, adapting or altering it, and fostering the generation and exchange of knowledge about what works.

11. **The WBG will identify and support engagements with the potential for transformational impact.** Transformational engagements produce demonstration effects that can be replicated or scaled up; generate spillover effects on multiple sectors of the economy, including broader changes that increase government effectiveness or stimulate private investment; result in far-reaching impacts; or help client countries, regions, or even the entire developing world shift to a higher and/or more sustainable development path.

## E. Operationalizing the Goals

12. **The WBG will strengthen the focus of its country programs by developing a more evidence-based and selective country engagement model in the context of country ownership and national priorities, and in coordination with other development partners.** A *Systematic Country Diagnostic* (SCD) will use data and analytic methods to support country clients and WBG teams in identifying the most critical constraints to, and opportunities for, reducing poverty and building shared prosperity sustainably, while explicitly considering the voices of the poor and the views of the private sector. The *Country Partnership Framework* (CPF) will describe focus areas for WBG support, aligned with the country's own development agenda and selected primarily to address the key constraints and opportunities identified in the SCD. *Performance and Learning Reviews* will identify and capture lessons; determine midcourse corrections, end-of-cycle learning, and accountability; and help build the WBG's knowledge base, including effective approaches for integrating inclusion and sustainability dimensions (including gender and environmental sustainability) into the SCD and CPF. A new Regional Coordinating Mechanism will formalize country-and regional-level coordination among the Bank, IFC, and MIGA. The RCM will help the WBG with its regional engagements.

## F. Working with Partners

13. **Meeting the goals demands deepening partnerships across the development spectrum.** Successfully overcoming the toughest development challenges requires concerted action at all levels. The WBG cannot do it alone. It will build on existing collaborative relationships and develop new partnerships to help address key development issues in a way that no single agency or country can. It will also step back where others have clear comparative advantage and will actively support leadership roles for partner organizations. The WBG will ensure that its partnerships are well aligned with the goals and will draw on its comparative advantages; to this end, the Bank has launched the next phase of trust fund reform and developed a management framework to strengthen the strategic alignment of its partnership engagements. Private sector resources and expertise are critical to achieve the two goals. The WBG has long-standing experience in mobilizing private partners and will expand those efforts, including through IFC's new client relationship model.

## G. Working as One World Bank Group

14. **Working as One WBG is central to the WBG Strategy.** Collaboration across the WBG will be increased systematically, and planning and budgeting processes will be better coordinated at the corporate level. This will take time, concerted effort, and a continual change process. The new CPF will mainstream joint business planning as the backbone for strengthening operational collaboration. The WBG will increase the number of joint projects and review its portfolio of products and services to improve synergies and eliminate overlap. These initiatives will be reinforced by stepped-up efforts to align policies and practices and promote changes to the operational cultures of each agency. The WBG will develop metrics for institutional collaboration; move to harmonized policies for the WBG in a manner that is consistent with the Bank's Articles of Agreement and that recognizes the different needs of public and private sector clients; address conflict-of-interest issues; and step up training.

## H. Outcome of the Strategy

15. **The Strategy envisages a repositioned WBG that has catalyzed the development community to seize the opportunity to win the age-old struggle against poverty and exclusion.** The repositioned WBG will:

- Align all WBG activities and resources to the two goals, maximize development impact, and emphasize WBG comparative advantage.
- Operationalize the goals through the new country engagement model to help country clients identify and tackle the toughest development challenges.
- Be recognized as a Solutions WBG, offering world-class knowledge services and customized development solutions grounded in evidence and focused on results.
- Seek transformational engagements and take smart risks.
- Promote scaled-up partnerships that are strategically aligned with the goals, and crowd in public and private resources, expertise, and ideas.
- Work as One World Bank Group committed to achieving the goals.

16. **The Strategy will be carried out through implementation plans that support an effective and efficient WBG.** The repositioned WBG will be supported by a realigned financial strategy based on the principle of financial sustainability and supported by a One WBG approach that will better serve clients. Resources will be aligned to the Strategy, and WBG efficiency will be improved. Steps will be taken to strengthen WBG leadership, values, and culture. Human resource management will be improved to nurture and sustain the WBG’s greatest asset—its dedicated and experienced staff. Implementation of the Strategy and the change process will be monitored regularly and reflected in the Corporate Scorecard as it is revised. Periodic client surveys will gauge the degree of client satisfaction as the ultimate measure of success.

17. **The opportunity is historic, but bold steps will be needed, and the risks are multifold.** The WBG faces significant risks to delivering on its commitment to the two goals, particularly if it falters in implementing the actions identified in the Strategy. Management will need to meet its commitment to keep the WBG relentlessly focused on the goals, to offer clients world-class development solutions, and to operate truly as One World Bank Group, as well as to move ahead with changes to make the organization more efficient and stronger. Continued strong engagement with the Board of Executive Directors and the Governors will be decisive to address key areas such as the budget and financial sustainability, and to support the shift to a “Solutions WBG”. Achieving the goals depends on each member government and the international community as a whole demonstrating the political will to focus on the poor and disadvantaged, and to act in partnership with the private sector and civil society. Effective global action requires that all countries and multilateral institutions demonstrate a renewed capacity to collaborate. Together, we can do what it takes to end poverty and build shared prosperity in our time.



# WORLD BANK GROUP STRATEGY

## I. INTRODUCTION

1. **At the World Bank Group’s 2013 Spring Meetings, a milestone was reached in the effort to achieve a world free of poverty.** The Development Committee endorsed two goals to guide World Bank Group (WBG) action:

- To end extreme poverty: reduce the percentage of people living on less than \$1.25 a day to 3 percent by 2030.
- To promote shared prosperity: foster income growth for the bottom 40 percent of the population in every country.

2. **The WBG is committed to supporting countries in reducing poverty and building shared prosperity in a sustainable manner.** Environmental, social, and economic sustainability require action to secure the future of the planet, ensure social inclusion, and set a solid foundation for the well-being of future generations. A global commitment to environmental sustainability—including stronger collective action to support climate change mitigation and adaptation—is essential to achieve the goals in a world of finite planetary boundaries and natural resources.

3. **The gains made in the fight against poverty over recent decades create the opportunity to realize the two goals and underscore the feasibility of doing so.** The world met the first Millennium Development Goal (MDG)—to halve extreme poverty—five years ahead of schedule. Still, more than one-half of the world’s people live in poverty and deprivation. Some 1.2 billion people (18 percent of the world’s population) live in extreme poverty—on less than \$1.25 per day. Another 2.7 billion living on \$1.25-\$4 per day are poor, and are vulnerable to falling into extreme poverty. An era of unprecedented economic progress and abundance for the privileged has created the means for ending extreme poverty and building shared prosperity for all.

4. **Reducing extreme poverty and sharing prosperity are ultimately about enriching the life and enabling the potential of every human being.** Income is a simple, transparent measure of progress toward the goals. However, ending poverty and promoting shared prosperity are unequivocally about the full dimensions of well-being—including human capital development, gender equality, empowerment, voice and participation, and freedom from violence. The two goals match the importance of economic growth with strong concerns for equity.

5. **The WBG will work through partnership to mobilize the international community behind the goals.** The goals are ambitious, but they are achievable if all countries, and their development partners, have a sustained commitment to focus on improving the welfare of poor and disadvantaged citizens. The resources of any one institution—the World Bank Group included—are entirely inadequate to meet the challenge. Partnerships focused on the goals—

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*Note:* The World Bank Group Strategy covers the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). It does not apply to the International Center for the Settlement of Investment Disputes (ICSID). IBRD, IDA, IFC, and MIGA are referred to as the “agencies of the World Bank Group” in this paper.

partnerships with governments, the UN system, multilateral institutions including the IMF and multilateral development banks (MDBs), bilateral organizations, new and emerging donors, the private sector, and civil society—can make the difference through collective action at the local, regional, and global levels.

6. **The two goals, and the partnerships needed to achieve them, are well aligned with the international community’s efforts to reach the MDGs and establish an ambitious post-2015 agenda.** The WBG is actively participating in setting a collective post-2015 agenda that is ambitious and transformational, and that encompasses ending extreme poverty and building prosperity for all in a sustainable manner.

#### **A. The Development Agenda for Reducing Poverty and Sharing Prosperity**

7. **The development agenda to reduce poverty and build shared prosperity focuses on enriching livelihoods through economic growth, inclusion, and sustainability.** This policy agenda is informed by decades of development experience, knowledge, and research. It encompasses both national policies and global action, and it combines common elements across developing countries with country-specific actions tailored to diverse country circumstances.

8. **Economic growth that creates good jobs fuels development.** Strong job creation hinges on mobilizing private investment and developing effective public institutions. Including the informal sector and self-employment, the private sector accounts for almost 9 out of every 10 jobs in the world. Good governance is central to strong economic growth. Effective public institutions carry out the policies and investments that mobilize domestic resources efficiently, fight corruption, promote competitiveness, strengthen human capital and improve infrastructure—thereby stimulating private investment, job creation, and productivity gains. Robust private sector institutions, such as banks and capital markets, are critical to improve the private sector’s capacity to generate growth.

9. **Inclusion entails empowering all citizens to participate in, and benefit from, the development process.** Progress in building shared prosperity is incompatible with increasing inequality; high levels of inequality are likely to constrain the rise in prosperity for the bottom 40 percent. Inclusion encompasses policies to promote equality of opportunity by improving the access of poor and disadvantaged people to education, health, infrastructure, financial services, and productive assets. It embraces action to remove barriers against those who are often excluded, such as women, youth, and minorities; to protect fundamental human rights and dignity; and to ensure that the voice of all citizens can be heard. Only responsive, accountable public institutions can design and deliver inclusive policies. Inclusive policies in turn promote economic growth—for example, strong growth cannot be sustained without gender equality to ensure the empowerment of one half of the world’s population.

10. **Sustainability ensures that today’s development progress is not reversed tomorrow and that the pace of progress does not flag in the future.** Sustainability permeates all elements of the policy agenda—from greening economic growth, to strengthening social consensus through inclusion, to safeguarding jobs through sound macroeconomic management that keeps public finances on a sustainable path. Fragility, violence, and environmental degradation pose particularly urgent challenges to sustainability. Progress in reducing poverty in some developing countries could be reversed if they relapse into conflict and violence; and such relapses can have

regional implications. Environmental constraints are already affecting the progress of poverty reduction, and promoting shared prosperity is impossible without stepping up action to address such environmental challenges as climate change, investment in green technologies, and reforms to improve the efficiency of use of natural resources, including reform of regressive energy subsidies. Institutional strengthening is critical to ensure sustainable development and address the risks that could undermine progress.

## **B. Focusing the WBG on the Goals**

**11. The WBG needs a new strategy to ensure that it focuses relentlessly on the goals in the development context of today and tomorrow.** Under the new strategy, the WBG will support member countries in addressing the most critical national, regional and global development priorities to reduce extreme poverty and build shared prosperity in a sustainable manner. The WBG will:

- Align all WBG activities and resources to the two goals, seeking to maximize development impact and drawing on the WBG’s comparative advantages.
- Use its strengths as a global institution by supporting clients in delivering development solutions; working with public and private partners who bring resources, expertise, and ideas; and advancing knowledge about what works.
- Work as One World Bank Group by leveraging the strengths of each agency.

**12. The Strategy draws on lessons from past WBG strategies** (Box 1). It builds on comprehensive diagnostic work as well as the important foundation set by recent reform efforts: the ambitious Modernization Agenda the Bank launched in 2010, which contributed to improvements in openness, accountability, and efficiency; and the IFC 2013 initiative and MIGA’s strategy review, which resulted in greater focus and improved client engagement. These efforts have made the WBG more results-oriented and accountable, laying the groundwork for the Strategy and the related change process.

### **Box 1. Previous World Bank Group Strategic Exercises**

The WBG has undertaken a series of strategy efforts over the past two decades. The most recent strategy documents have been the *Post-Crisis Directions* (2010), *Meeting the Challenges of Global Development* (2007), *The Strategic Framework* (2001), and the *Strategic Compact* (1997). While the three most recent documents were nominally WBG documents, in practice they spoke mainly to the Bank, not IFC and MIGA.

These exercises had varying objectives—from tightening business processes to underpinning requests for budget and capital increases. While they generally succeeded in articulating overall goals, development challenges, and institutional strengths, only the 1997 Compact was followed up with meaningful monitoring of implementation progress and an assessment of achievements.

IFC’s annual “Road Map” and MIGA’s FY12-14 Strategy have been different in character. These exercises have developed a set of longer-term focus areas, complemented by incremental annual adjustments. The exercises are informed by ongoing tracking of progress to articulate priority areas for operational focus.

A number of lessons learned from these exercises have informed the WBG Strategy: the need for clarity on goals, specific actions for implementation, a monitoring framework, and enabling conditions, including human resources and financial sustainability. To ensure that the Strategy truly reflects the WBG, it needs to identify areas for common effort while respecting the distinct mandates and strengths of each agency.

