



Chapter 1

Strategy and Action

Strategy and Action

The World Bank consists of IBRD and IDA, international financial organizations whose common mission is to fight world poverty. The Bank comprises 184 shareholder countries. To assist its client countries in achieving sustainable development it harnesses resources and forms partnerships with others, including development lending institutions and civil society organizations (CSOs).

Development involves change. It requires learning about what works and what does not work in a particular circumstance, and then building the capacity for applying that knowledge throughout an economy. By taking what has been learned and using the available instruments and resources, the Bank can achieve outcomes that are appropriate to the challenges at hand. In its decades of experience, the Bank has recognized several common factors associated with overall progress in development. These factors—the basis for the Bank’s strategy—are the following:

- *An active state* with good governance in both the public and private sectors fosters an environment where contracts are enforced and markets can function; basic infrastructure works; there are



provisions for adequate health, education, and social protection; and people are able to participate in decisions that affect their lives.

- *Empowerment* ensures that all people have the ability to shape their own lives, by providing opportunity and security and by fostering effective participation and social inclusion.
- *Economic growth* is essential because countries that have reduced poverty most effectively are those that have grown the fastest. There has been no example of successful development without sustained periods of high per capita growth of output.
- It is necessary to have a vital *private sector* to drive sustained economic growth, with small and medium enterprises playing a particularly important role in generating employment opportunities for poor people.
- A *financial sector* policy that is rational and appropriate to the country is essential, as is the *removal of barriers to international trade* so that developing-country exports can contribute to growth.
- Finally, the country and society need to have *ownership of the development agenda* to reflect the country’s specific circumstances and political economy.

TWO PILLARS FOR POVERTY REDUCTION

Recognition of those factors has led the Bank to adopt a strategy for development built on two pillars, which are described below.

Building the Climate for Investment, Jobs, and Sustainable Growth

The first pillar is creating a good investment climate that fosters entrepreneurship by encouraging small and large firms to invest, create jobs, and



increase productivity. This pillar comprises several elements:

- *Stable macroeconomic conditions* that promote the confidence of firms to make production decisions and engage in production; and *trade policies* that foster open trade, innovation, and entrepreneurship
- *Governance and institutions* that are without corruption, excessive bureaucracy, or organized crime, and where the enforcement of contracts and regulations is known to be ethical and reliable
- *Physical and financial infrastructure* (e.g., transportation systems, utilities, and banking systems) of good quality and quantity, both affordable and reliable, so that individuals and firms can participate in economic activities.

Investing in Poor People and Empowering Them to Participate in Development

It is important to expand the opportunities for people to participate in decisions that affect their lives and the lives of their families. This is the second pillar in the Bank's development strategy. Essential are human and legal rights that protect livelihoods and assets and enable poor people to invest in their futures and be included in the society in which they live.

Although there is still much to learn about empowerment, the Bank's studies and project experience indicate that successful efforts to empower poor people and increase their freedom of choice share four elements: *access to information*, so that poor people can make informed decisions; *participation*, which gives poor people a voice in public programs; *accountability*, which ensures that public officials and institutions are

responsive to their citizens; and *local organizational capacity*, so that public institutions run effectively. These elements help foster an informed populace capable of contributing to its country's development plans.

There is an essential link between empowering poor people and attaining the Millennium Development Goals (MDGs). To meet the education, gender equality, health, and environment goals, in particular, investment in people is key. Empowering people to have an impact on the local delivery of services can pave the way toward meeting the MDGs. Examples of such empowerment at work include community involvement in running schools, local health groups, and water users' associations. All of these activities can play a powerful role in tailoring such services to the needs of poor people and thereby improving their lives.

In many communities, *empowering women* is the most important challenge. Empirical evidence shows that expanding opportunities for girls and women not only improves their position in society but also has a major impact on the overall effectiveness of development. Studies show that education of mothers has a powerful effect on the health of their children. Also, when women have more control over the family's income, productive assets, or transfers, the family as a whole benefits.

The Bank's Strategy and the Multisectoral Nature of the Millennium Development Goals

The twin pillars of the Bank's strategic framework are critical to success in achieving sustainable poverty reduction and helping countries meet the goals. Different groups of client countries have different needs. Working with the Bank on the MDGs is the priority in most low-income countries, whereas middle-income clients more often seek to work with the Bank on building the investment climate.

During fiscal 2003 the Bank analyzed its regional strategies and country demands and examined its capacity and limitations against the needs of the development goals. It recognized that a multisector chain of activities is needed to meet the goals. The Bank is now moving to align its programs to support activities that go beyond strictly defined sectors such as health, education, and environment. For example, although infrastructure is not explicitly mentioned in the MDGs, infrastructure investments are crucial to attaining the goals. Roads and electricity are essential to building

THE MILLENNIUM DEVELOPMENT GOALS

THE MDGS ARE THE FRAME OF REFERENCE FOR THE BANK'S WORK, IN PARTNERSHIP WITH OTHER INTERNATIONAL INSTITUTIONS. THE MDGS ARE A SET OF GOALS WITH SPECIFIC TARGETS FOR POVERTY REDUCTION TO BE ACHIEVED BETWEEN 1990 AND 2015, AND THEY REPRESENT AN UNPRECEDENTED LEVEL OF WORLD CONSENSUS ON WHAT IS NEEDED FOR SUSTAINABLE POVERTY REDUCTION.



1.

ERADICATE EXTREME POVERTY AND HUNGER

Halve the number of people in extreme poverty, and the number of people who suffer from hunger, by 2015



2.

