



Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

World Bank Focus on Sustainability 2004

31517



World Bank Mission Statement

Our dream is a world free of poverty

To fight poverty with passion and professionalism for lasting results.

To help people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors.

To be an excellent institution able to attract, excite, and nurture diverse and committed staff with exceptional skills who know how to listen and learn.

Our Principles

Client-centered, working in partnership, accountable for quality results, dedicated to financial integrity and cost-effectiveness, inspired and innovative.

Our Values

Personal honesty, integrity, commitment; working together in teams — with openness and trust; empowering others and respecting differences; encouraging risk-taking and responsibility; enjoying our work and our families.

Focus on Sustainability 2004

Copyright © 2005

The International Bank for Reconstruction and Development/THE WORLD BANK
1818 H Street, N.W.
Washington, D.C. 20433, USA

All rights reserved

Manufactured in the United States of America
First printing January 2005

The World Bank has used its best efforts to ensure that the information contained within this report is accurate, however, it cannot guarantee its accuracy. The representations, interpretations, and conclusions expressed herein do not necessarily reflect the views of the Executive Directors of the World Bank or the governments that they represent.

The material in this publication is copyrighted. Requests for permission to reproduce portions of it should be sent to the Office of the Publisher at the address shown in the copyright notice above. The World Bank encourages dissemination of its work and will normally give permission promptly and, when the reproduction is for non-commercial purposes, without asking a fee. Permission to copy portions for classroom use is granted through the Copyright Clearance Center, Inc., Suite 910, 222 Rosewood Drive, Danvers, Massachusetts 01923, U.S.A.

Cover photo: Uzbekistan. Anvar Ilyasov, 2002

All photos provided by the World Bank Photo Library and World Bank staff.

All currency amounts are expressed in U.S. dollars.

Contents

<i>Letter from the President</i>	3
<i>About This Review</i>	5
<i>Introduction</i>	7
 Part I: The World Bank's Structure and Work: An Overview	
1. Governance and Goals of the World Bank	12
History	12
The World Bank Group Today	13
Organization and Governance	13
Our Strategy	18
2. Our Business	24
Our Products	24
Our Lending Portfolio	27
The World Bank Project Cycle	28
Working with Our Stakeholders	28
Our Development Partnerships	35
3. Managing and Monitoring	36
Monitoring Policies and Bodies	36
Monitoring Our Environmental and Social Impacts	40
Integrating Environmental and Social Concerns into Procurement Practices	41
Assessing the Impact of Aid	43
Tracking Results	45
Fighting Corruption	45
Information Disclosure	48
4. Our Commitment to Sustainable Development	50
Environmental Sustainability	52
Water and Sanitation	61
Education for All	64
HIV/AIDS	66
Maternal and Child Health	67
Investment Climate and Finance	69
Trade	74

Part II: Corporate Environmental and Social Responsibility

5. <i>The World Bank's Corporate Environmental and Social Footprint</i>	77
Our Environmental Impact	77
Energy Conservation	79
Staff Travel-to-Work Program	81
Reducing, Reusing, and Recycling	82
Printing, Graphics, and Design	83
Procurement	84
Food Services	84
Our Staff	86
Community Outreach	90

Part III: Looking Forward

6. <i>The Months Ahead</i>	94
The World Bank's Operational Commitments	96
The World Bank's Corporate Commitment	97

<i>Global Reporting Initiative (GRI) Content Index</i>	99
---	----

<i>World Bank Contact Information</i>	Inside back cover
--	-------------------

Letter from the President

GRI 1.1/1.2

The World Bank's goal is sustainable development—development that meets the needs of people today without compromising the ability of future generations to meet their own needs. The needs of the people today are immense. Our responsibility to the future is unalienable.

With that in mind, this review brings together information on the World Bank's activities that bear on economic, environmental, and social sustainability—our lending, advice, knowledge-sharing, and workplace policies and practices. Strengthening community participation and empowerment in development, promoting strong country institutions, expanding access to health and education, and fighting poverty, corruption, and environmental degradation are all critical elements of our charge. Reducing our environmental footprint, supporting diversity, contributing to the communities in which we work and live in, educating our staff and clients, and expanding public and private partnerships are also key to our corporate commitment.

The World Bank has achieved a great deal over the past few years. We have focused our work on “fighting poverty with passion.” We have put our client countries more clearly in the driver's seat. We listen more and lecture less. We know that development works: in the past four decades, life expectancy in developing countries has increased by 20 years, and adult illiteracy has been halved, to 22 percent.

Next year, the international community will meet at the United Nations to review progress in achieving the Millennium Development Goals—with 10 short years to go until the target year of 2015. Thanks to the progress being made by China

and India, we know that the overall objective of cutting poverty in half will likely be met. But we can already see that most of the other goals will not be met in most countries. Africa, in particular, will be left far behind.

What are we, as a global community, going to do about this unhappy outlook? There can be only one answer: we must redouble our efforts and do better at managing the issues that will determine our future. Three urgent priorities stand out:

- Protecting the planet through better stewardship of our environment
- Scaling up effective poverty reduction initiatives
- Educating our young people for the 21st century—and giving them hope.

Protecting our planet. We must promote growth, but we must do so with a full awareness of the natural systems on which all life depends. Economic growth does not have to come at the expense of the natural environment; the two are intimately linked. Every one of us must take responsibility for protecting our planet's fragile environment and addressing global warming. Renewable energy must be given higher priority, and new and clean technologies must be made accessible to everyone, rich or poor. The World Bank will be expanding its investment portfolio in renewable energy by 20 percent annually over the next five years.



Environmental challenges affect everyone, but poor people are particularly vulnerable.

Scaling up poverty reduction initiatives. Over the past decade, a quiet revolution has taken place in the effectiveness of development assistance: countries are taking ownership of their own programs; aid is being focused on effective policies; and coordination among donors is increasing. Taken together, these changes can help us double or triple the impact of aid in the coming decade.

We can multiply the effect of projects by reaching more people. This has been a difficult challenge for the Bank and our partners. We build 5 schools or 100 miles of road, or we set up 10 community programs—and these are good projects. But the need is for 5,000 schools or 10,000 miles of road, or 5,000 community programs. The World Bank is learning how to scale up small, successful projects and expanding the suite of tools and services we have to share these lessons.

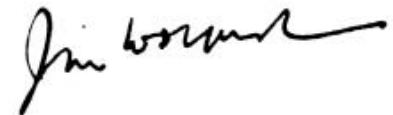
Educating our young people for the 21st century and giving them hope. Almost half the world's population is under the age of 24. Half of the 14,000 new HIV infections that occur each day are in the 15–24 age group. More than 50 percent of all young people of working age cannot find jobs. With alarming frequency, the young are becoming involved in conflict—as victims or, just as tragically, as soldiers. We must engage young people in finding solutions. They are not just the future; they are the now.

We must support our young people through education—beginning with early childhood development, because we know that a child's future is

largely determined in the first six years of life. The World Bank has invested over \$1 billion in early childhood education. We are a leader in the field and are actively pursuing the Millennium Development Goal of achieving universal primary education by 2015. But we have to recognize that education is not just about getting kids into school. The content and quality of education are crucial—and children need to be able to stay in school.

We estimate that \$3.7 billion in aid flows is needed each year for the next 10 years to ensure that all children complete primary school. That comes to roughly \$1,200 per class of 40 children, to pay for the teacher, books, and classroom, or just \$30 per year for each child not now in school. By comparison, military and defense expenditures amount to \$150 for every man, woman, and child on earth. Sadly, the international community has not yet been able to mobilize the money that education needs. We are letting the children down.

It is vital we focus on these three priorities—protecting our planet, scaling up the war on poverty, and educating our young people. We know what needs to be done, and we have many challenges before us. It is the job of all of us—development organizations, governments, civil society, and the private sector—to work with greater dedication, and with a greater sense of urgency, to provide a better world for those who will come after us.



James D. Wolfensohn
President, The World Bank Group

About This Review

GRI 2.12/2.13

This first World Bank sustainability review underlines our institution's commitment to sustainable development. We have reported elsewhere, over the years, on many of the topics covered here. This review, however, breaks new ground by looking at the World Bank's activities through the lens of corporate responsibility.

At the core of the review is a description of our activities in support of the environment, social development, and good governance. Because this is the first in a series, we have divided the review into two parts. Part I provides an overview of the World Bank's organization and operations to explain how we are governed and to show how our environmental and social commitments fit into the broader context of our work. The review can give only a sample, however, of the vast range of the Bank's economic, environmental, and social activities. Part II describes the World Bank's environmental and social performance related to corporate management. Chapter 5 focuses primarily on the facilities and staff at our Washington, D.C., headquarters, where most of our staff are based, and Chapter 6 looks forward to our continuing efforts toward sustainability and our near-term goals for reporting on corporate responsibility.

This review resembles sustainability reports issued by the private sector in that it describes the relevant activities of our core business lines and our physical footprint. But the World Bank is not a private sector corporation; it is an international organization whose members and owners are sovereign countries. Businesses have considerable control over their own success. By contrast, whether we achieve our central goal of poverty reduction depends more on what countries do than on what we do. Our role is to help our bor-

rowing member countries achieve the development objectives that they set for themselves.

It is easy to measure activity—for example, how much money we lend. Measuring results—the actual development impact of our lending and other activities—is much more difficult. To be more effective, the Bank has strengthened its focus on results, in its strategies, instruments, and reporting. This effort to develop mechanisms to measure results is a broad-based, global effort that is shared by donors and our development partners. It is up to countries themselves, however, to manage for development results. The success of the World Bank and other development agencies cannot be greater than countries' own success—nor can we claim for ourselves the credit for progress made by individual countries.



For its part, the World Bank is focusing on three core components of the results-oriented approach: strengthening country capacity, streamlining and refining internal processes, and working with our partners to harmonize our reporting efforts. Future reports will chronicle our progress in developing operational metrics and targets, along with our activities in support of poverty reduction, environmental sustainability, and social sustainability. We will also continue to measure and report on the effects of our corporate facilities on the environment, on our staff members and their families, and on the communities in which we work and live, and to track our progress in these areas.

Terminology and Data

GRI 2.11/2.21

The World Bank is made up of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). We also sometimes refer, depending on the context, to the World Bank Group, which includes, in addition to IBRD and IDA, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID).

Unless otherwise stated, the information contained in this review is for the World Bank fiscal year 2004, covering the period from July 1, 2003, to June 30, 2004. In several instances, cumulative data are used and are indicated as such. Currency amounts are expressed in U.S. dollars.

For this review, we have relied on corporate information systems, such as portfolio assessments by sector units, data collected by the Human Resources Department, and local information

tracked by facilities engineers. Certain portfolio data found in this review (for example, Figure 5, Total World Bank Lending, Fiscal 2004) are derived from the World Bank Annual Report 2004 and have been subjected to full external audit. Other data—for example, on the breakdown of the portfolio in focal areas and the performance of our physical facilities—have not been externally audited at this point. Managers or senior technical specialists have approved the data used in the sections relevant to their respective units, and the information is accurate to the best of our knowledge. The World Bank stands ready to respond to all reasonable inquiries concerning this information.

GRI Guidelines

The World Bank supports the Global Reporting Initiative (GRI) and is a member of the GRI Charter Group. In this review, we refer to the GRI Sustainability Reporting Guidelines. The relevant GRI indicators are noted next to the corresponding sections of the text. The Appendix lists the GRI indicators that we used, with cross-references to the body of the review. Some GRI indicators are not referred to in the review because they are not relevant to our line of business or because sufficient data are not available. In future reports, we will continue to refine our application of GRI indicators.

For Further Information

GRI 2.10

Additional information on the issues addressed in this review can be found on the World Bank Website, www.worldbank.org, and through the Websites and e-mail contacts listed on the inside back cover. Questions about the review should be addressed to eadvisor@worldbank.org. The review is available at www.worldbank.org/ess. Future reports will rely more on a Web-based presentation.

Introduction

Letter from the Vice President, Sustainable Development

GRI 1.2/2.22

The broad international movement known as corporate social responsibility (CSR) is growing rapidly. Companies are voluntarily integrating social and environmental concerns into their operations and their interactions with stakeholders and are committing their organizations to principles of transparency and public accountability. As a development organization, the World Bank has been striving for many years to make environmental and social sustainability and public transparency central to our operations.

The role of the World Bank's Environmentally and Socially Sustainable Development (ESSD) Network is to promote these goals. The Network works to ensure that actions taken by the Bank today to

promote development and reduce poverty do not result in environmental degradation or social exclusion tomorrow. The Bank has adopted a suite of sector strategies, spearheaded by the ESSD Vice Presidency, on environment, agriculture and rural development, forest management, and water resources, and a social development strategy is nearly complete. The strategies all have a common denominator: they are anchored in the three dimensions of development—economy, society, and the environment—because economic growth must be rooted in social balance and environmental sustainability.

ESSD is also home to the Bank's Quality Assurance and Compliance Unit, which ensures consistent





implementation of the World Bank's 10 environmental and social safeguard policies in our lending operations. Many international organizations and client countries use these Bank policies as model standards. Twenty-seven leading private financial institutions have adopted the Equator Principles, which are based on the standards of the World Bank Group, as voluntary guidelines for managing environmental and social issues in their project finance lending.

Over the past few years, the World Bank has looked at key elements of our business and our own institutional footprint to assess our impact

on quality of life, long-term sustainability, and corporate responsibility. Environmentally sound development starts with action at home: “greening” the Bank is an effective way of demonstrating to our client countries that environment matters—to people’s prosperity, to their health, and to their prospects for a better future. It is important that we set benchmarks for and report on our own social and environmental performance, increase our push for green procurement, support certified products, reduce the ecological footprint of our physical facilities, and demonstrate our concern for the local environment and for the communities in which we live.

As part of this focus on long-term sustainability, a working group, hosted in ESSD, has been created to more fully incorporate elements of corporate social responsibility into our work. Its purpose is to apply our expertise on environmental, social, and corporate governance issues to our continued efforts to strengthen our overall development contribution. The working group is guided by senior managers from across the organization who have launched CSR-related programs in a variety of areas. Its activities are directed to three areas:

- Enhancing the sustainability focus of World Bank products and services by supporting clients on issues related to CSR.
- Improving the impacts of our corporate facilities, including reducing our physical footprint through better environmental management.
- Reaching out to the global community on the relationship between sustainable development and CSR.

Supporting Our Clients

World Bank Corporate Social Responsibility Practice

Our CSR Practice advises developing-country governments on the public policy roles and instruments that they can most usefully deploy to encourage corporate social responsibility. It also undertakes research on key economic issues related to improving the enabling environment for CSR and increasing its positive impacts on poor communities, with a particular focus on voluntary codes of conduct. The CSR Practice collaborates with the World Bank Group's Foreign Investment Advisory Service to help governments develop countrywide CSR frameworks to enhance countries' competitiveness and attractiveness to investment.

Carbon Finance

The Carbon Finance Business of the World Bank's Environment Department plays a vital role in the emerging carbon market. Public-private

partnerships are being forged to ensure that developing and transition economies obtain a sizable share of the carbon market under the Kyoto Protocol's Clean Development Mechanism and its Joint Implementation projects. Through the World Bank's Carbon Funds, client countries undertake carbon emissions reduction programs in exchange for development assistance, technological know-how, and transfer of clean technologies.

Renewable Energy

The World Bank Group's management has made a commitment to increase its renewable energy and energy efficiency portfolios by 20 percent annually over the next five years. This will increase the level of investment in this sector to more than \$400 million per year. We have also pledged to report on our renewable energy and energy efficiency operations by sector and in comparison with the energy investment activities of similar organizations. In addition, the World Bank's General Services and Environment Departments have teamed up to develop a carbon emissions reduction plan for our physical facilities that emphasizes energy efficiency and renewable energy investments.

Improving the Impacts of Our Facilities

Corporate Greening

The World Bank's General Services Department seeks to achieve environmental best practice in all its facilities and operations by using resources efficiently, emphasizing energy conservation and the purchase of green power, minimizing waste and environmental impacts, supporting social and environmental responsibility in our corporate supply chain, encouraging staff use of mass transit, and providing comfortable and healthy surroundings in which to work. The carbon emissions reduction plan has been launched with a purchase of renewable energy certificates equivalent to 100 percent of electricity consumption by our headquarters, dramatically reducing the carbon footprint of our facilities.

The World Bank's Environmentally and Socially Responsible Procurement (ESRP) Program is working to strengthen environmental and social concerns in procurement processes for our own facilities and for Bank-financed projects in client countries. The past year's efforts have focused on strengthening staff and client capacity to incorporate environmentally and socially responsible procurement, using guidance notes, discussion papers, and training. In addition, the ESRP team is working on harmonizing procurement clauses in the master bidding documents used by multilateral development banks.

Community Outreach Program

The Community Outreach Program seeks to improve the lives of our neighbors in the greater Washington, D.C., metropolitan community. It encourages staff volunteerism, conducts an annual grants program, and partners with area groups to strengthen local communities. In the coming year, the World Bank will donate over 12,000 computers, from more than 100 Bank country offices, to nongovernmental, community, and nonprofit organizations involved primarily in the areas of health care, education, social services, youth programs, and job training, in the D.C. metropolitan area and around the globe.

Reaching out to the Global Community

World Bank Institute

The World Bank Institute, the Bank's learning center, has a rapidly expanding program on corporate social responsibility that provides training on competitiveness, social responsibility, and reputational risk management. The program is developing partnerships with diverse stakeholder groups in the

private sector, government, civil society, academia, and student groups. It uses the CSR framework to promote better understanding of the role of business in society, particularly its importance in fighting for poverty reduction and in supporting good governance and a sound investment climate. The program also seeks to build capacity for sustainable, competitive business practices that support local development goals.

Development Communication

The Development Communication Division provides clients with strategic communication advice and with the tools they need to develop and implement successful projects and pro-poor reform efforts. Its activities have included CSR analytical work, awareness building, and networking, principally in Eastern Europe and Central Asia.

Through these activities and many others, as described in the pages that follow, the World Bank Group is working with the private sector, our client countries, and our civil society partners to make development as sustainable and responsible as possible and to "walk the talk" at home.

We hope that this review captures our organization's inherent commitment to sustainability and our efforts to work for a better life for our clients, our communities, our staff and families, and future generations.



Ian Johnson
Vice President, Sustainable Development



Part I The World Bank's Structure and Work: An Overview

Governance and Goals of the World Bank

We live in a world that is both very rich and very poor. Global income is more than \$31 trillion a year, and in some countries average income per person is more than \$40,000 a year. But at the same time, 2.8 billion people—more than half of all the people in developing countries—live on less than \$2 a day, and 1.1 billion of them earn less than \$1 a day. Poverty shapes people's lives and health. In developing countries an estimated 33,000 children die every day from avoidable causes, and every minute at least one woman dies in childbirth. Poverty keeps more than 100 million children—most of them girls—out of school.

Economic growth alone is not the answer to the world's problems; current production, consumption, and distribution patterns carry social and environmental costs that are becoming unaffordable. Yet the challenge of reducing poverty and promoting sustainable development as the population continues to grow—an estimated 3 billion people will be added over the next 50 years—is enormous.

History

The World Bank is the largest source of official funding for developing countries. Our primary focus is on assisting the poorest people in the poorest countries. We use our financial resources, staff, and extensive experience to help developing

countries reduce poverty, increase economic growth, and improve their people's quality of life. Bank-supported projects help more than 100 countries invest in health and education, fight corruption, boost agricultural production, con-

The Changing World Bank

Over the past 20 years, the World Bank's focus has changed, and so has its approach. Issues relating to gender, community-driven development, and indigenous peoples are now integral to our work. Our support for social services such as health, nutrition, and education has grown from 5 percent in 1980 to 22 percent in 2003. Countries develop their own plans for helping their poor, and the Bank is responding with new products and tools. Today, the World Bank is:

- **The world's largest external funder of education**
- **The world's largest external funder of the fight against HIV/AIDS**
- **A leader in the fight against corruption world-wide**
- **A strong supporter of debt relief**
- **The largest international financier of biodiversity projects**
- **The largest international financier of water supply and sanitation projects**
- **The largest international funder in support of HIV/AIDS programs.**

1940s

1944

July 1–22

Articles of Agreement of International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) adopted at a 44-country conference in Bretton Woods, New Hampshire, USA.

1945

IBRD Articles of Agreement are signed in Washington, D.C., by 29 governments: Belgium, Bolivia, Canada, Chile, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, Ethiopia, France, Greece, Guatemala, Honduras, Iceland, India, Iran, Iraq, Luxembourg, Mexico, Netherlands, Norway, Paraguay, Peru, Philippines, South Africa, the United Kingdom, the United States, and Yugoslavia.

struct roads and ports, and protect the environment. Other programs seek to rebuild war-torn countries or regions, provide basic services such as clean water, and encourage investments that create jobs.

Conceived during World War II and founded in 1944 at a conference of 44 governments in Bretton Woods, New Hampshire, the World Bank initially helped rebuild Europe after the war. The first loan, amounting to \$250 million, was to France in 1947 for postwar reconstruction. The Bank was asked to shift its focus to developing countries. Its mission evolved from facilitation of postwar reconstruction and development to its present-day mandate of worldwide poverty reduction.

The World Bank Group Today

GRI 2.1/EC1

The International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) together make up the World Bank. The larger World Bank Group consists of five agencies: IBRD, IDA, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID).

The World Bank Group uses a mix of financing and knowledge programs to improve living standards and eliminate the worst forms of poverty in developing countries. Its contribution has grown in relative importance in recent years as private sector financial flows to developing countries have declined. Although net private flows were \$200 billion in 2003, up from \$155 billion in 2002, they are

The World Bank and the International Monetary Fund: Complementary but Different

The Bank should be called the Fund and the Fund the Bank.

—John Maynard Keynes, 1946

Although they are often thought of as a single organization, the World Bank and the International Monetary Fund (IMF) are actually two distinct organizations with different mandates. Both were founded in 1944 at the Bretton Woods conference and were incorporated into the new UN system in 1947. The purpose of the two “Bretton Woods institutions” was to restore the international economy after World War II. Countries must be members of the IMF to join the World Bank Group, but organizationally the two are completely separate. The World Bank assists developing countries through medium- and long-term loans and advisory services aimed at promoting long-term economic growth that reduces poverty. The IMF works to stabilize the international monetary system and monitors the world’s currencies. It promotes international monetary cooperation and foreign exchange stability and provides short-term loans to countries experiencing balance of payments problems.

still well below historical highs and far short of what is needed to meet international development goals.

Organization and Governance

GRI 2.3/2.6/2.7/2.8/3.1/3.4/3.6

The World Bank Group is not a bank in the traditional sense; it is an independent specialized UN agency governed by 184 member countries, which are jointly responsible for financing the institution

1946

Brazil, Colombia, Costa Rica, Denmark, El Salvador, Nicaragua, Panama, Poland, Uruguay, and Venezuela join IBRD.

June 25

World Bank formally begins operations with \$12 billion in initial authorized capital. The first president is Eugene Meyer.

1947

Australia, Italy, Lebanon, Syria, and Turkey join IBRD.

World Bank issues its first loans, to France (\$250 million), the Netherlands (\$195 million), and Denmark (\$40 million), for postwar reconstruction.

1948

Austria and Finland join IBRD.

and for deciding how its money is spent. The Bank is run like a cooperative, with member countries as shareholders. A country's number of shares is based roughly on the size of its economy.

The Board of Governors

Member countries are represented by a Board of Governors that has the ultimate decision making power in the World Bank Group. The governors meet once a year to consider key policy issues, admit or suspend country members, decide on changes in the authorized capital stock, determine the distribution of IBRD's net income, and endorse financial statements and budgets. The governors are appointed by and represent their

governments. They usually hold senior posts in their own countries, such as minister of finance or planning, secretary of treasury or state, or governor of the central bank.

The Executive Directors

There are four Boards of Executive Directors, for IBRD, IDA, the IFC, and MIGA. ICSID is governed by an administrative council. In most cases, the same people serve on all the boards. The executive directors oversee general operations under powers delegated by the Board of Governors. Of the present 24 executive directors, 5 are appointed by the 5 member countries with the largest numbers of shares, based on their

The World Bank at a Glance

Our Work

- **In fiscal 2004 World Bank loan commitments totaled \$20.1 billion.**
- **At the end of fiscal 2004, the World Bank's active environment and natural resource management portfolio amounted to \$11.3 billion—about 12 percent of the Bank's total active portfolio that year.**
- **Human development, social development and gender, and social protection investments together accounted for about 30 percent of the total World Bank project portfolio in fiscal 2004.**

Our Staff

- **At the end of fiscal 2004, the World Bank had about 8,800 staff, including 236 environmental specialists, 167 social development specialists, 207 health and human development specialists, and 109 water and sanitation specialists.**
- **In 2003 the World Bank and its staff contributed \$650,000 to nonprofit organizations in the Washington, D.C., metropolitan area.**

Our Facilities

- **Energy usage in the Washington offices remained constant between fiscal 2003 and fiscal 2004.**
- **Green power accounted for 12 percent of the electric power usage in our Washington offices.**
- **Two out of four of our Washington buildings have Energy Star labels.**
- **In fiscal 2003 and again in fiscal 2004, we recycled 60 tons of paper, aluminum, and glass.**

Our Work with Others

- **The Bank is engaged in at least 230 regional and global partnerships.**
- **Civil society is involved in 72 percent of our projects.**
- **We have established public information centers in 59 countries.**
- **We have publicly identified and debarred from participating in World Bank projects over 200 companies and individuals found to have been engaged in corrupt practices.**

The World Bank Timeline

1940s

1948

March 25

First development loans made and first loans to a Latin American country, to Chile for power and irrigation and for agricultural machinery.

1949

Thailand joins IBRD.

August 18

First loan to an Asian country, to India for railway reconstruction and development.

The Bank's technical assistance program begins.

TABLE 1 The Five Agencies of the World Bank Group

AGENCY	FISCAL 2004 DATA	ROLE
International Bank for Reconstruction and Development <i>Established in 1944</i> 184 members	\$11 billion in lending for 87 operations in 33 countries	IBRD assists middle-income countries and creditworthy poorer countries through loans, guarantees, and analytical and advisory services. The loans are usually for 15 to 20 years, with 3-to-5-year grace periods. Since 1948, IBRD has earned a net income on an operational basis, which is used to fund further development activities, including through contributions to IDA and the Heavily Indebted Poor Countries (HIPC) Initiative. Its financial strength enables it to borrow at low cost in capital markets and to pass these good terms on to borrowing clients.
International Development Association <i>Established in 1960</i> 164 members	\$9 billion for 158 operations in 62 countries	Contributions to IDA by its members enable it to provide billions of dollars per year in interest-free credits to the world's 81 poorest countries, which are home to 2.5 billion people. IDA's interest-free loans have a repayment period of 35 to 40 years, with a 10-year grace period. IDA's support is vital to countries that have little or no capacity to borrow on market terms. It helps provide access to basic services such as education, health care, clean water, and sanitation, and it supports reforms and investments aimed at boosting productivity and creating jobs.
International Finance Corporation <i>Established in 1956</i> 176 members	\$4.8 billion for 217 new projects in 65 countries	The IFC promotes growth in the developing world by financing sustainable private sector investments and by offering technical assistance and advice to governments and businesses. In partnership with private investors, it provides both loans and equity finance for business ventures in developing countries.
Multilateral Investment Guarantee Agency <i>Established in 1988</i> 164 members	\$1.1 billion in new guarantees issued for 35 projects	MIGA encourages foreign direct investment in developing countries by guaranteeing foreign investors against loss caused by noncommercial risks. It also provides technical assistance to help developing countries promote investment opportunities and uses its legal services to smooth potential impediments to investment.
International Centre for Settlement of Investment Disputes <i>Established in 1966</i> 140 members	30 new cases registered in fiscal 2004	ICSID encourages foreign investment by providing international facilities for settlement, through conciliation or arbitration, of investment disputes between foreign investors and host countries. It also conducts research and publishes studies in the areas of arbitration law and foreign investment law.

contributions to the World Bank's capital stock—the United States, Japan, Germany, France, and the United Kingdom. The other 19 executive directors are elected by the member countries they represent. China, Saudi Arabia, and the Russian Federation solely elect or appoint their representatives; each of the remaining 16 executive directors acts for multiple countries.