13. **This paper is organized as follows.** Chapter 2 analyzes the global context, identifying major trends that are reshaping the development landscape. Chapter 3 draws conclusions for repositioning the WBG in this changing landscape, identifying a value proposition for the WBG as a whole that draws on the specific strengths of each agency. Chapter 4 then discusses development challenges to meeting the two goals, describing what clients want from the WBG and how the WBG will respond. Chapter 5 presents how the WBG will support clients in delivering solutions that maximize progress toward the goals, in particular by strengthening the focus on knowledge and evidence in its products and services, as part of becoming a “solutions WBG.” Chapter 6 then turns attention to how the WBG intends to operationalize its approach to the goals by exercising greater selectivity at the country level. Chapter 7 discusses the types of partnerships that are needed to meet the goals and how the WBG will ensure the strategic alignment of its partnership engagements. Chapter 8 deepens the discussion on operating as One WBG. Chapter 9 concludes with a discussion of the outcome of the Strategy and describes the process to support implementation in the context of the broader change process, which will be elaborated in a subsequent Implementation Paper.

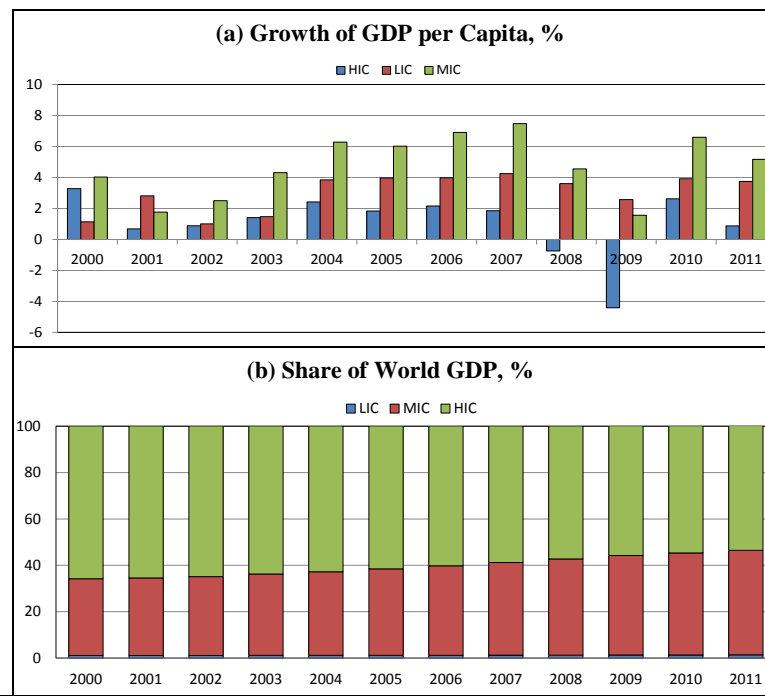
## II. GLOBAL CONTEXT

14. **Important global trends underscore the need for a new WBG strategy to adapt to fast-moving challenges and opportunities.** Tremendous progress over the past two decades has reshaped the development landscape. It has created new opportunities to reduce poverty and promote shared prosperity, but has also introduced new risks to sustaining progress in the future. While the transformation cuts across many dimensions, a few mega-trends are leading the way.

### A. Shifts in the Global Economy

15. **Developing countries’ strong economic performance over the past two decades is shifting the world’s economic center of gravity to the south and east.** Several large middle-income countries are now economic powers in their own right. Developing countries, in aggregate, have consistently outpaced the growth of developed countries over the past decade, continuing to grow even during the global financial crisis, and they will soon account for half of global GDP (Figure 1). The rise of the G-20 as a leading forum for global economic cooperation and the rise of emerging market countries as providers of development support to poorer countries reflect the new, multipolar world economy.

Figure 1. Patterns of Global Growth and GDP



Note: HIC = high-income country, LIC = low-income country, MIC = medium-income country.

Source: World Development Indicators.



16. **The shift in the global economy has been driven by the rapid evolution of the private sector and the emergence of a middle class in the developing world.** In countries as diverse as China, Ghana, and Turkey, the private sector is driving employment growth and transforming living standards. The combination of population growth, a rising middle class, and urbanization in the developing world is fueling demand for infrastructure, manufactured goods, housing, and services. Strong growth of final consumption in emerging markets is contributing to a move toward more regionally-based production, which is opening up opportunities for manufacturing in new countries—a trend that is likely to accelerate in the next decade to offset rising labor and transportation costs, and in response to concerns about traceability and environmental impacts.

17. **The transformation in the global economy is mirrored in the changing nature of financing for development, including private capital.** Domestic resource mobilization has become increasingly important, particularly in middle-income countries, but for many developing countries external inflows remain a key source of financing for investment and growth. Private investment has become the dominant mode of capital transfer worldwide. Net private capital flows to developing countries are now on the order of \$1 trillion per year, with an increasing share representing South-South investment; worker remittances are also increasing rapidly and are projected to reach \$500 billion by 2015. Together, these private flows dwarf official development assistance (ODA) of about \$125 billion annually (Box 2). However, both foreign private investment and remittances remain highly concentrated. Foreign direct investment targets a small number of largely middle-income countries and sectors, and access to private credit in lower-income and lower-middle-income countries is often still difficult. ODA continues to play a critical role, especially in countries where private inflows are less abundant, and it is now complemented by substantial flows from private foundations and philanthropies.

**Box 2. The Evolving Structure of Development Assistance**

As international development assistance has increased—from approximately \$85 billion to \$130 billion between 1990 and 2011—so too has its complexity. Aid was traditionally provided through bilateral aid agencies and a small number of multilaterals (largely UN agencies and international financial institutions). The past decade has seen the emergence of large global funds that pool resources to tackle issues in specific development areas (e.g., GAVI for vaccines; GFATM for AIDS, tuberculosis, and malaria; and GEF for the environment). In addition, private aid and philanthropy has skyrocketed to equal 15-20 percent of ODA. As middle-income countries engage in the global arena, they too are providing development support to poorer countries in the form of aid, investment, and technical exchanges. Multilateral and bilateral development institution investments to finance the private sector have grown substantially over the last 10 years to reach some \$40 billion annually, but this remains relatively small compared to global private flows. For the WBG, the evolution of development assistance offers both new partnership opportunities, and possibilities to recast its role in areas where other actors are taking the lead. The WBG's role in knowledge, convening, and global advocacy has increased relative to its role in providing finance. The WBG also plays a greater role in the coordination and transparency of ODA, as well as in assisting developing countries to manage the risks to economic sustainability that both ODA and private inflows can pose.

18. **Emerging market banks and capital markets are taking on a greater role in local finance.** Development of contractual savings and local currency capital markets is becoming critical to finance the growth in private businesses, infrastructure, and housing as countries shift toward middle-income status. Demand for new types of products and services, such as pensions and insurance products, will rise as emerging market populations become, on average, older and more affluent. New products are also likely to emerge to meet the needs of the 2.5 billion people who still do not have access to formal financial services.

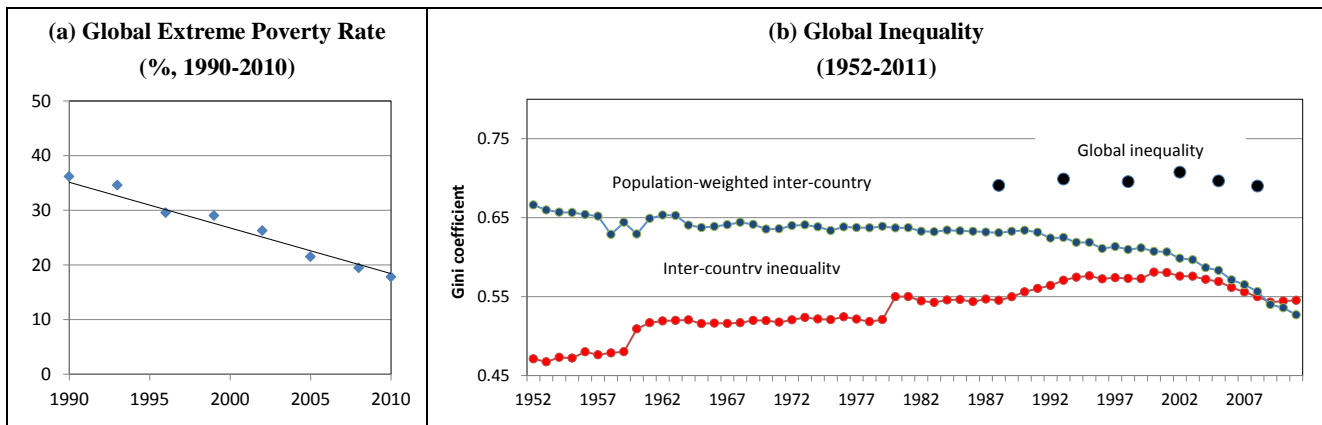
## B. The Changing Face of Poverty and Prosperity

19. **Although the global extreme poverty rate has fallen by half since 1990 (Figure 2a), progress within the developing world has been highly uneven.** Extreme poverty remains widespread in most low-income countries. As a group, lower-income countries have been growing more slowly than middle-income countries, and growth performance among the lower-income countries has varied widely: some are on the way to middle-income status, while others have stagnated or regressed. The vast majority of the world's poor people continue to live in rural areas; however, migration patterns are driving the rapid urbanization of poverty.

20. **Roughly half of the low-income countries are classified as fragile and conflict-affected situations, which pose particular challenges.** Fragile and conflict-affected situations (FCS) are home to a growing share of the world's extremely poor people. Poverty rates in FCS are on average 20 percentage points higher than in non-FCS countries. Populations in FCS account for a third of the deaths from HIV/AIDS in poor countries, a third of the people who lack access to clean water, a third of children who do not complete primary school, and half of all child deaths. Although there have been notable successes, persistent fragility has been the norm for most FCS.

21. **In many developing countries, growth has been accompanied by rising inequality and disparities, often with a geographic dimension in the form of lagging regions.** Strong overall growth in developing countries has narrowed the income gap between rich and poor countries, but the growing inequality within many countries has offset the impact of this convergence on global inequality among all people in the world (Figure 2b).

Figure 2. Global Extreme Poverty and Inequality



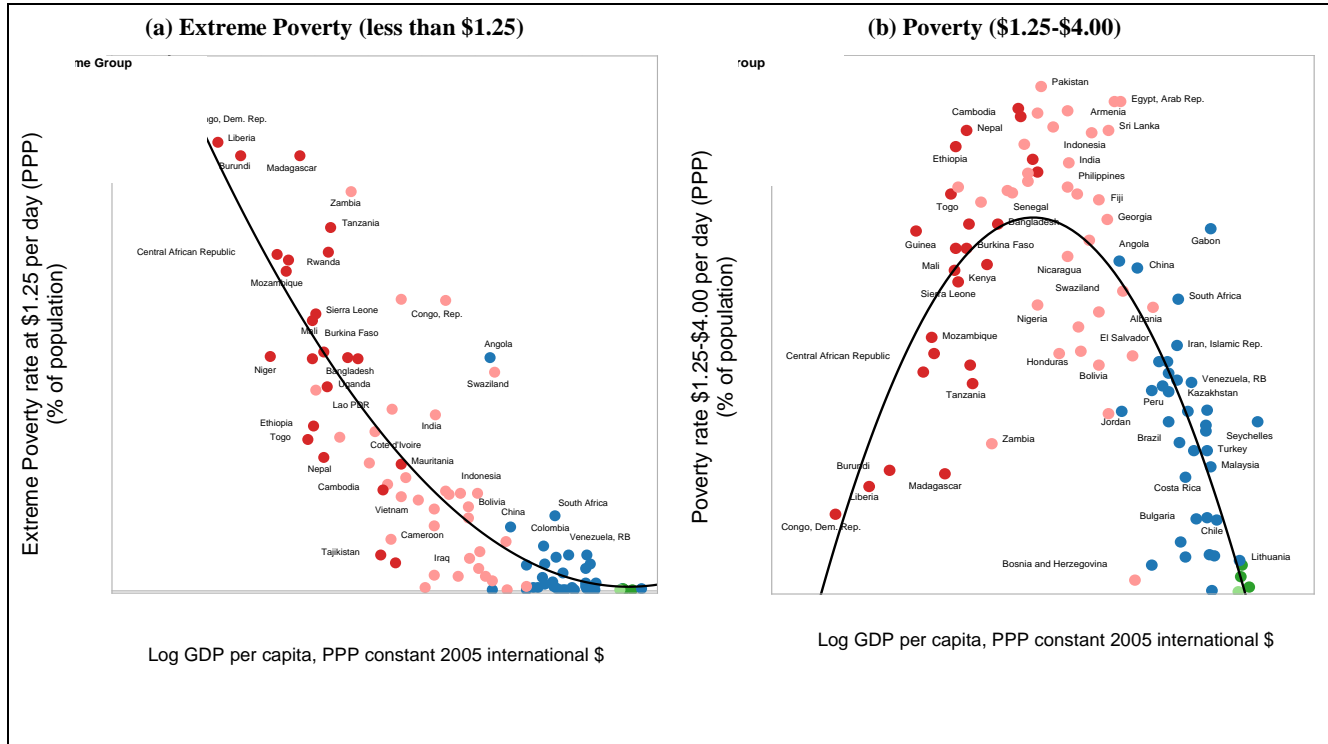
Source: PovCalNet for (a); “Global Income Inequality by the Numbers: in History and Now”; Milanovic, (2012) for (b).

Note: For (b), Concepts 1 and 2 represent inequality in income per capita across countries— for 1, each country has equal weight and for 2, countries are weighted by population, Concept 3 takes into consideration inequality between national averages and within-country inequality.