ACHIEVE UNIVERSAL PRIMARY EDUCATION

Ensure by 2015 that all children will be able to complete a full course of primary schooling



3.

PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

Eliminate gender disparity in primary and secondary education by 2005, and in all levels of education by 2015



4.

REDUCE CHILD MORTALITY

Reduce by two-thirds the under-five mortality rate by 2015

proper schools so that a country can achieve universal primary education; and they are essential to building health care facilities so that child mortality can be reduced, maternal health can be improved, and communicable diseases such as HIV/AIDS can be treated. The involvement of poor people in identifying their countries' infrastructure needs also is vital.

The Bank's own contribution to achieving any specific development goal must be identified realistically, taking into account the demands of Bank clients, their options to work with other partners, and the limitations of Bank financing and staff capacity. The Bank recognizes that gaps also exist in the wider development community—in both funding and capacity—that impede overall progress toward the MDGs. The compact between developing and developed countries can play an important role in addressing those gaps. To better define its own contribution the Bank has examined the alignment between its

potential commitments and its client-driven work programs, and discussions have been intensified among networks, country directors, and clients to enhance this alignment. That examination is helping clarify what the Bank can contribute to the MDG agenda. It is clear that some of the goals are unlikely to be achieved in certain countries without a major effort by developing countries, developed countries, and the entire development community. The Bank seeks to energize a concerted focus on these countries both through the Poverty Reduction Strategy Paper (PRSP) approach for country-owned poverty strategies and through its monitoring reports to the Development Committee (DC).

Monitoring Policies and Actions toward the Millennium Development Goals

The DC, at its meeting in September 2002, stated its intention to regularly monitor developing- and

THE THEMES EMBEDDED IN THE MDGS ARE NOT NEW FOR THE BANK. THE FIRST OF THE GOALS—POVERTY REDUCTION—HAS BEEN THE BANK'S OVERARCHING OBJECTIVE FOR MANY YEARS. THE NEWNESS OF THE GOALS LIES IN THEIR FOCUS ON OUTCOMES, ON QUANTITATIVE AND TIME-BOUND DEVELOPMENT TARGETS, AND ON DEVELOPED-COUNTRY OBLIGATIONS IN A GLOBAL PARTNERSHIP FOR DEVELOPMENT.



5. IMPROVE MATERNAL HEALTH
Reduce by three-quarters the maternal mortality rate by 2015



6. COMBAT HIV/AIDS, MALARIA, AND OTHER DISEASES
Halt the spread of HIV/AIDS, malaria, and other major diseases, and begin to reverse the spread, by 2015



7. ENSURE ENVIRONMENTAL SUSTAINABILITY
Halve the proportion of people without sustainable access to drinking water by 2015



8. DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT
Further develop an open, rule-based, predictable, nondiscriminatory trading and financial system

developed-country policies and actions needed to achieve the MDGs and related outcomes. It requested that the Bank and the Fund develop proposals for taking this forward, while recognizing the role of the United Nations (U.N.) in monitoring the goals. In response to the DC request, Bank and Fund staff, working in consultation with the staff of the U.N., other multilateral development banks (MDBs), the World Trade Organization (WTO), and the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), have designed a monitoring framework and carried out an initial application of that framework.

The proposed monitoring envisages regular reporting to the DC to anchor and provide continuity to its assessment of progress on policy implementation and areas for priority attention. Underpinning the reporting will be an open data platform, posted on

the Development Gateway (see box 1.2), which is designed to facilitate transparent monitoring and enable countries to benchmark their performance vis-à-vis comparators. This monitoring also will help ensure that development partners live up to the commitments they make toward attaining the MDGs. The monitoring proposals were submitted to the April 2003 meeting of the DC, and they received broad support from ministers. In light of the guidance provided by the ministers, the Bank and the Fund, in collaboration with partner agencies, are now implementing the monitoring framework.

Results

An essential building block for effective monitoring is the ability to measure results. During fiscal 2003 the Bank developed its results agenda into an action plan aimed at increasing management attention to

results. See chapter 3 for a full discussion of the results agenda.

PARTNERSHIPS: INCREASING THE IMPACT OF DEVELOPMENT EFFORTS

Partnership has become a core element of the Bank's business approach. By working with partners in the international community to identify the areas in which each has a comparative advantage, the effect of each development dollar can be magnified. With careful attention to what does and does not work in a particular situation, proven approaches can be brought together and appropriate projects carried out to produce better results. At the same time, the growing importance of partnerships in the Bank's work makes it important to ensure strong alignment of new partnerships with the Bank's strategic priorities and with country-driven development strategies.

Institutional Partnerships

The Bank partners with other international institutions such as the International Monetary Fund (IMF), the U.N., other multilateral development banks, OECD, the European Union (EU), and the WTO.

International Monetary Fund. The Bank's foremost institutional alliance is with the IMF, with which it collaborates on a number of initiatives aimed at reducing poverty. The Bank and the IMF further strengthened their collaboration in fiscal 2003. Each organization concentrates on its area of comparative advantage: the IMF is responsible for the dialogue with country authorities on macroeconomic issues, and the World Bank takes the lead on social and structural issues.

In addition to the continuous delivery of debt relief to eligible countries under the Heavily Indebted Poor Countries Initiative (HIPC), the executive boards of the two institutions approved the achievement of completion-point status for two HIPC countries during fiscal 2003. The Bank's Executive Directors also reviewed "Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality—Progress Report."