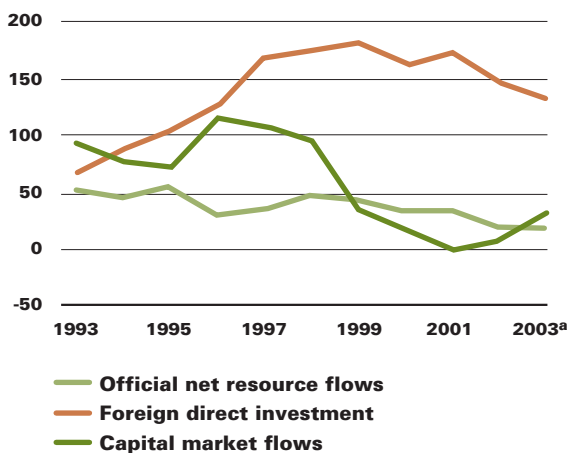
The executive directors usually meet once or twice a week, but hold additional meetings as often as needed. They consider and decide on the loan, credit, grant, and guarantee proposals made by the president of the World Bank and set the policies that guide the Bank's general operations. They are also responsible for presenting to the

Board of Governors annually an audit of accounts, an administrative budget, and a report on the Bank's operations and policies.

Operational and Anchor Staff

The World Bank has three *managing directors* who report directly to the president and who are in charge of Operations, Private Sector Development, and Finance and Strategy. The Bank's operations are organized on a regional basis. Each of the six regions—Africa, East Asia and Pacific, South Asia, Europe and Central Asia, Middle East and North Africa, and Latin America and the Caribbean—is headed by a *vice president* who is responsible for all operations in the borrowing countries in that region.

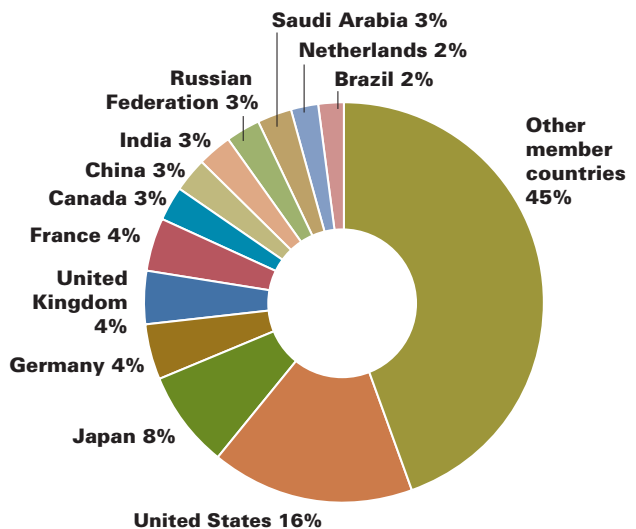
Figure 1 Net Long-Term Resource Flows to Developing Countries, 1992–2003
in \$ billions



a. Estimate. Net long-term resource flows are defined as net liability transactions or original maturity of greater than one year.

Source: World Bank. Global Development Finance 2004.

Figure 2 Voting Shares in the World Bank



Source: World Bank Debtor Reporting System and staff estimates.

The World Bank Timeline

1950s

1950

Poland withdraws from IBRD.

Ceylon (Sri Lanka) and Pakistan join IBRD.

June 15

First loan to a Middle Eastern country, to Iraq for construction of a flood control system on the Tigris River.

September 13

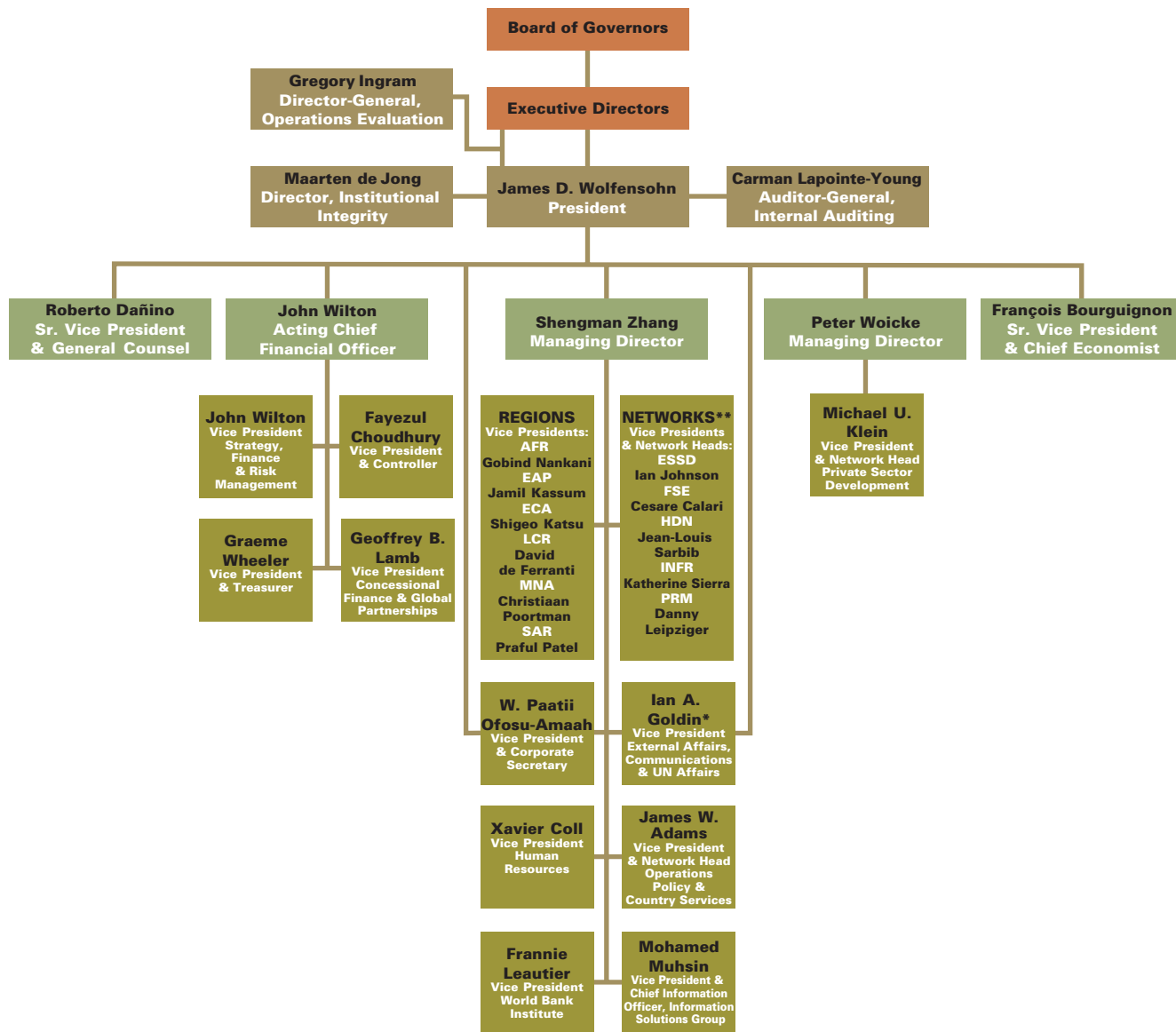
First loan to an African country, to Ethiopia for rehabilitation and maintenance of the road system and for a new development bank (\$7 million).

1951

Sweden joins IBRD, as the 50th member.

First loans completely repaid—\$5 million by Finland and Yugoslavia.

Figure 3 How the World Bank is Organized — November 2004



* Jean-François Richard—Vice President, External Affairs, Europe
Yukio Yoshimura—Vice President and Special Representative, External Affairs Japan

** ESSD (Environmentally and Socially Sustainable Development), FSE (Financial Sector), HDN (Human Development Network), INFR (Infrastructure), PRM (Poverty Reduction and Economic Management)

1952

Burma (present Myanmar), the Federal Republic of Germany, Japan, and Jordan join IBRD.

Three Area Departments of Operations (for Asia and Middle East; Europe, Africa, and Australasia; and the Western Hemisphere) are created.

1953

Haiti joins IBRD.

Four technical divisions are formed: Agriculture, Transportation, Industry, and Public Utilities.

October 15

First loan to Japan for the Kansai Power Project.

1954

Indonesia and Israel join IBRD.

Czechoslovakia withdraws.

There are seven *network* vice presidencies: Environmentally and Socially Sustainable Development, Human Development, Poverty Reduction and Economic Management, Private Sector Development, Financial Sector, Infrastructure, and Operations Policy and Country Services. The networks provide technical leadership across units within the Bank, facilitating knowledge sharing and experience among the regions and among the specialized disciplines. All operational staff are mapped to one of the networks.

Other vice presidencies and major units include Treasury, Legal, World Bank Institute, Strategy, Finance and Risk Management, Concessional Finance and Global Partnerships, and Human Resources. In all, the Bank has 31 senior officers, including the president.

Under each regional vice president are several *country departments* that are responsible for the Bank dialogue for their particular countries. They prepare the country assistance strategies (CASs), which form the basis for the Bank's financial support to countries. *Regional technical units* house technical staff with specialized knowledge and skills in major sectors or themes such as environment, social development, agriculture, industry and energy, infrastructure, and population and human resources. They provide expertise to the country departments and task teams on an as-needed or project-by-project basis.

A *task team leader* has overall responsibility for an individual project from inception to completion, including monitoring, procurement, and selection of consultants. The task team leader is selected from the professional staff on the basis of experience and professional training. In each

region a *procurement adviser* monitors procurement activities, reviews documents, and provides advice and assistance to the task team leader on procurement matters. Regional *safeguard coordinators* screen projects for safeguard issues and provide guidance on project compliance with safeguard policies. Each is a staff member of one of the regional environmental or social technical groups and works closely with task teams and with the central Quality Assurance and Compliance Unit, which is hosted by the Environmentally and Socially Sustainable Development Vice Presidency.

The Bank has *country or regional offices* in most borrowing countries. In addition, under the Bank's current decentralization program, a number of country departments have been relocated to the field. The decentralized country departments and country offices coordinate activities and provide information on Bank products and services in the respective countries.

For further information, see www.worldbank.org/aboutus.

Our Strategy

In 2000 at the UN Millennium General Assembly, 189 countries endorsed a set of eight Millennium Development Goals (MDGs). The MDGs represent an unprecedented unanimity within the development community on key development outcomes. They call for halving world poverty by 2015 and for making significant improvements in health, education, and the environment, and they identify and quantify specific gains that can be made by 2015 to improve the lives of the world's poor. The World Bank has embraced the MDGs as priorities.

The World Bank Timeline

1950s

1955

Afghanistan and the Republic of Korea join IBRD.

1956

Argentina and Vietnam join IBRD.

International Finance Corporation is established as an affiliate of the Bank, with authorized capital of \$100 million and 31 member countries.

1957

Netherlands graduates from IBRD borrower status.

Ghana, Ireland, Saudi Arabia, and Sudan join IBRD.

We are committed to helping our member countries achieve the MDGs.

The World Bank's mission, as stated on the inside front cover of this report, is to reduce poverty. To achieve this, we assist governments in their efforts to reach their own development goals. Our *knowledge, financial resources, and convening power* enable us to play a catalytic role in:

- Investing in development and empowering poor people to participate in it
- Building a climate for investment, job creation, and sustainable growth.

Both are critical for achieving sustainable poverty reduction. They form the core of the World Bank's Comprehensive Development Framework (CDF), which guides our approach toward assisting developing countries. The CDF emphasizes the interdependence of all elements of development—social, structural, human, governance, environmental, economic, and financial.

Our approach calls for:

- A holistic, long-term strategy, with the country taking the lead—both owning and directing the development agenda
- Strong partnerships between governments, donors, civil society, the private sector, and other development stakeholders in implementing the country strategy
- A focus on measurable development results.

There is no template that fits all countries, but we do have several basic tools that assist us in implementing the CDF. Among them are:



Debt Relief through the Heavily Indebted Poor Countries Initiative

High levels of debt, owed mostly to governments in rich countries, make it hard for poor countries to fund education, health, and other important services. To remedy this situation, in 1996 the World Bank and the IMF launched the Heavily Indebted Poor Countries Initiative to reduce the debt of very poor countries. Countries with low incomes, large amounts of debt, and a demonstrated commitment to improving their economies can qualify for the program.

Today, 27 countries are receiving debt relief, which is expected to amount to more than \$52 billion in nominal debt service relief, and they are saving an average of \$1.3 billion a year because of lower debt costs. According to independent studies, in 10 of these countries education spending has risen to more than double the remaining payments the countries owe on loans, and health spending is up by 70 percent.

For more information, see www.worldbank.org/debt, under Topics

1958

Belgium graduates from IBRD borrower status.

Libya, Malaysia, Morocco, Spain, and Tunisia join IBRD.

1959

September 16

The Bank's first and only loan for nuclear power, to Italy, is approved.

The Millennium Development Goals for 2015 GRI 3.14

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

For more information on the Millennium Development Goals, see www.developmentgoals.com.

- Poverty reduction strategies, prepared by IDA-eligible countries
- Country assistance strategies, prepared by the World Bank for all borrowing countries
- Thematic and sector strategies, prepared by the World Bank for all borrowing countries.

Using these tools, we have transformed the way we work in response to our evolving role in development finance and to demands for change from our stakeholders. While we have sharpened our poverty focus, we have also expanded our support for social services, environment, equitable and broad-based growth, and good governance.

Poverty Reduction Strategy Process

In contrast to the model plans that were once applied across the board, poor countries now write their own strategies for reducing poverty. This change was initiated in December 1999, when the World Bank and the IMF launched the

Poverty Reduction Strategy Paper (PRSP) Program—a tangible outcome of our comprehensive development approach. Today, PRSPs are the basis for IDA assistance and for comparable lending from the IMF, as well as for debt relief under the Heavily Indebted Poor Countries Initiative. The PRSPs directly influence the country assistance strategies of eligible countries. They identify key obstacles to poverty reduction, outline plans for overcoming those obstacles, and specify ways of monitoring progress.

PRSPs are:

- *Country-driven*, involving broad-based participation by civil society
- *Results-oriented*, focusing on outcomes that will benefit the poor
- *Comprehensive*, recognizing the multidimensional nature of poverty
- *Partnership-oriented*, with coordinated participation by bilateral, multilateral, and nongovernmental development partners
- Based on a *long-term perspective* for poverty reduction.

The broad consultative PRSP process, which engages civil society and poorer, marginalized groups, marks an important shift in culture. Support for this approach is widespread, as can be seen in the way nongovernmental organizations, regional development banks, UN development agencies, bilateral donors, and the European Union are working with countries to prepare and implement PRSPs. Since 2000 25 countries have completed PRSPs, and nearly 50 countries have prepared Interim PRSPs.

The World Bank Timeline

1960s

1960

September 24

IDA established, with an initial subscription of \$912.7 million and 15 original signatories: Australia, Canada, China, the Federal Republic of Germany, India, Italy, Malaysia, Norway, Pakistan, Sudan, Sweden, Thailand, the United Kingdom, the United States, and Vietnam.

1961

Cyprus, Laos, Nepal, New Zealand, Nigeria, and Portugal join IBRD.

May 12

The first IDA credit is made, to Honduras for highway development and maintenance.



For more information on the PRSPs, see www.worldbank.org/prsp.

Country Assistance Strategies

The World Bank develops a country assistance strategy for each client country. The CAS is the central vehicle used by our Board of Executive Directors to review our assistance to borrowers and to guide our actual assistance. For IDA-eligible borrowers, the CAS is based on the country's poverty reduction strategy. The CAS:

- Describes the World Bank Group's strategy on the basis of an assessment of priorities in the country
- Indicates the level and composition of assistance to be provided, based on the strategy and the country's performance.

The client country's government participates in preparing the CAS for that country. Our staff discusses the key elements of the CAS with the government and, often, with representatives of civil society before the CAS comes before the Board of Executive Directors. The CAS, however, is not a negotiated document; any differences between the country's own agenda and the strategy advocated by the Bank are highlighted in the document itself. We use the CAS specifically to account to our shareholders for our diagnoses and the programs we support.

For more information on the CAS, see www.worldbank.org/cas.

Thematic and Sector Strategies

The World Bank's thematic and sector strategies address cross-cutting aspects of poverty

August 30
First credit to China, for a harbor dredging project.

1962
Australia and Austria graduate from IBRD borrower status.
Kuwait, Liberia, Senegal, Sierra Leone, Somalia, Tanganyika (Tanzania), and Togo join IBRD.

September 17
First funding (credit) for education, to Tunisia.

1963
Algeria, Burundi, Cameroon, Central African Republic, Chad, Congo-Brazzaville (Republic of Congo), Congo-Leopoldville (Democratic Republic of Congo), Dahomey (Benin), Gabon, Guinea, Ivory Coast (Côte d'Ivoire), Jamaica, Malagasy Republic (Madagascar), Mali, Mauritania, Niger, Rwanda, Trinidad and Tobago, Uganda, and Upper Volta (Burkina Faso) join IBRD.

reduction such as the environment, participation in and decentralization of government, and the fight against HIV/AIDS. In addition to assessing the appropriateness and impact of related Bank policies, these strategies provide a vision to guide future work in the given sector. The strategies are revised on a rolling basis every three years in a process that includes extensive consultation with a wide variety of stakeholders.

Sustainable development cannot be achieved by addressing environmental and social issues in isolation. We therefore incorporate the strategies of each sector into the work of other sectors. For example, environment is addressed not just in the environment strategy but also in the urban development, rural development, and health, nutrition, and population strategies. All the strategies are available at www.worldbank.org under "Topics in Development."

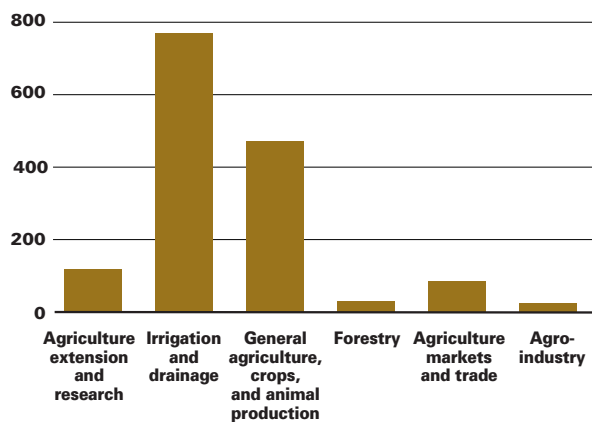
Applying Our Strategy: The Example of Agriculture and Rural Development

In spite of more than a half-century of determined efforts by the World Bank and others, the stubborn reality of rural poverty persists, and the gap between rich and poor is widening. The Bank's primary objective for rural poverty reduction, and for rural development in general, is to help clients accelerate economic growth so that it is shared by the poor. The strategy accordingly focuses on (a) fostering an enabling environment for broad-based rural growth; (b) enhancing agricultural productivity and competitiveness; (c) promoting nonfarm economic growth in rural areas; (d) improving social well-being, managing and mitigating risk, and reducing vulnerability; and (e) enhancing the sustainability of natural resource management.

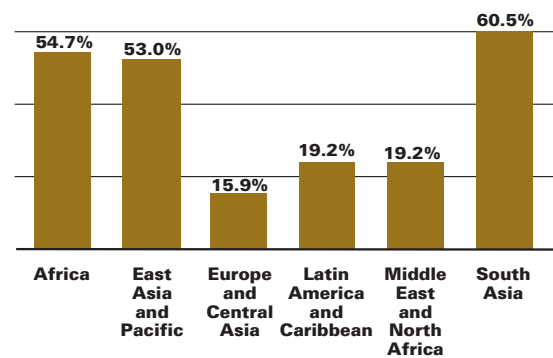
Agriculture employs nearly half of the labor force in developing countries, making it a cornerstone of

Figure 4 Lending for Agriculture and Rural Development, Fiscal 2004

Lending for agriculture by subsector in \$ millions



Projects with rural development components as a share of World Bank lending in each region



The World Bank Timeline

1960s

1964

Denmark, Malta, and Norway graduate from IBRD borrower status.
Kenya joins IBRD.

1965

Italy graduates from IBRD borrower status.
Malawi and Zambia join IBRD.
Indonesia withdraws its membership.

1966

Guyana and Singapore join IBRD.

Representatives of nine countries and the World Bank set up a development fund to finance hydroelectric power projects on the Mekong River, with the Bank acting as administrator.

poverty reduction. Many rural communities, and especially the rural poor, depend directly or indirectly on agriculture—on farming, food processing, fishing, forestry, or trade in agricultural or rural products. The Bank's specific contributions to agriculture and rural development include:

- Increasing support for client country investment in agricultural research, education, and extension.
- Chairing the Consultative Group on International Agricultural Research (CGIAR), whose mission is to develop drought-, pest-, and disease-resistant staple crops for use in developing countries and to tackle globally significant problems such as micronutrient deficiencies. In June 2004 the Group of Eight (Canada, France, Germany, Italy, Japan, Russia, United Kingdom, and United States) agreed that CGIAR's priorities should be to combat famine in the Horn of Africa, to raise agricultural productivity, and to promote rural development in food-insecure countries.
- Strengthening the capacity of rural producer organizations (RPOs) to contribute to food security, rural development policy-making, natural resource management, and biodiversity conservation. RPOs preserve the local cultural heritage and build profitable businesses based on traditional knowledge. Between 1997 and 2001, the proportion of Bank-funded agricultural projects that engage rural organizations increased from 26 to 62 percent.
- Working to enhance countries' understanding of agricultural trade issues and their capacity to participate more effectively in the international trade system.

October 14
The International Centre for Settlement of Investment Disputes enters into force.

1967
Japan graduates from IBRD borrower status.
The Gambia joins; Indonesia rejoins IBRD.

1968
Botswana, Lesotho, and Mauritius join IBRD.

May 2
World Bank funds construction of Tarbela Dam project on the Indus River in West Pakistan. The dam signifies the end of the long dispute over water supplies between India and Pakistan.

1969
Swaziland and the People's Republic of Yemen join IBRD.

Our Business

The World Bank plays many different, complementary roles: it is a banker, a donor, an adviser, a knowledge resource, and a partner. This chapter describes the Bank's services and products, its investment portfolio, and its project cycle. It concludes with a discussion of how the Bank works with its shareholders.

Our Products

GRI 2.2

Member countries come to the World Bank for financing through loans, credits or grants, economic research, policy advice, and technical assistance in designing and carrying out development projects. The principal products and services that the Bank makes available to clients are described in this section.

Lending

The World Bank's main business line is its lending. Loans are made as part of a comprehensive assistance program set out in the country assistance strategy (CAS), which tailors World Bank support, whether in the form of lending or of services, to each borrower's development needs. Depending on its eligibility, a member country will draw on support from IBRD or IDA.

During loan negotiations, the Bank and the borrower agree on development objectives, out-



puts, performance indicators, and an implementation plan. Once the Bank approves the loan and it goes into effect, the borrower implements the project or program according to the terms agreed on with the Bank. The Bank supervises the implementation of each loan and evaluates its results.

The World Bank offers two basic types of lending instruments to its client governments:

The World Bank Timeline

1970s

1970

Cambodia, Equatorial Guinea, and the Yemen Arab Republic join IBRD.

March 31

President Robert McNamara proposes the formation of the Consultative Group on International Agricultural Research.

Operations Evaluation Unit established.

1971

Fiji and Oman join IBRD.

Japan becomes one of the Bank's five largest shareholders.

- *Investment loans* are issued for projects that have a long-term horizon (usually about 5 to 10 years) and that finance goods, works, and services in support of economic and social development in a broad range of sectors.
- *Development policy loans*, which include adjustment loans and poverty reduction support credits, generally have a short-term focus (about one to three years) and provide quick-disburs-

ing external financing to support policy and institutional reforms.

Investment lending usually accounts for 70 to 80 percent of our lending. The exception is in times of crisis, when the need for fast-disbursing adjustment loans escalates.

For more information on specific World Bank loans, see the projects database at

The Evolution of Adjustment Lending

Policy-based lending, also known as adjustment lending, was first used by the World Bank in the early years after World War II, although the focus soon shifted to investment lending. In 1980 adjustment lending was revived to help countries stabilize their balance of payments following the 1979 oil shock. Soon after, it was used to help countries overcome the debt crisis of the 1980s by removing obstacles to growth through structural reform. In the 1990s the World Bank increasingly emphasized poverty reduction and focused on how to avoid the potentially serious adverse social impacts of adjustment.

The performance of adjustment lending programs has become steadily better, as discussed in Chapter 3. Our client governments have been the key to the improved outcomes.

Adjustment loans were originally designed to provide support for macroeconomic policy reforms, such as reforms in trade policy and agriculture. Today, their goals, and some typical means of achieving them, may include:

- **Promoting competitive market structures (legal and regulatory reform)**
- **Correcting distortions in incentive regimes (taxation and trade reform)**

- **Establishing appropriate monitoring and safeguards (financial sector reform)**
- **Creating an environment conducive to private sector investment (judicial reform)**
- **Encouraging private sector activity (privatization and public-private partnerships)**
- **Promoting good governance (civil service reform)**
- **Mitigating short-term adverse effects of adjustment (establishment of social protection funds)**
- **Fostering institutional reforms to strengthen environmental protection.**

After extensive consultation with partners, clients, and other stakeholders, the Bank has decided to consolidate its adjustment lending instruments. The seven forms of lending that now come under the umbrella of adjustment lending will be combined into a single instrument, development policy support lending. This type of lending will be designed to help countries facing financial crises or serious external shocks and to assist conflict-affected countries that need financing for urgent rehabilitation measures. The loans will continue to be issued within the context of the country assistance strategies and will support countries' efforts to reduce poverty.

For more information, see www.worldbank.org/projects.

25

World Bank and World Health Organization (WHO) agree to establish a jointly financed cooperative program for water supply, waste disposal, and storm drainage.

1972

New Zealand graduates from IBRD borrower status.

Bahrain, Bangladesh, Qatar, Romania, and United Arab Emirates join IBRD.

World Bank annual commitments exceed \$3 billion, for the first time. Agricultural lending leads other sectors.

The World Bank Staff Association founded.

1973

The Bahamas join IBRD.

Reducing poverty is placed at the top of the World Bank's agenda for the first time.

Where Does the World Bank Get Its Money?

The World Bank's money comes from a number of different sources. IBRD, which provides loans to middle-income countries and to poorer countries able to repay loans at terms based on market rates, raises most of its funds on the world's financial markets by selling World Bank bonds to investors. IBRD is an AAA-rated financial institution with unusual characteristics: its shareholders are sovereign governments; its member borrowers have a voice in setting the Bank's policies; and, unlike commercial banks, its goal is improved development impact rather than profit maximization.

By contrast, IDA, which provides interest-free loans to the poorest countries, is funded largely by contributions from donor member governments, who meet every three years to replenish its funds. Additional funds come from IBRD net income, and repayments of IDA credits go into issuing new credits.

Strong shareholder support for IBRD and IDA is reflected in the capital backing they receive from members and in the excellent repayment record of IBRD and IDA borrowers. IBRD has \$178 billion in callable capital that can be drawn from shareholders as backing should it ever be needed to meet IBRD's obligations for borrowings (bonds) or guarantees, but it has never had to call on this resource.

For more information on the World Bank's bonds and notes, see www.worldbank.org/debtsecurities.

www.worldbank.org/projects and the loan announcements at www.worldbank.org/loansandcredits.