22. **Transitioning to middle-income status does not mean the end of poverty or deprivation.** Rising inequality in many middle-income countries reflects the reality that many continue to have substantial levels of extreme poverty (Figure 3a). In addition, most people who have escaped extreme deprivation remain poor, subsisting on less than \$4 per day (Figure 3b). Many middle-income countries have national poverty lines in the \$4 range, and people in this

income bracket would be considered extremely poor in any high-income country. In fact, as countries move up the national income spectrum and extreme poverty declines, the share of the population living in the zone of poverty between \$1.25 and \$4 per day often increases sharply.

**Figure 3. Extreme Poverty, Poverty, and GDP per Capita**



Source: POVCALNET and World Development Indicators for the World Bank Atlas method.

Note: Low income = \$1,025 or less; lower-middle income = \$1,026 - \$4,035; upper-middle income = \$4,036 - \$12,475; high income = \$12,476 or more; PPP = purchasing power parity.

23. **Progress in sharing prosperity has been mixed among developing countries.** Data are available for 71 developing countries for 2005-2010. On the positive side, in about one-third of these countries the per capita income growth of the bottom 40 percent exceeded 4 percent, and this growth was faster than the national average. However, in about one-quarter of the countries in the sample, the per capita income growth of the bottom 40 percent was below 4 percent per year and below the national average. Sustained progress in building shared prosperity is incompatible with a steady increase in inequality, which may eventually choke off growth by causing political instability, distorting incentives, and reducing upward mobility. Over the longer term, sharing prosperity across generations requires progress at both the country and global levels on all three dimensions of the development agenda: growth, inclusion, and sustainability.

### C. A Globally Connected World

24. **In recent years, significant increases in connectivity have led to the emergence of a truly global community.** Worldwide nearly 6 billion mobile cellular subscriptions and nearly 600 million broadband Internet subscriptions are supporting explosive growth in social media. The growth in connectivity has led to the rise of global voices and the emergence of think-tanks and other sources of knowledge generation in the developing world. Ordinary citizens have

become powerful constituents who can make direct demands on government and bring about changes to legislation, constitutions, and even regimes—as in the Arab Spring and elsewhere. Concurrently, civil society organizations (CSOs) are gaining influence as advocates for a host of issues—from government transparency and accountability for public service delivery to demands for social justice and for action to address critical issues like climate change, corruption, and freedom of information.

25. **Other forms of connectivity are having an impact as well, stimulating knowledge and innovation for development.** Technological innovations are improving access to public services and financial services, while reducing opportunities for fraud and corruption. Increased connectivity is also contributing to the changing nature of trade, business, and finance bringing the location of production closer to consumers, fueling the demand for customization, and shortening the lifecycle of many products. Financial and economic connectivity bring great benefits, but they also entail substantial risks as demonstrated by the 2008 global crisis and recurring concerns with food safety. This highlights the importance of stronger national and international coordination of policies, regulation, and oversight.

#### **D. The Challenge of Climate Change**

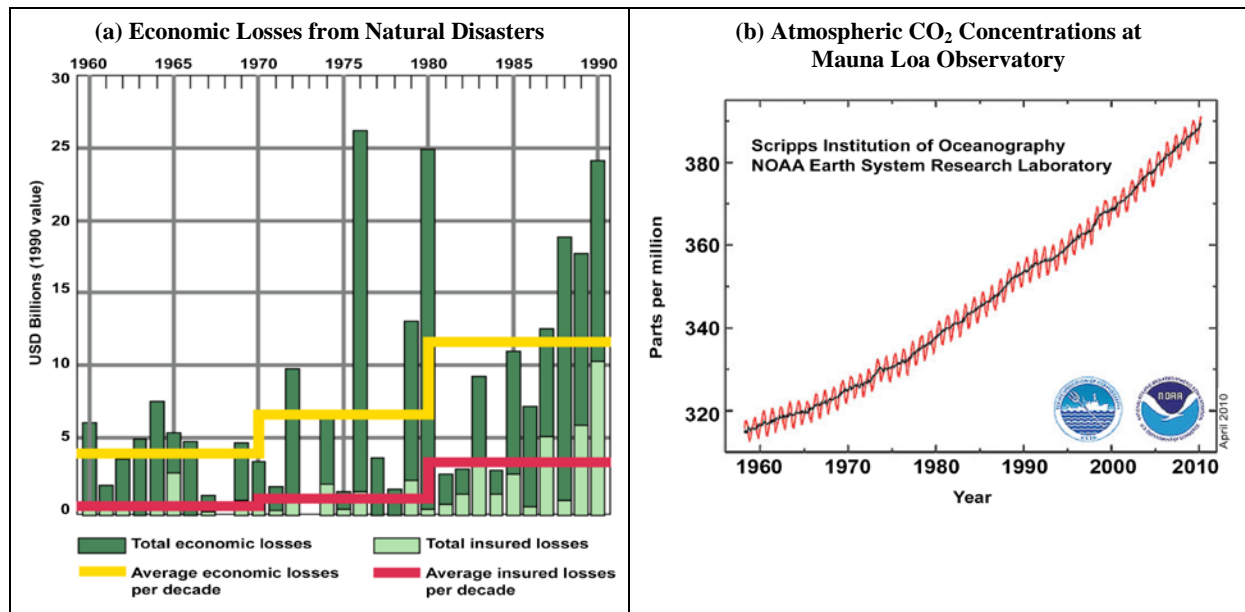
26. **Climate change threatens both future poverty reduction and the sustainability of past gains, achieved through decades of efforts.** The international community's collective response to the fundamental threat posed by climate change will shape not only the global fight against poverty, but also the world's overall development trajectory for generations to come. Average world temperatures are on track to rise at least two degrees Celsius and rainfall patterns are changing. Increasingly, these changes are resulting in more severe and frequent extreme weather events—storms, droughts, heat waves, and floods. The impact of these events is exacerbated by environmental degradation and other socio-economic factors. The adverse effects of climate change fall disproportionately on the poorest countries and, within countries, on the poorest people, who are already seriously affected by environmental degradation and lack adequate capacity to adapt.

#### **E. Global Risks and Volatility**

27. **Global risks and volatility are growing concerns in an interconnected world that is dependent on international markets for goods, services, and finance.** The global economy faces substantial risks from the long-term impact of the global economic crisis, the fragile economies in certain high-income countries, and the situation in the Middle East. There is the potential for slower global growth in the future. New economic, environmental, social, and political crises are likely; they will often be of local origin, but will have the potential for regional or global impact. Even short-lived, localized crises can generate major losses in employment and welfare that can have dire consequences for the poor and bottom 40 percent. Natural disasters and shocks related to natural resource scarcity can destabilize the development progress of individual countries, regions, or the entire world; and the frequency and scale of such events may be increasing with climate change. Economic losses from natural disasters have been trending upwards for decades, in line with the steady increase in CO<sub>2</sub> concentrations from emissions (Figure 4). For low-income countries whose growth has been based on natural resource booms, their economies remain highly susceptible to commodity price shocks. Public health risks loom large as

diseases travel faster across a connected world. A growing risk is posed by the vulnerabilities of the communications and computing infrastructure on which so much depends.

**Figure 4. Natural Disasters and CO<sub>2</sub> Emissions**



Sources: US Geologic Survey for (a) and *Turn Down the Heat*, World Bank, 2012 for (b).

28. **The turbulent world events of the past decade illustrate the impact of social and political instability.** Instability can derail development; conversely, development that fails to be inclusive may itself promote instability. Several Arab Spring countries had made notable development progress, but sustainability was undermined by deep-seated inequality of opportunity, manifested in part through high levels of youth unemployment and a pervasive sense of a lack of social justice and voice among the citizenry. This experience demonstrates how the sustainability of development depends critically on social cohesion and on meeting the rising expectations of a better educated and connected, more urban, and more middle-class population for effective delivery of higher-quality public services. Some resource-rich developing countries are not managing to generate jobs or to share the wealth adequately, potentially sowing the seeds of social protest in the future.

### III. REPOSITIONING THE WBG

29. **The new Strategy builds on the strong foundation and continuous adaptation of the WBG; what is new is the singular focus on the two goals in a rapidly changing global context.** The WBG will do more to work with the development community to seize opportunities and manage risks in a sustained drive to end poverty and build shared prosperity. In a multipolar world, the WBG, with its universal membership and global footprint, offers a platform where the perspectives of all countries and all citizens can be brought to bear on the toughest development challenges, which increasingly affect all countries, developed and developing alike. The WBG's global reach can help shape and contribute to the international community's response to crisis and volatility, and to complex threats like climate change that require concerted action at the global, regional, and local levels. In a world where the private sector is driving growth and

dominating capital flows, the WBG can help the public and private sectors work together more effectively and systematically. To ensure that citizens are empowered and well informed, the WBG can build on its open data, open knowledge, and social media initiatives to make knowledge more accessible. Finally, in a globally connected world where governments, citizens, and private investors have broad access to online knowledge and to alternative sources of funds, the WBG can offer solutions that integrate finance with knowledge enriched through global networks, world-class research, and hands-on implementation experience.

### **A. WBG Value Proposition**

**30. The WBG, operating as One Group, intends to strengthen its capabilities and work in partnership toward the two goals through a value proposition to:**

- Contribute to the global development agenda through dialogue and action on ongoing and emerging development challenges, bringing the perspectives of all its member countries.
- Support clients in delivering customized development solutions backed by finance, knowledge, and convening services.
- Help advance knowledge about what works, combining the world's leading development research and practitioner experience with a commitment to transparency, open data, global outreach, and knowledge dissemination.

In doing all of this, the WBG will work together with public and private partners who bring resources, experience, and ideas to tackle key development challenges.

### **B. WBG Strengths**

**31. The WBG will deliver on its value proposition by taking full advantage of its strengths and addressing its weaknesses, as identified by diagnostic work, client surveys and external assessments.** The scope and depth of the WBG—its reach, human resources, and volume of finance—position it to focus its strengths, individually or in combination, to have particularly significant impact in tackling the most difficult development challenges.

- With its global multilateral membership and ownership structure, the WBG can synthesize perspectives on development issues from around the world.
- Its long-standing country engagement allows the WBG to help clients tackle those complex development issues, such as building strong institutions and undertaking structural reforms, that can only be addressed over the long term.
- With decades of work on the full range of development issues, the WBG has broad operational experience; expertise on policy dialogue, implementation, and capacity building; knowledge of the private sector; ability to blend public and private finance; and capacity to bundle knowledge, finance, and convening services.

- The WBG has a strong track record helping countries respond to crisis and strengthen resilience, as exemplified by its multifaceted response to the 2008 global crisis and global reputation for disaster risk management.
- Widely recognized as a strong, AAA-rated financial institution, the WBG mobilizes and manages large amounts of resources for development on a global basis, and offers a wide range of innovative financial products and services to clients.
- Its globally linked presence (over 200 field offices) gives the WBG the capability to respond to client demands and draw on the experience gained in one part of the world to help clients elsewhere.
- The WBG's global convening power allows it to bring together diverse actors to solve local and regional problems and catalyze action to influence global agendas and help set international standards, bringing in the views of developing countries.
- The WBG offers a valued reputation for integrity and safeguards. Governments, CSOs, and other stakeholders place a high value on WBG environmental and social safeguards, viewing them as important to preventing social conflict and promoting accountability, informed decision-making, and stakeholder engagement.

32. **There is a need for improvements across the WBG in several areas.** A critical area is for the WBG to strengthen its ability to work on multi-stakeholder solutions through engagement with the public sector, private sector, and citizens. A change in WBG culture and in the currently predominant mode of operating in sector silos will be required to increase the use of multi-sectoral approaches. It will also be necessary to revamp the client engagement model into a more problem-driven solutions approach, systematically bringing together multiple disciplines, stakeholders, and WBG agencies. This new WBG model needs to be adapted as well to operate more effectively in fragile and unstable contexts. The WBG also needs to further examine its resource base to ensure maximum efficiency.

33. **The agencies of the WBG have individual strengths and advantages that they will continue to hone, while focusing on working better as One WBG.** Strengthening the advantages that clients and partners have identified will help each WBG agency to contribute more to the WBG value proposition by delivering on its mandates with respect to distinct client groups, reflecting its markets, products, and “competitors.” Each agency also recognizes that it has areas of weaknesses that it needs to address.

34. **IBRD and IDA: The Bank's business model, based on client country demand, gives it a major comparative advantage.** Countries value the support of the Bank to help design and implement national development programs. The Bank's technical breadth across sectors, worldwide experience in projects, and global array of partnerships give it the capacity to blend expertise in designing and supporting countries' delivery of multi-sectoral, multi-stakeholder solutions. The Bank's extensive research and knowledge and results-based approach are more empirically based than those of many development actors, and the Bank invests significantly in evidence and evaluation. The Bank is increasingly called upon to steer global agendas and deliver public goods. Its development leadership serves as a platform for global and regional

partnerships. The Bank's treasury functions are highly sought to mobilize and manage investible resources and to serve as a fiduciary agent to channel external funding.

35. **While IBRD and IDA share the same country-based business model and operational policies, they are separate legal entities.** They serve different client segments and have distinct funding models with different funding constraints. IBRD provides non-concessional financing to creditworthy countries, while IDA provides concessional resources to poor and non-creditworthy countries (Box 3). IDA concessional terms and IBRD loan pricing are attractive, and surveys indicate that countries across the income spectrum value the array of products and services the Bank offers.