Under the PRSP framework for low-income countries supported by the Fund's Poverty Reduction and Growth Facility, the Fund and the Bank worked closely

together in fiscal 2003 to support common country strategies and to focus their efforts on their respective areas of responsibility. For middle-income countries, greater efforts were made to improve coordination between the Fund and the Bank through consultation between the two staffs on emerging structural issues in individual country programs.

Two other joint programs of the Bank and the Fund are the Financial Sector Assessment Program and the Reports on the Observance of Standards and Codes (ROSC) initiative. In March 2003 the Bank and Fund Boards reviewed joint Bank-Fund papers and discussed the two programs.

United Nations. The Bank and the U.N. are committed to carrying out the universally accepted framework for development established by the international community. The Bank has established strong relationships with the specialized agencies, programs, and funds of the U.N. system.

In fiscal 2003 the Bank-U.N. partnership advanced in its commitment to a coordinated approach that supports country efforts in creating poverty reduction strategies. This has involved identifying complementarities between the MDGs and the PRSP process. The Bank and the United Nations Development Group have maintained an open dialogue on the harmonization of policies, procedures, and practices (see box 1.1). Attention is now being placed on better development effectiveness and deeper country ownership.

The Bank has supported the parallel process taking place at the intergovernmental level. In the 2002 meetings of the Bank's Development Committee, ministers called for a focus on the global monitoring of actions and policies to achieve the MDGs. Many of the Bank's senior managers are involved in the ongoing dialogue on these issues between the U.N. and the Bank, a dialogue that strengthens the understanding of respective roles and responsibilities in carrying out the development agenda.

The increasingly complex political, social, economic, and international dimensions of conflict adversely affect the ability of countries to work toward the MDGs. The U.N. and the Bank, in close partnership, are pursuing ways to strengthen cooperation among themselves and other key stakeholders during conflict emergencies and all phases of postconflict reconstruction.

BOX 1.1 HARMONIZATION

Following an MDB-hosted roundtable on measuring, monitoring, and managing for development results, multilateral development banks have continued consultations on development results. In February 2003 the MDBs and OECD/DAC cosponsored an international forum on the harmonization of policies, procedures, and practices to increase development effectiveness. The bulk of the international donor community (bilateral and multilateral) and almost 30 developing countries came together at a very senior level for the conference, which was hosted in Rome by the Italian government. The closing document, “The Rome Declaration on Harmonization,” is the most comprehensive statement on harmonization produced to date by the international community. (See www.worldbank.org.) The Declaration sets out an ambitious program of activities to ensure that harmonization efforts are adapted to the country context and that donor assistance is aligned with the recipient’s priorities; to expand country-led efforts to streamline donor procedures and practices, including enhancing demand-driven technical cooperation; to review and identify ways to adapt institutions’ and countries’ policies, procedures, and practices to ease harmonization;

and to implement progressively the principles and standards of good development practice formulated by the MDBs and by the OECD/DAC as the foundation for harmonization of the policies, procedures, and practices of donors and partner countries.

Significant progress also has been made in the preparation of agreed-on principles or standards for environmental assessments, evaluations, financial management and reporting, and procurement. These are key international reference documents for harmonization at the country level. Coordination of operational activities, primarily around PRSPs, has also improved, including increased coordination of Country Assistance Strategies (CASs).

The harmonization focus has now shifted to in-country implementation. Building on efforts in the three formal harmonization pilot projects supported by the bank (in Ethiopia, Jamaica, and Vietnam), 14 additional partner countries have stepped forward to initiate country-led harmonization efforts (Bangladesh, Bolivia, Cambodia, Honduras, Kenya, the Kyrgyz Republic, Morocco, Nicaragua, Niger, the Pacific Islands, the Philippines, Senegal, Tanzania, and Zambia).

Multilateral Development Banks. The Bank’s collaboration with other multilateral development banks, such as the African Development Bank (see www.AfDB.org), the Asian Development Bank (see www.ADB.org), the Inter-American Development Bank (see www.IADB.org), the European Bank for Reconstruction and Development (see www.EBRD.com), and the Islamic Development Bank (see www.ISDB.org), remained strong and intensified significantly in several areas, as highlighted in the jointly produced report, “Recent Progress in Cooperation among Multilateral Development Banks.”

Building on their joint statement on development effectiveness issued at the Monterrey International Conference on Financing for Development in 2002, the presidents of the MDBs maintained their regular consultations on policy and operational issues, with a particular focus on global and regional uncertainties facing various MDBs, and on further strengthening the MDB system. To inform MDB shareholders of

the considerable progress made in cooperation in recent years, they circulated an “Update on Progress in MDB Cooperation” to all MDB boards and governors. On International Women’s Day the MDB presidents and the managing director of the IMF issued a joint statement on the importance of gender equality in MDB-IMF operations and within the organizations.

Organisation for Economic Co-operation and Development and Its Development Assistance Committee. The Bank’s partnership with OECD accelerated in May 2000 when the heads of the two institutions signed a joint statement of cooperation. Since that time the two institutions have established clear focal points for proactive collaboration.

The Bank and OECD work together on the OECD/DAC agenda, aligning donor support for the Comprehensive Development Framework and PRSPs, sharpening the focus on results, improving harmonization of donor policies and practices, and dealing

with the problems of low-income countries under stress.

A systematic effort has been under way to strengthen collaboration on the non-DAC agenda as well. Priorities include governance and public sector management, tax policy and administration, trade, corporate governance, sustainable development, agriculture, and the knowledge economy. The Bank and OECD together with the IMF also have launched an International Tax Dialogue aimed at sharing experience and fostering multilateral communication on tax systems.