Analytical and Advisory Services

In addition to its traditional lending, the World Bank is one of the world's largest centers for research on development issues such as poverty, trade, globalization, and environmental sustainability. The Bank also has specialized departments that advise on health, education, nutrition, financial services, justice, law, and environment. Much of this analytical work is freely available through the World Bank's Websites.

The Bank's analytical work provides the basis for policy dialogue with clients, the development of country strategies, and the design and implementation of effective lending programs. In both IDA and IBRD countries, analytical work is crucial for integrating the country's own vision and the World Bank's diagnosis of the country's development situation. It also helps inform the assessment of results.

Our analytical work has undergone major changes since the late 1980s. It has become more client-focused, participatory, and diverse, encompassing traditional reports, informal policy notes, and workshops. The World Bank Group, the IMF, other multilateral development banks, bilateral donors, and UN agencies, together with member countries, the private sector, and civil society, frequently pool their resources, knowledge, and skills to better serve client countries.

For more information, see www.worldbank.org/ks and econ.worldbank.org.

The World Bank Timeline

1970s

1973

April 2

President McNamara proposes that the Bank take the lead in mobilizing international funds for an onchocerciasis (river blindness) control program; representatives of governments and development organizations subsequently set up the River Blindness Control Program and a plan of action for Volta River Basin is drawn up.

President McNamara proposes a strategy for rural development that emphasizes productivity of small-holder agriculture.

April 30

First geothermal power plant loan, to El Salvador.

Knowledge Sharing

Enhancing the capability of countries to sustain poverty reduction programs is a core, if less well known, World Bank function. Increasing amounts of resources are being directed to knowledge sharing, which is carried out primarily through the World Bank Institute (WBI). As the training arm of the Bank, the WBI offers teaching and information programs, usually in conjunction with local research and teaching institutions, to enhance members' development skills. The Institute also develops and maintains databases and networks for sharing knowledge on international develop-

ment and manages one of the world's most extensive distance-learning networks.

For more information, see www.worldbank.org/wbi.

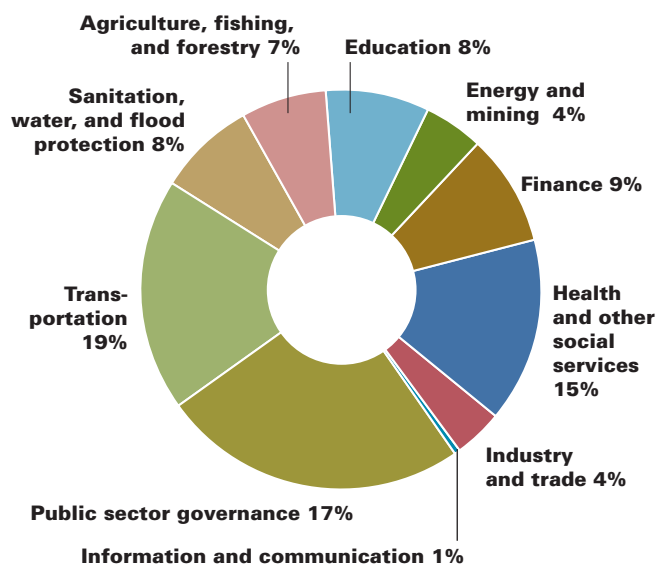
Our Lending Portfolio

GRI 2.8

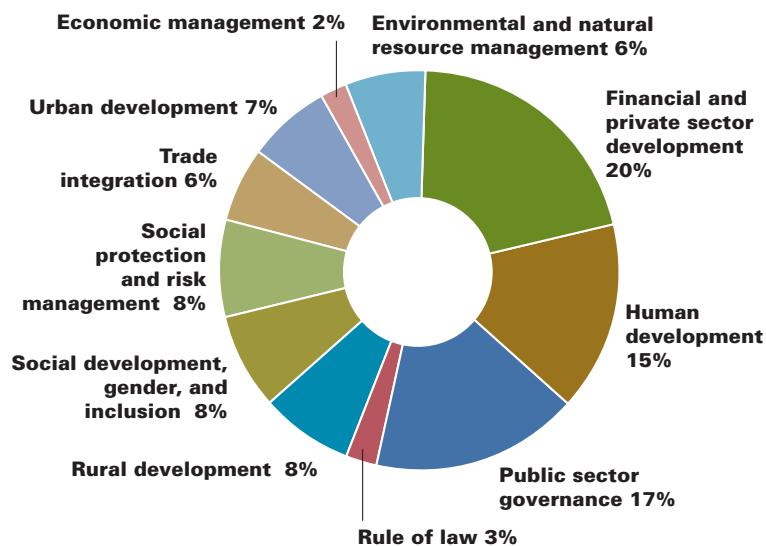
In fiscal 2004 World Bank lending commitments totaled \$20.1 billion, up from \$18.5 billion in fiscal 2003. Of this, about \$13.8 billion was investment loans and about \$6.2 billion was adjustment loans. The lending was implemented through 145 operations in 95 countries.

Figure 5 Total World Bank Lending, Fiscal 2004
share of total lending of \$20.1 billion

By sector



By theme



Source: World Bank data 2004.

1974

Iceland graduates from IBRD borrower status.

Barbados and Western Samoa join IBRD.

Total education financing reaches over \$1 billion, with nearly 100 education projects in 61 countries.

1975

Finland, Israel, and Singapore graduate from IBRD borrower status.

Grenada and Papua New Guinea join IBRD.

Rural Development Sector Policy Paper sets forth plans to expand assistance for agriculture and rural development.

May 19

First environment loan is made, to Finland for water pollution control.

Each lending operation may have up to five sectoral classifications, according to the sectors of the economy receiving funds through the project. Each loan may also have up to five thematic objectives, reflecting the goals of the operation. The sectoral and thematic categories represent different dimensions of each operation and, in the aggregate, provide two different ways of looking at the same portfolio. Further information about our lending portfolio, grants, and other assistance can be found in the *World Bank Annual Report 2004*.



portfolio composition shows a slow but steady shift toward a stronger social and governance orientation. The share of investments in oil and gas, energy, and industry has fallen, while the shares in social protection and support for countries' efforts to combat corruption and HIV/AIDS have more than doubled. The largest increase has been in social development, mainly in civil engagement, participation, and community development.

World Bank projects are far-ranging country and regional operations in client countries and regions. They are conceived and supervised according to a formal project cycle. A project may be dropped at any point in the project cycle, from identification to implementation.

Documents produced as part of the project cycle are valuable sources of information for stakeholders desiring to keep abreast of the work the Bank is financing and for businesses wishing to participate in Bank-financed projects. These documents are available at www.worldbank.org/infoshop, under "Project-Related Information."

Working with Our Stakeholders

GRI 2.9/2.22/3.3/3.8/3.10/3.11/3.12

We consult and collaborate with thousands of stakeholders throughout the world, including governments, community-based organizations, nongovernmental organizations, indigenous peoples, labor unions, faith-based groups, and foundations. Our objectives are to capture the experience and knowledge of groups such as civil society, academia, and the private sector, to provide a forum where the voices of the poor can be heard, and to increase transparency and citizen involvement in development decision making.

The makeup of the World Bank's lending portfolio is changing. More emphasis is being placed on investments in people, institutional development, infrastructure such as water supply and sanitation, and sustainable resource management. Although there have been no radical changes in World Bank lending over the past five years, the

The World Bank Timeline

1970s

1976

Comoros joins IBRD.

April 6

Village Water Supply Sector Policy Paper initiates plan to bring safe water to villages.

June 28

First nutrition loan, to Brazil.

1977

Ireland graduates from IBRD borrower status.

Guinea-Bissau and São Tomé and Príncipe join IBRD.

December 15

First loan entirely for water supply and waste disposal, to Paraguay.

Figure 6 The Investment Lending Project Cycle Stages, Major Decision Points, and Publicly Available Documents*



* Publicly available documents shown in blue relate to individual lending operations. A large number of analytic and evaluative publications are made public that aggregate individual operations; they may be found through www.worldbank.org.

** Dependent upon the safeguard triggered.

1978

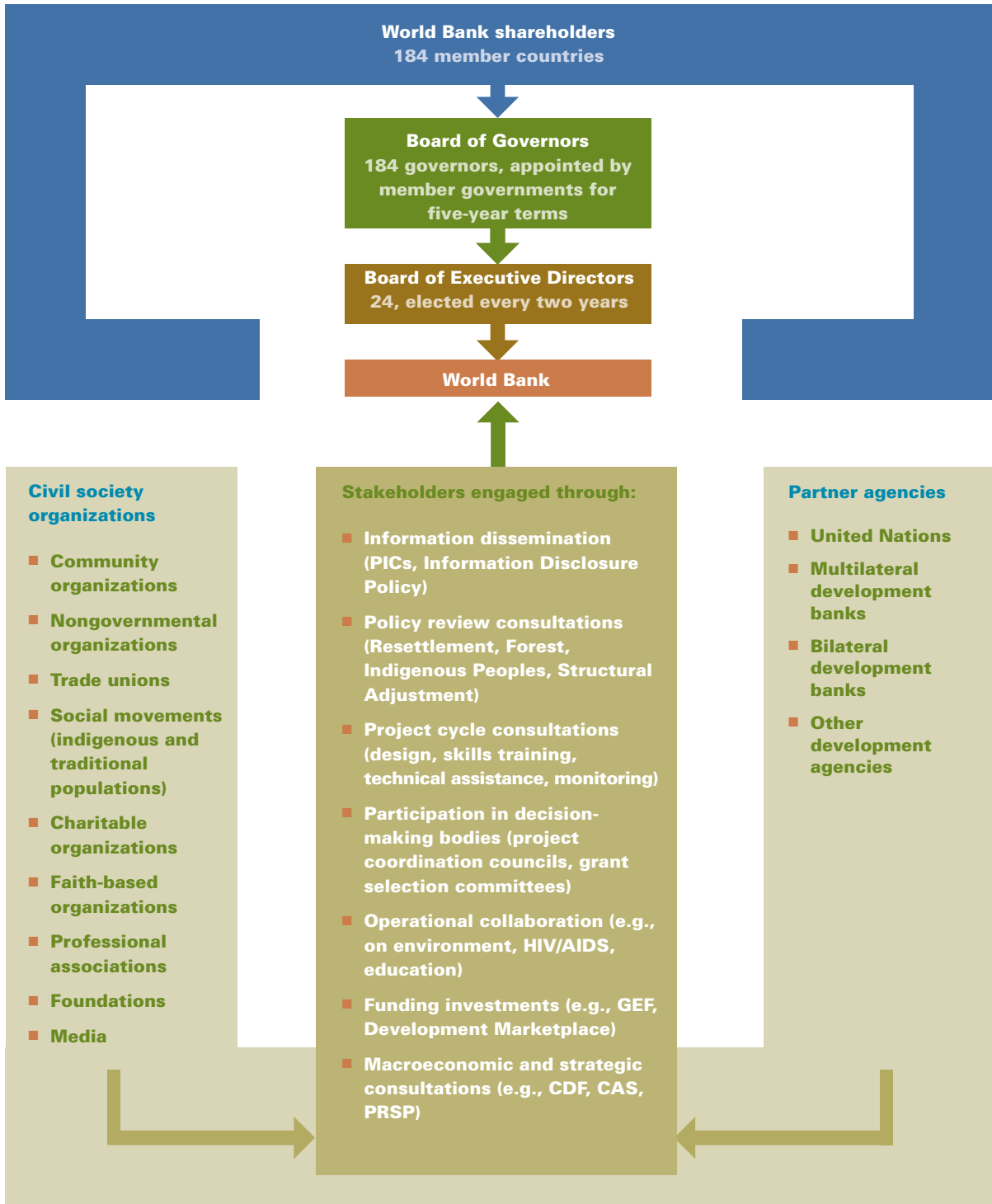
Cape Verde, Maldives, the Solomon Islands, and Suriname join IBRD.

Forestry Sector study warns that forest areas in developing countries could disappear within 60 years unless changes are made in the sector; Bank commits to support afforestation.

November 7

Executive Directors review Bank's environmental policies and practices and endorse a policy that seeks to control the environmental impact of projects.

Figure 7 Stakeholder Engagement



Note: CAS (country assistance strategy), CDF (Comprehensive Development Framework), GEF (Global Environment Facility), PIC (public information center), PSRP (poverty reduction strategy paper).

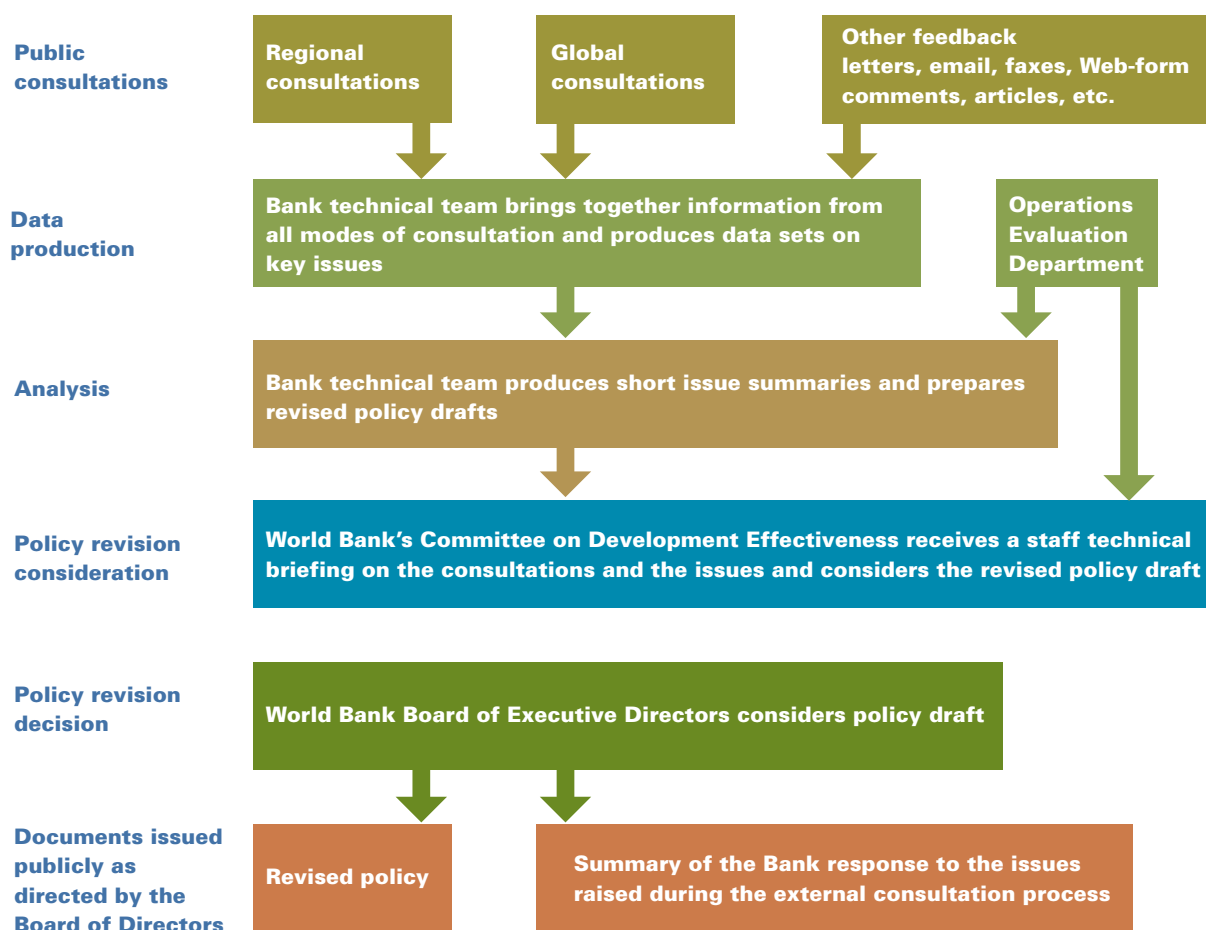
In the context of Bank-supported activities, stakeholders are considered those who are affected, whether positively or negatively, by a proposed intervention. Who the stakeholders are for any given project or issue depends on the situation. Getting the right groups involved is essential, but it is not always easy, since our stakeholders range

from donor and client governments to the poorest and most marginalized communities.

Involvement by Civil Society Organizations in World Bank–Supported Activities

Two decades of interaction have demonstrated how civil society organizations (CSOs) can help

Figure 8 Feedback from Public Consultation into World Bank Policy Revisions



1979

Greece graduates from IBRD borrower status.

Proposals to begin lending and credits for health care are approved.

May 10

President McNamara warns that the growing trend toward trade protectionism can undermine economic development; proposes structural adjustment lending.

June 30

World Bank Group commitments exceed \$10 billion for the first time.

Helping Iraq Rebuild

Iraq has been a member of the World Bank since 1945. The Iraqi government last borrowed from IBRD in 1973 but ceased making repayments in 1990. The activities currently under way or being planned will be paid from the World Bank's Iraq Trust Fund and the World Bank budget, to the extent that these resources permit. Fourteen countries and the European Commission have donated to the trust fund, and additional countries have pledged to contribute.* Deposits are expected to reach almost \$400 million by the end of December 2004.

Despite the difficult conditions in the country, Iraqi consultants in Baghdad, working closely with the interim government and the United Nations, have organized several emergency projects and capacity-building efforts. Although our ability to work in Iraq remains severely constrained by the ongoing instability and violence, several active projects and programs are under way.**

- The *Institutional Capacity-Building Program* was launched in January 2004. Over 600 Iraqis have been trained in areas ranging from basic procurement and financial management to social protection, water supply and sanitation management, electric power development, investment climate, and reform of state-owned enterprises.
- The *Emergency Textbook Provision Project*, launched in May 2004, is the first activity to be funded by the Iraq Trust Fund. It is financing the printing and distribution of 69 million textbooks

for 6 million primary and secondary school students in all 18 governorates for the 2004/05 school year.

- The *Emergency School Rehabilitation Project* will finance school rehabilitation in five governorates. The work includes urgent repairs to some schools before the beginning of the 2004/05 school year.
- The *Emergency Community Infrastructure Rehabilitation Project* will finance labor-intensive water supply, sanitation, and irrigation rehabilitation in rural areas.
- The *Emergency Infrastructure Rehabilitation Program* will include rehabilitation projects for water and sanitation in Baghdad and other urban areas and for urban management, electric power, telecommunications, and transport.
- *Analytical and advisory work* is being funded from the Bank's own budget. In close collaboration with counterpart ministries, the Bank has prepared a number of short policy notes on issues of concern to the interim government, such as social protection and social safety nets, oil and gas sector reform, and reform of state-owned enterprises.

We have offered our lending services to our new Iraqi counterparts. As of July 2004, there was no indication that the interim government would ask to borrow from the Bank. Should such a request be made, we will work closely with the government to prepare a support strategy based on Iraq's priorities.

* The 14 countries are Australia, Canada, Finland, Italy, India, Japan, the Republic of Korea, Kuwait, Norway, Qatar, Spain, Sweden, the United Kingdom, and the United States.

** Sadly, Dr. Alya Sousa, an Iraqi national and UN employee working for the World Bank, was killed in the bombing of UN headquarters in Baghdad on August 19, 2003. Seven other World Bank Group colleagues were injured in the blast. We honor Dr. Sousa, and all who died that day, by remaining committed to their work to bring peace and prosperity to Iraq.



amplify the voices of the poorest people in the decisions that affect their lives, improve development effectiveness and sustainability, and make governments and policymakers publicly accountable. Today, the World Bank consults and collaborates with thousands of CSOs throughout the world, as illustrated by Figure 7. CSOs are increasingly involved in Bank-financed loans in such areas as AIDS prevention, environmental protection, education, and even macroeconomic reform. They participate throughout the project cycle, from the design and planning stages to implementation and monitoring.

The number of World Bank-financed projects that involve CSOs is increasing; in fiscal 1990 21.5 percent of projects benefited from CSO involvement, but by fiscal 2003 the share was nearly 72 percent. We produce a regular progress report on World Bank collaboration with civil society, which can be found at www.worldbank.org/civilsociety/ publications.

Among the new means of dialogue and engagement between the World Bank and CSOs is the Joint Facilitation Committee (JFC), a working group established in October 2003. The JFC is committed to exploring transparent and effective mechanisms for dialogue and engagement between civil society and the World Bank at the global level.

For more information, see www.worldbank.org/civilsociety.

Policy Consultations

The World Bank actively consults a wide spectrum of groups throughout the world on its development, safeguard, sector, and other policies. We involve our stakeholders in consultations through face-to-face meetings, videoconferences, and the Internet, and we are increasingly utilizing Web technology to promote global policy consultations. A permanent venue for consultations is the World Bank Institute's Development Forum, which reaches out through electronic roundtables and

March 25

First structural adjustment loan approved, to Turkey to finance high-priority imports to assist fuller utilization of the productive capacity in agriculture and industry.

1981

Bhutan and Vanuatu join IBRD.

The position of Ombudsman is established to help staff address workplace-related issues in a neutral, safe, and confidential environment.

1982

Belize, Hungary, and St. Vincent and the Grenadines join IBRD.



dialogues, videoconferencing, field visits, and meetings. More than 45,000 people from 160 countries have participated in the Forum. The concerns expressed and the recommendations made during consultations have resulted in improved and more socially sensitive policies.

Over the past several years, formal consultation processes have taken place regarding major development policies such as the Comprehensive Development Framework, poverty reduction strategy papers, the Heavily Indebted Poor

Coordinating Aid

There are more than 63,000 donor-funded development projects worldwide, each governed by countless demands, guidelines, and procedures designed to safeguard the project's integrity and ensure that aid reaches the poor. We are working with others in the donor community and developing countries to improve the coordination of aid policies and practices.

The demands of producing multiple environmental reports, project audits, and procurement assessments for each donor can overwhelm developing-country governments, whose resources are usually already stretched thin. For example:

- **In a forestry project in Vietnam, because of differences among aid agencies' procurement policies, it took 18 months and the services of 150 government workers for clients to purchase five vehicles.**
- **In Bolivia, the five sponsors of a survey to measure changes in household poverty each required separate financial and technical reporting. The government official assigned to the project found that she spent almost half her time dealing with donor requirements when she could have been actually undertaking the survey.**

- **In Tanzania, health officials found that the sheer number of projects and the accompanying demands to host missions and prepare reports were simply beyond their administrative capacity.**

In 2003 senior officials from 28 partner countries and from 46 multilateral and bilateral organizations held a pathbreaking meeting in Rome. The participants, who included a head of state and the presidents of five multilateral development banks, spent two days discussing how to improve the effectiveness of their work and their impact on poverty by working more closely together. The resulting Rome Declaration on Harmonization launched a broad-scale effort among donors to coordinate their efforts, harmonize (and thus reduce) their multiple requirements, and help partner countries take charge of their own development. Pilot programs have been launched in a number of countries, including Ethiopia, Jamaica, and Vietnam. The lesson from these pilots is that capacity in developing countries can be quickly improved and strengthened when donors better coordinate their activities and harmonize their procedures.

The World Bank Timeline

1980s

1982

World Bank loan for the Polonoeste program in Brazil finances a 90-mile highway across the Amazon rainforest, unintentionally attracting a large influx of settlers and spurring deforestation and international outcry.

1983

Antigua and Barbuda and Malta join IBRD.

Small Grants Program established to fund activities promoting cooperation among NGOs, governments, academics, and media.

Countries Initiative, and the Low Income Countries Under Stress Initiative.

We are in the process of updating and converting many of our Operational Policies, particularly those that deal with safeguarding the environment, protecting the livelihoods of indigenous communities, and minimizing the adverse effects of resettlement. For each of these policy reviews, the Bank undertakes formal consultations that involve stakeholders such as environmentalists, indigenous leaders, and small-scale farmers. Consultations also take place regarding new sector policies and strategies.

Our Development Partnerships

Many of the problems countries face today know no boundaries. For this reason, the international community has undertaken concerted action against disease, environmental degradation, barriers to trade, and barriers to knowledge. The adoption of the Millennium Development Goals in 2000 solidified one of the biggest global partnerships of all time. Seven of the goals focus on reaching specific targets for reduction of poverty, hunger, disease, and illiteracy. The eighth goal, to develop a global partnership for development, identifies the means of achieving the other seven.

The World Bank is currently engaged in 236 regional and global partnerships. At the global level, these partnerships are primarily for work on communicable diseases, the environment, trade and integration, information and knowledge, and the international financial architecture. At every

level, we work with other international institutions and donors, the private sector, civil society, and professional and academic associations.

Some of the major partnerships, with their Websites, are:

- Alliance of Communicators for Sustainable Development
www.complusalliance.org
- Consultative Group on International Agricultural Research
www.cgiar.org
- Education for All
www.unesco.org/education/efa
- Global Alliance for Vaccines and Immunization
www.vaccinealliance.org
- Global Environment Facility
www.gefweb.org
- Global Water Partnership
www.gwpforum.org
- Joint United Nations Programme on HIV/AIDS
www.unaids.org
- Onchocerciasis Control Program
www.worldbank.org/afr/gper
- Partnership for Principle Ten
www.pp10.org
- Prototype Carbon Fund
prototypecarbonfund.org
- Roll Back Malaria
rbm.who.int
- World Bank/WWF Alliance
forest-alliance.org

1984

Mozambique and St. Kitts and Nevis join IBRD.

September 23

NGO Working Group established to build consensus among NGOs worldwide regarding the World Bank and to serve as a forum for dialogue about development issues.

1985

Tonga joins IBRD.

World Bank donates \$3 million to the World Food Programme for emergency food supplies to drought-stricken sub-Saharan Africa and convenes the Special Facility for Sub-Saharan Africa, raising \$1.1 billion from donor countries and organizations.

Managing and Monitoring

The effectiveness of aid in reducing poverty, improving lives, and stimulating economic growth is a central concern of the World Bank. The broad acceptance by the international community of the Millennium Development Goals, with their specific targets, makes the ability to measure progress even more essential.

Development is difficult to measure, and progress has to be assessed within the particular country context. Many factors can lead to shortfalls in performance. We are in a risky business, and we understand that some failures are inevitable—but it is essential we learn from our mistakes and apply the lessons to subsequent operations. This chapter describes how we monitor our activities and how we are working within the Bank and with our partners to harmonize evaluation standards and build shared evaluation capacity.

Monitoring Policies and Bodies

GRI 3.6/3.8/3.10/3.11/3.12/3.13

All World Bank loans are governed by operational policies that are aimed at ensuring that Bank-financed operations are economically, financially, socially, and environmentally sound. Extensive fiduciary policies and procedures govern the use of project-related funds, particularly in the procurement of goods and services. Policies to ensure quality, integrity, and adherence to the Bank's mission, corporate priorities, and strategic goals

are codified in the World Bank Operational Manual. For more information, see www.worldbank.org/opmanual.

Over the past few years, we have increasingly focused on the results of our operational work. This emphasis has had implications throughout the Bank—for example, in strengthening the systems for ensuring real-time information on the quality and quantity of lending and nonlending services. We are working to incorporate evaluation lessons into new project design and into results-based monitoring and assessment during project supervision.

The Bank is strengthening its focus on results. Already visible, for example, is a stronger orientation toward results in poverty reduction strategies and in a new program for building statistical capacity in client countries, to be launched in half a dozen countries this year. The results-based country assistance strategies (CASs) that are now being designed will emphasize monitoring and evaluation and will enhance our ability to trace the causal links between development efforts and development outcomes. We are piloting results-based CASs in five countries—Brazil, Cameroon, Sri Lanka, Ukraine, and Zambia—and we plan to eventually develop them for all countries in which we have active programs. For more information, see www.worldbank.org/results.

The World Bank Timeline

1980s

1986

*Kiribati joins;
Poland rejoins IBRD.*

World Bank statement on forestry stresses the Bank's concern about the destruction of tropical forests and intensifying of efforts to combat the problem, including a shift from industrial plantations and logging to social or community forestry.