### **Box 3. International Development Association**

*IDA supports the poorest.* IDA, the WBG's main concessional instrument to support poor countries, is one of the largest sources of concessional resources for the world's 82 poorest and least creditworthy countries. IDA has a diverse client base ranging from low-income countries (of which many are FCS) to lower- and upper-middle-income countries. IDA plays a leadership role in the effectiveness and results agenda, including through its Results Measurement System, which tracks IDA's contribution to development outcomes and its operational and organizational effectiveness. Several external assessments rank IDA among the most effective and efficient development assistance agencies.

*IDA's policy and financing framework is reviewed every three years.* IDA is funded primarily by grant contributions and credit reflows. Through the replenishment process, IDA continuously adapts to new challenges. It has been instrumental in advancing the development agenda on frontier issues such as FCS, gender, and climate change resilience. IDA has established the Crisis Response Window and the Immediate Response Mechanism to enhance its response to crises and natural disasters. To increase its financing capacity, IDA has introduced measures such as increased price differentiation and accelerated repayments from IDA graduates, and it plans to include limited debt financing in the form of partner concessional loans in the IDA17 financing framework.

*IDA17 will support implementation of the WBG Strategy.* IDA will be a primary vehicle to implement and reinforce the WBG Strategy in the poorest countries through IDA17's overarching theme of Maximizing Development Impact, as well as the special themes of Inclusive Growth, Gender, FCS, and Climate Change. Under IDA17, IDA will focus more on leveraging knowledge and financial resources.

As countries move up the income spectrum and become more creditworthy, they may attain "blend" status (and receive support from both IDA and IBRD) before they gain full IBRD-only status. Stronger collaboration between IBRD and IDA in managing the transition from "blend" to IBRD-only will be increasingly important over time.

36. **Clients perceive the Bank as falling short in several areas:** (a) long lead times and procedural complexity, which are reported to stifle demand; (b) the constraints on the flow of knowledge and the Bank's ability to apply it on the ground in a timely manner; and (c) more recently, the quality of technical expertise in areas with considerable competition, and in countries with sophisticated counterparts and complex development challenges.

37. **IFC: Operating principally in competitive, private sector markets, IFC is recognized for its ability to provide a unique suite of financing and advisory services.** This advantage derives from the combination of (a) its global and decentralized operation; (b) its packaged services of investment, advisory, and asset management services; (c) synergies across the WBG; and (d) a commitment to sustainable development impact. IFC ensures additionality in four areas: risk mitigation, standard-setting, knowledge and innovation, and policy-setting. It has been recognized as a standard-setter in environmental and social standards through the Equator Principles, and in corporate governance through the Corporate Governance Development



Framework. IFC's technical expertise is rated highly for both investment and advisory services, and it gains particular advantage from working with the Bank to help countries set policies and regulations. IFC's private sector client base, the largest among development institutions, represents a strategic asset. Clients are generally satisfied with IFC's overall service and choose IFC for its ability to provide long-term partnerships, financing not readily available elsewhere, loan maturity, product pricing, ability to bring in other sources of finance, and perceived stamp of approval, particularly with regard to sustainability requirements. However, clients perceive IFC, like the Bank, to be behind peers in timeliness and speed of processing.

**38. MIGA: In the competitive market for political risk insurance, MIGA is considered the strongest multilateral provider in terms of its business results, global reach, and market reputation.** It is recognized for (a) its expert underwriting, (b) its strong balance sheet, enabling large long-term guarantees, (c) its willingness to guarantee complex projects in high-risk markets, and (d) its unparalleled record in resolving investment disputes. MIGA, too, has a broad array of clients representing a range of industries, sectors, and geographic areas. Much of MIGA's comparative advantage is derived from its affiliation with the WBG, which enables it to draw on the research and knowledge base to inform underwriting, the extensive network of global offices to support business development and project monitoring, and the relationship with host countries to allow it to take on riskier projects. Like other multilaterals and the other WBG agencies, MIGA's perceived weakness is having heavy information requirements, especially in the areas of environmental, social, and integrity due diligence.

### **C. Delivering on the Value Proposition**

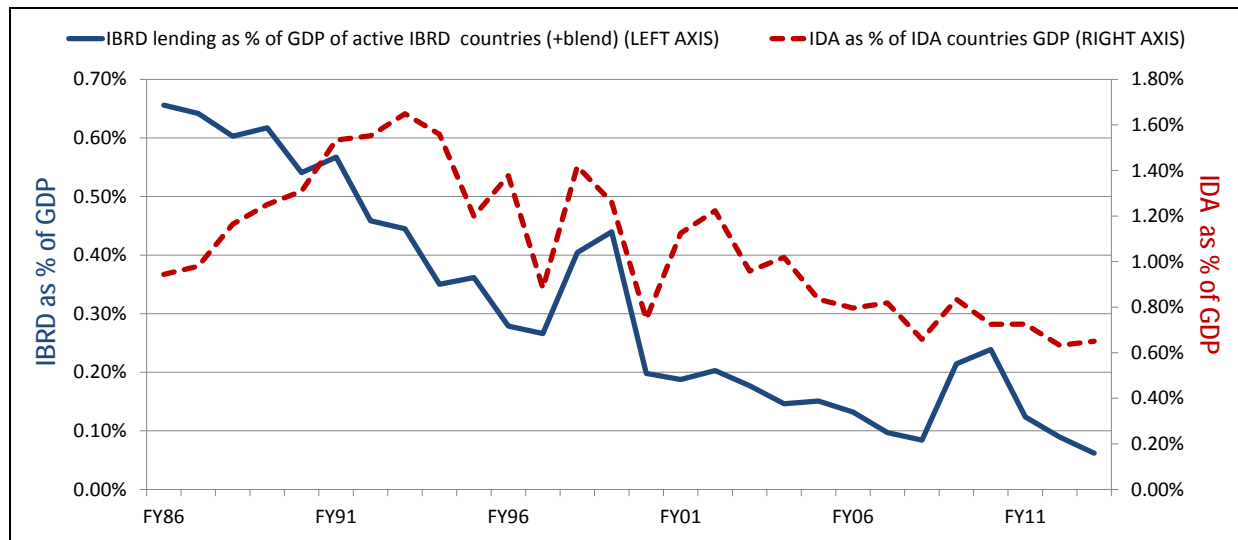
**39. To deliver on the value proposition the WBG needs to improve many aspects of its work.** In working with clients on the ground to deliver development impact, it needs to:

- Invest in knowledge, technical skills, information technology, and the “solutions” platform (knowledge, science of delivery, results, and learning) to keep its development expertise from eroding.
- Break down silos and focus on multi-sector approaches as One WBG.
- Increase flexibility and speed up delivery—while preserving its internationally respected fiduciary, safeguard, and integrity norms—redoubling efforts to streamline bureaucracy, cut red tape, and exploit back-office synergies.
- Crowd in resources, experience, and ideas more effectively through partnerships by selectively deepening its engagement across the broad spectrum of potential private, public, multilateral, and nonprofit partners.
- Leverage its global role by deepening global engagements that are aligned with the two goals and structuring global services and programs into a well-defined business line.
- Strengthen its country engagement model to better deploy its strategy-setting and diagnostic capabilities, including supporting developing countries in collecting statistics and using them in evidence-based public policy.

- Ensure that, now and in the future, its resources are commensurate with the roles and responsibilities it carries out on behalf of the international community by developing a new framework for medium-term financial sustainability—increasing revenues, building financial capacity, cutting costs, and aligning its resources with the goals.

40. **Financial considerations will influence, and sometimes constrain, the WBG’s choices.** First, as agencies operating without sovereign guarantees, IFC and MIGA must take on a certain number of low-risk, profitable clients to balance their portfolios. For the World Bank (IDA/IBRD), the scale of its operations is currently well below one percent of the combined GDP of borrowing countries, and falling (Figure 5). Maintaining a minimum scale of operations is important if the WBG is to influence the policy agenda and support clients in delivering effective development solutions. For Bank operations in the poorer countries, limits on the volume of IDA funds and their allocation can constrain potentially high-impact engagement with public clients, especially with respect to critical investments in capacity building and infrastructure. Responding to the increasing demands of countries at the center of the income spectrum—as poor countries transition to middle-income status, and demand in middle-income countries shifts to a subnational client base—will be constrained by complications with national government guarantees and limits on IBRD funding availability, including factors related to capital, the single borrower limit, and country creditworthiness.

**Figure 5. IBRD and IDA Commitments**  
(FY86-FY13)



41. **In addition, the Bank faces serious constraints from growing demands in areas typically financed by the administrative budget:** for example, more global work; funding offices, staffing, and activities in FCS; and tracking the global goals through expanded data initiatives. The Bank will need to be selective about which activities it takes on, in the context of a right-sized budget. As part of this, the Bank will need to consider such new revenue generation measures as increased engagement in reimbursable advisory services and increased use of trust funds to finance knowledge and other non-lending services.

#### IV. MEETING DEVELOPMENT CHALLENGES

42. **To focus on the two goals while working in diverse settings, the repositioned WBG will exercise greater selectivity and collaborate more with the international community.** The overall picture of development needs and the corresponding demands on the WBG have become increasingly complex as country circumstances become more diverse. The traditional grouping of developing countries into low-, middle-, and upper-income categories is becoming less relevant as countries at all income levels seek support to sustain development progress. In a connected world, the WBG also faces growing demands for engagement at the regional and global levels. In responding to these demands, the WBG will rigorously use data and evidence to align all its activities with the two goals, maximize development impact, and draw on the WBG's comparative advantages. This implies recognizing the strengths of, and working closely with, other development partners—multilateral organizations and development banks, bilateral development agencies, the private sector, and national and international CSOs.

##### A. Development Challenges Countries Face

43. **Ending extreme poverty and promoting shared prosperity sustainably will require persistent and concerted effort.** Progress depends critically on developing human capital and expanding access to social services to produce a healthy, well educated, and productive labor force, as well as on provision of and access to infrastructure, including reliable and affordable energy. Physical investments are essential—the estimated sums needed for infrastructure alone are staggering (up to \$1.5 trillion per year). However, investment is not enough: countries need help with analysis, policy dialogue, and program design, as well as technical expertise for implementation and capacity building. They need support for improving the business climate to stimulate private sector investment and jobs, and for improving governance and public services through institutional strengthening. Many countries are placing more emphasis on policy action to promote inclusion, and sustainability is gaining prominence, particularly given rising social demands and increasing stress on the environment in many countries. Countries also need help building resilience to shocks and support in responding to crises. They want solutions that produce results and are grounded in evidence of what works. Above all, they want speed and agility; support that arrives late cannot deliver results.

44. **Reducing the global extreme poverty rate to 3 percent by 2030 will require accelerating the pace of poverty reduction in many countries**—particularly in South Asia and Sub-Saharan Africa (Box 4), and in FCS. Each percentage point of

##### Box 4. Africa's Development Challenges

*Africa has made significant progress ...* Between 1996 and 2010, the percentage of people living on less than \$1.25 a day in Sub-Saharan Africa declined from an estimated 58 percent to 48.5 percent. Economic growth has picked up since the mid-1990s. African countries have generally maintained prudent economic policies, as evidenced by Country Policy and Institutional Assessment scores. Despite increased borrowing by many African countries, debt burdens remain moderate and broadly manageable. The investment climate continues to improve.

*... but continues to face daunting challenges.* The Africa Region lags behind on achievement of the MDGs, with substantial heterogeneity in country-level progress. About half of the world's FCS countries are in the Region. Simulations suggest that even if the world meets the 3 percent global target by 2030, many African countries could well be left with substantial rates of extreme poverty, and the Region would likely account for the vast majority of the remaining extremely poor people.

*Given the scope of the challenges, there is a need for specific attention to Africa.* The WBG will assist the Region to build on the progress it has made, including by helping to address the structural problems and risk perceptions that are constraints to private investment, employment, and growth.

poverty reduction will involve progressively more people as the world's population expands from today's seven billion to over eight billion by 2030—with almost all this increase in the developing countries and disproportionately among the poor. However, sustaining strong economic growth may prove difficult in the post-crisis global context, and it will hinge on structural transformations in many developing countries. If inequality rises, achieving the poverty target will require higher growth rates than have historically occurred. As extreme poverty falls, more targeted policies will be needed to reach those remaining in deprivation—including programs that help reduce the risks that poor households and communities face.

45. **Building shared prosperity will require countries to address inclusion and sustainability more vigorously.** With the focus on jobs, policy action is urgently needed in countries where women are excluded from opportunities in paid employment and entrepreneurship. Developing countries must manage spatial transformation well to increase prosperity sustainably. Across the developing world, growing populations and economies are putting significant strain on the natural resource base—land, water, forests—and countries are struggling with the impact of climate change, environmental degradation, and ecosystem changes. Most countries that have successfully transitioned to high-income status followed a path of urbanization and concentrated industrial development that enhanced productivity, expanded service delivery and generated broad-based gains in social welfare. In tackling these complex challenges, developing countries can benefit from the pace and breadth of technological change, which will continue to reshape development in myriad, often unforeseen ways—but this in turn will require robust policies to promote innovation, entrepreneurship, and the free flow of information.