In addition to work in these areas, the Bank is collaborating with OECD in countries where both institutions are active. This collaboration includes developing countries that are members of OECD, such as Mexico and Turkey, the EU accession countries, and nonmember countries that are the special focus of OECD: Brazil, China, and Russia. These efforts have allowed the Bank and OECD to avoid duplication and gain synergy from their respective work.

European Union. The European Union is a natural partner for the World Bank Group. Its multilateral aid program, managed by the European Commission, is the world's third largest.

The EU provides 55 percent of the total official development assistance in the world—more than \$26 billion in 2001—and is the developing world's most important trading partner, absorbing 21 percent of its exports and extending preferential arrangements to developing regions. Expected to take in 10 new member states—or 100 million more people—in 2004, the EU works toward political and economic reform and poverty reduction in the world, especially in neighboring regions such as the Middle East and North Africa, with which it has active trade, investment, and migration links.

Collaboration between the EU and the World Bank Group has expanded on many fronts in recent years, including the PRSP process, the HIPC Initiative, post-conflict reconstruction in the Balkans and Afghanistan, and the Strategic Partnership with Africa, as well as in policy dialogue on trade and development.

World Trade Organization. Strengthening the Bank's capacity on trade and establishing the new Trade Department has enabled an expanded partnership with the WTO, based on the shared objectives of open trade and development. An initial visit to the WTO by the

president of the World Bank led to the preparation of a strategy for institutional collaboration, which focuses on (a) cooperation in the sharing of policy research and knowledge; (b) joint work in implementing the Integrated Framework for Technical Assistance for the Least-Developed Countries; (c) cooperation in the delivery of trade training and capacity building by the World Bank Institute (WBI) and the WTO; and (d) cooperation in promoting a stronger global dialogue on trade and development.

Global Civil Society

Beyond institutional partnerships the Bank interacts with the broader international civil society, private foundations, parliamentarians, and the private sector.

Civil Society. The emergence and growth of civil society during the past two decades have been two of the most significant trends in international development. The World Bank recognizes that civil society plays an especially critical role in ensuring that the voices of the poorest people are heard, holding governments and policymakers accountable, and improving development effectiveness and sustainability. At present the Bank consults and collaborates with thousands of CSOs throughout the world, including community-based organizations, indigenous peoples' organizations, labor unions, faith-based groups, and foundations.

The World Bank engages CSOs in three ways. First, it *facilitates* dialogue and partnership between civil society and governments by providing resources, training, and technical support, and often by playing a convening role, such as in the process of formulation of the country PRSPs now under way in more than 40 developing countries. Second, the Bank *consults* with CSOs on issues, policies, and programs, listening to their perspectives and inviting suggestions. During fiscal 2003 the Bank held global consultations with civil society on adjustment lending policy and extractive industry investments, as well as on the forthcoming *World Development Report 2004* on basic service provision. Third, the Bank *partners* with CSOs by contracting technical assistance and training services, funding civil society initiatives, and managing joint programs. The Africa Stockpiles Programme, for example, was recently launched by governments, CSOs, and donor agencies to clean up and safely dispose of all obsolete pesticide stocks from Africa, and to establish preventive measures to avoid future accumulation.

BOX 1.2 THE DEVELOPMENT GATEWAY FOUNDATION

The foundation's mission is to reduce poverty and support sustainable development through the use of information and communication technologies. As a founding member, the World Bank Group is represented on the foundation's board by President James D. Wolfensohn, Managing Director Mamphela Ramphele, and Mohamed Muhsin, vice president and chief information officer. Alan Rossi was appointed chief executive officer in December 2002.

The foundation's key objectives are to:

- *Improve public sector transparency.* To foster government transparency and efficiency, the global online dgMarket provides turnkey e-tendering solutions to partners and governments in developing countries. The foundation and the government of Italy have established an e-government program to deploy promising e-government applications rapidly.
- *Enable aid effectiveness.* The AiDA (Accessible Information on Development Activities) database is the largest online source of information on

development projects in the world. The foundation's Development Gateway portal addresses pressing global issues by providing a platform to exchange ideas and coordinate activities.

- *Increase knowledge sharing.* The Development Gateway portal is the preeminent source for resources on sustainable development and poverty reduction. To promote the exchange of information, the portal builds interactive communities around key development topics. The foundation's annual Development Gateway Forum brings global leaders together to share experiences and improve development impact.
- *Empower local communities.* The 44 country gateways in the foundation's network are locally owned, partnership-based initiatives that pursue the foundation's mission on a local level. The Development Gateway portal can provide platforms for dialogue among local organizations. The dgMarket includes national procurement portals in local languages, offering tender opportunities that may be of interest to local suppliers.

CSO involvement in Bank-funded projects has risen steadily during the past decade-plus, from 21 percent of the total number of projects in fiscal 1990 to an estimated 71 percent in fiscal 2003.

The Bank's evolving partnerships with faith communities have continued to expand and deepen across a broad range of issues, including HIV/AIDS, education, health, conflict resolution, and gender. The Bank maintains ongoing dialogue with a worldwide network of faith and interfaith leaders, including the World Faiths Development Dialogue (www.wfdd.org.uk), the World Council of Churches, and the World Conference on Religion and Peace. In October 2002 the president of the World Bank and the Archbishop of Canterbury convened a meeting of world faith and development leaders in Canterbury, England, to discuss the challenges of poverty, globalization, and social justice, with a particular emphasis on the MDGs. It attracted a diverse group of leaders from development agencies, the world's major faiths, business, foundations, and the arts.