New policy on management of cultural properties commits the Bank to not, under normal circumstances, finance projects that could damage cultural property and to actively assist in the preservation of cultural properties.

TABLE 2 Compliance Monitoring Bodies in the World Bank

MONITORING BODY AND YEAR FOUNDED	ACTIVITIES AND WEBSITES	STAGES OF WORLD BANK PROJECT CYCLE AT WHICH ACTIVITY TAKES PLACE
Internal Auditing Department 1969	<ul style="list-style-type: none"> ■ Guides World Bank management in establishing and maintaining strong internal controls and risk management procedures in our operation ■ Provides management with assurance that the Bank's internal controls are adequate and effective and advises on the design, implementation, and operation of internal control systems ■ Through a special unit created in 1997, reviews allegations and guards against fraud and corruption within the World Bank Group ■ As an independent unit, reports directly to the managing directors 	All stages
Operations Evaluation Department 1973	<ul style="list-style-type: none"> ■ Helps us learn from experience, objectively assess our work, and become accountable for achieving our goals ■ Evaluates projects, country assistance strategies, sector assistance (e.g., in agriculture, forestry, and health), and processes, such as our contribution to global development programs ■ Undertakes in-depth, longer-term analyses for the Board of Executive Directors ■ Serves as an independent unit within the Bank that reports directly to the Board of Executive Directors <p>Website: www.worldbank.org/oed</p>	Completion of project; post-implementation evaluation
Inspection Panel 1993	<ul style="list-style-type: none"> ■ Provides an independent forum for private citizens who believe that they or their interests have been or could be directly harmed by a project financed by the World Bank ■ Has received, since its establishment, 33 formal requests for inspection; the results are publicly reported <p>Website: www.worldbank.org/inspectionpanel</p>	All stages
Quality Assurance Group 1996	<ul style="list-style-type: none"> ■ Evaluates policies, programs, and procedures while they are in progress so that timely changes can be made ■ Reports directly to the Managing Director, Operations <p>Website: www.worldbank.org/projects, Quality Assurance Group</p>	Identification through supervision
Quality Assurance and Compliance Unit 2000	<ul style="list-style-type: none"> ■ Ensures that World Bank safeguard policies are implemented consistently across regions ■ In collaboration with the Legal Department, advises on compliance with safeguard policies in projects, to avoid or mitigate impacts ■ Mediates disputes between safeguard coordinators and country or project teams and makes the final determination on compliance ■ Reports to the vice president, Environmentally and Socially Sustainable Development <p>Website: www.worldbank.org/safeguards</p>	Identification through completion of project
Department of Institutional Integrity 2000	<ul style="list-style-type: none"> ■ Investigates and recommends actions against all allegations of fraud and corruption within the World Bank Group or in connection with contracts financed by the World Bank Group ■ Investigates any allegations of unethical behavior by staff <p>Website: www.worldbank.org/investigations</p>	All stages

The Inspection Panel: The Case of the Yacyretá Hydroelectric Project

The Inspection Panel is a three-member body created in 1993 to provide an independent forum to private citizens who believe that they or their interests have been or could be directly harmed by a project financed by the World Bank. It is the first body of its kind to give voice to private citizens in an international context. The Panel is independent of management and reports directly to the Board of Executive Directors. Its purpose is to address the concerns of people who might be adversely affected by Bank projects and to ensure that the Bank adheres to its operational policies and procedures. Thirty-three formal requests have been received since Panel operations began in September 1994. The texts of the reports are publicly available. The Panel's mandate covers any project or program financed at least in part by IDA or IBRD and all Bank policies except for procurement (which comes under other Bank regulations). The policies and procedures most commonly cited in requests for inspection concern environmental assessment, indigenous peoples, involuntary resettlement, economic evaluation of projects, and project supervision.

In mid-2002 the Inspection Panel registered a request for inspection of the Yacyretá Hydroelectric Project, filed by the Federación de Afectados por Yacyretá de Itapúa y Misiones, a Paraguayan nongovernmental organization representing around 4,000 families. The group claimed that the Bank had violated its own policies and procedures in the design and implementation of the Yacyretá Hydroelectric Project, which received five World Bank loans totaling \$878 million between 1979 and 2002. Two of the loans, the Paraguay Reform Project for the Water and Telecommunications Sectors and the Argentina SEGBA V Power Distribution Project, were still open at the time of the request. After receiving management's response to the request, the Board approved a full investigation. The investigation report was com-

pleted and submitted to the Bank's Board of Executive Directors in February 2004, followed by the management report and recommendation.

In May 2004 addressing the Board, the Inspection Panel chair remarked that the Yacyretá investigation had been "the most complex ever undertaken by the panel." She also noted, "It is essential for affected people to have an impartial forum to address their concerns." The panel concluded that the Bank had complied with its policies and procedures in some areas of concern but had not done so in many others. Although the biophysical impacts from the major dam and reservoir were being managed competently, the panel found that important environmental problems persisted at the resettlement sites and that the impacts of these sites on adjacent areas had not been fully assessed. On social issues, the panel determined that the Bank had fallen short on implementing its policy on resettlement of families and businesses and that there was no transparent and independent procedure for hearing grievances. The report also highlighted a need for improved project supervision, better census and survey data, wider public disclosure of information, and more effective consultations with affected groups.

The Board discussed the Inspection Panel's findings and management's action plan. In the words of World Bank president James D. Wolfensohn, it "commended the Inspection Panel's report, and approved the action plan put forward by management as a first step toward addressing the problems identified by the panel." Both the Board and the Inspection Panel will continue to monitor the Bank's progress in implementing the action plan.

Inspection Panel reports and management responses are available at www.worldbank.org/inspectionpanel.

The World Bank Timeline

1980s

1986

October 13

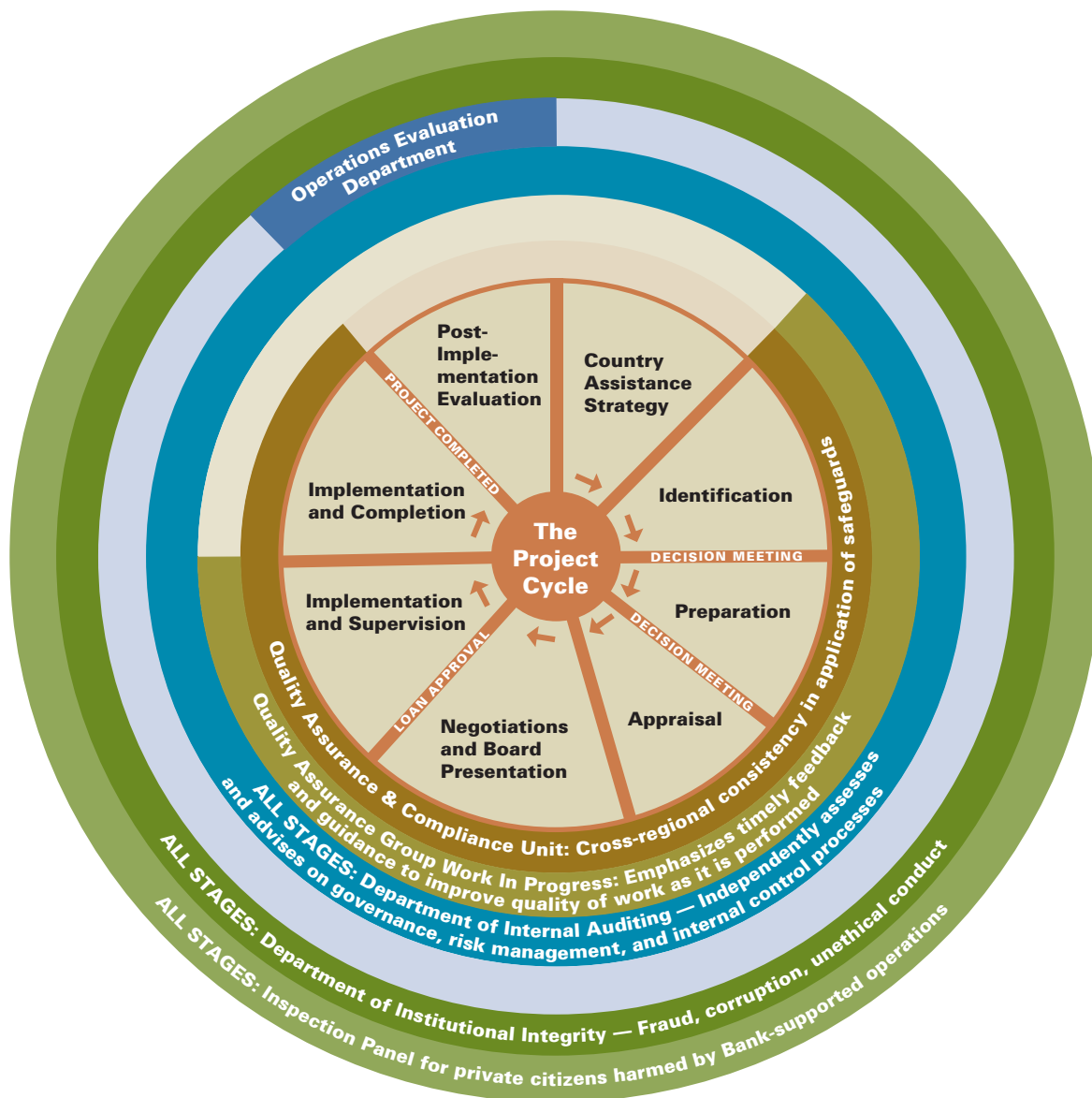
The Fisheries Development Donor Consultation is convened by the World Bank, with multilateral and bilateral donors meeting to discuss aid coordination for fisheries.

1987

Oman graduates from IBRD borrower status.

World Bank President Barber Conable applauds the report of World Commission on Environment and Development and the connection it draws between sustainable development and the environment.

Figure 9 The Project Cycle: Oversight by Major Evaluation and Compliance Units



The World Bank launches new measures to protect the environment: creation of an Environment Department; environmental assessments of 30 of the most vulnerable developing nations; a continent-wide initiative against desertification and forest destruction in Africa, and planning for a cooperative effort to protect the Mediterranean basin.

Financing Health Services in Developing Countries: An Agenda for Reform calls for shifting government expenditures from health services that cater to the rich to those that serve the poor.

The World Bank endorses Integrated Pest Management as a less costly and more environmentally sound pest control method.



The Bank has six units dedicated to ensuring compliance with our policies, investigating allegations of fraud and corruption, and evaluating the effectiveness and impact of completed Bank-funded projects, policies, and programs. They are described in Table 2.

Monitoring Our Environmental and Social Impacts

GRI 3.16/3.17/HR12/SO1

The Bank has 10 safeguard policies and a disclosure policy designed to keep our projects from having unintended adverse effects. These policies deal with environmental assessment, natural habitats, pest management, cultural property, involuntary resettlement, indigenous peoples, forests, dam safety, projects involving international waterways, and projects in disputed areas. They are

shaped through extensive review, monitoring, and external consultation.

The type and extent of environmental assessment required for a project, and whether any other safeguard policies are applicable, are determined during the screening stage. Projects are classified as A, B, C, or FI, depending on the type, location, sensitivity, and scale of the project, as well as the nature and magnitude of its potential environmental impacts.

- *Category A* projects are those that are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the specific sites or facilities subject to physical works.
- *Category B* projects may have adverse environmental impacts on human populations or environmentally important areas, including wetlands, forests, grasslands, and other natural habitats, but these effects are not expected to be severe.

TABLE 3 Environmental Assessment Categories by Share of Projects and of Total Lending in the Applicable Portfolio, Fiscal 2004

CATEGORY	PERCENTAGE OF PROJECTS	PERCENTAGE OF TOTAL DOLLAR AMOUNT OF LENDING
A	10	22
B	54	50
C	28	19
FI	8	9

The World Bank Timeline

1980s

1987

The Safe Motherhood Initiative is launched with WHO and the UN Fund for Population Activities to assist countries on women's health needs.

1988

The World Bank's policy on hazardous waste disposal is announced, stating that the Bank will not finance any shipments of hazardous waste or any projects that involve the disposal of hazardous waste from another country. The Bank states the position that ocean dumping should be prohibited, and transportation of wastes severely restricted.

April 12
Multilateral Investment Guarantee Agency is established.

- *Category C* projects are those likely to have minimal or no adverse environmental impacts.
- *Category FI* projects involve investment of Bank funds through a financial intermediary in sub-projects that may or may not have adverse environmental impacts.

For more information, see www.worldbank.org/environmentalassessment.

The borrowing-country government is responsible for any assessments required by the safeguard policies; World Bank staff provide general advice. The Legal Department monitors compliance with policies that involve international law, such as those for international waterways and disputed areas. Compliance with all other safeguard policies is monitored by the Quality Assurance and Compliance Unit.

For more information, see www.worldbank.org/safeguards.

Integrating Environmental and Social Concerns into Procurement Practices

GRI HR2/HR3/HR4/HR6/HR7

The World Bank's Environmentally and Socially Responsible Procurement Program (ESRP), launched in 2001, is working to strengthen environmental and social concerns in procurement processes for our own facilities and for Bank-financed projects in client countries. The program includes environmentally preferable procurement and socially responsible procurement.

The past year's efforts have focused on increasing staff and client capacity to address environmen-

Safeguard Policies in Action: Indigenous Peoples

The World Bank recognizes that indigenous peoples hold a special place because of their unique circumstances, heritage, and history. Indigenous peoples number, according to some estimates, over 250 million, and they live in more than 70 countries. Historically, in many parts of the world, they have been disadvantaged, marginalized, and excluded. Their identities, cultures, lands, and resources are uniquely intertwined and are especially vulnerable to changes brought about by development programs.

The World Bank has been engaged in global consultations regarding the revision of the Indigenous Peoples Policy and its conversion to the new Operational Policies/Bank Procedures format. Extensive global consultations have highlighted a variety of issues of concern, such as intellectual property rights.

The Bank's relationship with indigenous peoples in the 21st century has moved beyond the modest "do no harm" principle of its earliest policies to a more proactive, innovative approach of ensuring that culturally appropriate project benefits are provided to affected communities of indigenous peoples. Beyond the Indigenous Peoples Policy, the Bank is committed to a wide variety of indigenous development activities to meet the serious development challenges facing these groups.

For further information, see www.worldbank.org/indigenous.



1989

Portugal and Bahamas graduate from IBRD borrower status.

Angola joins IBRD.

October 31

At the Beijing Women Journalists Association, President Conable establishes women-in-development as a core priority for Bank operations worldwide.

A solution to the debt problem, policy reform efforts in developing countries, secure long-term investment, unrestricted international trade, and sound environmental policies are identified by the Bank as key elements of sustainable development.

The Equator Principles

The World Bank Group's standards for ensuring environmental and social sustainability are considered to be of the highest order and are models for many international private and public agencies. Reflecting this, in June 2003 10 major international banks adopted the Equator Principles, a voluntary set of guidelines based on IFC and World Bank environmental and social guidelines and safeguard policies and on the World Bank Group's *Pollution Prevention and Abatement Handbook*. Within a year, 25 financial institutions in 14 countries had signed on.* According to London-based Dealogic, which provides technology services to the investment sector, the banks that have signed the principles together arranged \$55.1 billion of project loans in 2003, or 75 percent of the volume of the global project loan market in that year. Chuck Prince, chief executive of Citigroup, told the *Financial Times* that the Equator Principles were "one of the most important things that the banking industry has done in the past couple of years."

The Equator Principles will be applied to the banks' project finance activities, globally and in all industry sectors. During the drafting of the principles, the banks received extensive advice and guidance from the IFC.

For more information, see www.ifc.org/equatorprinciples.

*** The financial institutions are ABN Amro, Bank of America, Barclays, BBVA, CIBC, Citigroup, Credit Suisse Group, Calyon, Dexia, Dresdner Bank, Eksport Kredit, Fonden, HSBC, HVB Group, KBC, ING, Mediocredito Centrale, Mizuho Corporate Bank, Rabobank, Royal Bank of Canada, Royal Bank of Scotland, Standard Chartered, Unibanco, WestLB, and Westpac.**

tally and socially responsible procurement, using guidance notes, discussion papers, and training. Some of the activities include:

- *Harmonization of procurement clauses.* The World Bank has proposed to our development partners that three new clauses, on child labor, forced labor, and HIV/AIDS, be included in the master bidding documents used by multilateral development banks.
- *Training pilot.* In 2004 a pilot training course was launched in Ghana that focused on best practices in green procurement tailored to the country context. Once finalized, the pilot, which is based on a UN initiative, will be used by UN agencies and the World Bank to train country staff and clients.
- *Pest management.* Pest control chemicals are used in 30 percent of Bank-funded projects. To improve environmental outcomes, state-of-the-art knowledge of pest management technology and the handling of certain chemicals must be accessible to our clients and staff. We are updating pest management information through guidance notes on international best-practice standards and through bidding document models.
- *Environmental considerations for bidding documents.* New guidance notes are being designed on how to include environmental concerns in bid evaluations, outlining specific situations in which environmental considerations are particularly relevant and providing examples for incorporating environmental dimensions in the bid evaluation.
- *Construction.* Construction is a major ESRP focus. Efforts have been made to ensure that

The World Bank Timeline

1980s

1989

A comprehensive World Bank assessment of the needs of sub-Saharan Africa calls for a doubling of expenditure on human resource development—food security, primary education, and health care.

August 1

Debt-Reduction Facility for IDA-Only Countries established to ease the burden on those countries of external commercial debt.

September 25

World Bank and European Investment Bank agree to cooperate in a major effort to protect the Mediterranean Sea and its coastal areas.

infrastructure projects are accessible by handicapped as well as able-bodied persons. For example, accessible construction is helping the Bank achieve the Millennium Development Goal for education by providing educational facilities for all children, including the handicapped.

To share relevant experience and harmonize guidelines, in 2001 the World Bank, other multilateral development banks, UN agencies, and civil service organizations formed the Interagency Sustainable Procurement Working Group.

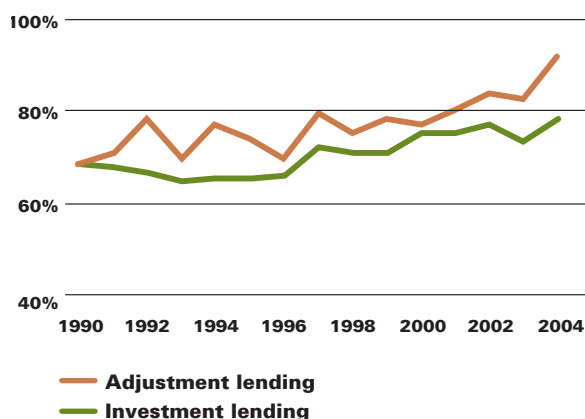
For more information, see www.worldbank.org/ess and www.sustainableprocurement.net.

Assessing the Impact of Aid

For financial assistance to have meaning, it must have lasting, measurable impacts. Donors and shareholders want evidence that the money provided yields results, and recipients of funds want to see tangible improvements in their living conditions. Assessing the effects of assistance is not easy, but we are committed to making progress in this area.

Each year, the World Bank issues two reports that provide an independent and rigorous assessment of the performance of our operations: the *Annual Review of Portfolio Performance* and the *Annual Review of Development Effectiveness*. The *Annual Review of Portfolio Performance*, published by the Quality Assurance Group, is a strategic overview of the effectiveness of the Bank's portfolio in delivering results to its clients. It assesses the portfolio's present status, examines issues and opportunities, and recommends measures for maintaining portfolio quality, including improvements in measurement. The 2002 report explored,

Figure 10 Long-Term Trends in Adjustment and Investment Lending
Fiscal 1990-2004, percentage of satisfactory outcome



Source: World Bank Business Warehouse. The 2004 figures represent a partial sample.

as a special theme, approaches to achieving the Millennium Development Goals.

The *Annual Review of Development Effectiveness*, published by the Operations Evaluation Department, draws on the evaluation work done during the year to ascertain trends in operational performance and to review experience gained in particular areas. For example, the 2003 edition examined policy reform in developing countries and found that reform had been widespread across countries and across a broad spectrum of policy areas during the past few years. Countries that improved their policies over this period achieved, on average, substantially higher per capita economic growth than those that did not. According to the 2003 review, project outcomes for fiscal 2002 were about 80 percent satisfactory. Fiscal 2003 was incomplete, but of the 45

1990s

1990

Bulgaria and Namibia join IBRD.

The World Bank and the Environment, the Bank's first annual report to the public on its environmental activities, is released.

June 30

Lending for education passes the \$1 billion mark for the first time.

November 28

Global Environment Facility (GEF) is launched, jointly administered by the Bank, the UN Development Programme, and the UN Environment Programme (UNEP).



percent of completed projects that were evaluated, 72 percent were satisfactory.

Although the proportion of satisfactory outcomes has improved consistently since 2000 for *investment lending*, the share of satisfactory outcomes in *adjustment lending* operations has been volatile in recent years. Several countries have absorbed large amounts of adjustment lending with only mixed results on reform and a substantial increase in indebtedness. In some cases the Bank designed operations that did not fit well with the pace and style of policymaking in the recipient country. In others, staff lacked the specific country knowledge they needed to help identify risks and improve project sequencing and ownership. The 2003 report recommended that management consider ways to better customize its support to

Results Measurement System for IDA 13: Progress as of Spring 2004

Inputs

- Forty country financial accountability assessments completed: at least half of these were for African countries
- Thirty-eight country procurement assessment reviews completed, at least half for African countries.
- Forty public expenditure reviews completed, at least half for African countries.
- All country assistance strategies prepared since July 2002 have been underpinned by current poverty analysis.
- Fourteen investment climate assessments completed.

Country Outcomes

Education

- Increase population-weighted average primary completion rate to 69 percent, with a substantial number of countries reaching a higher rate.

- Increase number of countries showing positive growth rates in primary completion rates to 38.

Health

- Increase overall (population-weighted) coverage rate of measles immunization to 60 percent, with a substantial number of countries reaching a higher rate.
- Increase number of countries with 80 percent coverage of measles vaccination to 29.

Private Sector Development

- Reduce time (number of business days) required for business start-up by 7 percent from the end of 2001.
- Reduce formal cost (percentage of GDP per capita) of business start-up by 7 percent from the end of 2001.

The World Bank Timeline

1990s

1991

Albania and Mongolia join IBRD.

July 18

World Bank announces its new forest policy, under which it will not finance commercial logging in primary tropical moist forests.

December 12

First grant from GEF is approved, for a \$4.5 million project to protect biodiversity of two endangered forest ecosystems in Poland.

1992

Cyprus graduates from IBRD borrower status.

clients' needs and explore pilot mechanisms to introduce a more direct linkage between its support and poverty reduction outcomes. For more information, see www.worldbank.org/oed.

Tracking Results

GRI 2.19

In 2002 the World Bank introduced a system for measuring results as part of the policy framework for replenishing International Development Association resources. The system was designed to strengthen the focus of Bank activities on development outcomes and to inform donors about the effectiveness of IDA's assistance. The methodologies are still being refined.

The existing system tracks results in two ways. First, it measures the production of selected World Bank analytical *inputs* that underpin the Bank's dialogue with governments. These inputs include:

- Country financial accountability assessments
- Country procurement assessment reviews
- Public expenditure reviews
- Investment climate assessments
- Poverty assessments.

Second, at the country level the system focuses on selected development outcomes in areas that are critical for growth and poverty reduction. Examples are the primary school completion rate (education), the measles immunization rate (health), and the time and cost of business start-up (private sector development).

Targets, keyed to the IDA 13 replenishment, were set for the indicators, and both the input and the outcome targets for spring 2004 have been met. This result reflects progress made by the Bank in scaling up its delivery of critical analytical work in IDA countries, as well as IDA countries' achievements in creating healthier investment climates, better-quality primary schools, and better health delivery systems.

The results measurement system is being refined for the next replenishment of IDA (IDA 14). Plans call for it to expand the number of indicators being tracked in countries, show aggregated results across countries, reflect the priorities and processes of national poverty reduction strategies, and show the links between IDA's contribution to development results and the Millennium Development Goal framework. Information about the expanded indicators can be found in Chapter 6.

For more information, see the Results Measurement System at www.worldbank.org/ida.

Fighting Corruption

GRI SO2

Poor governance and corruption are central obstacles to reaching economic and social development targets and goals. They distort the rule of law and weaken the institutional foundations for sound economic growth. They particularly hurt the poor by diverting resources and public services from those who need them most.

The World Bank and other donors face a choice between funding corrupt regimes (and indirectly supporting a leaking system) or cutting off aid and, in so doing, eliminating any meager benefits

Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Marshall Islands, Moldova, Russian Federation, Switzerland, Turkmenistan, Ukraine, and Uzbekistan join IBRD.

December 15

President Lewis Preston states poverty is at the root of the world's environmental and development problems, reaffirming the World Bank's focus on sustainable development.

November 1

Number of Executive Directors increases in size from 22 to 24, with a nonelected seat created for Saudi Arabia and an additional seat for Switzerland and others.

Attacking Corruption

The Bank Group will not tolerate corruption in the programs that we support, and we are taking steps to ensure that our own activities continue to meet the highest standards of probity.

—James D. Wolfensohn, 1996

At the World Bank–IMF Annual Meetings in 1996, the World Bank’s president, James D. Wolfensohn, made a groundbreaking speech on the “cancer of corruption” to all the Bank’s shareholders. This marked the first time the issue had been placed squarely on the development agenda of any multilateral institution. Important achievements have been recorded since then, including:

- **The launch of more than 600 anticorruption programs in nearly 100 countries**
- **The inclusion of public sector governance components in more than 40 percent of the Bank’s lending operations**
- **Stringent financial disclosure rules for our employees**
- **A 24-hour-a-day global anticorruption telephone hotline, 1-800-831-0463**
- **Active support for the United Nations Convention Against Corruption**
- **Endorsement of the Extractive Industries Transparency Initiative launched by British Prime Minister Tony Blair**
- **Leadership in the fight against money laundering and the financing of terrorism, including current support for 40 projects against these activities, benefiting 115 countries**
- **Public identification of companies found to have engaged in corrupt practices and, to date, debarment of over 200 companies and individuals (www.worldbank.org/debarr).**

For more information, see www.worldbank.org/anticorruption

that the population would receive from the programs, as well as any leverage that they may have with the government to strengthen governance. The dilemma can be addressed by directing aid toward governance reform to improve the mechanisms through which aid is delivered and by investing considerable thought and resources in protecting development projects against corruption. This involves enforcing the use of proper financial and procurement guidelines and audits; mandating transparency; setting up complaint databases and follow-up processes; promoting beneficiary involvement in project design, implementation, and monitoring; and encouraging participation by civil society organizations and the media.

Combating corruption requires a comprehensive approach that tackles the many causes of corruption and the structural settings that allow it to thrive. It also requires courage and perseverance on the part of political leaders, public servants, civil society, the media, academics, the private sector, and international organizations. The Bank has assisted anticorruption operations in nearly 100 countries. In recent years the World Bank has lent more than \$5 billion a year to help countries build efficient and accountable public sector institutions. Governance and anticorruption measures are included in the country assistance strategies (CASs), the Bank’s medium-term country-level business plans. The governance measures concentrate on taking action against corruption, increasing public and private accountability by improving public sector management capabilities, strengthening civil society participation, and creating a more truly competitive private sector. The anticorruption strategy focuses on four key areas:

The World Bank Timeline

1990s

1993

Barbados graduates from IBRD borrower status.

Czech Republic and Slovak Republic join IBRD as separate members following dissolution of Czechoslovakia. Bosnia and Herzegovina, Croatia, Federated States of Micronesia, Macedonia, Serbia and Montenegro, Slovenia, and Tajikistan join IBRD.

August 26

Executive Directors approve a new information disclosure policy. New Public Information Centers are established to provide information on Bank Group activities.

- Preventing fraud and corruption in Bank-financed projects and programs
- Responding to countries' requests for assistance in combating corruption
- Mainstreaming policies in country analysis and lending decisions to fight corruption
- Contributing to international efforts to fight corruption.