46. **More attention is needed to the multiple facets of fragility and resilience, as moving up the income spectrum provides countries no guarantee of future progress.** Many countries, mainly in Africa, are moving rapidly up the income ladder as they exploit their natural resources. However, some of Africa's richer countries are similar to poor-performing lower-income countries in terms of inequality, employment challenges, undiversified economies, low human development outcomes, and weak institutions. The sustainability of development remains fragile in countries and/or lagging regions where institutional capacity, inclusion, and economic diversification fail to keep pace with income growth. To withstand or forestall shocks—from conflict, violence, vulnerabilities to the impacts of climate change and natural disasters, or economic crisis—countries need strengthened resilience, inclusion, and social cohesion. FCS represent a special type of institutional fragility, one that requires combining support for developing basic public institutions—often from scratch—with economic and social development and, in some cases, with peace-keeping and security efforts. Small and island states often have particular needs as well: their small size, at times combined with geographic vulnerability or isolation, constrains institutional capacity, the development of private firms, and economic diversification, posing important risks to sustainability.

47. **Private companies operating in developing countries seek to overcome constraints to investment and growth.** The private sector needs to flourish—to create jobs; promote innovation, technology, and skills transfer; and develop supply chain linkages and export markets. In countries at all income levels, top obstacles include problems with infrastructure, investment climate, access to finance, and worker skills. In the poorest countries and FCS, where capital is scarce and financial systems underdeveloped, access to finance and access to electricity are particular problems; the informal sector will remain an important source of employment,

propagating concerns about low productivity and wages. In countries higher up the income spectrum, where firms tend to be more sophisticated in their operations and to enjoy greater access to external capital, they often have financing and advisory needs in such areas as innovation, inclusive business, investment in low-income states, climate change, South-South investments, and regional integration. Global private finance and risk mitigation instruments are needed to meet growing investment needs, and countries across the income spectrum need assistance to raise finance and structure deals.

## B. Responding to Country Demands

48. **As a global multilateral institution, the WBG will work with all member countries in the push to end poverty and promote shared prosperity in a sustainable manner.** Applying knowledge and evidence to the most complex development challenges, the WBG will customize its support to countries as their development needs evolve—including support for job creation, good governance and anticorruption, gender equality (Box 5), and environmental sustainability. Meeting the needs of poor countries will remain a high priority; the WBG will continue to work closely with IDA clients to fight poverty, build institutional capacity, strengthen creditworthiness, and improve resource mobilization. It will continue to help middle- and upper-middle-income countries address issues that are critical to sustaining their development progress, including escaping the “MIC trap”—that is, stagnation caused by rapid growth unaccompanied by structural changes to address such issues as social inclusion and rapid urbanization. This support will include a fresh look at the political economy of second-generation structural reforms in the context of building shared prosperity. The WBG will also assist middle-income countries in becoming emerging donors and will support broader engagement by countries in the development dialogue. The WBG will continue to support FCS in addressing their highly specific challenges to overcoming fragility, to pay attention to the particular needs of small and island states, and to support higher-income countries, particularly during times of distress. Providing support to individual countries and to the international community as a whole in responding to crisis and volatility, in building resilience, and in carrying out prudent countercyclical policies will remain a priority for the WBG.

### Box 5. The Challenge of Gender Equality

Gender equality remains a complex and long-term challenge that requires continued investments to expand women’s empowerment and opportunities, alongside measures to tackle deep-seated structural inequalities, norms, and discrimination.

Supported by the 2012 WDR on Gender, recent progress builds on growing attention to the importance of gender equality among clients and stakeholders, strong commitments from WBG management, and increasing awareness among WBG staff. The share of gender-informed lending has increased significantly and the extent of integration has deepened across most Regions, with gender-informed analysis, actions, and monitoring and evaluation. The IFC has adopted a new gender strategy, and MIGA will update its sustainability policy to strengthen its commitment to gender.

While there has been major progress in integrating gender, much remains to be done to achieve and sustain results on the ground. The WBG will continue to focus on addressing gender equality at the country level. In the medium term, a renewed gender strategy will frame the WBG’s efforts to promote gender equality as central to achieving the two goals.

49. **The WBG will continue to work with a broad range of clients and stakeholders.** In many of the poorest countries and FCS, while working to build up government capacity, the Bank focuses increasingly on helping local communities and citizen-beneficiaries become active stakeholders in reducing poverty. In the poorer countries, small and medium enterprises (SMEs)

predominate as private clients, served primarily through financial intermediaries, and IFC and MIGA often support foreign investors for direct investment. In many middle-income countries, the Bank has been shifting its engagement to subnational governments that face pressing demands. In middle-income countries IFC and MIGA engage more frequently with larger domestic firms that often have growing investment needs and broader interests in contributing to development. A substantial share of these clients has expanded into investments outside their home country, and IFC's South-South investment program is organized to address their needs. MIGA is positioned to support domestic companies looking to diversify abroad, very often into neighboring countries, bringing benefit to both the investor and the host country. In much of its work, the WBG provides services to governments or other clients—such as private companies—that in turn provide goods and services to support the poor and/or the bottom 40 percent. In some contexts, the WBG is able to engage directly with the beneficiaries as active clients and partners, with a particular emphasis on women, youth, and vulnerable groups; this is direct empowerment of citizen-beneficiaries.

### **C. Supporting the Private Sector**

**50. The WBG will continue to help countries improve the business environment through institutions and regulations that are conducive to a vibrant private sector.** The WBG contributes to an improved business climate through policy dialogue and advisory and knowledge work, sometimes with associated funding to government. It helps build governments' capacity to engage with the private sector and implement policies (such as tax reforms and financial transparency) to reduce informality and discourage illicit activity. The WBG also contributes by helping increase access to finance through capital market development, including through bond issuances in local markets. Market development may require coordinated roles for both the public and private sectors—for example, extending financial intermediation to traditionally underserved market segments (i.e., households and SMEs) may require government actions in regulations, financial infrastructure, and payment programs, as well as private sector investments to support innovative business models.

**51. The WBG will continue to play an important role in directly supporting the private sector through financing and risk mitigation, often with accompanying advisory services.** The first priority is to allow the commercial market to provide the finance, so as not to undermine the private sector through subsidies and other distortions. However, in many cases—particularly in such difficult markets as low-income countries and FCS, and for innovative projects in middle-income countries—IFC, MIGA, and other private-sector-oriented multilateral or bilateral financing institutions can have a significant role. In other cases—for example, in particularly risky markets or segments—direct financing or risk mitigation from public-sector-oriented agencies such as the IBRD, channeled through governments, is needed.

**52. The WBG, with its ability to work across the public and private sectors, will increasingly promote public-private partnerships.** Such partnerships can contribute to improved basic service provision in areas—such as health, education, sanitation, and housing—that are essential for reducing poverty and boosting shared prosperity. Another area in which public and private partnerships can be expanded is climate change, where there is a clear justification for policy action to address a public good.

## D. Regional and Global Engagement

53. **The WBG will strengthen the strategic alignment of its regional and global engagements with the two goals.** As new issues have emerged that require collective action by the international community, the WBG has increasingly engaged at the regional and global levels. It has entered into many regional and global partnerships on a wide variety of issues, including global public goods or issues with significant regional or global implications (e.g., climate change, financial sector standards, health epidemics, food security, anticorruption, and data and transparency). Regional engagements have gained in importance, as the international community looks to the WBG to step in and encourage others to do so as well. Partners have called on the WBG for a range of regional and global services: to provide intellectual leadership and foster collective action; develop ideas, international standards, and global indicators; generate knowledge and operational solutions; convene or develop governance structures; influence agendas; and finance specific initiatives. These engagements represent an important opportunity for the WBG to make an impact on development, but this rapidly growing role also places additional demands on the WBG that it must ensure are aligned with the goals.

54. **The WBG must make provisions to continue its role as a major source of global development knowledge and data as a public service to the international community.** The WBG is increasingly providing a global public service by producing development data, such as statistics and indicators, and making them available. It is well regarded as a producer and disseminator of development research, knowledge, and data. The need for knowledge, research, and data is expected to grow as the international community demands more evidence to support a results-based approach to development. The WBG is well placed to provide these services, and has been rapidly increasing the content that it makes available, without charge, to the general public. Downloads from the WBG's databases have quadrupled in the past year; there are millions of users every year. Demand for these WBG services will likely grow as work in global commons areas increases. As an example, there will be greater efforts by partners to work together to improve the quality and coverage of indicators related to environmental sustainability and to support improvements in country systems that produce the underlying data.

## V. BECOMING A "SOLUTIONS WBG"

55. **Helping accelerate progress towards the two goals demands a new form of problem-solving engagement by the WBG**—one that moves definitively from a project mentality to a development solutions culture embedded in widely disseminated knowledge of what works and how to deliver it. Systematically supporting clients in delivering customized solutions that integrate knowledge and financial services and encompass the complete cycle from policy design through implementation to evaluation of results lies at the heart of the WBG's value proposition. Focusing on results and the science of delivery, seeking transformational engagements, and taking informed risks are all part of the development solutions culture. These will require steps to strengthen WBG leadership, organizational changes and shifts in incentives to facilitate the flow of knowledge and deployment of staff expertise, and improvements in the quality and management of the WBG's talent pool.

## A. Using Knowledge for Solutions

56. **More effective use of knowledge is the key to helping clients deliver multi-sector, multi-stakeholder solutions to the toughest development challenges.** The WBG has deep experience in tailoring its services to the needs of public and private clients, and integrating financial and nonfinancial services. However, making the shift to a systematic and rigorous development solutions approach will require the WBG to sharpen its use of knowledge, including in support of policy dialogue. Building on changes that have already been made (such as the reorganization of the IFC global industry practices in May 2013), the WBG will organize to facilitate the generation, sharing, and application of knowledge—from inside and outside the WBG—to ensure that clients benefit from the findings of worldwide research and experience, and to help build up local capacity to generate and use knowledge for development.

57. **The Bank will create global practices as the cornerstone of an agile global knowledge and talent organization.**

- Global practices will combine the established strengths of local delivery support with the ability to generate, share, and deploy knowledge globally, facilitating rapid response to client demands and focusing on cutting-edge development challenges. They will strengthen the mobilization, flow, and sharing of expertise and knowledge that is presently fragmented across geographic and sector units. Front-line teams will be supported by IT platforms and other tools needed for evidence-based decision-making and implementation. Global practices will also foster learning and career development for staff through greater mobility, stronger talent management, and better-connected professional communities. Certain global practices may be WBG-wide, if there is a business case. As the global practices are designed over the coming months, management structures and staff incentives will need to ensure a strong focus on multi-sector approaches to equip the WBG to address complex development challenges.

58. **The new global practices will be selected to reflect WBG comparative advantages, client demand, and evolving development challenges.** Maintaining the capacity to engage in sectors across the development agenda (Box 6) is essential to supporting clients in delivering customized, multi-sector solutions to critical development challenges. The organization of technical expertise into global practices will signal selectivity and an emphasis on multi-sector solutions. The choice of areas in which to build the practices will be based on evidence of alignment with the goals, the likely development impact, and comparative advantage, taking into account client feedback. The choice will also be guided by global trends, to keep the WBG at the cutting edge of development challenges. The global practices will evolve to reflect changes in development challenges, with the potential for dynamic entry and exit. The practices will sharpen decision-making about developing WBG technical expertise and staffing, identifying areas for investment in knowledge and learning in shaping the future of the WBG, and building partnerships with other actors that are based on complementary strengths.



### **Box 6. Sector Expertise across WBG Agencies**

Helping clients deliver development solutions to complex, multidimensional problems like urbanization hinges on the ability to draw in expertise from different sectors in an integrated manner.

For the Bank, maintaining capacity across multiple technical areas is important; withdrawing from entire sectors is not an option. Indeed, agriculture and infrastructure offer cautionary tales: the World Bank nearly exited the agriculture sector, only to scramble to ramp up in response to food crises and global food security concerns; and its engagement in infrastructure plummeted on the assumption that private sector solutions could fill the gap, only to be reinvigorated later. For the Bank, the focus within each sector changes continually with such factors as evolving development needs, shifts by other development actors and the emergence of new actors, and changes in the Bank's global role.

IFC and MIGA also intentionally shift their business in sectors, in line with the guidance provided by IFC areas of strategic focus and MIGA priorities—shifts that are monitored in annual business reviews. IFC's regional focus has shifted substantially; and on the sector side, decisions to focus on agribusiness, climate change, and micro, small, and medium-sized enterprises led to significant increases in program share. In manufacturing, IFC has increased its focus on areas where it had critical mass and more successful operations and reduced its focus on other areas.

## **B. Achieving Results through the Science of Delivery**

59. **Development solutions are about achieving results.** Over the last decade, the development community, including the WBG, has made significant progress in helping clients focus on results—developing new methods for measuring outcomes, rigorous evaluations of program impacts, and new results-oriented instruments—and advancing evidence-based policymaking. Yet more needs to be done to refine these tools, enable real-time learning and midcourse corrections, and generalize their effective use. The WBG needs to focus more specifically on how its engagements contribute concretely to reducing poverty and boosting shared prosperity, as well as how to monitor and measure results as a Group. One way will be by engaging more systematically with citizen-beneficiaries to gain insights on the results ordinary people most value, suggestions about potential risks and ways to address them, and feedback on the effectiveness of WBG-supported programs. The WBG is in a strong position to integrate citizen voice in development programs as a key accelerator for achieving results.