Civil society dialogue and relations with the international labor union movement have improved steadily over the last few years. The Bank and the IMF

agreed this year to a joint work plan with the International Confederation of Free Trade Unions and the World Confederation of Labour, which included a meeting of senior Bank and Fund managers and labor leaders in October 2002, joint research projects, and staff exchanges. (See www.worldbank.org/civilsociety.)

Foundations. The Bank works in partnership with foundations to strengthen the development impact of assistance in member countries. Such partnerships help mobilize external technical and financial resources and identify business process innovations, thereby strengthening the Bank's learning process. (See also box 1.2, "The Development Gateway Foundation.")

At local levels, the Bank's partnership with foundations, such as Ford, Gulbenkian, Hewlett, MacArthur, Mott, Packard, Rockefeller, Soros, and Eurasia, is helping promote the PRSP process, supporting thematic initiatives that complement the MDGs, and sponsoring CSO participation in such Bank consultations as the *World Development Report*. A new initiative with the Ford and Mott Foundations and the Council on Foundations will explore the concept of community

foundations as a vehicle for building the capacity for community-driven development in Bank client countries.

At the regional and global levels, the Bill and Melinda Gates Foundation, Rotary International, the United Nations Foundation, and the World Bank are sponsoring an innovative financial effort to acquire polio vaccine through buy-down loans in order to help eradicate polio worldwide by 2005. (See also “Fiscal Year Highlights,” chapter 2, and “Investing in People,” chapter 4.)

Parliamentarians. The Parliamentary Network on the World Bank (PNoWB) is an independent organization of more than 400 parliamentarians from approximately 60 developed and developing countries. Created in 2000 by a small group of European parliamentarians, its purpose is to increase their role in international development and poverty alleviation. The PNoWB’s many initiatives include a Parliamentarians’ Implementation Watch to promote and monitor action to meet the MDGs, a program of field visits, and the creation of a special committee on HIV/AIDS. Its annual meeting has become a major platform for interaction on development issues among the parliamentarians themselves and between parliamentarians and the Bank. (See www.pnowb.org.)

Private Sector. Increasing numbers of private businesses are engaging in corporate social responsibility—open and transparent business practices that meet or exceed the ethical, legal, commercial, and public expectations of society. This trend coincides with the World Bank Group’s increasing focus on its relationships with the private sector, as it does what it can to make private flows bigger, better, and of greater benefit to the poor. Units across the World Bank Group are implementing private sector partnership approaches designed to maximize development gain while acknowledging participating companies’ needs to maximize their own business benefits. The most successful of these approaches are not stand-alone activities; rather, they build partnerships into World Bank Group global and regional programs or country-based activities. This stronger link to core operational business, along with tighter alignment and focus between partner objectives, enhance both development impact and business benefit.

For example, in Angola the World Bank Group is exploring the alignment between local content, revenue transparency, and social development activities in the oil sector, and public sector priorities for postwar Angola. This is a joint project between the Angola country team, the Fundo de Apoio Social, the Bank Group’s Oil and Gas division, and the Bank’s Corporate Social Responsibility Practice. The World Bank Group is working with civil society, the major national oil companies and multinational organizations active in Angola, and the Angolan ministries of petroleum and planning.

Global Partnerships in Action

Global programs complement the Bank’s country assistance activities. These programs respond to new and emerging challenges such as environmental degradation, the spread of communicable diseases, financial instability, and international insecurity. They require concerted international action as a vital complement to policies at the national and local levels. Global programs cut across all client groups and are a critical part of Bank operations. Consistent with its mandate, the Bank participates in global programs and partnerships where global action can complement and reinforce country programs and where the Bank can work with partners to provide public goods that cannot be generated at the country level alone. To augment this effort the Bank is active in country programs that are the essential complement to global action. Communicable disease is an outstanding example, with programs in HIV/AIDS, malaria, tuberculosis (TB), and polio under way in many countries, thereby reinforcing global efforts. The Bank is involved as founding member, financier, administrator, or participant in 70 global programs, the majority of which are less than 5 years old, although 12 of the 70 are 10 to 30 years old.

Examples of the Bank’s partnerships in action include the Consultative Group on International Agricultural Research (CGIAR), energy partnerships, the Global Environment Facility (GEF), and other environment partnerships; and global efforts in health, nutrition, and population; knowledge networks; and urban development.

Agricultural Research. The CGIAR is a strategic alliance of countries, international and regional organizations, and private foundations supporting 16 international agricultural research centers that work with national

agricultural research systems, the private sector, and civil society. The alliance mobilizes agricultural science to reduce poverty, foster human well-being, promote agricultural growth, and protect the environment. CGIAR scientists develop improved technologies in every critical component of the agricultural sector, including agroforestry, biodiversity, food, forage and tree crops, fisheries, forestry, livestock, and food policies, and they strengthen agricultural research services. The benefits of such public goods research are significant: CGIAR scientists are providing seeds and technical assistance for rehabilitating agriculture in Afghanistan, the New Rices for Africa (NERICA) program is boosting agricultural production and farmer incomes in Sub-Saharan Africa, and new techniques are increasing rice and fish production in Asia. Innovative “Challenge Programs” are helping tackle micronutrient deficiencies, water scarcity, and other problems of global significance. CGIAR scientists have won the World Food Prize three years in a row. (See www.cgiar.org.) In fiscal 2003 the Operations Evaluation Department delivered to the Board a special report on the CGIAR, the findings of which are discussed in chapter 3.

