

A Chance for the World Bank – Revisited

The World Bank's Strategic Direction Past and Future

Maastricht University

June 6, 2008



Agenda

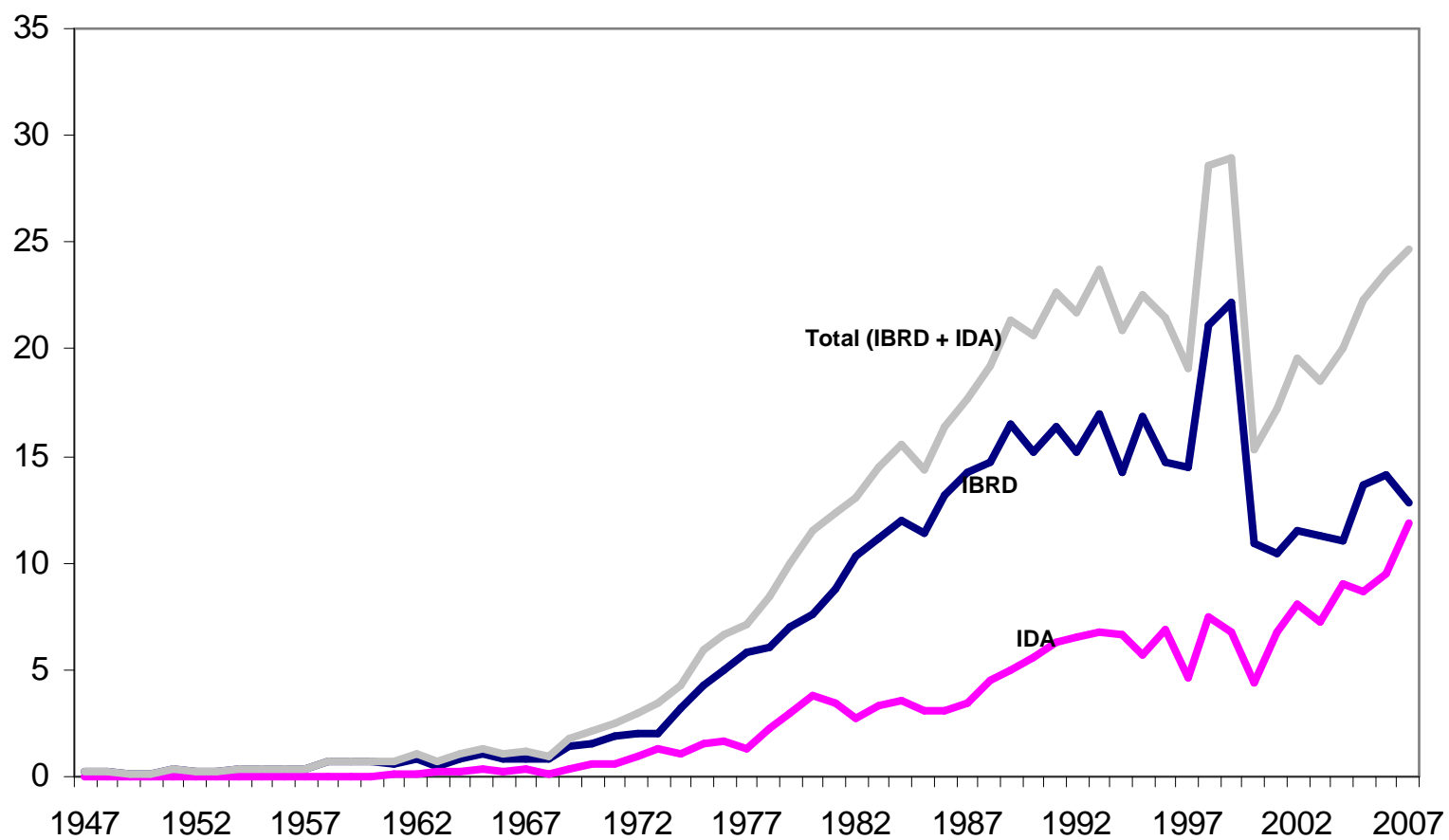
- Historic Perspective
- External Environment
- Ritzen Conclusions
- Zoellick Directions

Evolution of Economic Development Thinking

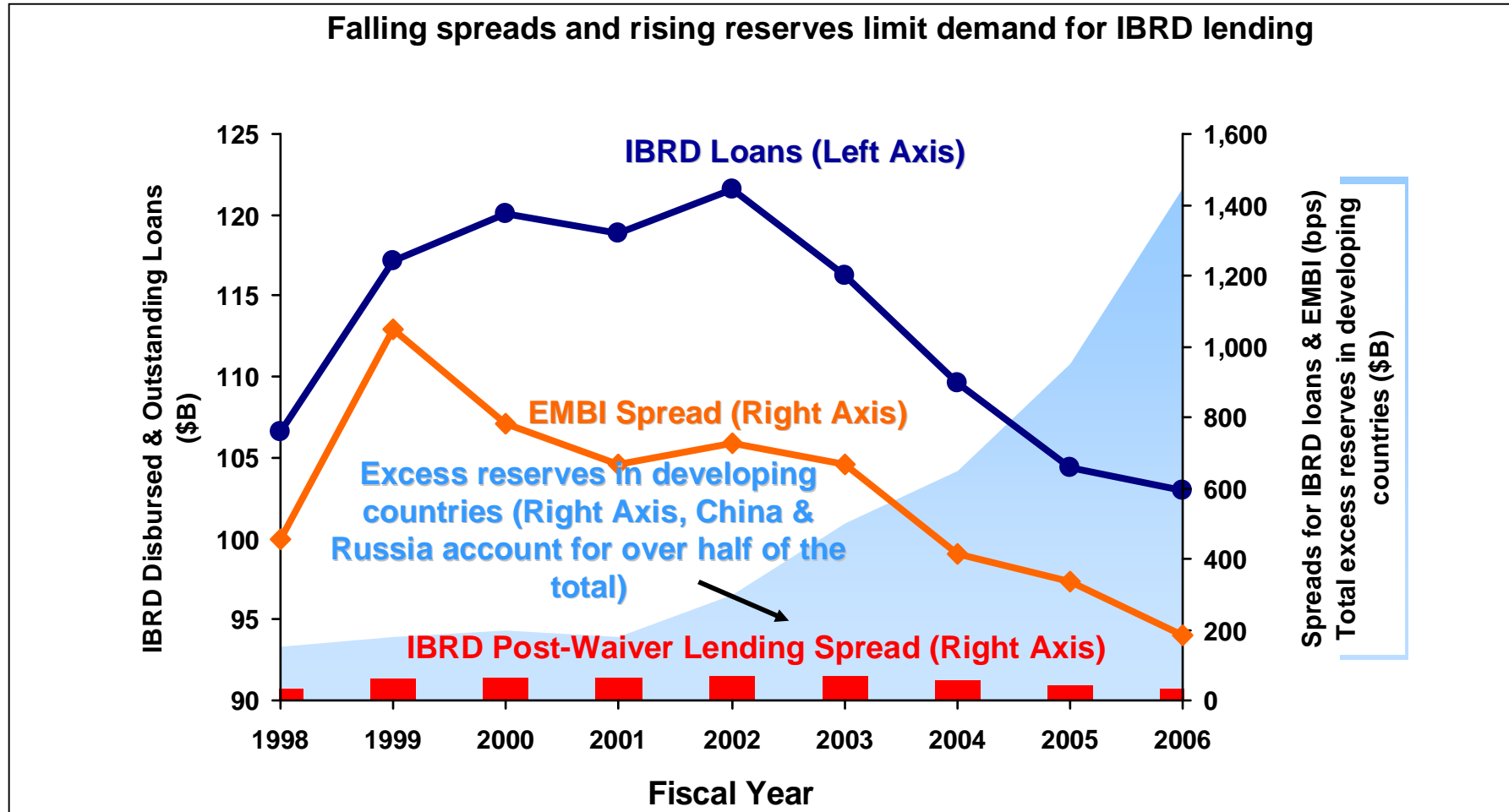
	Economic Development Thinking	Broad Bank Strategy
Pre-1960s	Development synonymous with aggregate economic growth – driven capital and labor accumulation and technological change	Reconstruction and Infrastructure Projects
1960s/70s	Social and Economic Change with focus on poverty eradication – distributional aspects of growth mattered.	Rapid Loan Growth for physical and human capital investments – increasing poverty focus and wide technical expertise
1980s	Central role of markets and private sector to reestablish macroeconomic equilibrium.	Policy-based Structural Adjustment Lending – shift away from technical expertise to policy expertise
1990s	Proper regulatory environment – land, labor, credit – to guide markets and private sector. Country circumstances matter.	Institutional Development and Capacity Building – Country-Ownership
2000s	Good Governance and Institutional Foundations – broader understanding of poverty (MDGs).	Two-Pillars (Investment Climate and Investing in People) – Country-driven