The anticorruption program of the World Bank Institute (WBI) helps countries diagnose governance problems and develop specific action plans. Every two years, WBI generates, for 200 countries, worldwide governance indicators that measure the level of corruption and five other components of governance. These data are publicly available on an interactive Website that allows users to download customized charts, tables, and data and to compare countries and regions across a wide range of sectors. WBI has also carried out a number of extensive country-level diagnostic surveys. See www.worldbank.org/wbi/governance and www.worldbank.org/publicsector/anticorrupt.

Since 1998 more than 1,500 corruption cases have been investigated, involving allegations of fraud and theft, bid rigging, bribes, kickbacks, collusion or coercion by bidders, fraudulent bids, fraud in contract performance, product substitution, and misuse of Bank funds. The Bank's Department of Institutional Integrity conducts a preliminary review of every report received and actively reviews projects, working with regional and country teams to focus on the cases with the greatest potential impact. A Sanctions Committee adjudicates cases and assesses penalties. All allegations of staff misconduct are automatically classified as high priority.



Case Study: Cracking Down on Corrupt Procurement Practices

A joint review by our Jakarta, Indonesia, office and our Department of Institutional Integrity found widespread corruption in procurement practices in the Second Sulawesi Urban Development Project. In April 2003 the Bank debarred 15 Indonesian firms and individuals from participating in World Bank projects for various lengths of time. Investigations of a number of other firms are continuing, and a report is being released in concurrence with the government of Indonesia.

To combat corruption, the Indonesian government and the World Bank have agreed on the following steps:

- **Expenditures on the project from the World Bank loan will remain on hold until a decision on the future of the project has been made.**
- **The Department of Institutional Integrity will issue recommendations for appropriate remedial action.**
- **The government of Indonesia will prepare, with World Bank support, an action plan to address the issues raised by the fiduciary review so that such problems do not occur in future projects.**

For more information on the Department of Institutional Integrity, see www.worldbank.org/integrity.

1994

September 22
Independent
Inspection Panel established.

Eritrea joins IBRD.
Governance: The World Bank Experience argues that good government is critical to economic development.

March 1
In commemoration of International Women's Day the Bank confirms its commitment to bring women into the mainstream of development and economic growth.

June 1
World Bank, UNEP, UNCTAD, and International Council on Metals and the Environment sponsor the Conference on Development, Environment, and Mining to discuss how mining can better contribute to economic development and be compatible with sustainable development.



Information Disclosure

Public access to World Bank information, which was considerably broadened during the past decade, received another boost in August 2001 when the Board of Executive Directors approved revisions to the World Bank's Information Disclosure Policy. Under this policy, the World Bank seeks to disseminate its work to the widest possible audience and to promote overall accountability and transparency in the development process. Most policy and project documents, including project-related documents, chairman's summaries of board discussions on CASs, and sector strategy papers, are available to the public through the World Bank Website, www.worldbank.org/infoshop, and at our Public Information Centers in the countries where Bank operates. Publicly available documents are listed in Figure 6.

For more information, see www.worldbank.org/operations/disclosure.

Making Access to Information Easier

Printed versions of Bank documents are available through the InfoShop, located in Washington, D.C., which houses all public World Bank documents and publications. Many publications are free and can be downloaded from the InfoShop Website; others are available for a charge. Documents relating to a specific country are available free of charge to citizens of that country. For documents, see the InfoShop Website: www.worldbank.org/infoshop.

Our public information centers (PIC), located in over 60 countries, can be visited in person, or inquiries can be made by phone or e-mail. Each PIC serves as the central contact in the country for people wanting World Bank documents, information on the Bank's operations, and development topics in general. By June 30, 2004 there were more than 60 PICs in partnership with local institutions, civil society organizations, or universities. They are usually located in capital cities, but to strengthen dissemination and outreach capacity, 60 additional satellite PICs are in operation mainly in East and South Asia Regions. For their addresses, see the InfoShop Website.

The World Bank Timeline

1990s

1995

Republic of Korea graduates from IBRD borrower status.

Brunei Darussalam joins IBRD

December 1

GEF grants \$3.2 billion to Russian Federation to explore development of the natural gas sector and reduce greenhouse gas emissions, associated with existing energy sources.

1996

World Bank Participation Sourcebook calls for empowerment of stakeholders in development decision-making.

Case Study: Promoting Transparency of Petroleum Revenue in the Chad-Cameroon Pipeline Project

In December 2003 the World Bank endorsed the Extractive Industries Transparency Initiative and pledged to work with several developing countries and private companies on ways of making public the information on the revenues accruing from the oil, gas, and mining sectors. An example of a revenue transparency project is the Chad-Cameroon Pipeline. The Bank is working with Chad—one of the world's poorest countries—to improve governance and the transparency of revenues from a major petroleum project and to ensure that the benefits are passed on to the country's citizens.

Under the project, the oil fields at Doba in southern Chad will be developed, and a 1,070-kilometer pipeline to loading facilities in Cameroon will be constructed. The key funders of the project are the U.S. firm ExxonMobil (the operator, with 40 percent of the private equity), Petronas of Malaysia (35 percent), and ChevronTexaco, another U.S. firm (25 percent). Over the 25-year production period, the project could result in nearly \$2 billion in revenues for Chad, averaging \$80 million per year, and \$500 million for Cameroon, averaging \$20 million per year. An IDA credit for revenue management in Chad was approved in January 2000. On June 6, 2000, the Board of Executive Directors of IBRD, IDA, and the IFC approved lending for the Chad-Cameroon Petroleum Development and Pipeline Project.

IBRD's involvement comes to about 3 percent of the project costs, which finance the government's minority holdings in the project. Two related projects, one in each country, will build capacity in the

environmental and social aspects of petroleum development and export. The overall objectives of World Bank involvement in the project are to increase Chad government expenditures on poverty alleviation activities and to promote the economic growth of Chad and Cameroon through private sector-led development.

Our involvement has improved the project in a number of ways. It has triggered the application of the World Bank Group's strict environmental and social policies and has ensured broad public consultation in the two countries and around the world. It has also supported the development of a sound revenue management program, which has led to the establishment of a safeguard framework with clear rules for the allocation of oil revenues.

Under the rules, the oil money goes into an escrow account in London, subject to full disclosure and audit. After debt servicing, 10 percent of the revenues are to be set aside for a "future-generations" fund, and 80 percent is to be allocated to priority areas, including health, education, infrastructure, rural development, water, and environment. Another 5 percent is to be reserved for special development projects in the oil-producing areas. An oversight committee that includes representatives of the country administration and the parliament and of civil society, human rights groups, and faith-based organizations must approve spending from the petroleum account.

For more information, see www.worldbank.org/afr/ccproj/project/pro_overview.htm.

Under the UN Special Initiative for Africa, World Bank agrees to mobilize resources for basic education and health reform.

World Bank leads the effort for worldwide phase-out of leaded gasoline and conversion to unleaded fuels to reduce health problems.

October 1

President James D. Wolfensohn calls for a new compact between donors, investors, and recipients to combat corruption; integrate social, cultural, and institutional issues with development; and revitalize the Bank as a source of development knowledge.

November 7

Heavily Indebted Poor Countries Initiative trust fund is established, to be administered by IDA.

Our Commitment to Sustainable Development

The World Bank is committed to a comprehensive approach to sustainable development that builds on the three key pillars of development—enlightened public policy, a responsible and accountable private sector, and proactive civil society organizations—to achieve the UN Millennium Development Goals (MDGs). Sustainable development depends on the nurturing and strengthening of the five key forms of development capital:

- *Financial capital*: sound macroeconomic planning and prudent fiscal management
- *Physical capital*: infrastructure assets such as buildings, machinery, roads, power plants, and ports

- *Human capital*: good health and education to sustain labor markets
- *Social capital*: the institutions, relationships, and norms that shape the quality and quantity of social interactions
- *Natural capital*: natural resources, both commercial and noncommercial, and ecological services, which provide the basics of life, including food, water, energy, fibers, waste assimilation, and climate stabilization.

Progress on the MDGs will be possible only if each form of capital is recognized, supported, and enhanced. It also depends on individual countries' political will and drive toward development and on



The World Bank Timeline

1990s

1997

Palau joins IBRD.

World Bank and World Conservation Union begin dialogue between the champions and critics of large dams, sparking the launch of the World Commission on Dams.

April 28

World Bank and World Trade Organization sign a formal agreement of cooperation to coordinate efforts to integrate developing countries into the global economy.

effective partnerships being forged among donors, countries, and the private sector.

To accelerate progress toward the MDGs, and to further our mission of fighting poverty and promoting sustainable development, we have scaled up our efforts in several critical areas. These include achieving universal primary education,

combating communicable diseases, reducing child mortality, improving maternal health, and protecting the environment. In highlighting these specific issues, we are not retreating from other areas that countries feel are vital for their success. New and additional indicators for assessing development results are also being considered. We recognize that priorities will inevitably change over

TABLE 4 Monitoring Indicators for the Bank's Seven Focal Areas

FOCAL AREA	INDICATOR
Environment	<ul style="list-style-type: none"> ■ Traditional fuel use as percentage of total energy use ■ Carbon dioxide per unit of gross domestic product (GDP) ■ Nationally protected areas as percentage of total land area ■ Adjusted net saving as percentage of gross national income ■ Environment components in country policy and institutional assessments
Water supply and sanitation	<ul style="list-style-type: none"> ■ Percentage of population served by improved water supply ■ Percentage of population with access to improved sanitation
Education for All	<ul style="list-style-type: none"> ■ Primary schooling completion rate
HIV/AIDS	<ul style="list-style-type: none"> ■ HIV/AIDS prevalence among pregnant women age 15–24
Maternal and child health	<ul style="list-style-type: none"> ■ Under-five child mortality rate ■ Share of births attended by a skilled professional
Investment climate and finance	<ul style="list-style-type: none"> ■ Ease of foreign business registration (time and cost) ■ Number of clients reached by sustainable financial institutions ■ Capital adequacy ratios in line with or above the “Basel I” requirements of the Basel Committee on Banking Supervision
Trade	<ul style="list-style-type: none"> ■ Change in exports and imports as share of GDP ■ Average unweighted tariffs

June 25

At the UN Earth Summit in New York, President Wolfensohn identifies climate change, biodiversity loss, ozone depletion, desertification, and lack of clean water as issues whose solution is central to meeting human needs and reducing poverty.

August 11

World Bank finances its first landmine-clearing project, in Bosnia and Herzegovina.

September 8

At the International Anti-Corruption Conference in Peru, President Wolfensohn urges greater transparency, accountability, and integrity in public affairs.

time as the world adapts to emerging challenges and that we must continue to change, as well.

In 2003 we identified seven areas on which to focus our efforts:

- Environmental sustainability
- Water supply and sanitation
- Education for All
- HIV/AIDS
- Maternal and child health
- Investment climate and finance
- Trade.

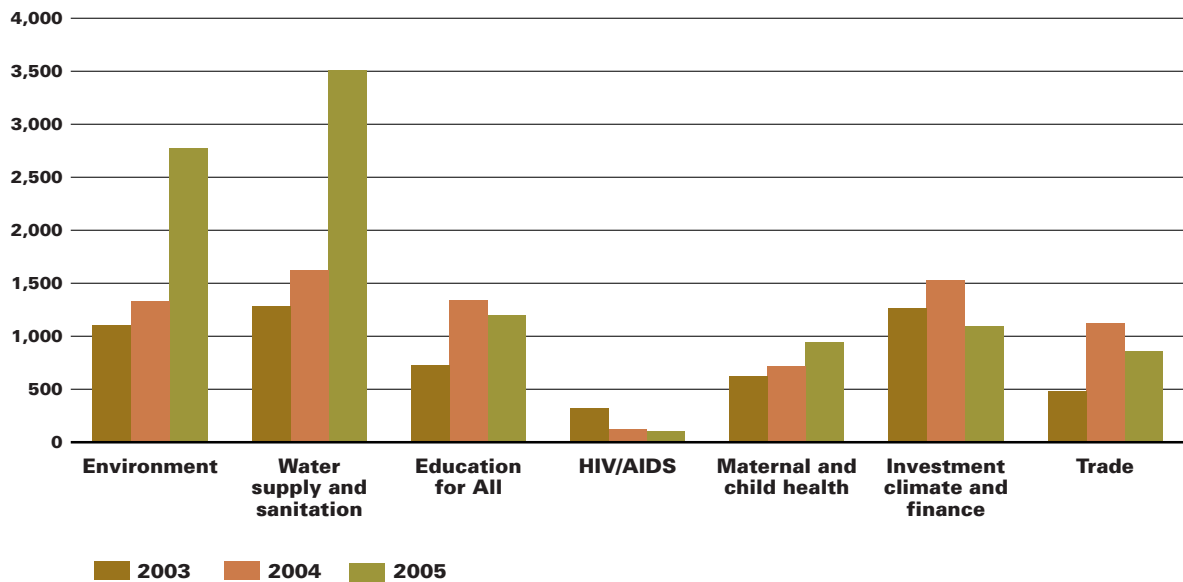
Our activities in each area are described in this chapter. These activities have been shaped by our country departments, in close communication with government officials in client countries. They are monitored every quarter-year to track whether they remain aligned with the given country's priorities and goals. Outcomes such as progress in universal access to education or in HIV prevention are highly dependent on conditions in each country and must be monitored and analyzed country by country.

Environmental Sustainability

GRI 2.22/3.19/EN7/EN17/EN27/EN35

Concern for the environment is not a rich country luxury. On the contrary, natural and human-made

Figure 11 Current and Planned World Bank Funding in the Seven Focal Areas, Fiscal 2004–05
in \$ millions



Note: For fiscal 2003 and 2004, actual plus planned commitments; for fiscal 2005, planned. These figures do not include grants and therefore underrepresent activity. For example, in the poorest countries World Bank support for HIV/AIDS can be up to 100 percent grant-financed.

The World Bank Timeline

1990s

1998

AIDS Vaccine Task Force launched to speed deployment of effective and affordable AIDS vaccines.

Pollution Prevention and Abatement Handbook 1998, replacing the 1988 *Environmental Guidelines*, is released as a standard in World Bank operations.

World Bank and International Labour Organization seek enhanced collaboration between the two organizations.

environmental resources—fresh water, clean air, forests, grasslands, marine resources, and agro-ecosystems—provide sustenance to people and are the foundation for social and economic development. Today, the World Bank is one of the key promoters and financiers of environmental programs in the developing world. Our Environment Strategy focuses on forging links among environment, poverty, and development, with particular emphasis on the health, livelihoods, and vulnerability of poor people.

Our Environmental Teams and Portfolio

Protecting the environment is a key pillar of our mission of alleviating poverty and sustaining the quality of development. About 250 professionals, spread across the six operational regions and a number of sector units and departments, are working on environment-related activities. Our “green” teams focus on land management, forestry, and biodiversity; the “blue” teams tackle water resource management in freshwater and marine systems; and the “brown” teams concentrate on pollution management. Each team is committed to strengthening and expanding the analytical and institutional tools available to our clients. Staff expertise spans a broad range of disciplines, but our environment strategy can be distilled into three basic goals:

- *Improving the quality of life*—people’s health, livelihoods, and vulnerability, which are affected by environmental conditions
- *Improving the quality of growth* by supporting policy, regulatory, and institutional frameworks for sustainable environmental management and by promoting sustainable private development
- *Protecting the quality of the regional and global commons* through work on climate change, forests, water resources, and biodiversity.

Focus on Environmental Sustainability

- **In fiscal 2004 66 new projects in 42 countries had environment and natural resource management components, representing about \$1.3 billion in commitments. In June 2004 the active portfolio of projects with primarily environmental objectives was \$3.2 billion.**
- **At the end of fiscal 2004, the total investment in active projects with environment and natural resource components was \$11.2 billion, or 12.2 percent of the Bank’s total active portfolio in that year. Pollution management and environmental health issues accounted for about a third of the active environment portfolio, and water resource management for a quarter.**
- **In fiscal 2004 country environmental assessments were completed for Bangladesh, Colombia, and the Arab Republic of Egypt.**
- **The World Bank is the world’s largest single international funding source for biodiversity projects. The total Bank-managed biodiversity portfolio since 1988 comes to over \$2.6 billion.**

At the end of fiscal 2004, the World Bank’s portfolio of active projects with primarily environmental objectives stood at \$3.2 billion, and the broader portfolio of projects with environmental objectives or components amounted to about \$11.2 billion. The core portfolio focuses on natural resource management, pollution and waste management, and institutional development activities. The broader portfolio includes projects or project components in the agriculture, energy, urban development, and water supply and sanitation sectors.

New measures to combat fraud and corruption are established, including a telephone hotline and an Oversight Committee on Fraud and Corruption to oversee investigations concerning misuse of Bank funds.

March 24

To demonstrate its new, flexible lending policies, the World Bank offers financing to Uganda for education, using a part grant, part interest-free-loan package.

December 2

Clean Air Initiative in Latin American Cities launched.

Case Study: Restoring a Marine Ecosystem in Croatia

Over the past 50 years, scenic villages dotting the coastlines of Kastela and Trogir Bays in Croatia turned into wastelands, as industrial complexes—including a chemical plant, a cement mill, an iron-works, and a shipyard—rose to dominate the landscape. Houses and trees were coated with soot, nearby parts of the blue Adriatic Sea turned dark gray, and pollutants discharged into the water decimated marine life.

In 1998 at the request of the Croatian government, the World Bank provided \$36.6 million for a project to reduce wastewater discharges into the bays and improve the delivery of drinking water. The EKO Kastela Bay project is restoring beaches along the coastline between Split and Trogir, two ancient Roman towns on UNESCO's World Heritage List. Underwater tunnels are being constructed to clean sewage water, which will then be pumped farther out into the open sea. The main tunnel is designed to restore the bay's ecological balance.

A smaller component of the project will improve the delivery and quality of drinking water to reduce the intermittent water shortages sometimes experienced by smaller villages in this arid Mediterranean climate.



54

Tools for Promoting Environmental Sustainability

In addition to our lending program and the safeguard policies described in Chapter 3, the World Bank provides environmental support to developing countries through its analytical services.

- Country environmental analysis (CEA) is a new tool for evaluating a country's environmental priorities, its capacity to deal with these priorities, and the environmental implications of key policies. CEAs are intended to promote dialogue within the country and coordination among development partners. They provide vital input into the programming of development assistance through the country assistance strategy.
- Other tools available for systematically raising the profile of environmental issues, policies, regulations, and expenditures include strategic environmental assessments (applied in São Tomé and Príncipe and in Tanzania); energy-environment reviews (Bolivia, Rwanda, and Thailand); public environmental expenditure reviews (Bolivia, the Dominican Republic, and Ukraine); and Environment Monitors (Cambodia, the Philippines, and Vietnam).
- Finally, environmental considerations have been incorporated into other sector strategies, such as those for water resources and rural development.

Key Partnerships

The World Bank participates in a number of partnerships for promoting environmental sustainability:

- *Global Environment Facility (GEF)*. The World Bank is trustee and an implementing agency for the GEF. Since the GEF's inception, the World Bank Group has mobilized nearly \$12 billion in public and private funds for programs related to biodiversity conservation, climate change,

The World Bank Timeline

1990s

1999

World Bank joins with high-level task force (including representatives of Transparency International, governments, academia, and business) to fight corruption in East Asia.

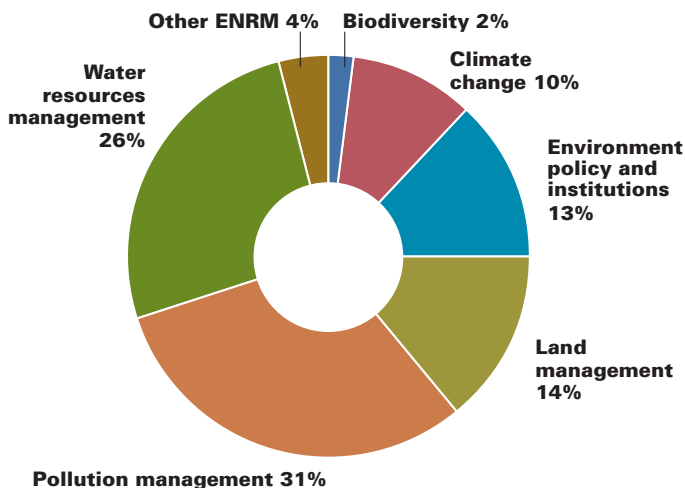
OED's 1998 *Annual Review of Development Effectiveness* shows an improvement in the number of projects with a "satisfactory" rating, but shows need for institution-strengthening in member countries.

ozone-depleting substances, international waters, desertification, and the Stockholm Convention on Persistent Organic Pollutants. As of June 2004 the GEF's active portfolio administered by the World Bank contained 220 full and medium-size projects, with IDA/IBRD cofinancing amounting to about \$2.34 billion. For more information, see www.worldbank.org/gef and www.worldbank.org/pops.

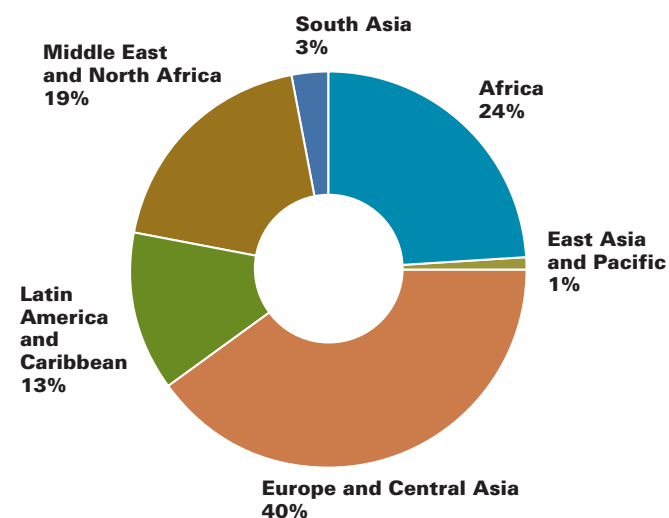
- *Multilateral Fund for the Implementation of the Montreal Protocol.* The Bank has been the implementing agency for the Multilateral Fund since its inception in 1990. During this time, we have partnered with 20 countries for investment projects and have facilitated the phaseout of more than 139,495 tons of ozone-depleting substances such as chlorofluorocarbons, hydrochlorofluorocarbons, halons, and methyl bromide, at a cost of roughly \$600 million. The amount eliminated through these efforts is nearly 70 percent of the total phased out under the protocol, yet only 40 percent of the resources available from the Multilateral Fund for investment projects was used. For more information, see www.worldbank.org/montrealprotocol.
- *The Clean Air Initiative (CAI).* The CAI is a partnership to build capacity for better urban air quality management through technical and policy advice. The World Bank hosts the CAI Website and serves as an electronic operational center through which the partnership communicates. For more information, see www.worldbank.org/cleanair.
- Additional partnerships include the *Critical Ecosystem Partnership Fund*, which safeguards developing countries' biodiversity hotspots (www.cepf.net); the *World Bank/WWF Alliance for Forest Conservation and Sustainable Use*

Figure 12 Lending for Environment and Natural Resource Management (ENRM) by Theme, Fiscal 2004
Percentage of all projects, based on commitment amounts, \$2.0 billion

By theme



By region





(www.forest-alliance.org), which is working with governments, the private sector, and civil society to create 50 million hectares of new protected forest areas, bring a similar amount of existing protected areas under effective management, and put 200 million hectares of production forests under independently certified management; and the *Global Invasive Species Programme* (www.gisp.org), which works to stop the spread and impact of invasive alien species.

Innovative Approaches to Managing Climate Change

Climate change has become a key concern for the World Bank and our clients in the 21st century because its effects are expected to have a significant and disproportionate impact on the developing world. We are working to help countries both

adapt to and mitigate climate change. The Global Environment Facility has been instrumental in assisting developing countries in addressing climate change issues. The World Bank–GEF portfolio today includes 62 projects, for which \$6.2 billion has been mobilized. In addition, the World Bank facilitates carbon trading, through its Carbon Finance Business, and promotes renewable energy.

Supporting adaptation. The Bank is focusing on reducing present-day climate vulnerability through the implementation of “no regrets” measures and through closer coordination with its Disaster Management Facility (DMF). We are developing internal and client capacity to perform vulnerability assessments, assist regional institutions in forecasting impacts, elevate awareness of long-term consequences, and mobilize additional financing for responding to climate vulnerability challenges. The World Bank is a member of the Vulnerability and Adaptation Resource Group (VARG), an informal network of bilateral and multilateral institutions. VARG’s mission is to facilitate the integration of climate change adaptation into the development process through the sharing, assessment, synthesis, and dissemination of existing knowledge and experience. VARG works with developing countries, the parties and observers of the UN Framework Convention on Climate Change (UNFCCC), civil society organizations, and development agencies. In addition, we have engaged in a number of projects relevant to adaptation to climate change, particularly in conjunction with the GEF, and, as described next, have set up six carbon funds, in support of the objectives of the UNFCCC, to enhance adaptive capacity and encourage adaptation activities. For more information, see www.worldbank.org/climatechange.

The World Bank Timeline

2000s

2000

San Marino joins IBRD.

World Bank and World Business Council for Sustainable Development form a joint initiative, *Business Ethics and Corporate Responsibility*, to teach business ethics via an Internet-based educational project.

First Global Development Marketplace held—1,000 proposals received from social entrepreneurs around the world with innovative solutions to sustainable development issues; 43 winning projects share \$5 million in start-up funds grants.

Investing in carbon finance. The World Bank's Carbon Finance Business is part of a larger global effort to combat climate change. The Carbon Finance Business leverages public and private investment to carry out projects aimed at reducing greenhouse gas emissions. Through the Carbon Finance Business, we are working to ensure that developing and transition economies obtain a sizable share of the carbon market under the Kyoto Protocol's Clean Development Mechanism (CDM) and its Joint Implementation (JI) projects. Under these arrangements, client countries undertake high-quality carbon emissions reduction programs in exchange for development assistance, technological know-how, and transfer of clean technologies for sustainable development. The Carbon Finance Business manages more than \$410 million in six funds, either approved or already in operation. They include:

- The Prototype Carbon Fund, a public-private partnership of 17 companies and 6 government entities that is pioneering the market for greenhouse gas emissions reductions
- The Community Development Carbon Fund, which extends carbon finance to small-scale projects in rural areas and poorer countries
- The BioCarbon Fund, which applies carbon finance to agroforestry and land use projects.

In addition, three industrial country funds, Netherlands CDM, Netherlands JI, and the Italian Carbon Fund, aim at expanding carbon market development and creating liquidity.

The World Bank is helping to leverage \$2.2 billion of underlying investment in sustainable energy by purchasing \$295 million in greenhouse gas emis-

sions reductions from renewable energy, energy efficiency, and waste-to-energy projects in client countries. In addition, it is developing replicable models that maximize the opportunity for carbon finance to catalyze renewables, energy efficiency, and waste-to-energy investments. For more information, see carbonfinance.org.

Investing in renewable energy. Since 1990 the World Bank has been the largest lender for energy efficiency and renewable energy projects in developing countries, investing more than \$6 billion in Bank-managed resources and mobilizing another \$10 billion from public and private sources. In June 2004 we promised to increase our annual financial commitments for such projects, now roughly \$200 million a year, by an average of 20 percent per year during the next five years. We have also pledged to report on our renewable energy and energy efficiency operations by sector and in comparison with the energy investment activities of similar organizations. To meet these commitments, the World Bank Group will seek to increase staff capacity, resources, and performance incentives for renewable programs. For more information on our renewables energy portfolio, see www.worldbank.org/energy.