Energy. The Bank’s Global Gas Flaring Reduction Partnership has visited client countries and company stakeholders to discuss details of their cooperation and to identify practical and economic solutions that would overcome the barriers currently inhibiting investments in flaring reduction. The first steering committee meeting, which was held in December 2002, approved a three-year work program and budget.

The original partnership formed by the Bank, Shell, BP, Sonatrach of Algeria, and the governments of Ecuador, Nigeria, and Norway has since been joined by the governments of Angola, Cameroon, and the United States, as well as by ChevronTexaco and TotalFinaElf.

The Global Village Energy Partnership works to increase delivery of modern energy services to those who are unserved or underserved. The partnership is managed by the Energy Sector Management Assistance Programme, a joint program of the United Nations Development Programme (UNDP) and the World Bank. Currently 150 organizations have committed to the partnership’s Statement of Principles. They range from BP Solar to the United Republic of Tanzania and represent a wide range of stakeholders involved in modern energy service delivery. In fiscal 2003 the



An important goal of the Bank’s Environment Network is to ensure that actions taken today to promote development and reduce poverty do not result in environmental degradation and greater poverty tomorrow.

partnership’s technical secretariat coordinated regional energy-poverty workshops in Addis Ababa and Dakar, which involved 13 different country delegations, and it is planning follow-up workshops in Ghana, Tanzania, Uganda, and Zambia to develop and coordinate further strategies to increase access.

Environment. The World Bank plays a key role in the success of the GEF, a dynamic partnership that channels multilateral funds to developing countries for projects that have local and global partnership benefits. GEF supports efforts to conserve biodiversity, reduce the risks of climate change, protect the ozone layer, clean up international waters, combat land degradation, and phase out toxic organic pollutants.

Since its creation in 1991, GEF has produced impressive results that address key global environmental problems—for example, significantly reducing ozone-depleting substances in Eastern Europe and Central Asia, combating deforestation and desertification in Sub-Saharan Africa, and bringing renewable energy to people in developing countries who live far from existing power grids.

As one of three GEF-implementing agencies, the Bank helps its client countries prepare and supervise GEF projects. More than 370 Bank-GEF projects, including some joint projects with other implementing agencies, are being carried out in 129 countries. The

projects are financed by \$2.7 billion in GEF grants and more than \$12.2 billion in additional funding from public and private partners. The Bank's GEF Secretariat plays a key role in managing Bank-GEF projects.

The Bank also serves as the trustee of the GEF Trust Fund and provides administrative support for the GEF Secretariat. (See www.theGEF.org or www.worldbank.org/gef.)

The Trust Fund for Environmentally and Socially Sustainable Development (www.worldbank.org/tfessd) is a new type of partnership between the participating donors and the Bank. It provides grant resources for World Bank activities that incorporate the environmental, social, and poverty dimensions of sustainable development in their project design.

The World Bank launched a new carbon fund in fiscal 2003 at the World Summit on Sustainable Development: the Community Development Carbon Fund (www.communitycarbonfund.org), a partnership between the World Bank and the International Emissions Trading Association that is expected to raise \$100 million. This collaboration will provide financing for reducing greenhouse gas emissions in projects such as small-scale and rural renewable energy, energy efficiency, solid-waste-to-energy conversion, and agroforestry in developing countries. The effort will complement the Prototype Carbon Fund (www.prototypecarbonfund.org).

Health, Nutrition, and Population. Partnerships are key to achieving the health, nutrition, and population-related MDGs. Reducing child mortality is central to the Global Alliance for Vaccines and Immunization, which administers \$12 billion reaching 64 countries to increase access to vaccines. The Global Alliance for Improved Nutrition works to reduce micronutrient deficiencies. Improved maternal health is fundamental to partnerships such as the Nutrition and Gender Initiative, which emphasizes improved nutrition outcomes throughout the life cycle, and the Human Reproduction Program, a 30-year effort to help ensure the safety of widely used contraceptives. Finally, because reliable data are essential for monitoring MDG achievements, partnerships such as INDEPTH (the international network of field sites in developing countries that performs continuous demographic evaluations of populations and their health) are helping improve the availability and flow of information about disease and health, including nutrition and reproductive health, to policymakers and others.

The Bank is playing a key role in shaping the global response to the HIV/AIDS epidemic as one of eight cosponsors of the Joint United Nations Programme on HIV/AIDS. During fiscal 2002–03 the World Bank chaired the group's Committee of Cosponsoring Organizations. The Bank is actively working with these cosponsors, national governments, and others to improve the quality of monitoring and evaluation of AIDS-related projects and programs at the country level. (See www.worldbank.org/hivaids.)

Working with private sector partners, the Bank is helping to accelerate and improve access to drug treatment for people with HIV through such mechanisms as the International Treatment Access Coalition. (See www.who.int.)

The Bank has been an active partner in establishing the Global Fund to Fight AIDS, Tuberculosis, and Malaria. (See www.globalfundatm.org.) The fund is an independent public-private partnership, which so far has committed \$1.5 billion to the fight against those three diseases. The Bank continues to be involved in two other long-standing partnerships: Stop TB and Roll Back Malaria.

Together with UNDP and the World Health Organization, the Bank supports development of improved tools for control of other communicable diseases, such as leprosy and schistosomiasis, through the Tropical Disease Research Program.

Knowledge Networks. The World Bank Institute works with an alliance of partner organizations that provide funding, content, and training facilities to support knowledge networks that enhance the capacity of countries to carry out development projects. Increasingly, donor partners such as the governments of Belgium, Canada, Finland, Ireland, Italy, the Netherlands, Spain, and Switzerland are making multiyear financial commitments and offering innovative means of support (see box 1.3, "Switzerland and the World Bank Institute: Partners in Enhancing Capacity"). Partnership arrangements strengthen the impact of our capacity-building efforts. WBI now has formal partnership agreements with more than 115 organizations and informal agreements with some 250 more.