60. **The science of delivery centers on ensuring that the intended benefits of development solutions are realized in practice.** The science of delivery entails interacting with clients to help them deliver, sustain, and measure results; clients can then scale up the lessons learned from this experience. There are three facets to effective and efficient delivery: (a) ensuring that the goods and services promised do in fact materialize and are in line with expected costs, (b) evaluating whether these goods and services benefit the targeted citizens and result in the intended outcomes, and (c) adapting iteratively the chosen intervention as needed, or dropping it in favor of alternative approaches, until the desired impact (including cost-effectiveness) is achieved. As practitioners document delivery and measure outcomes, they will feed experience back to the global level, enabling others to learn and adapt their approaches. Over time, these cycles of learning and action can accelerate to help reduce poverty and build shared prosperity. The use of evidence and metrics to measure, learn, and adapt stands at the core of the science of delivery as a more rigorous, scientific approach to development. This implies rebalancing incentives toward deeper client engagement on implementation, monitoring and evaluation, and learning.

61. **To further the science of delivery and the results culture, the WBG will:**

- Continue the move that has been under way for several years to develop a body of knowledge and practice that recognizes the importance of local conditions and tacit knowledge to support “adaptive” practitioners who know that effective delivery is as much about the local and institutional dimensions of delivery as it is about the technical design of development solutions.
- Encourage institutions and partners worldwide—including through South-South exchanges—to capture and share tacit and implicit knowledge, as well as evidence from research and evaluation, and facilitate its migration from and to front-line implementers.
- Mobilize support for local implementation strategies via knowledge hubs, learning and research, innovation in impact evaluation, and a variety of approaches to diffusion of innovation and knowledge exchange.
- Actively engage with civil society and listen systematically to citizen-beneficiaries to enhance the impact of development programs, provide insights on the results ordinary people most value, and collect feedback on the effectiveness of WBG-supported programs.
- Establish a WBG results measurement community of practice, strengthen incentives to foster a culture of results, adapt results measurement systems to the requirements of multi-sector approaches, and address the challenge of measuring the impact of knowledge activities.
- Develop an internal WBG results framework, with the WBG Scorecard at the apex, and with the key elements being reflected down into the VPU/business unit and staff performance agreements, as appropriate, while allowing for VPU/business unit specificities. This framework is intended to strengthen the accountability for results throughout the WBG.

### C. Seeking Transformational Engagements

62. **The WBG will increase its emphasis on engagements that have the potential to have a transformational effect**—that is, to improve fundamentally the lives of poor and disadvantaged people. Transformational engagements may produce demonstration effects with potential for replication or scaling up; generate spillover effects on multiple sectors of the economy, including broader changes that increase government effectiveness or stimulate private investment; result in far-reaching, sometimes unanticipated, impacts; or help client countries, regions, or even the entire developing world shift to a higher and/or more sustainable development path (Box 7). These engagements are often multi-sector in design and often involve a mix of knowledge services, policy reform, and investment. Typically, such engagements involve very strong client ownership.

### **Box 7. Examples of Transformational Engagements**

Over the years, the WBG agencies, individually or jointly, have supported a wide range of activities that are now considered to have been transformational—from eradicating river blindness, to helping reform public procurement in China, to facilitating the scale-up of conditional cash transfer programs in Latin America and the adaptation of the model to other regional contexts. As the following additional examples illustrate, such activities have taken place in countries, across regions, and even globally.

**Country Impact.** Turkey’s Decade of Energy Sector Reform Program improved energy security through regulatory reforms, electricity market development, private investment, renewable energy, and natural gas development. The Bank has engaged since the 1990s with investment, advisory services, and policy lending; IFC has leveraged private sector investors. The program has resulted in billions of dollars of private investment for power generation and distribution, and transformed Turkey into a major regional transit hub for natural gas.

The Bujagali Power Project, approved in 2007, doubled Uganda’s electricity generation capacity. The joint engagement of IDA, IFC, and MIGA crowded in one of the largest private financings in the power sector in Sub-Saharan Africa. Partnering with the Government of Uganda and other aid agencies, the WBG provided \$800 million in financing and guarantees, while ensuring environmental, social, and economic due diligence. Bujagali established a model for WBG collaboration in the power sector that is being replicated in other IDA countries.

**Regional Impact.** The Efficient Securities Markets Institutional Development (ESMID) program is a multi-Region, joint WB/IFC effort to develop securities markets to provide financing for infrastructure, housing, and private sector growth. To date, ESMID has facilitated \$950 million in bond issues in East Africa and has supported the development of a regional bond issuance framework. The time needed to approve bond issues in Kenya and Tanzania has dropped to 45 and 60 days, respectively, from about 270 days. ESMID has also supported the establishment of a regional institute that has trained over 2000 participants.

**Global Impact.** The Equator Principles are a set of voluntary standards, based on IFC’s Performance Standards, that the banking industry uses to address environmental and social risks in project finance. Introduced in 2003, the Principles have become the de facto gold standard in the project finance marketplace.

The Bank’s path-breaking initiatives on information disclosure have served to increase transparency in development finance worldwide, spurring other development agencies to publish more operational data. The WB’s landmark policy on Access to Information (2010) makes public information about project activities, financial flows, analytic and advisory activities, and Board proceedings. The Open Data Initiative ensures free and open access to development statistics. Bank adherence to the International Aid Transparency Initiative provides users with access to data in a machine-readable and globally comparable format—data that country clients have used in macroeconomic policy, fiscal planning, and budget management.

63. **There is clearly scope to be more ambitious in seeking transformational engagements while recognizing the added costs, longer time horizons, and risks of failure.** Transformational engagements generally involve greater risks and require longer time horizons to realize results. Indeed, some transformational engagements are not identifiable ex ante, as the true transformation is not apparent until after completion of the activity. In certain cases, a sequence of incremental steps might appear not to be transformational at first, but eventually leads to transformational results when carried out consistently over time. Most transformational engagements entail partnerships in which the WBG may play a leading or supporting role. For a growing number of client countries, transformational engagements are about regional integration, involving both game-changing investments and action to address policy constraints that require a coordinated response by several countries. In many instances, transformational activities originate from outside the WBG—that is, the WBG is not the source of the transformation but helps scale up success or play a connector role, communicating a successful experience to other clients. The WBG can expand its role as a platform to disseminate and/or scale up the impact of external development innovations with transformational potential.

64. **Greater emphasis on transformational engagements will increase development impact.**  
The WBG will:

- Undertake measures based on pilot work already under way to help identify engagements with potentially transformational impact.
- Establish guidelines for planning and budgeting for potentially transformational engagements, identifying and monitoring their risks, and tracking and learning more systematically from the outcome of these engagements.
- Review how the WBG's products can better support potentially transformational engagements.
- Provide staff with the resources and incentives to work on these (often long-term) engagements, and develop mechanisms to monitor their progress and outcome. This will involve commitment and clear signaling by WBG Senior Management.

#### **D. Taking Smart Risks**

65. **In shifting to a “solutions” culture, the WBG needs to focus on smart operational risk-taking while preserving its internationally respected fiduciary, integrity, and safeguards norms.** Risk aversion leads to missed opportunities and limits the ability to maximize development impact, including by carrying out experimentation and innovation in the search for optimal development solutions. The WBG's complex operational risk management structure, time-consuming compliance, and inadequate support to teams for risk management reduce operational efficiency and limit the institution's comparative advantage. The WBG needs to manage risk better to focus on development impact, increase delivery speed, and improve agility. The key is to change the risk culture for operations and reduce the costs of doing business. IFC is ahead of the Bank in this area; because IFC and MIGA clients and products are different, the institutions approach risk differently. Smart risk-taking will help clients to strengthen their capacity, and it will require an accountability mechanism that complements compliance with a focus on outcomes.

- A unified operations risk management framework will be established that is focused on client systems and results. The unified approach will shift the focus to the risk to development results, with client risks and the use of client systems and institutions at the center. It will deepen and expand the new accountability framework, establish clear risk tolerances at the portfolio level with clear escalation protocols for decision-making, and introduce a simplified tool focused on key risks to development objectives that are mapped to a consistent set of risk categories.
- The WBG will take actions to instill and nurture a culture of informed risk-taking: develop a common set of values and behaviors, implement a culture change process, step up peer learning, and cut churning on high-risk activities with potentially transformational impact. It will put in place an institutional structure (including policy formulation and interpretation) that supports informed risk management and moves resources to work directly with clients. It will also work to improve the effectiveness of

WBG management interaction with such oversight entities as the Inspection Panel and the Integrity Vice Presidency.

## VI. OPERATIONALIZING THE GOALS AT THE COUNTRY LEVEL

66. **Operationalizing the goals means working with clients to help them identify and address the biggest challenges and opportunities to reducing poverty and building shared prosperity in a sustainable manner.** The emphasis is on working as One WBG, with each agency adapting its specific business model to ensure alignment with the goals, maximum development impact, and comparative advantage. For the Bank, this means improving the focus of country programs within the existing model, based on country demand and international principles of aid effectiveness. For IFC and MIGA, it means guiding decisions about investment and advisory services by the two goals and exercising selectivity within their strategic focus areas. For private sector clients, alignment with the goals through selectivity will be based on the principles of development impact, financial sustainability, leverage, and additionality. For the WBG as a whole, it means stepping up regional coordination to enhance collaboration at the country and regional level. Operationalizing the goals will be a difficult challenge involving extensive stakeholder participation, learning by doing, and adapting the approaches over time.

### A. Improving the Focus of Country Programs

67. **To help country clients accelerate progress toward the goals in the context of their national development programs, the WBG will improve the focus of its country programs.** A strength of the WBG is supporting countries with strategy and advice. While today's country strategies are broadly aligned with the WBG's mission, it needs to provide clients with more coordinated and focused programs: activities and interventions need to be better prioritized according to their expected impact on the goals. In particular, the WBG needs to move away from internal supply pressures to carry out specific programs and establish an effective mechanism to reconcile country demands with the goals. Better planning and execution are essential, with more attention devoted to appraising evidence, using knowledge, and applying midcourse corrections as needed. Finally, improved quality control and monitoring are critical to enhance accountability and learning—in this context, greater attention needs to be paid earlier on to ensuring the evaluability of programs, and to strengthening capacity for monitoring and evaluation.

68. **The WBG will establish a more evidence-based and selective country engagement model.** At its core, the new engagement model seeks to maximize the use of evidence and analysis to help country clients focus on the challenges of meeting the two goals in the context of country ownership and national priorities, and in coordination with other development partners at the country level. The model comprises three main elements:

- *A Systematic Country Diagnostic (SCD)* that uses data and analytic methods to support country clients and WBG teams in identifying the most critical constraints to, and opportunities for, reducing poverty and promoting shared prosperity sustainably, while explicitly considering the voices of the poor and the views of the private sector. The SCD will build on available analysis and diagnostic work—including government studies, WBG reports such as Country Economic Memoranda and Poverty Assessments, and studies by other development partners—a key distinction being that SCDs will focus on

the two goals, and on identifying the most critical, pressing actions, not a comprehensive list of policy recommendations. The SCD's findings will guide policy dialogue with country authorities, and can be widely disseminated to encourage coordination with development partners and dialogue with domestic stakeholders.

- *A Country Partnership Framework (CPF)* that will describe focus areas for WBG support, aligned with the country's own development agenda and selected primarily to address the key constraints and opportunities identified in the SCD, bearing in mind client demand as well as the comparative advantages of each WBG agency and other development partners. For each focus area, the framework will outline the most promising interventions, the underlying working hypotheses and supporting evidence, expected outcomes, and lead indicators. This more rigorous emphasis on the analytical framework and evidence-based alignment with the goals distinguishes the CPF from the current Country Partnership Strategy/Country Assistance Strategy (CPS/CAS) that it will replace. Implementation plans supporting the CPF will guide how country teams aim to achieve the results set out in the CPF, including the broad mix of anticipated WBG services. These plans will facilitate collaboration within and across sectors and WBG institutions.
- *Performance and Learning Reviews* will identify and capture lessons from implementation to determine midcourse corrections, end-of-cycle learning, and accountability, as well as to help build the WBG's knowledge base, including effective approaches for integrating inclusion and sustainability dimensions (including gender and environmental sustainability) into the SCD and CPF. They will replace Country Portfolio Performance Reviews and CPS/CAS completion reports, and will provide inputs for subsequent diagnostics.

69. **Implementing the CPF will be challenging, and there will be a need to adapt it to specific country circumstances.** First, country ownership will remain critical. In situations where the alignment between country demands and the goals remains unclear, the WBG will work with country clients to deepen the analysis, understand the political economy, and pursue dialogue in an effort to help clarify the most appropriate and promising pathways toward the goals and build social consensus. Second, partnerships will be essential. WBG country teams will work with key partners at the country level, including the IMF and MDBs, encouraging them to engage in the SCD process and seeking their input into the formulation of CPFs where appropriate. Third, data availability will be a limiting factor, particularly in countries with weak country statistical systems: only one-quarter of WBG member countries have adequate capacity and data to assess progress in poverty reduction and shared prosperity, and to account for sustainable development. Working with development partners, the WBG will launch a new initiative under which member countries will be requested to gather relevant data and improve access to and dissemination of these data through a global database.