Involvement in the fossil fuel sectors. In limited situations, we will remain involved in the coal, oil, and gas sectors in developing countries. Although the level of our involvement in fossil fuel sectors has declined significantly over the past decades and will likely remain low, we stand ready to provide assistance to developing countries for these industries because of the continuing importance of fossil fuels to economic development for many years to come and as a means of promoting sector reforms and the adoption of cleaner and more

Prototype Carbon Fund launched to pioneer the market for greenhouse gas emissions reductions.

Fast Track Initiative to provide free basic education for all children by 2015 launched.

April 16
World Bank and IMF spring meetings in Prague protested by thousands demanding an end to globalization.

2001

World Bank joins with Asian cities to form the regional Clean Air Initiative to promote innovative ways to improve the air quality of Asian cities through partnerships and sharing experiences.

The Extractive Industries Review

One of the enduring challenges of global development is what has been called the “paradox of plenty.” Poor nations blessed with abundant natural resources, particularly resources related to extractive industries, would seem to have a head start in the race to reduce poverty. Yet many have had to struggle and have even done worse overall than countries with fewer resources.

Why? There is nothing inherent about oil, coal, gas, or minerals such as copper, zinc, or even gold that directly predestines their owners or producers toward ill ends. The real issue is that projects in the extractive industries—and, in particular, the sometimes large revenues they yield—can dramatically alter the choices, incentives, and behavior of communities, nations, and policymakers. In short, money changes everything—but its effect on governance is especially large.

Where there is too little transparency regarding public revenues, corruption becomes a threat. Where community involvement in the stewardship of resources is lacking, indigenous peoples, biodiversity, and local needs suffer. And because fossil fuels are abundant and relatively cheap, it is all too easy to postpone confronting our shared responsibility to address climate change.

Three years ago, the World Bank Group initiated a comprehensive review to address the concerns raised by our extractive industry investments, to examine the evidence on the development impact of our own projects, and to solicit the views of a wide array of stakeholders—governments, civil society, and industry—on issues facing the sector. We wanted to determine how best to help poor nations develop their natural resources—not by avoiding problems, but by examining them in depth.

Independent economic reviews found that our projects had a strong track record of positive economic impacts—tax revenue, jobs, technology transfer, and the introduction of higher environmental and social standards. Nevertheless, the central message emerging from the assessment was that the World Bank needed to do a better job on three levels: at the country level, by helping to ensure that governments are making the best energy choices and are managing project revenues wisely; at the sector level, by ensuring that our environmental and social standards are strong and fully implemented; and at the project level, by giving greater weight to local community concerns.

Among stakeholders, there was a wide array of views. Some critics argued that we and other development institutions should simply disengage from this sector. But we are being asked to make this choice at a time when 1.6 billion people in poor nations lack electricity, 2.3 billion depend on traditional biomass fuels, and too many people are still suffering from and dying from respiratory diseases caused by pollution from traditional fuels. Rather than turn a blind eye to these needs and the tangible benefits of extractive industry investments, the World Bank Group has opted to establish a higher bar for our performance.

To ensure a shared understanding of development goals, we will develop more explicit ways of measuring how extractive industry projects affect the poor. We will agree with stakeholders on indicators before a project is approved and will use the indicators to track and report on progress.

To ensure the transparency of project revenues, we will immediately begin requiring disclosure of revenue figures for all major new extractive industry

The World Bank Timeline

2000s

2001

The Global Alliance for Vaccines and Immunization makes its first delivery of vaccines: approximately 650,000 doses of vaccines against diphtheria, tetanus, whooping cough, and hepatitis B delivered to villages in Mozambique.

New Environment Strategy launched, emphasizing a comprehensive approach to environment that integrates environmental concerns into poverty alleviation and economic development efforts. The Strategy’s consultation Website receives more than 35,000 download requests during the consultation process.

projects. We are already working with several countries, such as Azerbaijan, Kyrgyzstan, and Nigeria, through the Extractive Industries Transparency Initiative.

To ensure that governments of poor nations are offered cleaner energy alternatives, we will increase our lending for natural gas, and we have set a target growth rate for our energy efficiency and renewable energy investments of 20 percent annually, averaged over the next five years. We are also stepping up our leadership role to develop a broader agenda on renewable energy that includes policy reform, research, and financing.

To protect the interests of local people directly affected by extractive industry investments, we will only support projects in which the affected communities, including indigenous peoples, are engaged through meaningful consultation that is timely, well-informed, and uncoerced and that leads to broad community support.

Even though extractive industry projects make up less than 5 percent of our overall lending portfolio, they will continue to be important for the economies of many desperately poor nations. We believe that the wiser course is to redouble our efforts to ensure that poverty reduction is the central element of these investments. By staying focused on the needs of poor people and on the goal of environmentally and socially sustainable development, we aim to consign the “paradox of plenty” to the lexicon of history, not to our common future.

Source: Peter Woicke, Executive Vice President, International Finance Corporation, and Managing Director for Private Sector Development, World Bank Group. For more information, see www.worldbank.org/ogmc and www.ifc.org/eir.

efficient technologies. Through this involvement we are trying to make the energy sector in borrowing countries more efficient, including by improving the technology of their existing energy infrastructure. We are encouraging our clients to reduce their subsidies for coal and other fossil fuels and better internalize the environmental costs of pollution caused by fossil fuels, through instruments such as subsidy reforms. The goal of these interventions is to create a more level playing field for cleaner technologies such as renewable energy technologies.

Biodiversity and the Protection of Natural Habitats

Wise management of terrestrial, marine, and freshwater habitats is central to sustainable development, as biological resources provide the raw materials for livelihoods, sustenance, trade, medicines, and industrial development. In fiscal 2004 the World Bank lent \$143.74 million for biodiversity projects or for biodiversity components of projects in other sectors. In addition, we leveraged an additional \$201.4 million for biodiversity projects from the GEF and from donor trust funds, primarily those of the Netherlands. World Bank support for biodiversity conservation includes the establishment and strengthening of protected areas (including activities in buffer zones), sustainable use of biodiversity outside protected areas, eradication of alien species, and biodiversity conservation through improved management and sustainable use of natural resources in production landscapes. All these activities have important links to poverty alleviation initiatives. In the future, we anticipate that Bank support for conservation and sustainable use of biodiversity in production landscapes will increase in importance.

2002

Timor-Leste joins IBRD.

September 19

President Wolfensohn announces the World Bank will join the UN as a full partner in implementing the Millennium Development Goals.

Operations are resumed in Afghanistan, to help to meet the immediate needs of the poorest people while assisting the government in developing the administrative systems required for longer term, nationwide development, through grants and trust funds.

नेपालका चराहरू



रिचर्ड क्रिगेट
कन्सर्वेशन इन्विरकाम
टिज इन्विरकाम
हेल्म सायन्स बराल

The environmental assessment process (Operational Policy 4.01) should identify any critical natural habitats within a proposed project's area of influence. In addition to the requirement for environmental assessment, the World Bank's policy on natural habitats (Operational Policy 4.04) seeks to ensure that the World Bank does not support projects that, in the Bank's opinion, involve significant conversion or degradation of critical natural habitats. If the project significantly converts or degrades natural habitats, the project includes mitigation measures—for example, actions to minimize habitat loss and establish and maintain an ecologically similar protected area.

The World Bank's biodiversity team works with our clients and country teams to identify issues

The World Bank's Biodiversity Field Guide Program

The World Bank's Biodiversity Field Guide Program has produced more than 50 local-language field guides for countries across Africa and Asia. The field guides, supported through Bank projects and Dutch trust funds, are promoting environmental awareness and capacity building in developing countries where lack of accessible information in local languages has hampered biodiversity training, park ranger capacity, opportunities for local communities to benefit from their rich biological heritage, and adequate environmental assessment of development projects.

The program, which has been going on for more than six years, started in East Asia but has expanded to cover all of Asia and Africa. It has supported local-language guides for a variety of plants and animals, including birds of China, India, the Lao PDR, Nepal, and Vietnam; snails of Sri Lanka; birds of South Africa; trees and shrubs of Thailand; bamboos of

Indonesia; and turtles and tortoises of Cambodia. Many of the individual projects have been implemented through and co-funded by local and international NGOs, working with national scientific agencies. The demand for the program has been overwhelming. A new call for proposals elicited more than 170 submissions from Asia and Africa, covering everything from crabs to palms.

The field guides have proved especially valuable in encouraging and empowering young professionals to take up conservation-related careers, including alternative livelihoods based on sound biodiversity management. Already, some of the Bank-funded field guides are being utilized at the local level by village ecotourism guides, including youth and women's groups, and are used by teachers and young environmental professionals to increase their own knowledge and strengthen the services and information they can provide to others.

The World Bank Timeline

2000s

2002

World Bank approves an additional \$500 million for the Multi-Country HIV/AIDS Program for Africa, bringing the amount of its no-interest HIV/AIDS lending to Africa through this program to \$1 billion.

The Netherlands Clean Development Mechanism facility and the Community Development Carbon Fund are launched to link projects in developing countries seeking carbon finance with public or private entities seeking carbon emission reductions credits.

and special needs for habitat conservation in individual countries and to integrate measures to protect natural habitats into the country's development planning. To strengthen our policy and project performance in biodiversity conservation, we have formed partnerships with other organizations that are rich in conservation experience such as Conservation International and the WWF, as described in "Key Partnerships," above.

More information is available at www.worldbank.org/biodiversity.

Water and Sanitation

GRI 2.22/3.19

Perhaps more than any other sector, water supply and sanitation touches on all the main themes of the development agenda: poverty reduction, environmental sustainability, private sector-led growth, participatory development, and good governance. The Millennium Development Goal for the sector calls for halving, by 2015, the proportion of people without sustainable access to safe drinking water. The challenge is enormous: over 1 billion people still lack access to safe water, and nearly 2 billion lack adequate sanitation. More than 3 million people die every year from avoidable water-related diseases.

Of every 10 people in the developing world, 2 lack access to a safe water supply, 5 have inadequate sanitation, and 9 do not have their wastewater treated to any degree. Furthermore, by 2025 about 48 countries will experience water shortages, and by 2035 an estimated 3 billion people will be living in water-stressed countries.

The World Bank accounts for about 50 percent of external financing for water supply and sanitation projects.

Focus on Water and Sanitation

- **Total annual investments by the global community for water supply and sanitation in developing countries are \$15 billion. Of this, governments are responsible for 75 percent, the private sector for 11 percent, and external support agencies for 14 percent.**
- **Over the period 1990–2004, World Bank lending for water supply and sanitation amounted to \$19.5 billion. In fiscal 2004 alone, lending volume was \$1.5 billion.**
- **The Bank currently funds 21 stand-alone water supply and sanitation projects in rural areas, with loan amounts totaling \$807 million.**
- **The volume of World Bank lending in water supply and sanitation components in multisectoral projects such as social investment funds is rising.**

Our lending program draws on lessons from global experience that underline the importance of pursuing sound policies and creating supportive and sustainable institutions as the basis for sector development. To this end, the World Bank is working with client governments both to clarify and strengthen the role of the public sector in developing and managing water supply and sanitation services to enable different forms of public-private partnership, such as management contracts and outsourcing arrangements, and to facilitate civil society involvement (e.g., through water user associations and consumer associations).

The challenge of ensuring the sustainability of water supply systems remains an important priority for governments and their partners. An important step in this direction has been the shift away

January 8

World Bank sponsors a meeting of leaders of global corporations on Corporate Social Responsibility.

February 2

World Bank estimates cost of reaching the Millennium Development Goals at \$40–60 billion annually in additional aid. President Wolfensohn calls for additional aid from donor countries to reach the Goals.

June 13

The World Bank invites 23 countries to join the Education for All Fast Track Initiative to help them meet the Millennium Development Goal of providing every girl and boy with quality primary school education by 2015.

Case Study: Water and Sanitation Services in Gaza

If our treatment plant had not been renovated, we could not have met the needs of our residents, and before long our water services would have simply collapsed.

— **Hazim Tarazi, Director, Water and Wastewater Department, Palestinian Water Authority**

Before the signing of the Oslo Accords of 1995 by the Palestine Liberation Organization and the Israeli government, water and sanitation services in the Gaza Strip—one of the most densely populated areas in the world—were inadequate. Access to clean water was limited, and old, leaky pipes meant massive water losses. As a result, water was relatively scarce and costly.

The World Bank and other donors met with the Palestinian Water Authority to launch the Gaza Water and Sanitation Services Project. The project targeted the efficiency of the water distribution system and the quality of water supply and wastewater treatment. Providing safe water for more than 1.2 million residents required significant repairs, which by May 2002 had increased water availability by 70 percent. More than 1,260 kilometers of pipes were surveyed and more than 50,000 water meters were repaired or replaced. In addition, some 22,000 household service connections were replaced. In 1996 only 50 percent of the water supply was treated, but now 96 percent of the supply is safe for drinking.

The water authority—a newly created agency unifying the 16 municipalities of the Gaza Strip—has been effective in conducting a dialogue with the private sector, distributors, and residents to shape decision making and improve service delivery.

from supply-driven approaches that gave community members little or no say in deciding what services were implemented and how, toward demand-driven approaches in which beneficiaries guide key investment decisions and manage services. In rural communities, where responsibility for operation and maintenance often resides with the beneficiaries, it has led to a larger role for users in planning, financing, and, ultimately, managing services. In urban communities, where public utilities are primary responsible for service delivery, it has facilitated better engagement with consumers through poverty mapping and surveys, willingness-to-pay assessments, and dialogue with special interest groups such as consumer associations and small-scale providers.

For many public utilities, a combination of factors, such as inappropriate pricing policy, poor financial management, inadequate operation and maintenance, and weak institutions, has contributed to a downward spiral of service coverage and quality. Improving the efficiency and effectiveness of these public utilities requires the establishment of appropriate governance mechanisms, regulatory frameworks, and performance incentives. In some cases, public utilities should retain primary responsibility for services, outsourcing specific tasks to the local private sector. In others, management responsibility and, where appropriate, investment risk can be transferred to the private sector through contracts, leases, and concessions. Finding the right mix of solutions depends on knowledge of both global lessons regarding water management and the specific country context. To assist governments in this effort, the World Bank hosts a number of knowledge-dissemination, capacity-building, and learning programs with country partners.

The World Bank Timeline

2000s

2003

World Bank contracts with renewable energy sources for 10 percent of its electricity usage in Washington, D.C.

The BioCarbon Fund is launched to deliver carbon finance to projects that sequester greenhouse gases in forests and agro- and other ecosystems.

The Global Fund for Indigenous Peoples is launched to provide small grants directly to Indigenous Peoples Organizations for development-related activities, capacity building, and strengthening the UN Permanent Forum on Indigenous Peoples.

For more information on World Bank support for the water supply and sanitation sector, see www.worldbank.org/water.

Designing Private Sector Participation that Serves the Poor

Governments and development agencies in a number of countries have received sharp criticism for allowing private sector participation in water and wastewater utilities. The record nevertheless shows that private participation has generally resulted in large efficiency gains, improved service, and expanded coverage. Designing and implementing sustainable solutions that respond to the needs of the poor, however, is essential and remains a challenge. The poor may be unable to afford the cost of household connections. They may live far from main water distribution lines, or on untenured land, or in neighborhoods where the terrain or the absence of

public rights of way prevents the construction of conventional piped water or sewerage networks. Traditional utility billing systems may not be compatible with the way poor households handle their budgets, and not all residents may be aware of the benefits and use of safe water and sanitation services. Each project and initiative must be approached case by case, to build solutions appropriate to the country and communities involved.

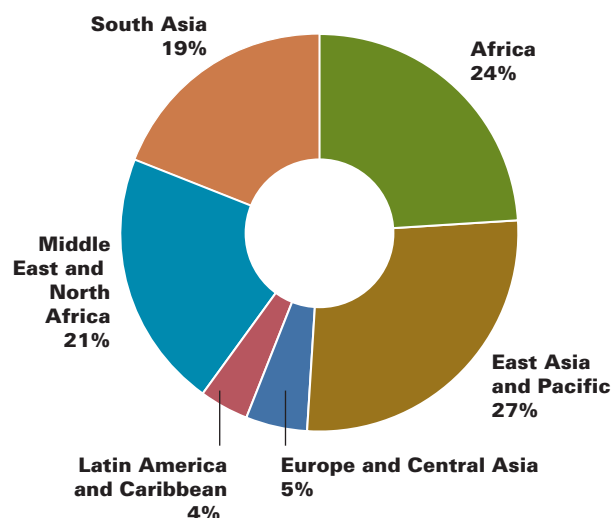
Key Partnerships

In our activities in the water and sanitation sector, we are engaged in a wide variety of partnerships with donors, governments, the private sector, and NGOs. The following are some examples:

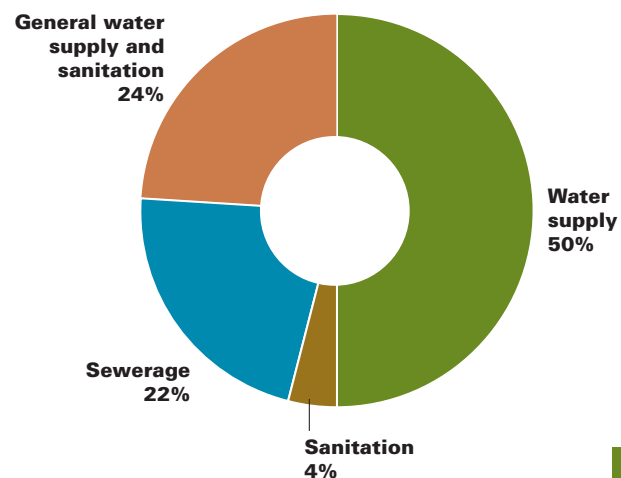
- *Global Water Partnership* has a mandate to develop networks and knowledge for water resources management; based in Stockholm.

Figure 13 Water and Sanitation Lending, Fiscal 2004
percentage of \$1.5 billion

By region



By theme



63

The World Bank report *Breaking the Conflict Trap: Civil War and Development Policy* states that ethnic tensions and ancient political feuds are rarely the primary cause of civil wars. Instead, economic forces such as entrenched poverty and heavy dependence on natural resource exports are usually to blame.

October 2

The UN and World Bank discuss Iraq's reconstruction needs with The United Arab Emirates, the United States, Europe, and Japan.

December 9

World Bank endorses The Extractive Industries Transparency Initiative, pledging to work with developing nations, as well as companies, on ways to publish revenues accruing from oil, gas, and mining sectors.

- *Water and Sanitation Program* is a 20-year-old partnership hosted by the World Bank that works to improve poor people's access to water and sanitation services. In addition to project lending, the partnership provides technical assistance to governments to help improve policies, develop strategies, pilot-test new approaches, and build capacity.
- *Business Partnership for Development*, hosted by the NGO WaterAid in London, develops innovative mechanisms for ensuring that private water contracts serve the needs of the poor.
- *International Program for Technological Research in Irrigation and Drainage*, hosted by the Food and Agriculture Organization of the UN in Rome, develops innovative technologies for irrigation and drainage.
- *Bank-Netherlands Water Partnership* is a new program designed to improve delivery of water supply and sanitation services to the poor and enhance the performance of World Bank operations in the sector.

For more information on World Bank support for the water supply and sanitation sector, see www.worldbank.org/water.

Education for All

GRI 2.22/3.19

Universal, high-quality education is central to reducing poverty and inequality and sustaining economic growth. It is also fundamental for the construction of democratic societies and globally competitive economies. While many countries have made remarkable strides, some 115 million children remain out of school—two-thirds of them girls, and most of them poor or otherwise disadvantaged. The spread of HIV/AIDS, the growing incidence of armed conflicts, and widening knowledge gaps spell disaster for countries unable to keep up with the information revolution.

The World Bank is the single largest provider of external funding for education, and we have been supporting education in developing countries since 1962. Simply stated, our goals in the sector are to ensure that every child has at least a primary school education and that their countries have the human capital to compete successfully in global knowledge-driven markets. We work in partnership with countries and the donor community, including UNESCO, UNICEF, and bilateral agencies, to jointly mobilize resources for education. Some donors channel programs through the Bank; others provide funds in parallel with or jointly with Bank project financing. The partnerships seek to promote holistic initiatives that deal with the full range of countries' learning needs and sustainable programs that will remain strong and viable in the long run. They address fundamental issues, ranging from teacher training and

Focus on Education

- **In June 2002 the Bank launched its Education for All Fast Track Initiative (FTI) to help countries accelerate progress toward their education goals.**
- **In November 2003 the \$229 million World Bank-managed Catalytic Fund was launched to help low-income countries that have not been able to attract donor funds for their education programs.**
- **As of June 2004, about 142 education projects were under implementation worldwide, contributing to a portfolio of \$8.4 billion.**

The World Bank Timeline

2000s

2004

Slovenia graduates from IBRD borrower status.

With the Ministry of Environment and Territory of Italy, the World Bank creates an Italian Carbon Fund, as a partnership to purchase emissions reductions from renewable energy, energy efficiency, and other projects in developing countries and countries with economies in transition.

curriculum reform to textbook supply and the language of instruction.

Education for All (EFA) is an international effort aimed at ensuring that every boy and girl in the developing world has a good-quality, free, and compulsory primary school education. In September 2000 Education for All was affirmed as a Millennium Development Goal, and in June 2002 the World Bank launched the Fast Track Initiative (FTI) to accelerate progress toward meeting it. Through the FTI, donors provide enhanced policy, capacity-building, and financial support to countries that have sound poverty reduction strategies and education plans.

Clear progress has been made. The FTI has sharpened the international focus on primary school completion (rather than mere enrollment), educational quality, and education system sustainability. Significantly, it has stimulated increased domestic funding for education within the participating countries.

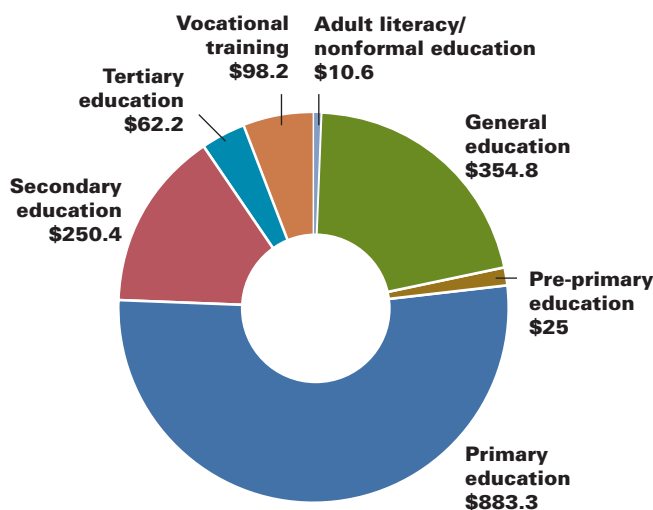


Case Study: Keeping Students in School in Indonesia

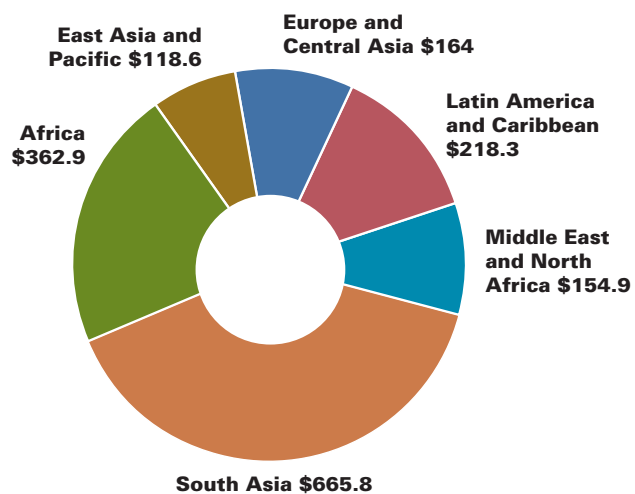
When the East Asian financial crisis intensified in 1997, social sectors in Indonesia, including education, bore the brunt of the fiscal cost. In 1998 to keep students in primary and secondary schools, the World Bank, with the Asian Development Bank and the government of the Netherlands, committed \$282 million to help launch Indonesia's Back-to-School program. The core of the campaign was a scholarship and grant scheme that gave scholarships to 6.5 million poor students over the five-year term of the project. Half of all the scholarships awarded went to girls. Nearly 132,000 schools received block grants from the program, and the dropout rate among scholarship recipients has been only 2 percent.

Figure 14 Education Lending, Fiscal 2004
in \$ millions

By subsector



By region



Focus on HIV/AIDS

- **In the past few years, the World Bank has committed more than \$1.7 billion in grants, loans, and credits (zero interest loans) to programs to combat HIV/AIDS.**
- **The Multi-Country HIV/AIDS Program (MAP) for Africa has committed more than \$1 billion to 24 countries for combating HIV/AIDS. In the Caribbean, the World Bank has channeled \$155 million through the Caribbean MAP. Of this amount, \$118 million has been committed to nine countries and one regional project.**

Case Study: Curbing HIV/AIDS in Burkina Faso

Burkina Faso has the second-highest HIV/AIDS infection rate in West Africa. Poni Province is especially vulnerable because many young men migrate to neighboring Côte d'Ivoire to work on coffee and cocoa plantations and sometimes return infected.

In 2001 as part of a national IDA HIV/AIDS project worth \$22 million, the World Bank launched a community-driven effort to stem the epidemic in Poni Province. The project, which sought to reach all 200,000 inhabitants of the province, relied on local sources to provide training and technical support and worked directly with community representatives. Village committees prepared microprojects and opened local bank accounts, which gave the project credibility and inspired confidence among the local population.

Building on long-standing participatory traditions in Burkina Faso, the project encouraged people to diagnose the HIV/AIDS situation and improve the community's understanding of the issue.

Participants identified areas in their communities where the largest numbers of sexual encounters occurred and proposed interventions, without stigmatizing specific groups.

The project reached 550 villages and about 50 organizations. In nine months it funded almost 600 microprojects worth \$175,000, covering close to 95 percent of all villages, and it trained some 2,000 instructors from all segments of society throughout the province on HIV/AIDS issues.

Over the past year, donors have reviewed and endorsed country proposals for FTI support, pledged over \$200 million in additional support for the first seven FTI countries over 2003–05 (representing an approximately 40 percent increase in official development assistance for primary education), and agreed on a framework to guide the FTI process. Education programs in 21 countries are currently being supported through this initiative.

For more information, see www.worldbank.org/education. Further information on Education for All and the Fast Track Initiative can be found at www1.worldbank.org/education/efa.asp.

HIV/AIDS

GRI 2.22/3.19

The HIV/AIDS pandemic is rapidly reversing the hard-won development achievements of past decades. Over 60 million people have been infected with HIV since it was first documented more than 20 years ago, and an estimated 15,000 new infections occur every day. More than 95 percent of those living with HIV/AIDS are in developing countries—although migration threatens Europe, as well, with a huge crisis.

Fighting HIV/AIDS and other communicable diseases is one of the eight Millennium Development Goals. Given the impact of HIV/AIDS on development, the World Bank has placed HIV/AIDS at the center of the development agenda.

Within the UN system, the World Bank is one of the largest sources of financing for HIV/AIDS programs, committing more than \$1.7 billion in grants, loans, and credits for this purpose over the past five years. For the poorest countries, World Bank support for HIV/AIDS strategies can be up to 100 percent grant-financed through IDA. We are working with our partners to provide strategic analysis, policy advice, and other technical expertise at the country level. The following are some of our partnerships:

- *Global Fund to Fight AIDS, Tuberculosis and Malaria*. An independent public-private partnership working to increase global resources to fight these deadly diseases, which cause nearly 6 million deaths a year. The World Bank was an active partner in its establishment.
- *International AIDS Vaccine Initiative (IAVI)*. A non-profit organization that stimulates investment in promising vaccines and sponsors clinical trials of them. The World Bank helped found IAVI and has contributed \$3.8 million to it.
- *Joint United Nations Programme on HIV/AIDS (UNAIDS)*. An innovative joint venture of the UN family, established in 1996, that brings together the efforts and resources of eight UN-system organizations. The World Bank was one of its co-founders. As the main advocate for global action on HIV/AIDS, UNAIDS leads, strengthens, and supports an expanded response aimed at preventing the transmission of HIV, providing care and support, reducing the vulnerability of individuals and communities to HIV/AIDS, and alleviating the impact of the pandemic.