Organizational Growth and Changes

Total Commitments (US\$ Billion), 1947-2007



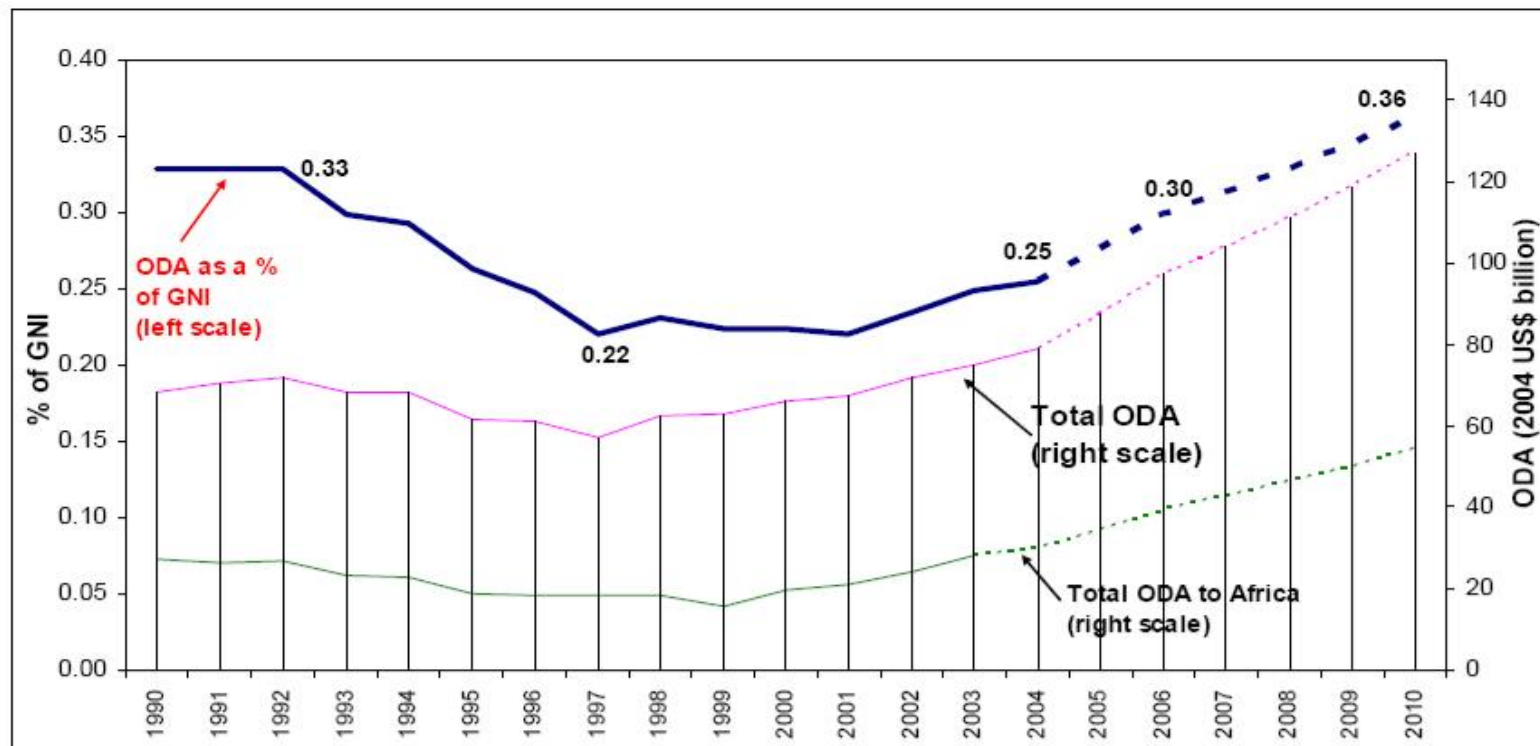
Changing IBRD Financial Dynamics



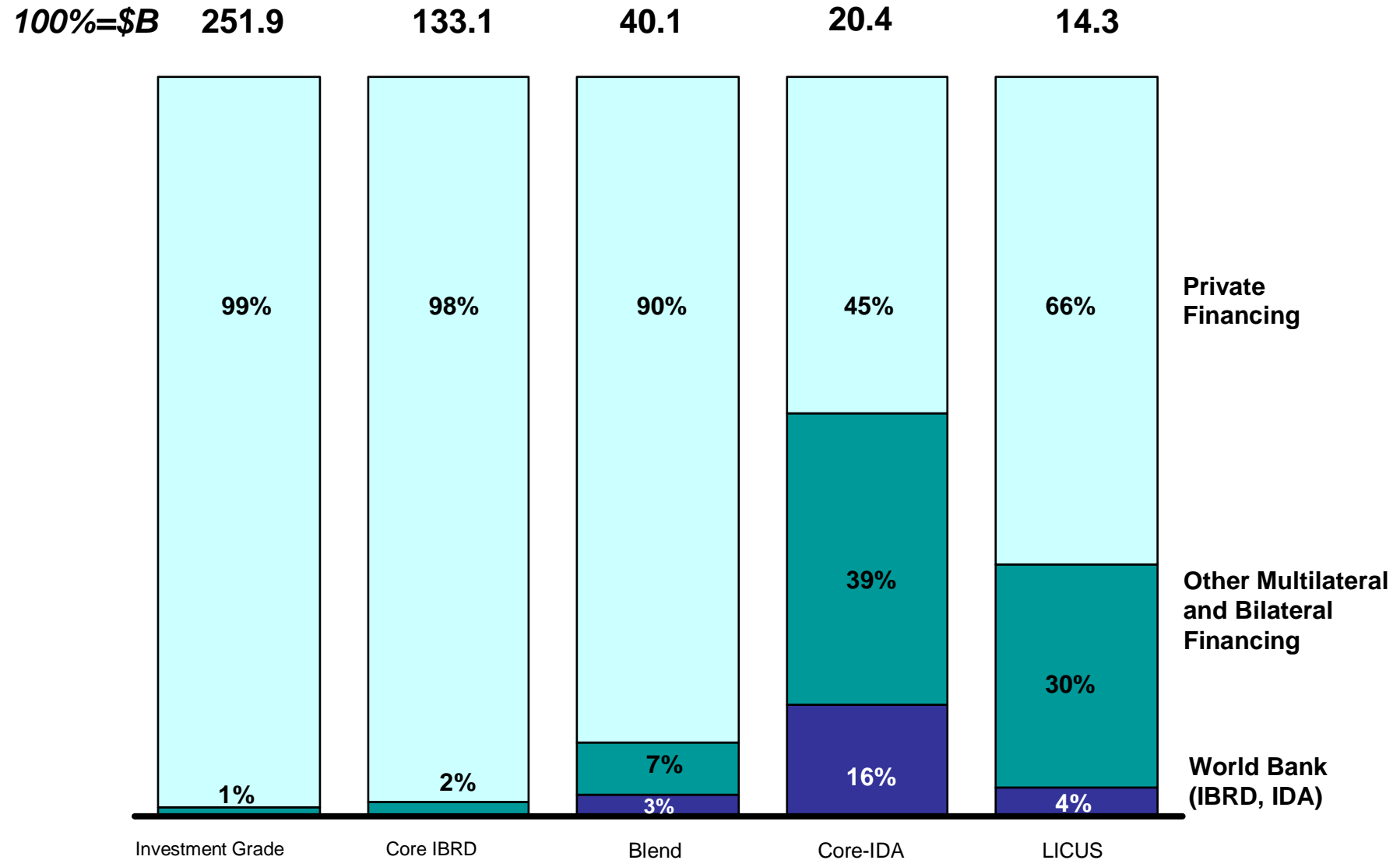
Changing Aid Environment

- Growing official aid flows risk fragmentation.

**DAC Members' net ODA 1990 - 2004 and
DAC Secretariat simulations of net ODA to 2006 and 2010**



World Bank's financial role varies

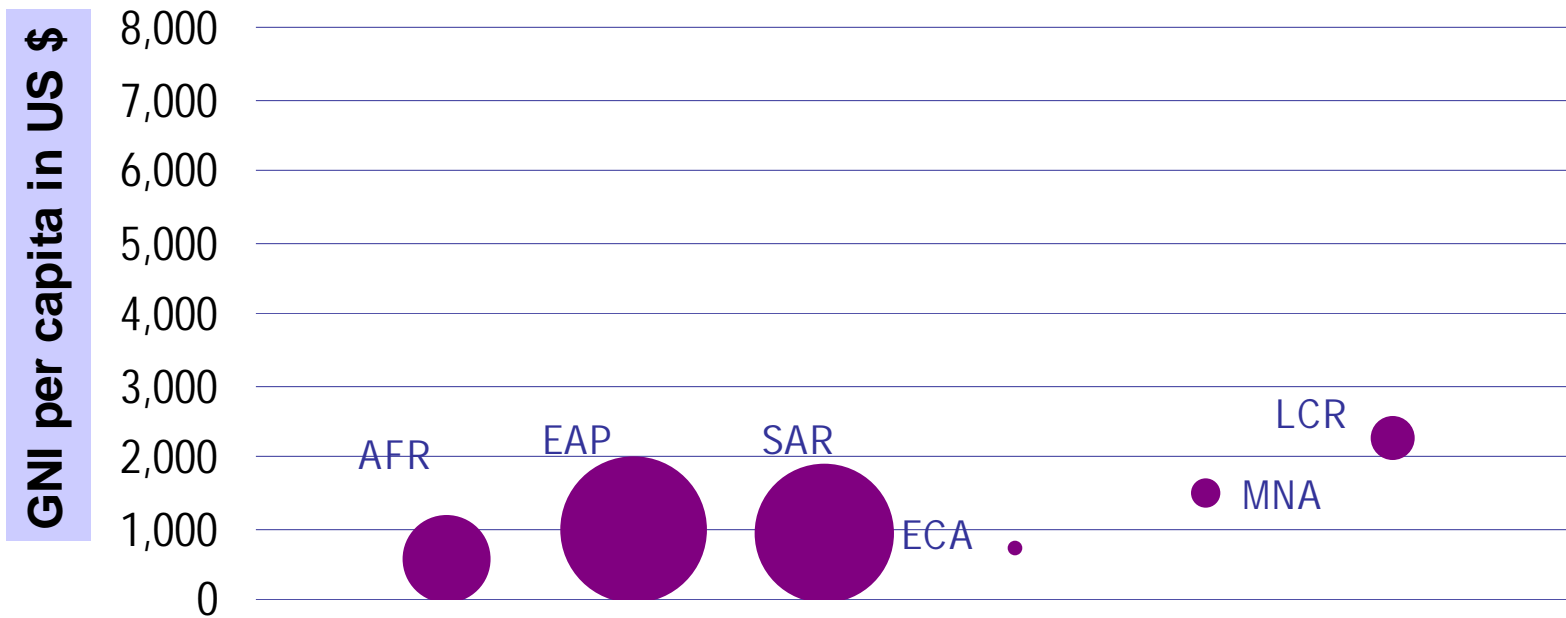


Examples of Countries within Segments

Investment Grade IBRD:	Kazakhstan, Korea Republic, Malaysia, México, Poland, Slovenia, South Africa, Thailand...
Core IBRD:	Brazil, Colombia, Arab Republic of Egypt., El Salvador, Gabon, Guatemala, Jordan, Peru, Philippines...
Blend:	Bolivia, Indonesia, Pakistan, Serbia and Montenegro, St. Lucia...
Core IDA:	Armenia, Bangladesh, Benin, Bhutan, Burkina Faso, Cameroon, Ethiopia, Georgia, Ghana, Guyana, Honduras, Kenya, Kyrgyz Republic, Mali, Mongolia, Mozambique, Nepal...
LICUS/ Fragile	Afghanistan, Cambodia, Central African Republic, Chad, Democratic Republic of Congo, Guinea-Bissau, Haiti, Liberia...

Dynamics: Growth & Poverty (1990)