Urban Development. The Cities Alliance is a global partnership of cities and their development partners. Launched by the World Bank and the United Nations

BOX 1.3 SWITZERLAND AND THE WORLD BANK INSTITUTE: PARTNERS IN ENHANCING CAPACITY

The Swiss Agency for Development and Cooperation and WBI have formed a partnership for capacity enhancement that enables WBI to draw on the comparative advantages of the agency and on Swiss technical institutions through a three-year commitment of SFr 3.5 million to support fiscal decentralization, sustainable development, and community empowerment. WBI draws on the expertise of the agency's counterparts in Switzerland and in its field offices, and on the capabilities of Swiss universities and CSOs.

Human Settlements Programme (UN-HABITAT) in 1999, the Cities Alliance now has 18 members, including all Group of Seven countries, the Netherlands, Norway, Sweden, the four international associations of organized local government, the United Nations Environment Programme, and the Asian Development Bank.

The alliance has focused on two areas: first, supporting comprehensive city development strategies for cities that wish to fundamentally reassess the way they do business and, second, providing support to cities and countries undertaking citywide and nationwide programs to upgrade slums. One of the Cities Alliance's first products was the Cities Without Slums action plan. The Alliance undertakes its work through its members and is supported by a small secretariat based at the World Bank.

ACTION ON COUNTRY PRIORITIES

In carrying out its strategy the Bank tailors its approach to each country's particular needs. The CAS is centered on the country's vision for development, a good diagnosis of the policies proposed, a Bank program to support the vision, and a focus on results. (See box 1.4, "Comprehensive Development Framework.") This translates into specific approaches for low-income countries, low-income countries under stress, and middle-income countries.

Country Assistance Strategies

Building on and incorporating existing country knowledge, the CAS is the business plan that guides Bank Group activities in a client country. Prepared in

consultation with the government, CSOs, development partners, and other stakeholders, the CAS sets out a program of lending and of knowledge and advisory services linked to the country's development strategy as defined in a PRSP, a Comprehensive Development Framework, or other country-owned process.

During fiscal 2003 the Bank aligned its CASs for IDA-borrowing countries with those countries' PRSPs. CASs for Azerbaijan, Ethiopia, The Gambia, Guinea, Guyana, Honduras, the Kyrgyz Republic, Malawi, Nicaragua, Niger, Rwanda, Senegal, Sri Lanka, Tajikistan, Vietnam, and the Republic of Yemen followed this model. Also in fiscal 2003 the Bank introduced a new CAS product, the Country Re-engagement Note (CRN), to support work in low-income countries under stress (LICUS).

In fiscal 2003 the Board discussed 41 CAS products, including a Country Brief/CRN for Haiti, a CRN for Somalia, and 4 transitional support strategies for post-conflict countries, including Afghanistan, Angola, Kosovo, and Serbia and Montenegro (formerly the Federal Republic of Yugoslavia). In fiscal 2003 the Bank prepared 15 CAS documents jointly with the International Finance Corporation (IFC). All of the fiscal 2003 CAS products have been, or are in the process of being, disclosed.

The third CAS Retrospective, completed in fiscal 2003, focused on improving the results orientation of the CAS. The challenge will be to substantially strengthen the monitoring and evaluation frameworks so that the country governments and the Bank can assess periodically the progress made in carrying out the strategy, ultimately measuring the results achieved. To this end, in fiscal 2003 the Board discussed the first pilot of a results-based CAS, for the government of Sri Lanka. Pilot projects are introducing the CAS completion report, a CAS annex that presents a comprehensive self-evaluation to be reviewed by the Bank's Operations Evaluation Department that assesses the extent to which results were achieved under the previous CAS and draws lessons for the next strategy. An assessment of experience with pilot results-based CASs is expected to be carried out in fiscal 2004.

Low-Income Countries

Carrying out the Bank's two-pillar strategy in low-income countries, where the vast majority of the world's poorest people live, presents special challenges. The investment climate in these countries may not be conducive to sustainable growth. Limited institutional,

BOX 1.4 COMPREHENSIVE DEVELOPMENT FRAMEWORK—THE BASIS FOR THE BANK GROUP'S WORK

The Comprehensive Development Framework (CDF) forms the basis for the Bank Group's work in all countries. In low-income countries, CDF principles serve as the foundation for the country's PRSP. The CDF fosters more effective and sustained poverty reduction at the country level, based on four key inter-related principles: a long-term holistic development agenda; broad-based country ownership by which countries identify priorities; a much stronger country-based partnership among government, civil society, the private sector, and donors in implementing the country's strategy; and a transparent focus on achieving development results.

In spring 2003 an analysis of 48 low-income countries that had prepared either a PRSP or an I-PRSP showed that, overall, action on the CDF principles is helping countries achieve their national development goals and make progress toward the Millennium Development Goals. Governments are increasingly involving a wider range of stakeholders in policy and strategy formulation to foster country ownership. The analysis found, however, that this involvement is sometimes done only reluctantly and with inconsistent follow-up. The systematic involvement of lawmakers and the private sector needs to be strengthened.