The Bank's own Global HIV/AIDS Program was established in 2002 to support our efforts to address the HIV/AIDS pandemic from a cross-sectoral perspective that includes education, trans-

port, urban development, and water supply and sanitation projects. A key function of the program is to lead UNAIDS' monitoring and evaluation and capacity-building efforts, in cooperation with partners at the country level. UNAIDS has established a Global AIDS Monitoring and Evaluation Support Team at the World Bank.

The Bank is building on existing knowledge of the effectiveness of various antiretroviral therapies. Together with our partners and major stakeholders, we are working to scale up antiretroviral therapies and to develop new approaches to combat the spread of the disease.

For more information, see www.worldbank.org/hiv aids.

Maternal and Child Health

GRI 2.22/3.19

Communicable diseases, poor maternal and child health, and poor nutrition account for much of the disease burden and death toll among poor people. Each year, more than 500,000 women die from pregnancy-related complications. An estimated 140 million children under age five are underweight; almost half of these are in South Asia. Of almost 11 million deaths of children under five, over half are attributable to preventable and treatable diseases.



Focus on Maternal and Child Health

- **In fiscal 2004 support for child health, nutrition, and population and reproductive health programs totaled more than \$630 million. Fighting communicable diseases continued to be a dominant theme, with over \$379 million in new commitments.**
- **Since 1996 the World Bank has committed more than \$2.6 billion for reproductive health programs around the world and \$1.5 billion for nutrition programs.**
- **The Bank has helped launch a financing initiative to eradicate polio by 2005.**

Cross-Cutting Themes: Gender and Development

The World Bank has given priority to gender issues since the 1970s, but the subject received even more attention following the Fourth World Conference on Women, held in Beijing in 1995. Gender equality is a core element of the Bank's strategy for reducing poverty. There is a clear understanding that unless women and men have equal opportunities and voice, the MDGs will remain out of reach.

The Bank conducts a wide range of activities at the global and country levels to support increased gender equality. Since 1995 we have provided about \$6.3 billion for girls' education. Over two-thirds of Bank loans for health, nutrition, and population have included gender-related objectives, with particular emphasis on HIV/AIDS and women's reproductive health. The following examples show how Bank-supported operations promote gender equality:

- *A rural water and sanitation project in Morocco* was designed to meet women's desire for clean water (rather than men's desire for electricity). A survey found that a year after the new water supply system had begun operating, school attendance by girls had doubled.
- Under a *renewable energy technology project in Bangladesh*, women learn to make and sell solar-powered lamps in coastal areas not connected to the power grid. The successful implementation of the project has led to higher earned incomes for women and has provided rural communities with solar-powered electric lighting.
- A *judicial reform project in Ecuador* included the establishment of legal service centers for poor women. Child support cases now settle in three to eight weeks rather than taking one to three years.

Through a new research initiative on gender and economic policy, a substantial body of analytical work is being amassed to enhance policies in areas such as trade, competitiveness, and public sector streamlining. The Bank is partnering with international development agencies on research that empirically demonstrates the importance of gender equality to all the MDGs.



Case Study: Improving Reproductive and Child Health in India

A total of 3.8 million urban poor people with family incomes of about \$1 per day benefited from a World Bank project in India. The Family Welfare Urban Slums Project was implemented by the Kolkata Metropolitan Development Authority in partnership with women volunteers from the community and with private sector and local government representatives.

The project conducted outreach by employing local women to educate the community about basic health issues such as family planning and immunization, and it expanded people's access to community health services. Private doctors contributed by offering maternity, obstetric, and other specialized care, as well as diagnostic facilities, at modest cost during their off-peak hours. Local governments were responsible for management and service delivery, and the Kolkata Metropolitan Development Authority provided oversight and technical support.

Besides resulting in measurable changes such as reductions in fertility and in infant mortality, the project helped mobilize local communities to take ownership of reproductive and child health and make it a social priority. In addition, the local volunteers undertook complementary initiatives to empower women, such as vocational skills training and entrepreneurship development. The Family Welfare Urban Slums Project has been extended to 10 additional towns in West Bengal, with World Bank assistance, and the U.K. Department for International Development is supporting a similar initiative in 10 other towns.

The World Bank is working closely with our development partners to scale up and expand basic health services in support of the Millennium Development Goals. Our health systems agenda is focused on developing well-functioning health care systems through institutional reforms, sustainable financing, and strengthening of governments' stewardship role.

We have supported population and reproductive health activities since 1970 and have financed more than 200 population and reproductive health projects in 83 countries. Today, the Bank and our development partners are working to strengthen women's health and help couples plan their families through new approaches that include linking population policy more closely to poverty reduction programs and human development and adopting a reproductive health approach that integrates family planning, maternal health, and prevention and treatment of sexually transmitted diseases, including HIV/AIDS.

Nearly half of child mortality in low-income countries is linked to malnutrition. We are therefore focusing on young children and their mothers, with an emphasis on community- and school-based nutrition programs, food fortification programs, and food policy reforms. Our nutrition portfolio is giving increased attention to micronutrient deficiencies, the impact of nutrition on education and learning ability, and early childhood development.

We are supporting, among other child health initiatives, programs using integrated management of childhood illness, a cross-cutting approach based on the recognition that in most cases illnesses have multiple underlying causes. We also conduct policy research and analysis to help client governments implement more effective strategies for improving children's health, including cooperation with the private sector.

For more information on the World Bank's health initiatives and projects, see www.worldbank.org/hnp.

Investment Climate and Finance

GRI 2.22/3.19

No development is possible without growth, without a good investment climate, and without a buoyant private sector.

—François Bourguignon, chief economist and Senior Vice President, Development Economics, World Bank

Improving the investment climate in developing countries—the policy, regulatory, and institutional factors that encourage the private sector to invest—is recognized as central to World Bank efforts to promote economic growth and poverty reduction. A sound legal and regulatory setting is essential if firms are to be able to invest and compete fairly, improve productivity, and create jobs. Among the crucial elements are clear property rights, access to credit, and efficient contract enforcement, as well as open and fair markets.

While most countries recognize the need to attract private sector investment and are seeking ways to encourage it, much of the developing world still has difficulty in accessing international investment from private sources. In particular, international investment in developing-country infrastructure has declined dramatically since 1997 and private capital flows are heavily

Focus on Investment Climate

- **By the end of fiscal 2004 57 investment climate assessments had been undertaken; an additional 25 are planned for fiscal 2005 and 2006.**
- **Our new “Doing Business” indicators of business regulation allow comparison across 130 economies and will soon permit comparisons over time.**
- **Through the World Business Environment Survey, we seek to assess the business environment for private enterprise in at least 100 countries, sampling a minimum of 100 firms per country.**

Case Study: Improving the Environment for Investment in Africa

The Foreign Investment Advisory Service (FIAS), a joint World Bank–IFC program, is actively assisting Sub-Saharan African governments’ efforts to liberalize their investment regimes and improve their attractiveness for foreign direct investment. Many African countries have carried out reforms in basic investment law, and the emphasis of FIAS advice has shifted toward the next generation of activities—for example, incentive structures, simplification of labyrinthine and counterproductive administrative systems, and the creation of investment agencies that focus on promotion rather than regulation.

With the cessation of hostilities in the African Great Lakes Region, FIAS is beginning to look at the obstacles to investment in the Democratic Republic of Congo, the Republic of Congo, and Rwanda. Plans are under way for diagnostic studies and administrative barrier analyses in several countries in the region. Given the postconflict environment in much of the area, FIAS will adapt its traditional assessments to fit the particular country’s needs and capacity.

In Kenya the Administrative Barriers Study and Commercial Legal Framework Review will focus on the business regulatory areas indicated as the most problematic. The project will undertake in-depth analysis, make recommendations to the government, and contribute to the economic and sector work of the World Bank’s African Division and other users. A supplemental legal review will look at legal issues such as general investment protection, contract enforcement, and dispute resolution.

We are providing technical assistance to the government of Lesotho for the modernization of the company registration functions in the Office of the Registrar General and for reform of the manufacturing and trade licensing system. The work is designed to generate specific action plans whose implementation and related investments can be supported through subsequent donor-funded projects.

In Zambia FIAS is carrying out an administrative barriers project to provide inputs for a reform program aimed at improving the business environment, increasing investment, and, ultimately, contributing to the reduction of poverty.

concentrated in specific countries and regions. Although official aid flows have increased, they remain well below the levels required to meet the Millennium Development Goals.

Assessment Tools

The first step in improving the investment climate is to understand current conditions. A number of proven tools are available. For example:

- *Investment Climate Assessments (ICAs)* are aimed at analyzing conditions for private investment and enterprise growth. ICAs provide the analytical framework for identifying reform priorities in a country’s investment climate and highlighting microeconomic and institutional conditions that inhibit productive investment by firms. For more information, see rru.worldbank.org.
- The *Doing Business Database* contains indicators of business regulations and their enforce-

ment that are comparable across more than 130 economies. The indicators measure the regulatory costs of business and can be used to analyze specific regulations that enhance or constrain investment, productivity, and growth. For more information, see rru.worldbank.org/DoingBusiness.

Starting from country-specific investment climate assessments, World Bank legal advisers assist in country dialogues that focus on prioritizing and implementing needed legal and judicial reforms. In many of our client countries, lawmaking and enforcement of laws and contracts are not completely predictable or transparent. The Bank seeks to be proactive and strategic in promoting a disciplined, consistent approach to legal and judicial reforms and to gear its activities toward support of the Millennium Development Goals.



Development Communication's CSR Program

The World Bank's Development Communication Division helps Bank operational staff and client governments use communication techniques and behavioral change tools to build consensus and promote broad-based dialogue and participation in development initiatives. As part of this work, it promotes dialogue on corporate social responsibility (CSR) among governments, the private sector, and civil society in client countries and advises on setting up CSR programs.

Since 2002 the division has worked with the private sector development staff of the Bank's Europe and Central Asia Region to integrate CSR into the Regional Corporate Governance Program. To that end, it conducts diagnostic studies focused on perceptions of CSR and prepares country-specific policy papers that highlight local CSR practices, options for a framework for government engagement, and opportunities for potential World Bank assistance.

For more information, see www.worldbank.org/developmentcommunications.

Well-functioning financial systems are essential for private sector-led growth, without which poverty reduction is not possible. The Bank works actively for financial system reform and for the strengthening of individual financial institutions and markets. As part of this effort, and in conjunction with other international organizations, we help client countries fight money laundering, particularly by helping put in place the necessary legal and regulatory environment for combating money laundering and terrorism.

Promoting Corporate Social Responsibility with Our Clients

Corporate social responsibility is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community, and society at large to improve quality of life in

ways that are both good for business and good for development.

Many businesses in emerging markets are realizing benefits from CSR-based initiatives, including improvements in revenue, market access, productivity, and risk management. Governments are beginning to view CSR as a cost-effective means of enhancing sustainable development strategies and as a component of their national competitiveness strategies for attracting foreign direct investment inflows and positioning their exports globally. The public sector has a significant opportunity to harness business enthusiasm for CSR so as to help improve poverty-focused fulfillment of public policy goals. The challenge today for public sector bodies in developing countries is to identify CSR priorities and incentives that are meaningful in the national context and to work to strengthen appropriate local initiatives.

Case Study: Promoting Corporate Social Responsibility in Vietnam's Footwear and Textile Industry

A World Bank CSR Practice project in Vietnam provided technical assistance aimed at building CSR awareness among key stakeholders and government officials. Activities included engaging in and stimulating broader stakeholder dialogue on government roles in strengthening CSR, with a focus on labor standards in the footwear and textile industry. The supporting research analyzed barriers to CSR awareness and implementation within a sample of enterprises, selected on the basis of ownership, scale, and location, and among key stakeholders.

Khieu Thien Thuat is managing director of Coats Phung Phu, a medium-size footwear and apparel factory in Ho Chi Minh City. Once a state-owned enterprise, it has been equitized and is currently a joint venture. Thuat is operating in an economy in transition, picking up signals about price, quality, and standards from his customers rather than from the state. Those customers are now primarily outside Vietnam and include Nike, Adidas, Reebok, Timberland, Puma, Triumph, and Tommy Hilfiger. Anticipating purchaser requirements for higher labor standards, Coats Phung Phu spent thousands of dollars to receive SA 8000 certification—the most stringent CSR certification standard in the world today, modeled on the ISO quality certification system.

Thuat is convinced that the money invested in improving the workplace and achieving SA 8000 certification was well spent. The results, in sales and in employee satisfaction, are impressive. The government of Vietnam is studying the CSR examples carefully as it strives to position Vietnam as a responsible location for sourcing and investment. From the perspectives both of Vietnamese footwear and apparel producers and of the government, CSR activities appear to be sensible investments in a value-added market segment with potential for growth.

Source: Development Outreach, March 2003.

Promoting corporate governance and corporate environmental and social responsibility is essential to our work in support of a good climate for private investment. For example, we help client countries review their corporate governance practices, using the Principles of Corporate Governance of the Organisation for Economic Co-operation and Development (OECD) as a benchmark. To date, we have completed corporate governance assessments for countries on five continents, including Brazil, Georgia, India, the Philippines, Poland, and Turkey. With the OECD, we organize Regional Roundtables on corporate governance to disseminate best practices and increase the ownership of reform in developing countries and transition economies. We have also launched the Global Corporate Governance Forum, a multidonor trust fund, to spread information on best practices, foster academic research, and provide co-financing for follow-up operations that build on diagnostic work.

The World Bank's CSR Practice, part of its Investment Climate Department, focuses on building public sector understanding of CSR incentives and pressure points and on improving strategic interactions. We provide a country- and sector-specific diagnostic designed to help developing-country governments work more effectively with business on this issue, to use CSR more strategically in development plans, and to take advantage of dynamic linkages between regulation and CSR-based voluntary approaches.

For more information on the World Bank's activities to improve the investment climate, see www.worldbank.org/privatesector/ic/index.htm, www.worldbank.org/legal, www.worldbank.org/finance, and www.worldbank.org/html/fpd/privatesector/cgl/.

The World Bank Institute's Corporate Governance and Corporate Social Responsibility Programs

Recognizing that business is a vital partner in development, the World Bank Institute (WBI) seeks to foster better understanding of the role of business in society. WBI offers an integrated approach to action learning and capacity building in the

fields of private sector development, corporate governance, CSR, and sustainable competitiveness.

WBI works with companies, business associations, government officials, civil society leaders, academics, and journalists. Its learning events involve both clients and World Bank Group staff. There is a particular focus on involving business school and university students and young professionals, as part of WBI's "CSR for Future Leaders" initiative.

Aspects of WBI's work include:

- *Courses.* WBI has developed courses designed to introduce participants to the theory and practice of corporate governance and corporate social responsibility. The courses, such as Corporate Governance, CSR and Social Development in Latin America and Asia, and Corporate Responsibility and Sustainable Competitiveness, are now available in most major languages and are offered in conjunction with local partners to ensure relevance to local contexts.
- *E-conferences.* Electronic conferencing is an integral component of WBI's distance-learning

strategy. Topics range from public policy and CSR to the role of business in fighting HIV/AIDS. The sessions are typically organized as preliminary dialogues in advance of major international conferences. Expert external moderators provide background readings and guidance for each e-conference, facilitating focused, high-quality discussions.

- *Curriculum development.* WBI has worked closely with academic institutions such as business schools and universities to develop curricula on corporate governance and social responsibility.
- *Videoconferences.* In partnership with the Global Development Learning Network, WBI organizes videoconferences to bring stakeholders and actors from around the world together to discuss CSR.
- *Seminars and conferences.* WBI has organized and participated in a range of conferences, seminars, and discussions covering such topics as voluntary codes of conduct for multinational corporations and measures against corporate crime.

For more information on WBI, see www.csrwbi.org.



Focus on Trade

- **In the past two years there has been a significant increase in World Bank trade analysis and diagnosis in support of policy dialogue and projects. For example, as part of the multiagency Integrated Framework for Trade-Related Assistance to Least Developed Countries, in the past three years the Bank has launched studies to support trade integration in 20 of these countries.**
- **Actual and projected commitments for new trade operations for fiscal 2004–06 are estimated at \$2.9 billion, with trade facilitation projects accounting for \$1.2 billion of the total. In fiscal 2004 alone, the World Bank's Board approved 16 new projects with trade facilitation components, amounting to more than \$560 million.**
- **Trade-related training and capacity-building activities have been strengthened and cover the whole array of trade issues. Last year, WBI promoted 49 learning events around the world.**

The Challenges of Globalization

Globalization—the growing integration of economies and societies around the world—has been one of the most hotly debated topics in international economics over the past several years. The roles played by the World Bank and the IMF have been central in this debate, and antiglobalization protests have taken place in connection with the World Bank/IMF annual and spring meetings, when a number of world leaders gather to meet.

Globalization has contributed to poverty reduction in a large number of developing countries, but it must be better directed toward helping the world's poorest, most marginalized countries improve the lives of their citizens. The World Bank promotes globalization that furthers equitable development and enables equal access to health, education, clean water, sufficient food, an unpolluted environment, economic opportunities, sound governance, and self-determination.

In the next 25 years, 2 billion more people than today will be living on the planet, and most of them will be born into the current developing world. Distinctions based on borders will be meaningless in the face of this overwhelming reality. Studies show that developing countries that increased their integration into the world economy over the past two decades have higher income growth, longer life expectancy, and better schooling than those that did not. These countries, home to about 3 billion people, grew over twice as fast as rich countries.

But not all countries have integrated successfully into the global economy; some 2 billion people live in countries that are being left behind. On average, their economies have contracted, poverty has increased, and educational levels have risen less rapidly than in those countries with greater roles in the global economy. The challenge we at the World Bank face is how to help all developing countries benefit from globalization while at the same time managing the risks.

For more information, see www.worldbank.org/economicpolicy/globalization.



Trade

GRI 2.22/3.19

International trade can be a key to reducing poverty, providing jobs, and driving economic growth in developing countries. Countries that have entered export markets through trade and have intensified their links with the global economy have tended to grow faster than those that have not.

Unfortunately, many developing countries have faced major hurdles in realizing the potential gains offered by trade—for example, poor roads and inadequate rail networks, government policies that fail to promote investment and regulatory certainty, and sometimes even geography. As governments have stepped up efforts to address these shortcomings, many have found themselves locked out of lucrative rich-country markets by high tariffs imposed by those countries on the agricultural and manufactured goods developing countries seek to sell. A new World Trade Organization (WTO) agreement that lowers tariff peaks and averages, as well as nontariff barriers, in both rich and developing countries could stimulate worldwide increases in income and lift millions out of poverty.

Case Study: Supporting Cambodia's Integration into the Global Economy

Since the formation of a coalition government in 1993, Cambodia's macroeconomic stability and openness have resulted in robust economic growth, averaging about 6 percent during 1994–2002. Yet, given the country's very low starting point, income per capita is only \$280, among the lowest in the region. The garment manufacturing industry has been one of Cambodia's key drivers of economic growth since the mid-1990s. Nevertheless, the industry's export prospects are precarious, owing to China's recent accession to the WTO and the phasing out of preferential trade arrangements with the European Union and U.S. markets in 2005.

A diagnostic study by the World Bank concluded that although Cambodia's trade regime was fairly open,

trade and customs controls and shipping charges posed great enough barriers to undermine WTO accession. Since the conclusion of the study, 10 multilateral organizations and 12 bilateral donors have come together to provide assistance, including help with WTO-consistent legislation and a port improvement plan. The Bank is also helping the country build capacity on WTO-related issues through training and other activities. Finally, the Bank is helping the government deepen policy reforms to modernize customs and implement a trade strategy that will not only increase the accountability and efficiency of customs administration and port management but will also expand poor people's access to basic services and infrastructure so that they can participate fully in the gains from trade.

A significant portion of the World Bank's work is on the multilateral level, as evident in the development of the Doha Development Agenda at the WTO ministerial meeting in Cancun, Mexico, in 2003. The activities being pursued at regional and country levels show that although there is no substitute for a vibrant multilateral process, regional, unilateral, and multilateral approaches to trade policy can be complementary if they are handled correctly.

Successful multilateral negotiations on trade are essential to the health of the world economy and are an important component of the fight against poverty. Despite the setback at the WTO ministerial meeting in Cancun, the World Bank has made a commitment to increase its support for clients' trade integration strategies and to help them manage the transition to the environment emerging from a successful Doha Round. Three areas of activity are particularly important: (a) investment and technical assistance projects to help coun-

tries capture gains from trade facilitation reforms; (b) program lending to support governments that are enacting reforms to adjust to the new incentives in the post-Doha world; and (c) assistance to countries in developing the analytical capacity and knowledge needed to anticipate and respond to multilateral liberalization.

On the country level, the World Bank supports developing countries' efforts to improve their own policies, institutions, and infrastructure and to use trade to spur growth and reduce poverty. It is working with governments to strengthen these areas, particularly infrastructure, services, financial systems, and other sectors of the economy essential to advancing trade and development. Assistance is also being provided to a number of countries seeking to join the WTO.

For more information, see www.worldbank.org/trade.



Part II Corporate Environmental and Social Responsibility

5

The World Bank's Corporate Environmental and Social Footprint

Because of our commitment to sustainable development, we at the World Bank are acutely aware of the effect of our physical and institutional presence on the environment, on our staff members and their families, and on the communities in which we work and live. Although our corporate “footprint” is not on the same scale as our operational footprint, it does provide an opportunity for us to “walk the talk” and set an example for our clients worldwide and for other development organizations.

Our Environmental Impact GRI 3.19/EN5

The General Services Department (GSD) supports and strengthens the World Bank's primary mission by providing a wide range of integrated services to make the work environment safe, comfortable, and functional. The World Bank has been working to reduce its environmental footprint through energy efficiency, recycling, and other initiatives for a number of years. Although,



in 2002 a formal Greening Program was instituted, it is the business managers within GSD who are ultimately responsible for incorporating environmental concerns into the management of the World Bank's offices.

Over the past several years, the World Bank has made substantial progress in designing, constructing, and maintaining its buildings in an environmentally friendly manner. Initiatives have been implemented in areas such as the design and maintenance of office space, energy usage, procurement of goods and services, printing, and food services. Through these initiatives, the World Bank seeks to strengthen environmental awareness among staff, clients, partners, and vendors and to be an environmentally responsible neighbor and good citizen in Washington, D.C., and globally. The Bank will continue its efforts to mainstream global environmental concerns into the day-to-day operations of its

Washington offices and in its 108 offices around the world.

Energy and Carbon Dioxide Emissions Management

In 1995 GSD instituted an Energy Management Program for the Washington offices. As part of this program, two engineering studies were commissioned to identify cost-effective steps toward making our facilities more energy-efficient. The recommendations, combined with those of our building engineers, have led to a series of initiatives to reduce overall energy usage and encourage energy conservation among our Washington staff.

Our staff's cooperation has been essential to our drive to reduce energy consumption. In addition to the everyday efforts of staff to be more environmentally friendly, GSD has worked across its various units to incorporate energy reduction initiatives into office space design, engineering,

TABLE 5 Environmental Impact of World Bank Facilities

ENVIRONMENTAL CONCERN	TARGET FOR FISCAL 2004	OUTCOMES FOR FISCAL 2004 COMPARED WITH FISCAL 2003	TREND SUMMARY	LOOKING FORWARD
Energy reduction	Two percent annual reduction in electricity use in all buildings	Two percent reduction goal met in I and J buildings, 6 percent increase in MC building and 5 percent increase in H building as a result of office consolidation	Overall increase in energy usage	Continue to look for ways to reduce energy use
Waste reduction	No target set	Forty-seven percent of total waste diverted through recycling and other initiatives	No change	Percentage of nonpaper recyclables to be increased by improving the visibility of recycling containers
Water usage	No target set	MC, 9 percent decrease; H, 15 percent decrease; I, 1 percent increase; J, 9 percent decrease	Overall improvement	No target set

Note: World Bank buildings are designated by letter of the alphabet. MC is the main complex.

The Greening of the Country Offices

The Greening Program has been expanding to country offices, beginning with a survey of environmental practices in seven country offices in 2003. The results guided the launch in March 2004 of the Country Office Greening Challenge, which gives country offices the opportunity to showcase innovative, environmentally friendly practices.

The Brazil country office received the top award for creating a committee that works with local organizations to collect office recyclables. Other innovative practices include the Venezuela office's "clean desk

policy" that encourages paper recycling; the Morocco office's donations of food and garden waste to nearby farmers; and the Vietnam office's environmental education day for children of staff.

In addition to engaging staff of the country offices, we are increasingly introducing green construction practices in country office construction. To date, construction of offices in Bangladesh and Madagascar has followed environmental guidelines. Environmental concerns will be incorporated into the construction of offices in Chennai, India, and in Zambia.

maintenance of facilities, and procurement of goods and services.

We have made our commitment to reduce energy consumption in our offices a priority. Our efforts have been far-reaching and have won the support of our staff throughout the Bank.

Energy Conservation

GRI EN3/EN4/EN8/EN9/EN17



As a result of our energy reduction efforts, two of our buildings have received the ENERGY STAR label for several years in a row. The label is a symbol of energy efficiency awarded by the U.S. Environmental

Protection Agency (EPA) and the U.S. Department of Energy for buildings with an energy performance rating in the top 25 percent of office buildings nationwide, as measured by established criteria for commercial buildings. The World Bank is working to achieve the ENERGY STAR label for all its Washington, D.C., buildings.

Among our energy conservation efforts, the one with perhaps the greatest impact has been our procurement of renewable energy, or "green power," which now accounts for 12 percent of annual electricity usage in our Washington offices (approximately 11 million kilowatt-hours). Wind energy from a local wind farm makes up 8 percent

of electricity usage (about 610,000 kilowatt-hours per month), and 4 percent (or 300,000 kilowatt-hours per month) is supplied by regional landfill gas and biomass facilities. We plan to purchase renewable energy certificates worth 100 percent of our electricity usage in FY05.

The World Bank is one of the largest purchasers of green power in the mid-Atlantic region, especially relative to other organizations of similar size. To track and monitor our performance in comparison with that of other renewable energy purchasers in the United States, the World Bank has joined the U.S. EPA's Green Power Partnership, a voluntary program to support green power purchasing. Due to the size of the World Bank's purchases, we qualified for the EPA's Green Power Leadership Club, a designation that is given to organizations that significantly exceed minimum recommended purchasing standards established by the Green Power Partnership.

We have sponsored two training workshops in preparation for Leadership in Energy and Environmental Design certification (LEED). All our external architectural firms have LEED-certified staff who work with us. We are continually searching for opportunities to collaborate with LEED-certified vendors to supply Bank goods and services.