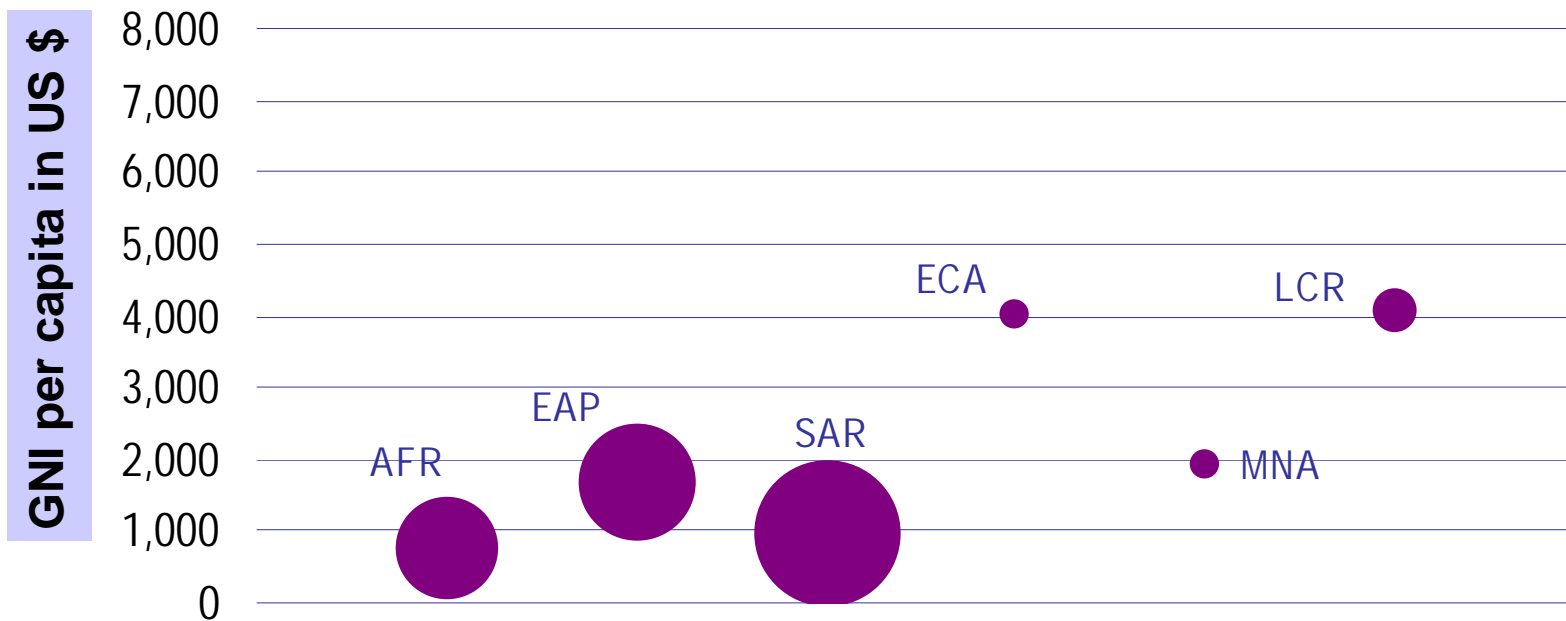
1990 Regional GNI per capita & Poverty



Circle size represents population in Region living on less than \$2/day

Dynamics: Growth & Poverty (2005)