The PRSP process is helping countries focus on a more balanced institutional and socioeconomic agenda, but many countries still need greater

alignment between PRSP actions and the overall budget process. There is growing progress by external partners in aligning their assistance with the PRSP, and several of them are providing programmatic support. Several harmonization and aid coordination initiatives are being pursued, but external partners need to do much more, particularly at the institutional level. The incentive structure for Bank staff, and staff skills, need to be adapted to the different way of working required by the CDF principles.

In fiscal 2003 a series of roundtables was held to discuss using CDF principles in Latin American middle-income countries. There was also a roundtable to consider the CDF in relation to African countries affected by conflict. Participants included representatives from government, the private sector, and civil society. Many of these countries are using CDF principles in developing and implementing their national development strategies to address the issues of growth, poverty reduction, and social justice. This effort is leading to a commitment to stronger partnership, especially between the private sector and local government, and to a sharper focus on achieving results. (See www.worldbank.org/cdf.)

A number of bilateral and multilateral aid agencies conducted a joint evaluation of CDF, which culminated in June 2003 in the publication of "Toward Country-Led Development: A Multi-Partner Evaluation of the Comprehensive Development Framework."

human, and physical resources can keep poor people from participating in development.

A key tool in the Bank's support for low-income countries is the PRSP, which was introduced at the end of calendar 1999. PRSPs are country-authored, results-oriented, comprehensive road maps that are based on broad consultation with internal and external partners and stakeholders. PRSPs are intended to serve as the framework for domestic policies and cross-sectoral programs to reduce poverty and for development aid. The process emphasizes country ownership in forming plans that reflect each country's special circumstances and needs. The Bank plays an active role in helping clients strengthen the role of stakeholders in the PRSP process. (See "Poverty Reduction and Economic Management" in chapter 4.) The Bank also encourages countries to integrate the MDGs into their strategy

paper preparation, considering the cross-sectoral actions needed to achieve the goals. This approach will ensure that the tradeoffs inherent in achieving the MDGs are addressed by country strategies.

Because of the country-owned nature of strategy papers and because the process can be complex and time consuming, Interim PRSPs (I-PRSPs), which use a simpler format, were introduced to avoid delaying poor countries' access to IDA concessional lending and HIPC debt relief. Countries can also seek support for poverty reduction strategy preparation from the Poverty Reduction Strategy Trust Fund, which was initially funded by a \$20 million contribution from the Netherlands and Japan. The Trust Fund provides grants of up to \$500,000.

PRSP-based IDA assistance to low-income countries includes Poverty Reduction Support Credits, which are

designed to support country-owned poverty reduction priorities. These credits focus on building government capacity and institutions, particularly those serving poor people. As of June 30, 2003, the Executive Directors of the World Bank had approved 7 credits in 7 countries. There is also a new provision to allow the use of IDA funds for projects in the private sector.

Low-Income Countries under Stress

In an era of performance-based lending, the Bank and other donors have realized that many of the poorest countries have been left behind. They have recognized the need to engage much more actively in low-income countries with the most chronically weak policy and governance environments. In June 2002 the Task Force on Low-Income Countries Under Stress recommended to the Board of Executive Directors that the Bank work in close cooperation with its partners to expand and improve its analytical work, invest in capacity building, and identify innovative project mechanisms to improve governance and deliver basic social services in LICUS.

Work on the LICUS Task Force recommendations began in fiscal 2003 and is centered at the country level, as each country has different defining characteristics and each moves ahead at its own speed. Currently, seven Bank country teams have volunteered to pilot the LICUS initiative in their work for fiscal 2003, and more will be added in fiscal 2004. At the country level, LICUS principles have been incorporated in CASS. Examples of these strategies include a highly selective program in Angola that focuses on natural resource revenue management, demobilization of combatants, and community-driven social action; activities to rebuild the knowledge base and donor–government dialogue in Haiti; completion of a multidonor mission in the Central African Republic; demonstration projects for the provision of public goods in Somalia; policy dialogue and capacity building in support of the peace process in Sudan; and sectoral programs that combine top-down public finance management with community-driven initiatives to support improved governance in Tajikistan.

Partnerships are critical to success in LICUS. Research has shown that the most effective way for

development partners to significantly affect these difficult and risky environments is to join forces to work on priority reforms. The Bank is working with OECD/DAC to establish a learning and advisory group that brings together donors and representatives of developing countries to share ideas, research, and lessons learned. Four of the pilot LICUS country teams are developing joint strategies with UNDP; the other three are in close cooperation with bilateral partners. The pilot LICUS teams have found that increased engagement with our partners early in the strategy development cycle is vital.

Middle-Income Countries

Poverty remains a challenge for middle-income countries, which are home to three-quarters of the world's poor people. These countries face significant and diverse development challenges.

The crucial roles for the Bank here are to assist the countries with reforms that improve the investment climate, support economic restructuring and investment needs while their access to long-term capital is limited, help them reduce the remaining concentrations of poverty and mitigate their vulnerability to economic shocks, and support country-level action on the global public goods agenda.

The Bank continues to help middle-income countries achieve growth in the private sector by helping them complete fundamental market-opening reforms that make the country more attractive for investment, and by supporting ensuing structural and social reforms. Toward these ends the Bank uses a number of tools to advance its policy dialogue with countries and to continue engagement with inactive borrowers.

One of these tools is the more effective use of diagnostic reports, which deepen the understanding of a country's development priorities and of the cross-sectoral links and implications for reducing poverty. Furthermore, the Bank offers partial-credit and partial-risk guarantees to mobilize private sector financing for individual projects. The Bank's support for financial sector development draws on the complementary roles of IBRD, IFC, and the Multilateral Investment Guarantee Agency (MIGA).