70. **The new CPF will be accompanied by action to enhance its effectiveness in practice:**

- A clearly defined monitoring and incentive framework will be established for each CPF to set targets, assess progress, and reward selectivity, results, and learning.

- New planning and budgeting guidelines will support selectivity and provide for cost-effective implementation of the CPF.
- A new support and review process will be introduced to provide necessary quality control for the SCD and CPF.
- Priority will be accorded to building staff capacity and skills to use the new instruments (SCD, CPF, and Performance and Learning Reviews) effectively.
- Initial funding has been allocated in the FY14 budget for the global initiative to improve country data on poverty, shared prosperity, and sustainability.

## **B. Strengthening WBG Regional Coordination**

71. **The WBG will strengthen regional level coordination among the Bank, IFC, and MIGA.** Improved WBG coordination is a key issue: currently, priorities are rarely set by and for One WBG, and coordination of activities at the country and regional level is often ad hoc. To address this, a new Regional Coordinating Mechanism (RCM) will be introduced to complement the CPF. The RCM will recognize that the Bank operates primarily at the country level, while IFC sets priorities, programs, and results at the regional level and MIGA determines its operational focus at the sector level. The RCM will also help the WBG improve its engagement with regional institutions and enhance the focus on regional projects with potentially transformational impact. It will build on the successful attempts to improve coordination of activities that have been emerging in certain Regions. Under the RCM, Bank and IFC Regional Vice-Presidents and the MIGA Vice-President will meet quarterly to agree in which countries to carry out joint SCDs/CPFs, and in which focus areas to have joint implementation plans.

## **VII. WORKING WITH PARTNERS TOWARD THE GOALS**

72. **Meeting the goals demands deepening partnerships that bring together the resources, expertise, and ideas of actors across the development spectrum.** No one agency alone can help countries reach the goals, and the WBG will promote a call to action for all development actors to work in concert. Partnerships need to operate on every scale, from multibillion dollar programs with global constituencies to village cooperatives. The WBG's engagement with constituencies on issues across the development spectrum allows it to help bring together the development community to support transformational development solutions and focus on results. However, this requires the WBG to deepen its role in promoting partnership, ensuring strategic alignment of its partnerships with the goals, and making provisions for partnerships to be adequately resourced and managed.

### **A. Working with Partners**

73. **The Bank, IFC, and MIGA have participated in a wide variety of partnerships for development.** Partnerships provide an opportunity to engage with diverse actors, including CSOs, multilateral and bilateral agencies, academic institutions and think tanks, foundations, and the private sector. They provide a way to harmonize development policies and practices—at the country level around country priorities, and at the regional and global levels. Partnerships help shape the global development agenda (e.g., gender, climate, green growth, global health, governance and

transparency) and help ensure that the development community speaks with one voice. They foster collective action, develop ideas, and promote international standards. Partnerships represent a broad range of collaborative relationships. For example, the WBG is:

- Working with better-off developing countries that are increasingly providing knowledge, experience, and, in some cases, finance to the poorest countries. The WBG supports these emerging partners, encouraging South-South exchanges.
- Working at the country level with governments and partners to ensure that approaches are well coordinated and contribute to national development priorities; and collaborating with CSOs, local communities, nongovernmental organizations, and grassroots organizations to foster ownership, delivery, and feedback.
- Engaging in institutional partnerships (e.g., the UN for FCS and the EU for accession countries) that focus on specific development issues for certain client segments.
- Partnering with international bodies and other actors to advance issues such as governance and anticorruption, SME finance, capital markets, finance for women, road safety, food security, urban development, and inclusive business.
- Partnering with development finance institutions, including by participating in, and sometimes managing, investment vehicles.
- Collaborating with the IMF and other MDBs to share standards, cofinance projects, and together influence the broader development agenda.
- Entering into partnerships with foundations to share good practice, convene key stakeholders, and develop programs.

74. **There has been a surge in partnership programs in the WBG over the past decade.** In 2011, some 186 Bank programs received close to \$7.5 billion in donor contributions and disbursed \$6 billion. This substantial role illustrates that development partners have confidence in the WBG to provide fiduciary oversight, entrée into country programs, and support for global agendas and international standard-setting. Trust funds—with funding from donors, other multilaterals, and increasingly from private foundations/philanthropy—account for one out of every 10 dollars the Bank disburses to client countries today. They support nearly one-quarter of the Bank’s administrative spending and are now solidly embedded in the Bank’s fiduciary controls and operational systems. Trust funds are also an important instrument for IFC, particularly for helping clients prepare and manage investments.

## **B. Aligning Partnerships with the Goals**

75. **Achieving the goals entails new partnership efforts to mobilize the international community.** Successfully overcoming the toughest development challenges to ending poverty and building shared prosperity requires collective action at all levels. The WBG will lead or follow others, as appropriate. Particular emphasis needs to be placed on relationships with other multilateral organizations, notably the UN agencies and the other international financial institutions. An



encouraging example of such engagement is the regional partnership to promote peace and security in the Great Lakes Region of Africa, which can serve as a model for other FCS (Box 8).

**Box 8. Partnering in the Great Lakes Region of Africa**

*The Peace, Security and Cooperation Framework* brokered by the AU, SADC, and the UN was signed in February 2013 under the auspices of the UN and the AU.

*The United Nations Secretary-General* appointed a Special Envoy for the Great Lakes Region to work with the parties to the Framework to deliver on their commitments.

*The European Union* is a long-term supporter of regional institutions and programs in the region.

*The African Development Bank* is pursuing a strategy of regional infrastructure and capacity.

*The European Investment Bank* is supporting infrastructure.

*The WBG* has proposed a comprehensive package of support of about \$1 billion, including the potentially transformational Rusumo hydropower plant for which US\$340 million in IDA funds was approved in August. The project will:

- Generate 80 MW to be equally shared among Burundi, Rwanda, and Tanzania and develop the transmission network that will enable power interchanges in the region.
- Be the first of its kind in East Africa that involves three countries with major energy deficits.
- Save on expensive thermal power with considerable economic, social, and environmental benefits.
- Feature an agreement to structure the project as a publicly owned but privately managed operation.
- Support regional integration that will help build confidence for the region's peace, stability, security, and development.

76. **The WBG needs to ensure that its partnerships are well aligned with the goals and that they draw on its comparative advantages.** To date, fund-raising has been largely decentralized, and there has been little focus on corporate management of partnership programs. There is a need for more strategic decision-making around which partnerships to take on, what partnership programs to host, what roles the WBG should play, what type(s) of financing mechanism(s) to use, and when and how exits should be considered. Partnerships need to be able to demonstrate clear impact on global agendas and country programs. The WBG also needs to ensure that its global engagements complement country programs and that any conflicts are productively reconciled. The decision-making process for partnership programs—regional or global initiatives financed through trust funds—needs an explicit strategic focus, and institutional responsibilities for oversight of partnership programs across the WBG need to be clarified. Trust funds and partnerships must be managed to contribute to and align with the WBG's country-based work and global program initiatives, whether by facilitating innovation, scaling up operations, or enhancing donor harmonization.

77. **The Bank has launched the next phase of trust fund reform and developed a management framework that will strengthen the strategic focus for partnership engagements.**

- The new management framework for partnership programs provides for more consistent decision-making based on greater clarity about the Bank's roles and accountabilities and about the choice of financing mechanism, with special attention to financial intermediary funds. It takes a "life-cycle" approach based on three phases: (a) identification, preparation, and approval; (b) operational and portfolio management of ongoing partnership programs, including robust results frameworks and ongoing risk management; and (c) planning and managing possible exits. The framework emphasizes strategic alignment, oversight, and risk management.

- The next phase of trust fund reform will center on ensuring that trust funds support progress toward the two goals. A more coordinated fund-raising approach and the new strategy-driven budgeting process will provide opportunities for integrated revenue and expenditure planning, thereby strengthening the strategic alignment of trust funds.

78. **Reforms to strengthen the strategic alignment of trust funds and partnership programs will set the stage for managing WBG global engagements as more explicit business lines.** This involves establishing clear policies for budgeting, cost recovery, and results monitoring of WBG global engagements. Ensuring that global engagements are managed as well-defined business lines will enhance their development impact and sustainability.

### C. Partnering with the Private Sector

79. **Private sector resources and expertise are critical to achieve the goals.** Given the scope of the development challenge and the limited resources of its agencies, the WBG must crowd in the private sector on a much greater scale than in the past. In addition to increasing financial resources, partnership with the private sector can create jobs, transfer technology, build skills, and promote innovation and entrepreneurialism. The WBG is using multiple mechanisms to help scale up impact in the private sector: (a) mobilizing international and local capital, (b) leveraging partnerships, (c) setting global standards, (d) supporting improvements in the investment climate, and (e) seeking projects with potential to promote innovation, generate demonstration effects, and/or have transformational impact.

80. **The WBG has long-standing experience in mobilizing private partners, and plans to expand these efforts.** All WBG agencies partner with the private sector. For example, IBRD's pioneering of green bonds, followed by IFC and other issuers, has catalyzed the new green bond market that helps mobilize increased private capital for climate-smart projects. Through the syndication program, the Asset Management Company, and other initiatives, IFC is working to extend its cofinancing platforms to sizable pools of alternative investors such as sovereign wealth, institutional, pension, and philanthropic funds. Increasingly, other development finance institutions are investing side-by-side with IFC. MIGA works intensively with other insurers to create capacity and manage risk, especially in large and long-term projects. MIGA also frequently works alongside other development institutions—especially national export credit agencies—to help structure projects and catalyze productive investment, and it is significantly expanding its efforts to mobilize capital through insurance products.

81. **The WBG will strive to further leverage resources and partnerships in the private sector.**

- The WBG is expanding its activities in capital market development and financial products, exploring innovative ways of financing infrastructure and other projects. It is also exploring scaling up its work on financial access by firms and households, and increasing support across the WBG through the new Financial Development Council.
- IFC is launching a client relationship model to develop long-term partnerships with clients according to their potential for development impact and their contribution to IFC profitability. Many IFC clients are now actively involved in programs to enhance the

development impact of their operations. Under the new model, key partners will be mobilized for each industry group and type of advisory service. This presents an opportunity for IFC to engage more deeply with clients to share knowledge on development and results, and potentially to work with them in a partnership to invest in and grow their businesses with a focus on development impact.

- Working with partners is an essential part of MIGA's business model. MIGA has set up arrangements to expand its business development reach through such methods as a formal cross-marketing agreement with the IFC and World Bank Treasury. Given the nature of the guarantee business, which revolves around leveraging, MIGA will continue developing such partnerships to scale up new business and increase impact.
- There is scope for expanding the use of guarantees across the WBG, particularly for large infrastructure projects.

## VIII. WORKING AS ONE WORLD BANK GROUP

**82. Working as One World Bank Group focused on the goals is vital to the WBG Strategy.** Building on recent actions to integrate corporate support functions, collaboration across the WBG will be increased systematically, and planning and budgeting processes will be better coordinated at the corporate level. The WBG has identified specific areas for greater collaboration—from business planning to transformational projects to joint corporate focus on key emerging development issues. These initiatives will be reinforced by stepped-up efforts to align policies and practices and promote changes to the operational cultures of each agency to recognize and appreciate how working together will benefit the world's poor and disadvantaged people.

**83. It will take time, concerted effort, and a continual change process to realize the full potential of working as One WBG.** There is a solid basis for deepening collaboration significantly while maintaining the individual identities, distinct client focus, and particular strengths of the Bank, IFC, and MIGA. The lessons learned from earlier initiatives to improve collaboration at the institutional level guide current efforts (Box 9). These lessons suggest that (a) Management

### Box 9. Initiatives to Improve WBG Collaboration

Past attempts to increase collaboration among the Bank, IFC, and MIGA have met with varying degrees of success. Senior Management Committees existed in various forms between 1989 and 1999. A number of joint departments have been set up and subsequently disbanded over the past two decades: global industry departments, Private Sector Development and SME Departments, and the Privatization Advisory Department. A few business units are currently joint, including the Investment Climate Department, the Global Indicators and Analysis Department, the Financial and Private Sector Development Vice-Presidency, and the IFC-MIGA Business Development Unit. Between 2008 and 2011, the IDA-IFC Secretariat made progress on a number of specific initiatives to improve WBG collaboration, but many of them were stalled when the Department was disbanded.

MIGA and IFC have also attempted to increase incentives to collaborate. In FY10, MIGA and IFC established a formal business development partnership through which both institutions leverage their strengths to offer more seamless service to private sector clients and provide innovative solutions to countries. IFC brings its global presence, extensive client base, and wide range of investment products, while MIGA brings its unique set of political risk guarantees and understanding of the dynamics and management of political risk.

In December 2012, the decision was taken to integrate corporate support functions—Human Resources, External and Corporate Relations, and Information Technology Solutions—across the WBG to make the best use of resources, professional skills, and institutional knowledge. The new WBG Integrated Services organizational structure was launched in July 2013.

signals for collaboration at all staff levels must be strong; (b) collaboration at the management level needs to be clearly established and exercised; (c) constructive relationships and trust must be fostered among staff working across the WBG; (d) greater effort is needed on aligning strategy and planning to complement alignment at the project level; and (e) compatible systems, such as IT and knowledge management, are required to enable collaboration.