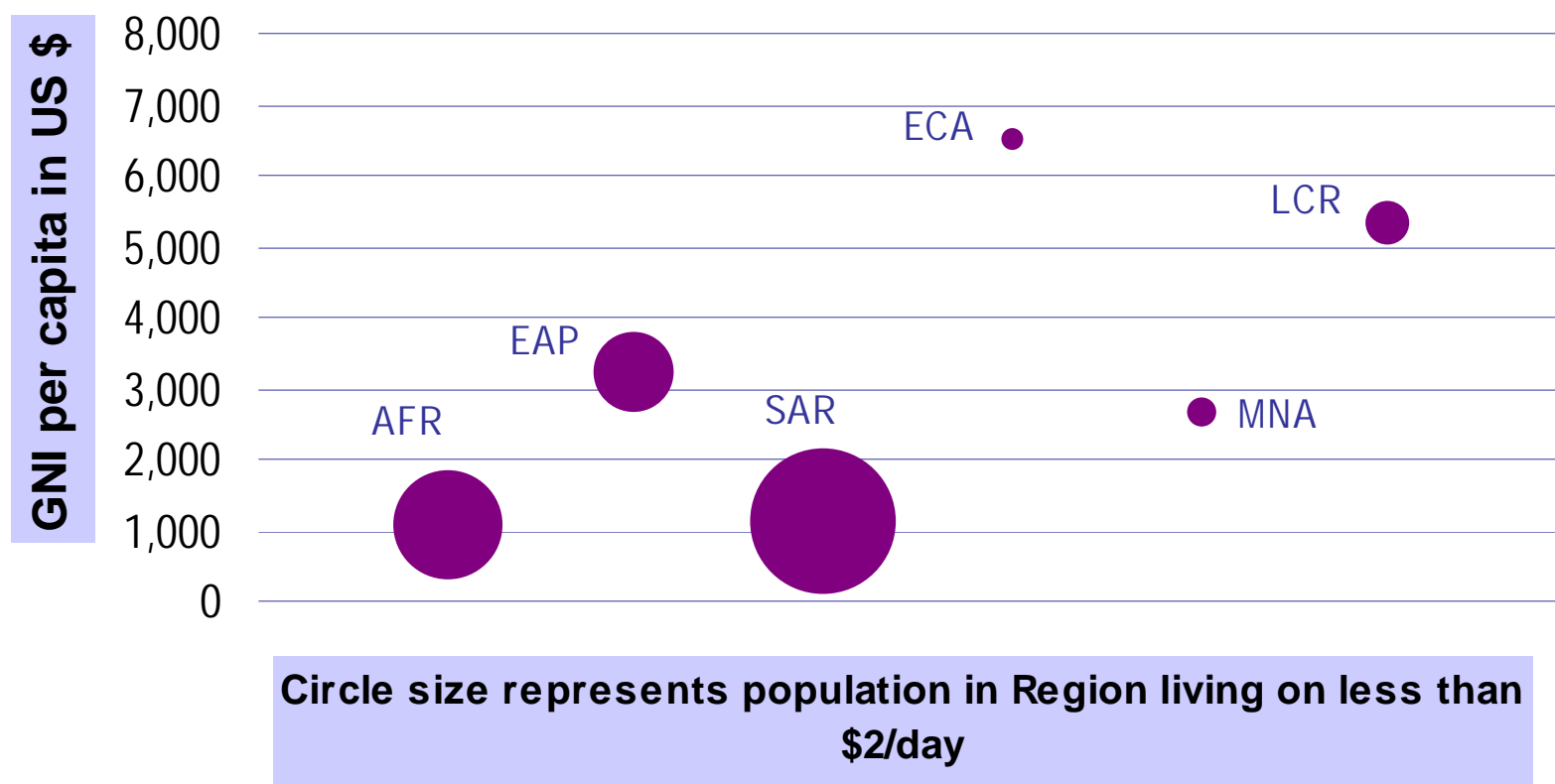
2005 Regional GNI per capita & Poverty



Circle size represents population in Region living on less than \$2/day

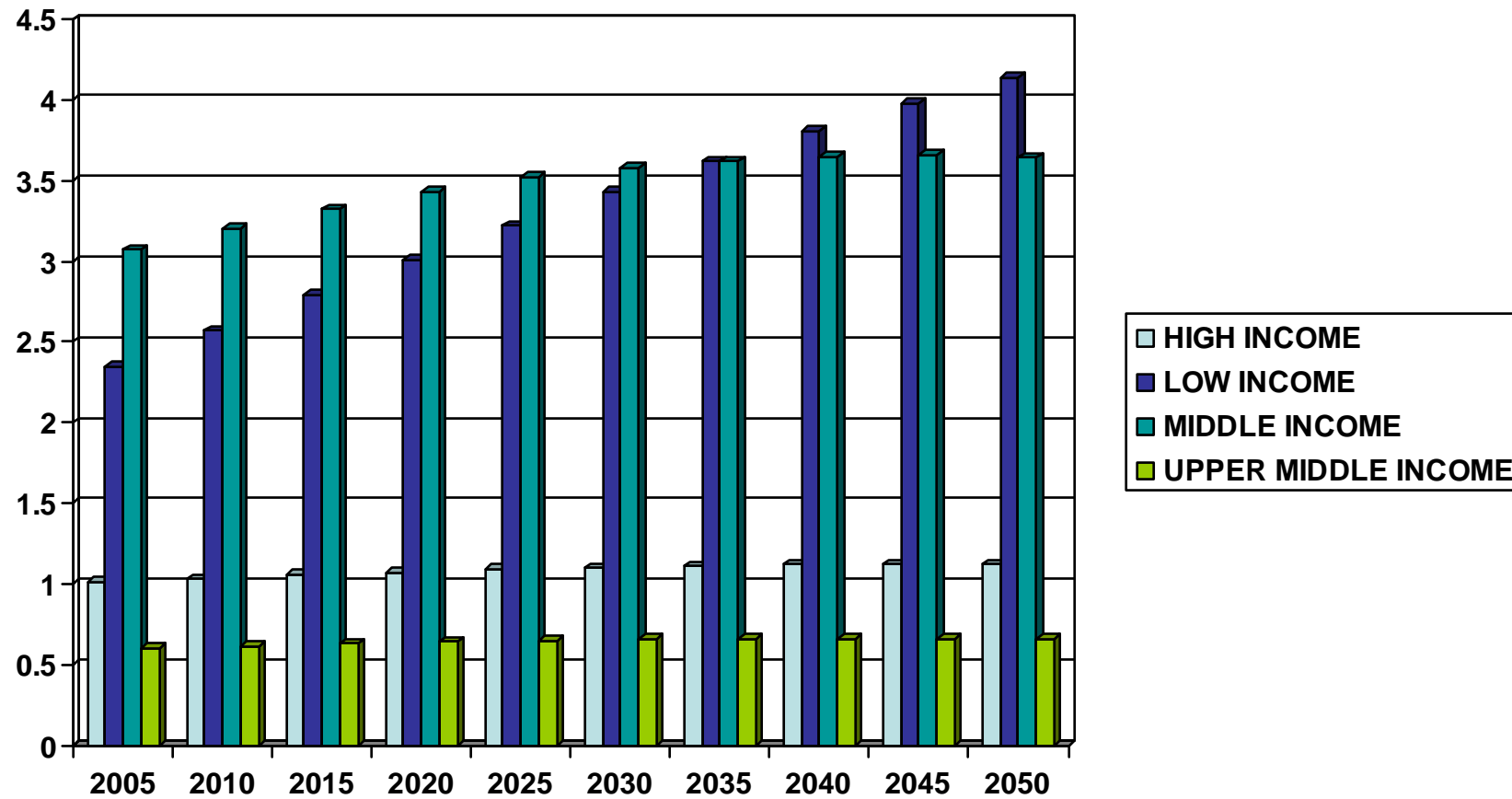
Dynamics: Growth & Poverty (2015)

2015 Regional GNI per capita & Poverty



Dynamics: Population Trends through 2050

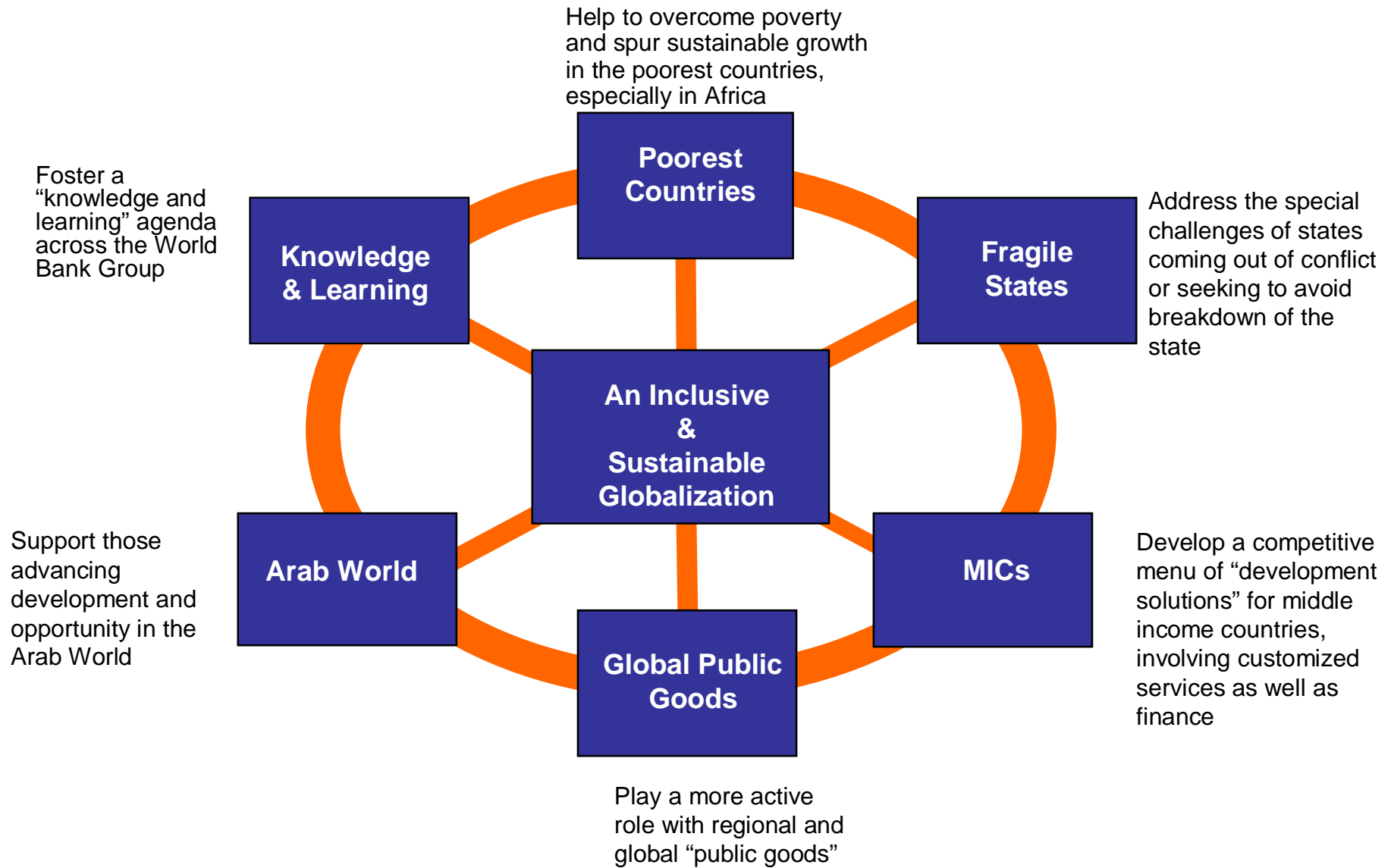
(in Billion)