### A. Scaling up Collaboration

84. **Working as One WBG means scaling up collaboration.** Enhanced collaboration will better exploit synergies and will also ensure uniform messaging to governments with respect to the appropriate mix of private and public provision, particularly for sectors such as social and physical infrastructure, the financial sector, and rural/agricultural development.

85. **The new CPF will mainstream joint business planning as the backbone for strengthening operational collaboration.** Better operational collaboration will reinforce the impact of WBG activities on the two goals. The Regional Coordinating Mechanism under the CPF will provide the key platform for strengthening joint planning. Regions, with East Asia and Pacific in the lead, have begun carrying out joint planning efforts focused on prioritizing joint country-level activities. Joint business planning will also build on ongoing efforts at the sector level. For instance, in 2009, a Bank-IFC team developed a joint strategy and action plan for development of Lao PDR's hydropower resources. More recently, a joint IDA-IFC-MIGA team developed a comprehensive Energy Business Plan for Nigeria. MIGA has moved toward collaborative planning, primarily through alignment with Bank and country priorities. MIGA's underwriters consult with Bank colleagues to ensure that proposed projects are fully consistent with the country strategy and policy dialogue with the government.

86. **The WBG will increase the number of joint projects.** At present, the level of collaboration is low: out of over 400 IFC projects annually, approximately 20 are joint projects, representing only about one percent of Bank lending. There is somewhat more collaboration on advisory services: 15-20 percent of IFC's advisory projects involve collaboration with the Bank. Broadly speaking, there are two types of joint WBG projects: (a) *joint financing of a single project*, a recent example of which is the Kenya Private Sector Power Generation Support Project (2012), which uses IFC's long-term debt, IDA partial risk guarantees, and complimentary MIGA guarantees for commercial financiers to mobilize private sector financing as a key element of the risk mitigation framework to support the country's independent power producer program; and (b) *a sequence of projects* with a shared objective and strategy, utilizing a range of WBG products and services—for example, development of the water sector in St. Lucia over the course of 2001 to 2010. Both types of joint projects need to be scaled up.

- Given the vast needs for infrastructure in client countries, the WBG will explore mechanisms to promote a stronger pipeline of joint infrastructure projects.

87. **To support scaling up, the WBG will review its portfolio of products and services to improve synergies and eliminate overlap.** The extensive portfolio of products and services across the WBG has greatly facilitated customization to different clients and filled a variety of development gaps. However, as the WBG agencies have often undertaken product development in isolation of each other, there are inevitable overlaps in some products and services.

- As a start, the WBG has launched a review of its range of advisory services to governments related to private sector development, with a view to clarifying and rationalizing responsibilities, maximizing effectiveness, and bringing high value and timely service to clients.

**88. Efforts at the regional, country, and project levels to scale up collaboration must be complemented by changes in incentives, enabling policies, and practices, and by training.**

- WBG management intends to set objectives and measure collaborative behavior, and to reward staff for it. Corporate metrics will be developed, such as an indicator that captures inter-institutional mobilization among the Bank, IFC, and MIGA that can be tracked and reported in the WBG Corporate Scorecard.
- WBG safeguards are highly valued by many clients and stakeholders, but different environmental and social policies (the Bank's Safeguards and IFC's Performance Standards, which MIGA also uses) hinder the ability to work effectively as One WBG. Moving to harmonized policies for the WBG, following IFC's performance-based approach—in a manner that is consistent with the Bank's Articles of Agreement and recognizes the different needs of public and private sector clients—will promote better coordination. This process will take into account the results of the Bank's ongoing safeguards review and consultations process.
- WBG management has recently issued inter-institutional guidelines for managing operational conflicts of interest as part of its broader push to promote collaboration and in response to perceptions of conflict of interest as a reason to not engage with the other agencies.
- WBG management will launch an initiative to develop training modules on WBG products and services and embed them in existing training programs to address the broad lack of knowledge and understanding at almost all levels of staff about what each agency does and what products and services are offered.

## **B. Joint Learning and Collaboration**

**89. The WBG has an established track record of investing in thinking and learning around key development issues to equip the institution to pursue its mission.** Yet this has been accomplished primarily at the agency level; only infrequently have the WBG agencies joined forces at the corporate level to focus on a particular development issue or to promote innovation. As the WBG now focuses on well-defined goals, its agencies enhance collaboration, and global practices are established, this is an opportune time to consider important issues emerging on the development horizon in which the WBG can make a difference by shaping thinking about how best to promote growth, inclusiveness, and sustainability.

**90. In support of the goals, Management is considering a small number of development issues for which to step up joint learning and collaboration.** These are issues on which work may be ongoing within each agency, but for which enhanced joint collaboration is expected to support achieving the goals. The issues will be selected because they will position the institution to respond to global trends and could have potentially transformational impact on the two goals.

Internally, they will further collaboration and learning across the institution and help build institutional comparative advantage. Stepped-up learning and collaboration are expected to result in improved evidence of impact on poverty and shared prosperity; new products (e.g., toolkits and innovation); enhanced core capabilities; changes in systems and processes; and/or improved ways of working across the WBG. These areas have the potential to influence global discourse and could position the WBG to take leadership on key development issues. Over time, the results of stepped-up learning and collaboration may be reflected in operations, although not in every country program. Management intends to develop a governance framework for these issues, and to review them regularly as part of the corporate planning process.

91. **Management is currently considering four issues for joint WBG learning and collaboration.** The first is *fragility and violence*: joint learning and collaboration would focus on ideas to improve social sustainability and build safer communities and enhanced livelihoods, including through citizen/community security, slum upgrading, reducing urban violence, and improving the lives of and creating jobs for marginalized groups. The second is *connectivity*, for which joint work would look at ideas to link poor and disadvantaged people with opportunities, including through trade, infrastructure, and financial networks—linking households and businesses to services, markets, and economic activity at the local, national, and global levels, and increasing the resilience of these networks. The third issue is *climate change*, which would focus on scaling up action on low-carbon climate-resilient cities, climate-smart agriculture and sustainable energy; building capacity and evidence to shape climate-resilient development; improving financing flows and pricing; and global advocacy for climate action. The fourth issue is *gender*, which could address such topics as gender-based violence, inequality at work, and discrimination under law.

## IX. OUTCOME OF THE STRATEGY

92. **The Strategy envisages a WBG that has catalyzed the development community to seize the opportunity to win the age-old struggle against poverty and exclusion.** The repositioned WBG will have adapted to the mega-shifts in the global development landscape. Working with partners, and working with a renewed spirit of internal cohesion and efficiency, the repositioned WBG will systematically support countries in identifying and implementing tailored development solutions that serve poor and vulnerable people as they build a better future for themselves and their children. It will have demonstrated its enduring value as the world's unique global multilateral development institution.

### A. Key Outcomes of the Strategy

93. **The Strategy sets out the vision for a repositioned WBG that helps clients address the most difficult challenges to reducing poverty and building shared prosperity.** The repositioned WBG will:

- Align all WBG activities and resources to the two goals, maximize development impact, and emphasize WBG comparative advantage.
- Operationalize the goals through the new country engagement model to help country clients identify and tackle the toughest development challenges.

- Be recognized as a Solutions WBG offering world-class knowledge services and customized development solutions grounded in evidence and focused on results.
- Seek transformational engagements and take smart risks.
- Promote scaled-up partnerships that are strategically aligned with the goals, and crowd in public and private resources, expertise, and ideas.
- Work as One World Bank Group committed to achieving the goals.

## B. Implementing the Strategy

94. **The Strategy will be carried out through implementation plans that support an effective and efficient WBG.** The forthcoming Implementation Paper will describe the needed changes in structures, systems, and business processes, as well as the timetable and actions for carrying them out. It will build on the earlier Bank modernization effort and the progress made by IFC and MIGA in recent years, and cover the ongoing change process across the institution. Many of the change elements underpinning the Strategy will be rolled out in the coming months, but some may not be fully implemented for 1-2 years.

95. **Implementation of the Strategy and the change process will be monitored regularly through the revised Corporate Scorecard.** The apex of the revised Corporate Scorecard will measure joint WBG results. It is envisaged that this apex will comprise (a) country-level progress toward the two goals in the context of environmental, social, and economic sustainability, (b) WBG contributions to these goals, and (c) internal WBG effectiveness indicators that will track strategy implementation and the ongoing change process (Box 10). The indicators in this WBG apex will cascade down into indicators for each of the WBG agencies in their individual scorecards. As a living document, the revised Corporate Scorecard will be improved and refined over time. The WBG will also use the annual Global Monitoring Report to report on global and country-level progress in ending extreme poverty and promoting shared prosperity sustainably. Finally, the WBG will continue to conduct regular client surveys to gauge the degree of client satisfaction as the ultimate measure of success.

### Box 10. Potential Areas for WBG Strategy Results Framework

#### Tier One (country-level data)

- Poverty goal
- Shared prosperity goal
- Sustainability indicators – environmental, social and economic

#### Tier Two

*Draw on existing Tier Two indicators common to all agencies, e.g.*

- Private capital mobilized by WBG
  - Number of people reached by infrastructure services
  - Additional indicators will be inserted
- (to be updated and refined by new global practices)*

#### Tiers Three and Four

*Possible areas for monitoring could include:*

- Leveraged resources
- Transformational projects
- One WBG – joint projects and regional business planning
- Improved knowledge flows
- Systematic country diagnostics
- Greater strategic alignment of partnership programs

96. **The repositioned WBG will be supported by a realigned financial strategy based on the principle of financial sustainability and supported by a One WBG approach that will better serve clients.** A significant scaling up of the financial strength of the WBG is vital to effective implementation of the WBG Strategy and the institution's ability to play a leadership role. The magnitude of the resource needs will require the WBG to work closely with other partners, both public and private. Accordingly, although the WBG does not face immediate financial concerns, its financial capacity will need to be strengthened. To this end, the WBG's financial model will be realigned to strengthen financial sustainability and expand financial capacity. Efforts to achieve these two interrelated and mutually reinforcing objectives will be underpinned by a collaborative One WBG approach that draws on the comparative advantages of each of the WBG institutions, so that together the WBG is able to do more than when each agency works separately. Accomplishing this realignment will require consideration of measures on revenues, costs, and financial capacity, to increase financial resilience as well as grow the WBG's ability to do more. Some measures can be implemented immediately, while others will require more work and consensus-building among shareholders. Over time, these efforts will result in a leaner, more efficient, and financially stronger WBG that is better positioned to serve its clients.

97. **Resources will be aligned to the Strategy, and WBG efficiency will be improved.** A new budget process will align resources with the Strategy and goals. It will capture all revenues and expenses; support increased coordination across the WBG; focus on results; strengthen incentives for cost savings, revenue enhancement, and selectivity; and provide more flexibility. It will be simplified and streamlined. Efficiency will be improved using a three-pronged approach: (a) a right-sizing exercise will reduce costs and complexity, enhancing the WBG's ability to target resources to areas of strategic focus; (b) the WBG will aim for greater (or full) cost recovery on stand-alone fee-based businesses and trust funded programs; and (c) consideration will be given to rationalizing budget-funded grants. The right-sizing exercise will use objective benchmarks to tie the size and composition of units across the WBG to the Strategy. The overall goal of the initiative is a net reduction in costs while retaining or expanding the capacity to deliver value to WBG clients (this may require some targeted reinvestment). The scope will cover all activities: core operational functions as well as finance, administrative, and corporate functions. The work will be closely integrated with the development of the global practices to ensure that the implementation is cost-effective. The FY15 budget will reflect the prioritization and sequencing to be outlined in the Implementation Paper, and will bring together the right-sizing exercise, the work on global practices, and the other elements of the change agenda.

98. **Steps to strengthen WBG leadership, values, and culture will help drive implementation, together with improvements to human resource management and the WBG's global footprint.** A leadership vision and revised values charter will guide all staff in implementing the Strategy. Dedicated and experienced staff represent the WBG's most important asset. While WBG staff are generally highly motivated, there is a need to improve the management of this global talent pool. Reforms will focus on (a) improving managerial effectiveness; (b) proactively managing careers and talent; (c) rewarding and recognizing staff differentially on the basis of their performance, skills, and market valuations; and (d) leveraging the WBG's global workforce. The aim is to move the WBG toward a performance-based culture and world-class talent management to ensure that the right people are in the right place at the right time, and doing the right things in support of the two goals. These reforms will be complemented by action to support increased mobility of staff and improve connectivity and



knowledge flows through investments in technology. Decisions on optimizing WBG field offices will follow the design of global practices and development of the realigned financial strategy.

99. **While the opportunity is historic, bold steps will be needed by all stakeholders and the risks are multifold.** The WBG faces significant risks to delivering on its commitment to the two goals, particularly if it falters in implementing the actions identified in the Strategy. Management will need to meet its commitment to keep the WBG relentlessly focused on the goals, to offer clients world-class development solutions, and to operate truly as One World Bank Group, as well as to move ahead with changes to make the organization more efficient and stronger. Continued strong engagement with the Board of Executive Directors and the Governors will be decisive to address key areas such as the budget and financial sustainability, and to support the shift to a “Solutions WBG.” Achieving the goals will depend on each member government and the international community as a whole demonstrating the political will to focus on the poor and disadvantaged, and to act in partnership with the private sector and civil society. Effective global action will require that all countries and multilateral institutions demonstrate a renewed capacity to collaborate. Together, we can do what it takes to end poverty and build shared prosperity in our time.