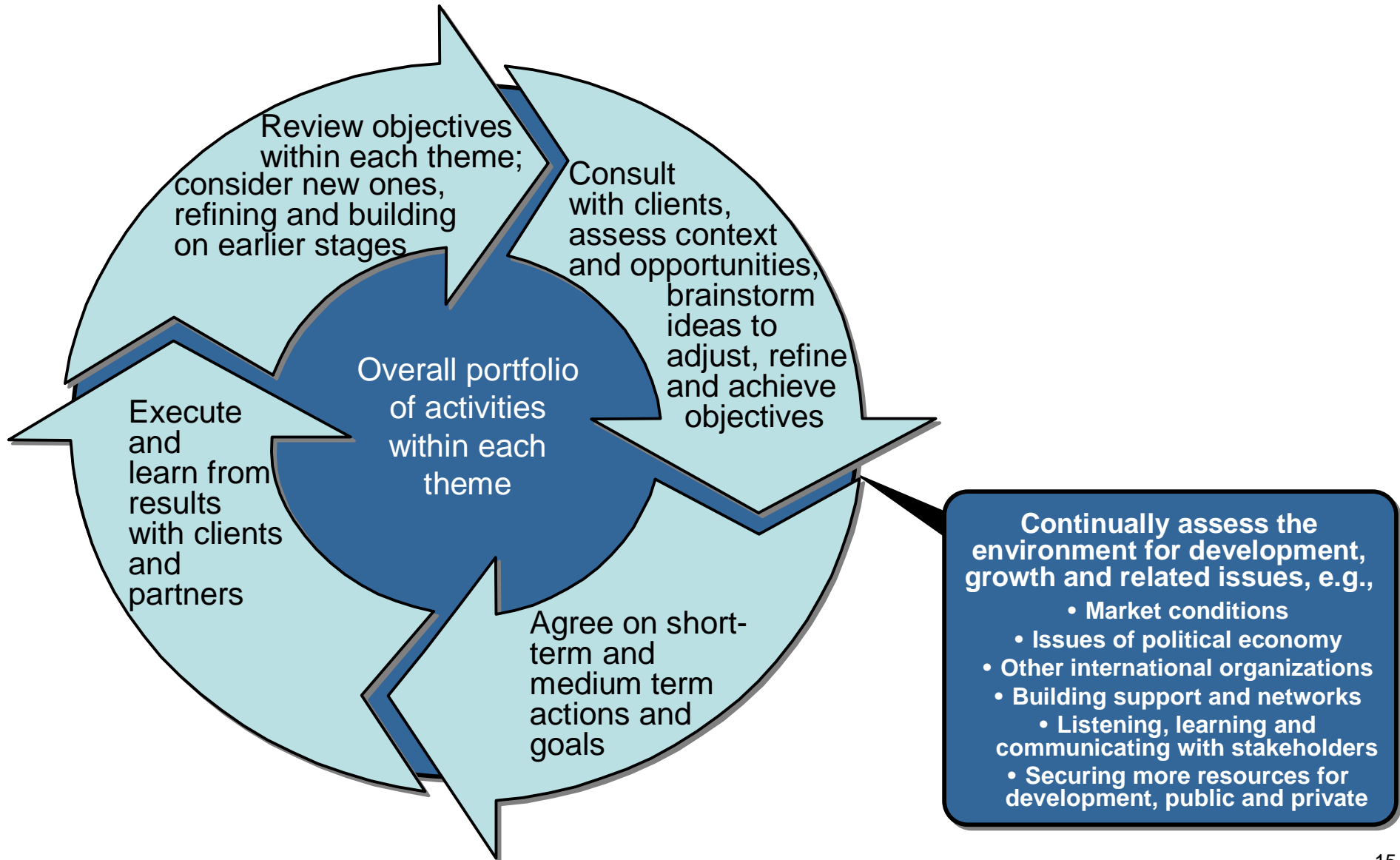
Ritzen – Chance for the World Bank

- Re-assert focus on Efficiency, Effectiveness, and role of Governance!
- Increase Public Support
- Improve the Rules of Globalization
- Use Power of the Diaspora and Prevent Brain Drain
- Retain Longer-Term lending role in Middle-Income Countries on MDG grounds
- A new Bretton Woods-type agreement:
 - Global Rules of game must work for developing countries, e.g. Trade
 - Fighting Corruption also outside of developing countries
 - Chart development cooperation with countries with poor governance

Zoellick Strategic Directions 2007



Zoellick view on 'how' to work



Poorest: Help to overcome poverty & spur sustainable growth in the poorest countries, especially in Africa

Objectives

Description / Rationale

1. MDGs, Health and Skill Development

- Many countries off track to meet MDGs
- Challenge of integration of vertical funds with country programs
- In Africa, 54% of population below age 20, high unemployment, limited PSD, call for focus on education for building competitive skills
- Major health challenges, including infectious diseases (e.g., HIV, malaria, TB...)
- Need more attention on “Hunger and Malnutrition”, the forgotten MDG, with multiplier effects

2. Trade, Regional Integration, Infrastructure, and Private Sector Development

- Many are small size and landlocked; makes regional approaches critical
- High costs from inefficient ports, information and communication services; transportation and energy constrains growth and exports; cost of doing business is high in many countries
- Private sector can have a major role in fostering growth; increased availability of private financing can leverage aid in poorest countries

3. Agriculture and the Environment

- Agriculture is potential source of growth and countering hunger and malnutrition, WDR/IEG point to the need to re-think approach to support increase in agricultural productivity
- Threat of climate change and natural disasters must be addressed

4. Governance and Social Inclusion

- Rising oil and mineral prices, new discoveries: a unique opportunity and also a major risk for commodity rich countries
- Improvement in transparency, accountability, and reduction in corruption needed to increase development outcomes in poorest countries
- Key challenges in poorest countries: inclusion, increased inequality, undermines political support for reforms

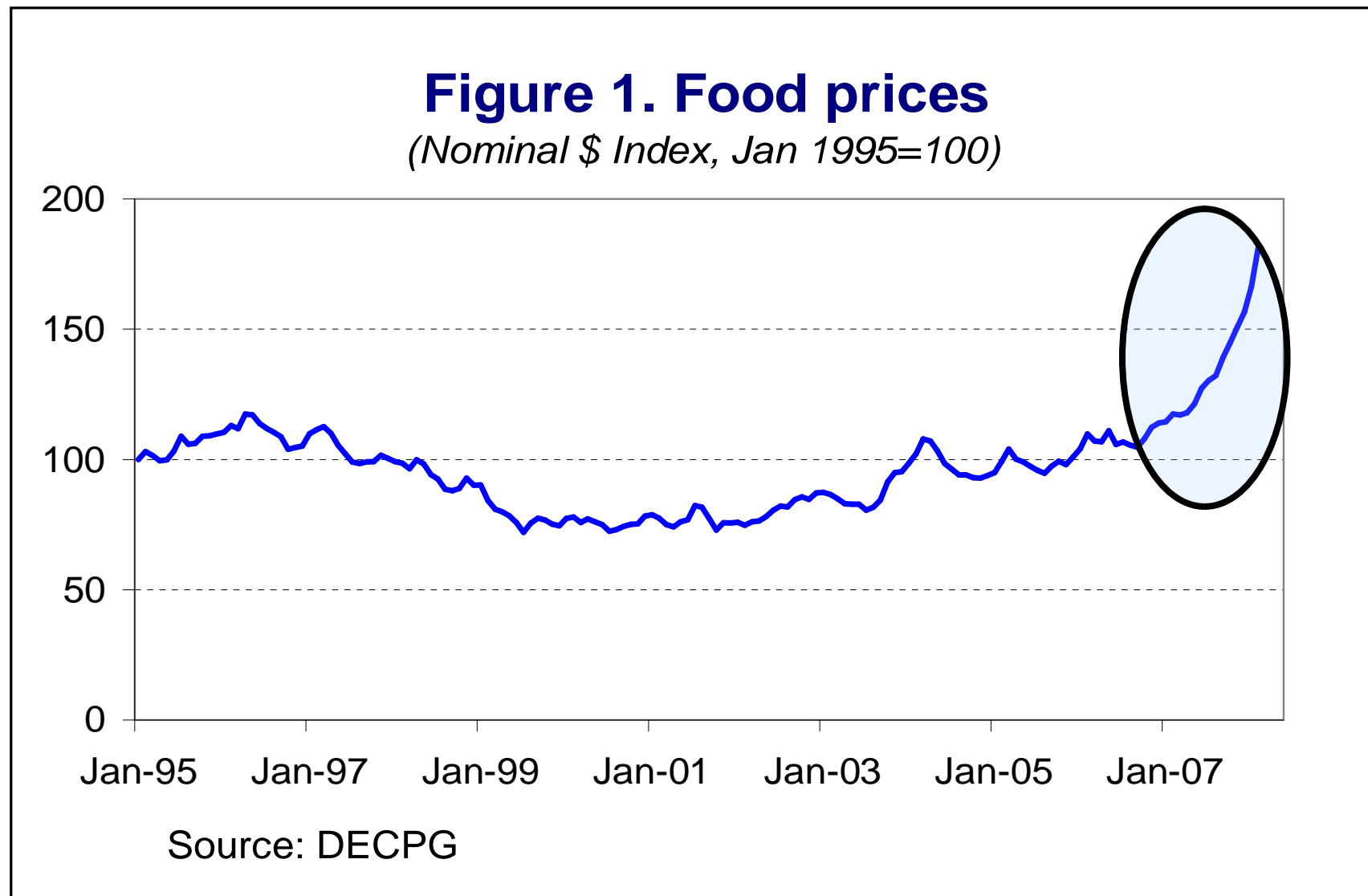
Poorest: Some illustrative actions for achieving our objectives

- More focused on supporting growth, including by supporting regional integration solutions, increasing access to basic services, and making faster progress towards MDGs;
 - This will require capturing Bank Group synergies;
- Helping countries better leverage mining resources for development purposes.



- Reinforce support for programs to implement **GAC**, including launching and implementing the **StAR initiative** in three pilot countries and launching and advocating an “EITI++” initiative
- Less project by project approach, increased support to **country health and education systems**, and **partnerships** with non traditional donors, and private sector in delivering improved health and education outcomes
- Launch a new **South-South learning facilitation** instrument and Fund to enhance the sharing of best practices and strengthen **cooperation and partnerships** with AfDB, AsDB, EU and with countries such as China, Russia, Brazil, and India focusing on infrastructure and regional integration
- Identify ten countries for review of **opportunities to scale up progress towards the MDGs**, while reinforcing that inclusive growth is the foundation
- Pilot **insurance crop / natural disaster mitigation instruments** in 3-5 countries

Example – Global Food Prices: Change in global market condition triggers global response



Fragile: Address the special challenges of states coming out of conflict or seeking to avoid breakdown of the state

Objectives

1. Research and Learning:

Promote better global understanding of fragility and conflict dynamics and effective strategic and operational approaches to engagement in fragile states.

2. Partnerships:

Promote improved country-level collaboration with “traditional” donors and closer partnerships with regional MICs, foundations, security and humanitarian actors and the private sector.

3. Institutional and Financial Support:

Ensure a stronger field presence and improved technical and financial support to Bank programs in FCS

4. Visible Results in Target Countries:


Deliver visible results in selected target countries through a coherent WBG approach and intensified institutional support.

Description / Rationale

- Anchor the Bank’s scenario planning framework in an improved understanding of structural and country-specific factors that contribute to institutional and governance fragility
- A more systematic approach to staff training on strategic approaches and best practices
- Additional guidance on emerging and strategic issues particularly state and peace-building, conflict prevention and approaches for dealing with deteriorating governance
- Need new partnership with UN to better direct and supervise actions for peace building and development
- More integrated approach to delivery of assistance through shared planning instruments and delivery tools
- Stronger alliances with key regional MICs, regional organizations, and the private sector in support of increased South-South collaboration and a common approach to engagement in FCS
- Bank engagement is facilitated through stronger field presence, sufficient grant making flexibility, and timely support to country teams
- Leverage resources to achieve efficiency gains through a more coherent WBG approach that is anchored in strong support to state, private sector and non-state actors
- Accelerate and “test case” recent institutional reforms through concrete and visible results on the ground

Fragile: Some illustrative actions for achieving our objectives

- Better able to leverage our cumulative experience for our clients and partners;
 - Focused on a broader range of partners;
 - Exploit Bank Group synergies;
 - Make tangible progress in countries;
 - More decentralized.

- 
- **Flagship report** (possible WDR), and high-profile journal article(s) on fragility, conflict and development
 - Guidance and **good practice notes** on strategic issues and sector specific-approaches in FCS (DDR, state building / capacity development, service delivery, transparent management of natural resources)
 - **Partnership agreements** and common response platform with UN, EU, and MDBs; **links** with AU and NATO, and **greater inclusion** of key MICs; assess ability to cooperate more effectively and results
 - Launch pilot **diaspora return schemes** in collaboration with UNDP and other partners
 - Increase **WBG field-based staff** by 50% over current levels

MICs: Contribute solutions to growth & development by increasing our responsiveness

Objectives

1. Improve client responsiveness and flexibility

Opportunities, Actions, and Examples

- Create a **Bank that works faster; is more flexible to client needs; lowers costs**; and is more externally focused
- **Improve ease of doing business** by streamlining investment lending procedures, reducing evaluation overlap, modernizing safeguard operational policies and increasing country system use where standards are mutually agreed and verifiable
- Offer a **knowledge and learning** model that is more adapted to MIC needs and capacities (e.g., engaging regional and local institutions). Greater diversity of compensation methods for delivery of Technical Assistance.

2. Expand range and utilization of financial products

- Step up **delivery of customized and innovative financial solutions** to meet client needs in an evolving global environment: through new instruments (risk management tools); enhanced financial terms (sub-sovereign, local currency financing, IBRD maturity extension); coupled with more financial market development (GEMLOC), broadened asset management, guarantees and advisory services (e.g., for sovereign wealth funds)
- Offer **knowledge and advice on policy design**

3. Build a dynamic organization

- Leverage **synergies across Bank Group (global practice groups) and private-public partnerships** to create a more dynamic menu of development solutions
- Implement **new credit allocation model** in order to allocate capital across borrowers more efficiently

4. Build knowledge to engage on 21st century challenges

- **Become a center of knowledge and technical excellence** on MIC issues (e.g., sustainable growth, competitiveness, inclusion, the private sector, GAC, regional linkages and integration)
- Build **strong partnerships** with other institutions and enhance South-South cooperation
- **Increase voice of MICs**, including on GPGs

Arab World: Strengthening development and opportunity in the Arab World

Objectives

1. Integration into the global economy

- The Arab World is one of the least integrated regions of the world, both among countries and with the globalized economy (outside energy)
- Focus on physical and institutional infrastructure for trade and economic diversification, and private sector development

2. Faster and more inclusive growth

- Social inclusion is a critical issue for numerous Arab countries
- Focus on job creation, education (including quality), technology adaptation, and good governance
- The need to provide effective social services and social safety nets

3. Address special priorities

- A number of special challenges combine to add barriers in the Arab World, including conflict, unemployment, water scarcity, the youth “bulge”, the role of the public sector, and limited public accountability

GPGs: Playing a more active role in regional and global “public goods”

Objectives

1. Communicable Diseases / Public Health

- **Strengthen national health systems** to create platforms for effective surveillance, prevention, and treatment programs
- **Improve sustainability, results focus, and governance** of health sector financing (incl. through improved division of labor with GFATM and GAVI)
- **Attract new resources** from public and private donors in support of lagging MDGs and **explore further use of innovative financing mechanisms** such as Advance Market Commitments and IDA buy-downs

2. Environmental Commons

- Fully **integrate climate change actions for mitigation and adaptation into core development** work
- **Mobilize public and private resources and support market development** for early actions (e.g., portfolio of climate investment funds to finance clean technology, forestry, and resilience projects)
- **Partner with GEF**
- Build **practical basis for developing country inclusion** in GCC treaty
 - Better forest and land management practices (Forest & Carbon Partnership Fund)
 - “Bali Breakfast / Development Committee” process to institutionalize policy discussions on GCC and development
 - Support negotiations with economics, market insights, and practical solutions
- Test methodologies for **carbon footprinting** and **shadow pricing** of WBG projects

3. Financial Architecture

- Strengthen services within national financial systems to **enhance financial intermediation and stability** (contingency planning, crisis games, IFC data on credit defaults)
- Develop and disseminate **indicators and benchmarks** to set agendas for reform
- Exploit **new technologies to improve access to financial services for the poor**

4. Trade

- **Increased integration of LICs** into global economy
- Scale up country assistance for the **trade and competitiveness agenda**
- Provide **analytical tools and indicators** to support trade policy decision-makers

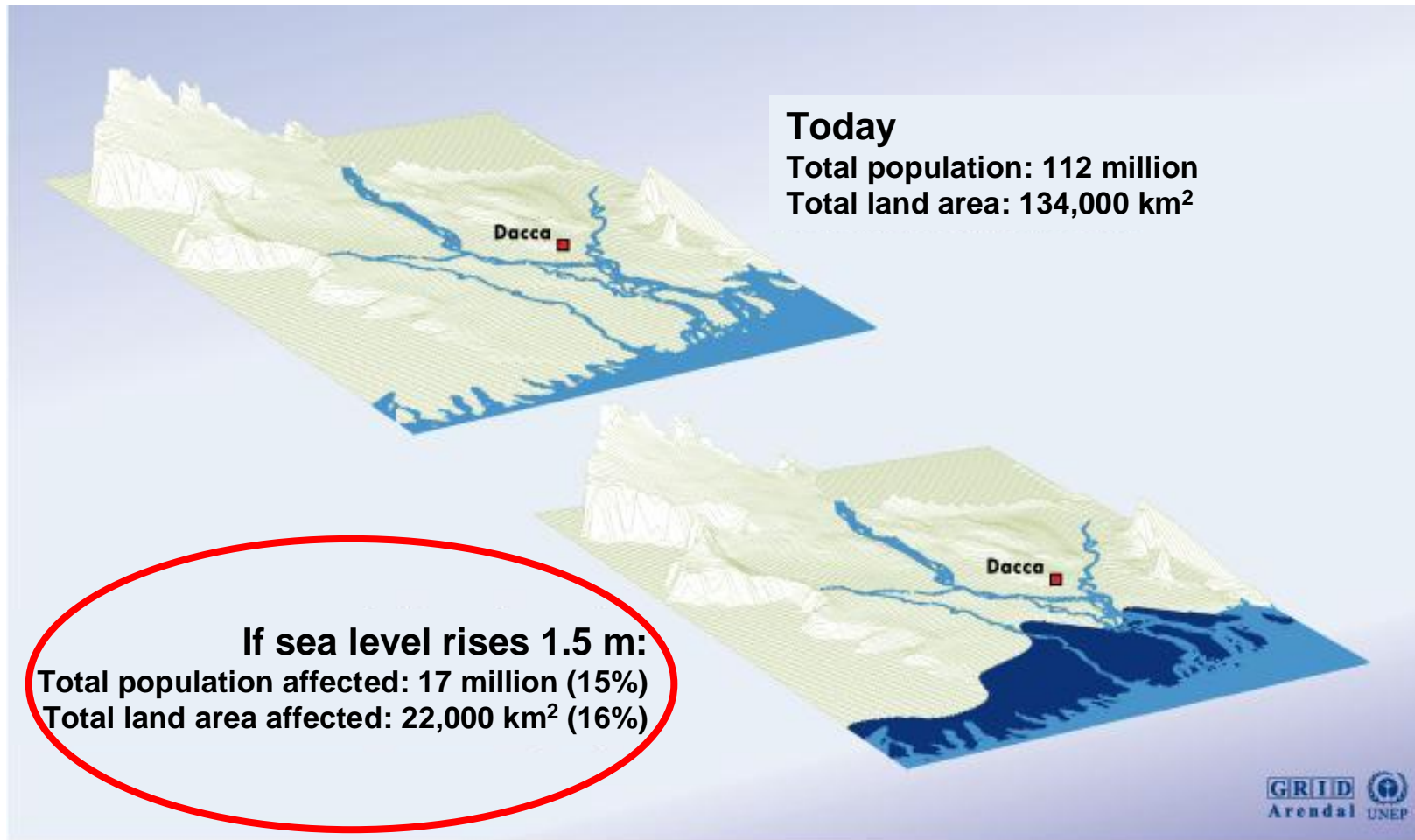
Example –6 Climate Threats: Top 12 Countries Most at Risk

	Low Income	Middle Income	High Income			
	Drought	Flood	Storm	Coastal 1m	Coastal 5m	Agriculture
Malawi	Bangladesh	Philippines	All low-lying Island States	All low-lying Island States	Sudan	
Ethiopia	China	Bangladesh	Vietnam	Netherlands	Senegal	
Zimbabwe	India	Madagascar	Egypt	Japan	Zimbabwe	
India	Cambodia	Vietnam	Tunisia	Bangladesh	Mali	
Mozambique	Mozambique	Moldova	Indonesia	Philippines	Zambia	
Niger	Laos	Mongolia	Mauritania	Egypt	Morocco	
Mauritania	Pakistan	Haiti	China	Brazil	Niger	
Eritrea	Sri Lanka	Samoa	Mexico	Venezuela	India	
Sudan	Thailand	Tonga	Myanmar	Senegal	Malawi	
Chad	Vietnam	China	Bangladesh	Fiji	Algeria	
Kenya	Benin	Honduras	Senegal	Vietnam	Ethiopia	
Iran	Rwanda	Fiji	Libya	Denmark	Pakistan	

Source: World Bank staff.

It Will Get Worse

Likely Impact of Sea Level Rise on Low Lying Lands:
BANGLADESH



Source: UNEP/GRID Geneva; University of Decca; JRO Munich; The World Bank; World Resources Institute, Washington, D.C.

Knowledge and Learning: The Bank becomes a learning organization that leverages the best global knowledge to support development

Objectives

1. Create and leverage the Bank's knowledge to support the global development community

2. Capture knowledge from the global community and disseminate broadly to benefit our clients

3. Apply world class knowledge to our day to day development work

Opportunities, Actions, and Examples

- Exploit the Bank's comparative advantage as a "brain trust" to remain a **premier source of development knowledge**
- **Strengthen systematic focus on knowledge creation and dissemination of "what works" / results** through cross-country and cross-regional methodologically robust impact evaluations in key strategic areas.
- Establish **partnerships** with research institutions, think tanks, other international organizations to foster South-South and South-North knowledge sharing
- **Enhance use of internationally recognized intellectual leaders** to further stimulate Bank thought and our clients
- Establish program for partnership at country level for **statistical capacity improvements to support better development results**, including country level partnership operating in 5 pilot countries with strong ownership.
- **Strengthen key Bank communities of practice** to reach out, learn, and share knowledge globally
- **Integrate knowledge and learning** effectively into the operational cycle
- Access key opinion makers, offer better client services, and influence policy decisions by **providing "just in time, just on target, just enough" relevant knowledge and data**
- **Modernize the Bank's outreach through ICT-based solutions** to foster broad collaboration, dissemination, knowledge sharing and learning across the WBG and with partners and clients, and to increase significantly our exposure, profile, and influence in the international arena

Conclusion

- Ritzen had much that was right
- For tomorrow's world, it needs to be bolder
- The urgency needs to be understood better – not for the Bank's sake, but for the World's sake