Smaller, everyday steps have also been taken to foster staff awareness. These include posting

TABLE 6 Improvements in Energy Use and Emissions Management

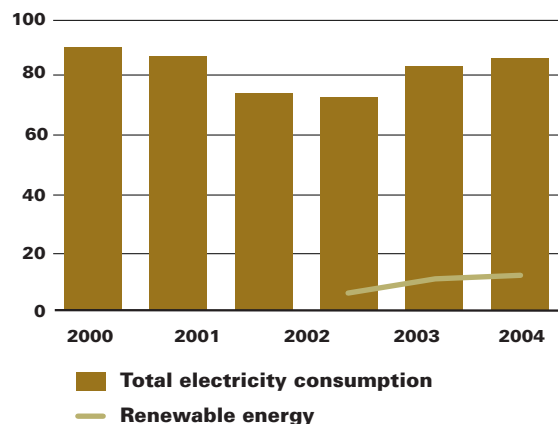
ENVIRONMENTAL ISSUE	ACHIEVEMENTS TO DATE*	LOOKING FORWARD
Carbon offset	Fiscal 2004 total carbon emissions for Washington, D.C., offices is approximately 42,900 metric tons. To partially offset the greenhouse gas emissions of the Environmentally and Socially Sustainable Development Vice Presidency facilities, a \$22,275 offset purchase went toward the Scolel Te afforestation project in Chiapas State, Mexico.	Continue seeking opportunities for carbon offsets
Renewable energy	Renewable energy constituted 12 percent of total energy use in fiscal 2004, compared with 8 percent in fiscal 2003	Purchase renewable energy certificates worth 100 percent of annual electricity usage
Chillers and boilers	Natural gas instead of coal used in boilers Life-cycle replacements led to smaller, more efficient chillers Began the systematic installation of CFC-free refrigerant in chillers	Continual life-cycle improvements toward more environmentally friendly boilers and chillers
Lighting	Energy-efficient retrofits of all garage lights, offices, and exit signs Daily turnoff sweeps instituted during off-peak work hours	Continual retrofitting and use of energy-efficient lighting
Office equipment	ENERGY STAR–certified equipment purchased when possible **	Continue purchase of ENERGY STAR products
Staff travel	To date, almost 3,000 staff have joined the Staff Travel-to-Work program; 2 percent of them switched from driving to public transport for commuting 125 percent increase in bicycle racks, to 430 spaces from 195 Purchase of a hybrid car for executive travel	Expand the program to include additional forms of public transport; introduce Zipcar and Flexcar for personal and business travel Additional outdoor bicycle parking planned in fiscal 2005; additional vehicles to be purchased as hybrid models become available globally

* From fiscal year 2002 to fiscal year 2004.

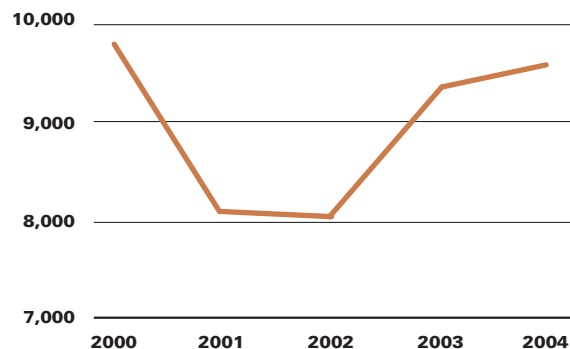
** For information on ENERGY STAR certification, see the subsection on “Energy Conservation” on page 79.

Figure 15 Electricity Usage, Total and per Workspace, World Bank Offices in Washington, D.C., Fiscal 2000–04

Total in megawatt-hours



Per workspace in kilowatt hours



Note: The data are for all World Bank-owned buildings in Washington, D.C. The rise in usage between fiscal 2002 and 2003 was caused by a major reorganization of office space that reduced the use of leased space and consolidated Bank offices in four Bank-owned buildings.



Greening Our Roofs

A “green roof”—also called an eco-roof, nature roof, or living roof—is a roof covered with plant material, in line with the environmentally friendly “green” approach being adopted by the architectural, development, and construction industries. In addition to saving energy and extending the life of the roof, a green roof yields public benefits such as reduced urban heat island effects, lowered costs of stormwater infrastructure, air cleaning, and habitat creation.

About half of the approximately 13,000 square feet of the 6th floor patio of the Bank’s H building is covered with plants: 68 trees, 192 shrubs, 70 azaleas, ivy ground cover, a wisteria arbor, and others. Every spring for the past six years, wild ducks have been coming to the green roof to lay their eggs. The ducklings and their mothers are caught and released in a pond in Maryland.

Working with local nonprofit organizations, we hope to install green roofs on other World Bank buildings in the future.

“Turn off the lights” signs in all conference rooms and instituting daily sweeps to reduce the use of lighting during off-peak hours.

Staff Travel-to-Work Program

In 2002 the World Bank launched a Staff Travel-to-Work Program aimed at reducing carbon dioxide emissions resulting from staff commutes. The program encourages staff to ride public transport to work by providing a monthly incentive to cover

part of their transport costs on the area Metro system. To date, almost 3,000 staff have joined the program.

We encourage other environmentally friendly forms of commuting, such as cycling, and we have expanded our bicycle parking spaces from 195 to 430, made access to them easier, and added 56 lockers in two buildings. Total bicycle parking capacity has increased by approximately 125 percent since 2002.

Reducing, Reusing, and Recycling GRI EN11

The World Bank is concerned about the amount of waste sent to landfills each year and the resulting harm to land, water, and surrounding communities. We have therefore taken significant steps to institute waste-saving measures in our facilities. To encourage staff to recycle, offices and lobbies throughout our buildings have paper and bottle/can recycling bins.

TABLE 7 Achievements in Waste Management and Recycling

TYPE OF ITEM	ACHIEVEMENTS TO DATE	LOOKING FORWARD
Paper	1,125 tons recycled	Increase staff awareness on recycling
Plastic, glass, aluminum	60 tons per year in fiscal 2003 and 2004	Increase staff awareness and visibility of recycling containers
Toner cartridges	Recycled when spent; the number of recycled cartridges is currently not available	Continue the program and improve tracking and reporting
Mobile phones	600 phones (including accessories and batteries) recycled	Hold additional recycling events
Athletic shoes	1,500 shoes recycled	Hold additional recycling events
Carpet and ceiling tiles	100 percent of carpet tiles (64,600 lbs) and ceiling tiles (more than 19,500 sq ft) recycled	Continue the program
Paint	Unused paint donated to local schools and churches	Continue the program
Office supplies	Program launched to collect extra office supplies and sell or donate them to local nongovernmental organizations	Continue the program
Fluorescent tubes	1,400 lbs recycled	Continue the program
Compact fluorescent lamps	400 lbs recycled	Continue the program
Batteries	180 lbs recycled	Continue the program
Lamp ballasts containing polychlorinated biphenyls	600 lbs recycled	Continue the program
Wooden pallets	100 pallets recycled	Research higher-impact recycling opportunities

TABLE 8 Waste Reduction, Calendar 1998–2004, in tons

	1998	1999	2000	2001	2002	2003	2004
Total waste diverted	1,413	1,480	1,425	1,381	1,233	1,375	1,185
Total waste sent to landfills	2,722	3,396	2,785	2,893	2,618	2,696	2,501
Percentage of waste diverted	52	44	51	48	47	51	47



We take waste issues into account in the construction and renovation of buildings and in our work with contractors and vendors. For example, all carpet and ceiling tiles from renovation projects are recycled. In 2001 we arranged a highly successful program with our office supply vendor to reuse shipping boxes and recycle printer toner cartridges. Reducing office waste is, however, an on-going struggle, as Table 8 on waste reduction indicates.

In 2003 the World Bank joined the U.S. EPA's voluntary WasteWise Program, which helps organi-

zations eliminate their costly municipal solid waste, as well as certain industrial wastes. Participation in the program allows the Bank to compare itself with other member organizations and to strictly track and monitor its progress. This should help us achieve substantial waste reduction and increased recycling.

In 2002 the World Bank's Food Services Unit conducted a highly successful six-month food-composting pilot program that recycled 1 ton of food per day. The program had to be discontinued when the site became unavailable. We are working with partners in the Washington area to coordinate another such program.

Printing, Graphics, and Design

GRI 3.16

As a knowledge-based institution with extensive publication obligations, the World Bank currently uses approximately 1,800 tons of paper annually. GSD has taken a number of steps to reduce the negative impacts associated with printing and photocopying. These include:

- Using only soy-based inks
- Using digital short-run and on-demand printing to reduce print runs
- Upgrading the copier fleet to ENERGY STAR-certified machines and machines with double-sided capabilities
- Recycling metal print plates, silver from film processing, and film containers.

TABLE 9 Environmental Progress in Printing Services

PRODUCT OR SERVICE	ACHIEVEMENTS TO DATE	LOOKING FORWARD
Paper procurement	<p>Minimum 30 percent post-consumer-waste-content paper for all routine uses</p> <p>No use of old-growth or endangered forest products or of products involving chlorine-based processing</p> <p>Preferential purchasing of Forest Stewardship Council (FSC)-certified content</p>	<p>Pilot 100 percent post-consumer-waste-content paper; continue to increase post-consumer, tree-free, and FSC-certified content of paper stocks used; collaborate with the FSC to find synergies; continue to increase the use of digital technology to reduce resource consumption</p>

Procurement

GRI 3.16/HR2

One of the greatest challenges in improving the environmental impacts of our facilities has been to understand and control the environmental and social impacts of the procurement of goods and services. Our first step was to institute an environmentally and socially responsible procurement policy that calls for the expanded use of environmentally preferable products. The policy will soon be available on the Web.

The World Bank’s Corporate Procurement Unit works with business managers to ensure that all procurement is environmentally sound and cost-effective. In addition to adhering to the formal policy, procurement contracts are modified to include environmental specifications when possible. Such modifications have resulted in increased use of environmentally produced paper in procurement documentation, carpet and ceiling tile recycling in renovation projects, inclusion of pallet recycling in loading dock contracts, and specification of minimal packaging and take-back programs for electronic equipment.

To promote awareness of the importance of factoring environmental and social concerns into purchasing, we:

- Instituted training for procurement staff on environmentally preferable products

- Created a Supplier Diversity Program to encourage business participation by minority-, woman-, and disabled-owned business enterprises (MWDBEs). For more information, see secure.worldbank.org/vendorkiosk/supplierDiversity.html
- Require all submitted bids to be printed on recycled paper and on both sides
- Ask vendors to complete a vendor questionnaire to obtain better understanding of their environmental practices
- Are working with the U.S. EPA to gain access to its database of environmentally preferable products.

Information on the Bank’s corporate footprint and office greening initiatives is available at www.worldbank.org/ess.

Food Services

The GSD has been working closely with its food contractor to focus on environmental issues related to food services, and a number of improvements have resulted. For example:

- We donate over 10,000 pounds of food annually to food kitchens and shelters in the Washington, D.C., area.
- Food service napkins have 100 percent post-consumer-waste content.

TABLE 10 Progress in Environmentally and Socially Sustainable Procurement

ISSUE AND PRODUCT	ACHIEVEMENTS TO DATE	LOOKING FORWARD
<i>Air quality</i>		
Paint	Paints with low volatile organic compound (VOC) content are used where possible	Continue to use low-VOC-content paint
<i>Biodiversity and smallholder protection</i>		
Coffee	37.4 percent of all coffee sold in cafeterias and coffee shops is organic, fair-traded, and shade-grown, compared with 25 percent in fiscal 2003	Beginning in fiscal 2005, all catering and nonspecialty cafeteria coffee, representing 72.4 percent of the total sold, will be organic, fair-traded, and shade-grown
Sustainable seafood	The sale of six unsustainable seafood species has been discontinued in all cafeterias and dining rooms	Build awareness on sustainable seafood issues and keep up to date on the latest information
<i>Waste reduction and water conservation</i>		
Toner cartridges	Mandatory procurement of remanufactured cartridges has been instituted	Continue to enforce mandatory procurement guidelines
Restroom supplies	100 percent post-consumer-waste-content toilet paper and hand towels are used in all buildings	Continue the program
	Foam soap has been introduced in all buildings and in part of the main building to reduce the volume of soap and water used	
<i>Social protection and affirmative action</i>		
Supplier Diversity Program	Direct contracting and subcontracting with minority-, woman-, and disabled-owned business enterprises totaled \$4,035,000, a sevenfold increase from fiscal 2003. A Supplier Diversity Fair was held to create awareness within the Bank; MWDBE suppliers were invited	Build directory of MWDBEs to support bidding opportunities; continue active diversity community outreach; increase direct and indirect MWDBE spending in fiscal 2005 by creating specific contracts targeted to provide subcontracting opportunities to these enterprises



Supporting Sustainable Coffee

Studies by the World Bank's Agriculture and Rural Development Department show that coffee is one of the world's most important cash crops and is vital to the livelihood of more than 25 million small coffee farmers around the world. Coffee that is produced in an environmentally and socially sustainable manner—that is organic, shade-grown, and fair-traded—yields a wide range of benefits for both local growers and the environment.

Approximately 188 pounds of coffee are served daily at the World Bank. In an effort to support the sustainable coffee market, 100 percent of the coffee served at meetings and conferences and in dining rooms is triple certified as organic, shade-grown, and fair-traded. Sustainable coffee is also sold in World Bank cafeterias and coffee bars. In fiscal 2003 approximately 25 percent of all coffee sold to staff was fair-traded and shade-grown, and the share rose to nearly 38 percent in 2004. Since July 1, 2004, 72 percent of the nonspecialty coffee served in World Bank cafeterias has been fair-traded.

- Organic, shade-grown, fair-traded coffee is served.
- Reusable mugs are made available free of charge, and cafeterias discourage use of polystyrene cups by charging an extra 5 cents for them.
- There is a charge for new cardboard carry-out boxes, while reused boxes are free.

To address environmental issues related to food consumed at the Bank, a Food Advisory Committee was formed in March 2004. The committee's first project was to encourage the serving of sustainable seafood—species that are abundant, well managed, and harvested in environmentally friendly ways. The committee has been working closely with the Bank's food services contractor to end the serving in Bank cafeterias and dining rooms of six unsustainable species: shark, marlin, orange roughy, Chilean sea bass, monkfish, and sailfish. A capacity-building event

with local oceans experts was held to increase staff awareness, and similar events will follow. A pamphlet is made available to all staff to help them in making sustainable seafood choices.

Our Staff

GRI 3.10/LA1/LA4/LA8/LA10/LA11/HR5

The World Bank's staff is a diverse group that represents a wide range of ethnic, cultural, racial, educational, and professional backgrounds. Approximately 8,800 staff members work in Washington, D.C., and in more than 100 country offices worldwide. The proportion of field personnel has grown rapidly in recent years. This increased presence in client countries is helping the Bank better understand its clients, work more closely with them, and provide faster service.

The Human Resources Department (HR) provides human resource management and development

services that enable staff and managers to meet the evolving business needs of the institution. HR delivers a full range of training, organizational effectiveness, and health services to staff. It also oversees diversity, internal communications, administrative and client support, and staff learning.

Salaries and Benefits

Staff salaries and benefits are meant to be competitive and are based on data from comparable organizations in the private industrial and financial sectors. Under a treaty concluded with the U.S. government when our headquarters was established, foreign nationals are exempt from federal and state taxes on World Bank Group income. U.S. citizens working for the World Bank Group are required to pay federal and state taxes on their salaries. To keep after-tax income in line for all staff members, we handle salaries on a net-of-tax basis and give a tax allowance to staff members who are liable for income taxes. All staff members also pay local property, sales, and other nonincome taxes. These tax arrangements are comparable to those of other international organizations.

Staff Association

Founded in 1971, the World Bank Group Staff Association (SA) seeks to foster a sense of common purpose among staff in promoting the objectives of the World Bank Group and to promote and safeguard the rights, interests, and welfare of staff. Although the staff do not participate in collective bargaining, one of the SA's aims is to reach an understanding between staff and Bank Group management. The SA addresses issues concerning staff rights, pay, wages, and working conditions and represents staff views and concerns. Approximately 60 percent of staff based in Washington, D.C., are members of the Staff Association.

The SA is not a union, but it does represent the rights of staff as provided in the World Bank Group Staff Rules. As an international organization, the World Bank is not subject to U.S. labor law or any other national legal code. The SA serves

as a watchdog, ensuring that the Staff Rules are properly applied.

Diversity, Gender Equality, Inclusion, and Respect

The World Bank Group recognizes that racial equality is a key component of an effective diversity program. As part of the Bank's commitment to valuing and managing diversity, a policy of zero tolerance for racial discrimination was issued in May 1998.

More than 140 nationalities are represented on the World Bank's staff. Fifty-eight percent of all staff are from developing countries, as are 36 percent in management and senior technical

World Bank Group Staff Surveys

The 2003 World Bank Group Staff Survey drew high participation; 83 percent of all Bank staff completed the questionnaire. The generally positive results show a continued upward trend in work morale, overall satisfaction, and perception of the World Bank Group as an employer of choice. Overall satisfaction rates rose to 85 percent of respondents, and 92 percent said they were proud to work for the Bank. But issues relating to work-life balance and to rewards and recognition that were identified in the previous survey as institutional priorities remain challenges. There are no easy fixes in these areas. Much effort has gone into finding practical solutions, and the work is continuing.

The staff survey was conducted by an independent company, the Gelfond Group, which drew up an independent evaluation of the survey that was made available to staff.

Diversity in the World Bank

- **Our Goal: a Bank environment that values all human differences and mobilizes them as strategic business assets in service to the Bank's mission of poverty reduction.**
- **Our Vision: to build and retain a globally representative and responsive World Bank work force.**

positions. The World Bank's 31 senior officers include 3 women and 18 representatives from developing countries, of whom 7 come from sub-Saharan Africa. Fifteen percent of all staff and 11 percent of those in management and senior technical positions are from sub-Saharan Africa and the Caribbean.

The Diversity Program helps achieve gender equality by providing expert assistance and advice

The World Bank Group's Code of Professional Ethics

The World Bank Group has adopted a Code of Professional Ethics as a guide for staff and managers in day-to-day interactions and decision-making. For all World Bank staff worldwide, professional ethics means:

- Upholding both the letter and the spirit of World Bank staff principles, rules, and guidelines
- Fostering accountability
- Eliminating unfair and disrespectful treatment of others
- Asking questions when confronted with ethical issues
- Encouraging open dialogue and discussion
- Candidly acknowledging and learning from our mistakes
- Feeling proud of what we have achieved and how we have achieved it
- Being humble in considering what we can improve and how we can do it.

Although the code cannot address every question of ethics, it has an important role in building a strong World Bank culture. We are committed to fostering and maintaining a work environment that supports the ethical behavior of our staff and upholds the organization's values. Our Office of Ethics and Business Conduct is responsible for ensuring staff awareness of the World Bank Group's core values and ethical standards.

aimed at improving representation of women, particularly in management and operations, and especially of women from developing countries. The program's aim is to change practices and attitudes so as to create an institutional culture that values women's and men's contributions equally. Today, women account for 52 percent of all staff and hold 24 percent of management and senior technical positions.

We are committed to creating a supportive environment for people with disabilities. Since 1999, work has been under way on actions to recruit and retain world-class staff with disabilities. The following are some of our initiatives:

- *Disabilities Accommodation Fund*, designed as an easily accessible source of funding to provide individuals with disabilities—whether staff, consultants, or guests doing business with the World Bank Group—with access to reasonable accommodations that enable them to perform their jobs
- Provision of *personal assistants* for significantly disabled staff
- *Disability planning for conferences.*

A respectful work environment is not only pleasant but also has positive effects on individual and organizational performance. When staff feel valued and respected, they tend to be more productive, feel more empowered, have more trust in senior managers, supervisors, and co-workers, and be more committed to the organization, its mission, and its goals.

Health and Safety

The World Bank's Health Services Department provides certain medical services to staff and consultants in the workplace at no cost. Services include consultation and treatment for minor ailments or injuries during the work day; clinical services related to work assignments, such as pre-employment evaluations, medical evacuations, and travel medicine; and various preventive care services.

Leadership Awards and Green Awards

The awards program is a way of recognizing behavior that promotes the World Bank Group's mission and values. Its objectives are to celebrate those who are delivering on the World Bank Group's commitment to fostering a diverse and inclusive workplace and to acknowledge staff outside the Bank's Environment Family who are promoting environment in development.

Diversity and Inclusion Leadership Awards. For over a decade, the World Bank Group has been making concerted efforts to mobilize its rich diversity and create an inclusive environment. But the Bank is not an

abstract entity: it is made up of people whose sustained actions in recruitment, career development, coaching, mentoring, work-life balance, and respectful work relationships have contributed to meaningful change. In 2004 at the Celebration of Diversity event, World Bank president James Wolfensohn presented awards to seven recipients.

Green Awards. In 2004 three managers and five task teams were commended for their outstanding leadership in mainstreaming environmental concerns into projects and for showing environmental stewardship.

A 2003 World Bank Group Staff Health Report showed that, overall, our staff are healthy. The main concerns highlighted include HIV/AIDS, particularly in Africa; excessive traveling, which increases the strain of maintaining a healthy work-life balance; stress management; ergonomic issues such as quality of chairs and workstations; disability awareness and support, especially in country offices; and the need for continual improvement of environmental conditions, such as indoor air quality, temperature, and humidity.

While the safety of our staff has always been a priority, the terrorist attacks of September 11, 2001, and the almost simultaneous anthrax scare led to heightened concern about safety and to increased stress among staff. Improvements were made in the Bank's emergency procedures, which now include evacuation plans, shelter-in-place arrangements, and procedures for dealing with contaminated letters.

HIV/AIDS in the Workplace

Several initiatives are in place for responding to the needs of World Bank staff and dependents with HIV/AIDS. They include:

- The pamphlet "AIDS in the Workplace," which has been translated into several languages and widely disseminated and which covers Bank

policies, basic medical facts, and in-house and external resources

- Designation of a representative in each country office to inform staff about HIV/AIDS programs
- Free HIV/AIDS testing through the global Voluntary Counseling and Testing program, fully paid by the Medical Benefits Plan
- Availability to all offices, through cooperation with UNAIDS, of postexposure prophylaxis, a short course of drug treatment used within 72 hours of sexual or blood contact to prevent HIV infection
- A policy of evacuating, at Bank expense, staff in country offices lacking access to appropriate treatment to centers that are able to provide the needed care
- A nondiscrimination policy that forbids the World Bank Group to deny employment or confirmation of employment on the basis of HIV status
- A policy of confidentiality, ensuring that staff cannot be forced to take an HIV test or to disclose their HIV status to the Bank. Staff have the right to keep their medical treatment confidential. A system has been developed that allows staff to send their bills and related documents directly to the Human Services Department in Washington for processing.

Community Outreach

GRI EC10

As the third-largest employer in the Washington, D.C., area, the World Bank Group recognizes the need for individual and corporate responsibility in the neighborhoods where we live and work. In keeping with the Bank's poverty reduction mission, the Community Outreach Program seeks to improve the lives of our neighbors in the greater Washington metropolitan area. We encourage staff volunteerism, conduct an annual grants program, and form partnerships with area groups to strengthen local communities.

The World Bank's extended family in the Washington metropolitan area, including family members of staff and retirees, numbers more than 25,000 people. Independent analysis shows that the World Bank generates almost \$2 billion a year for the local economy. The *Washington Business Journal* recently recognized the Bank as one of the area's top 25 corporate philanthropists. We will continue to apply our global mission locally by sharing knowledge, information, and expertise as we help solve many of the challenges that our staff deal with throughout the world, such as education, HIV/AIDS, and affordable health care.

Volunteerism

Our staff volunteer with over 100 area community groups, logging tens of thousands of volunteer hours every year as mentors, technical advisers, construction workers, landscapers, advocates, meal servers, and board members. We inform staff about volunteer opportunities through our Website, sponsor Bankwide volunteer events, and work to create a corporate culture of volunteerism through, for example, the Volunteer Day policy, which gives each staff member a day off every year to participate in volunteer activities.

Workplace Giving and Humanitarian Aid

In 2003 the Community Outreach Program created a staff-driven charitable campaign, Community Connections. World Bank staff are able to designate, from a list of approximately 200 local nonprofits, the organizations they want their donation to benefit. Community Connections produced results that exceeded all expectations, raising over \$425,000 in staff contributions, as well as a \$225,000 corporate contribution. The success of Community Connections and the commitment to workplace giving sparked new initiatives by providing an excellent mechanism for future ad hoc workplace fundraising. For example, in 2004 over



The World Bank's Community Outreach Program

- **The Community Outreach Program was formed in 1997 on the foundation of the Community Relations Office's 13 years of charitable giving. Since then, over \$3 million has been awarded.**
- **Through a workplace giving program, Bank staff donated over \$650,000 in 2004 to more than 200 local and international nonprofit agencies.**
- **In the summer of 2004, 22 Washington, D.C., high school students were employed as interns at the Bank.**
- **In 2004 over 100 local nonprofit organizations received financial support through the Community Outreach Grant and the Dollars for Doers programs.**

\$100,000 was raised through staff donations and matching corporate funds for overseas humanitarian aid for victims of natural disasters.

Internships for Washington, D.C., Students

Community Outreach has had a partnership with Cardozo High School for six years and with Bell Multicultural High School for two years. A total of 22 students from both schools benefited from paid summer internships, mentoring, curriculum development assistance, and a “job shadowing” day at the World Bank.

For several years the World Bank has made a commitment to the Urban Alliance Foundation, which helps students develop concrete plans toward achieving their career goals. In 2003 five Urban Alliance–sponsored students from Anacostia High School were awarded paid internships that included training, long-term real-life job experience, and a supportive work-site mentor in the Africa Vice Presidency. The students received 70 hours of instruction during the year on improving their oral and written communications skills, with a focus on college essay writing, business writing, oral presentation skills, and professional conduct.

Facilities and In-Kind Donations

Financial resources are far from the only kind of support for local nonprofits. Community Outreach makes event space available gratis and offers supplies and the use of equipment at no cost. More than 40 nonprofits have used World Bank meeting space for retreats, seminars, receptions, and other events.

Community Outreach Program Partnerships

The Bank supports a wide-range of philanthropic activities, including the following:

- **Public Education Partnership Fund.** Through their financial, personnel, and in-kind support, and working with various corporations and community-based organizations, Bank staff led the effort to establish this nonprofit organization aimed at promoting strategic change in the D.C. public schools. The Partnership Fund’s initiatives



include collaboration on developing a new approach to curriculum development, as well as overall teacher and principal training to support the new curriculum. This collaborative effort will provide optimum support for students and teachers and will set clearly articulated standards for outcomes and accountability.

- **Dollars for Doers Program.** Through this program, the Bank recognizes volunteerism by awarding \$500 grants to nonprofits for which our staff and retirees are regular volunteers. Grant recipients have included Rebuilding Together with Christmas in April, an organization that rehabilitates homes of the elderly and disabled. Another recipient was the Capitol Hill Computer Corner, a nonprofit organization started by a Bank staff member that gives community members access to computers and technology training.
- **Community Outreach Grant Program.** We award grants to nonprofit organizations that work to improve the quality of life of people and communities in the Washington area. Our grants support activities in education and mentoring, health, employment and training, and civic and socioeconomic development. Grants typically range from \$10,000 to \$25,000 and cover a one-year period. Examples of activities eligible for support include teen pregnancy pro-

grams, adult literacy training, transitional housing, welfare-to-work projects for the homeless, after-school and summer classes for homeless and low-income children, health services for disadvantaged people, and capacity-building activities for neighborhood groups.

- *Global Distance-Learning Program.* Local high school students have participated in a distance-learning program that focuses on getting youths involved in the fight against corruption. Students attended live videoconferences with their fellow international students. They learned, debated, and wrote about the corruption problem and how to engage and challenge the system in the future.

- *Excess Office Supplies Program.* The Bank has a long history of donating excess supplies, furniture, and equipment to the local community. In collaboration with the National Foundation for Teaching Entrepreneurship and the D.C. public schools, we introduced an innovative program in which students developed a business plan for selling excess office supplies donated by the Bank to local nonprofits at discount prices. The benefits of the program are twofold: the supplies are reused, and schools use the profits for extracurricular activities.

For more information, see www.worldbank.org/dcoutreach



Part III Looking Forward

The Months Ahead

We are committed to transparency and accountability—to measure our progress on environmental and social issues; to hold ourselves to clear standards; and to communicate progress against these benchmarks to all concerned stakeholders.

—James D. Wolfensohn, President, The World Bank Group

In this review, we have described the World Bank’s organizational structure and governance, our monitoring and evaluation tools, our commitment to sustainable development, and our determination to “walk the talk” in our own facilities and communities. Throughout, we have referred to the indicators of the Global Reporting Initiative (GRI) as a guide.

In the future, we will build on what we have begun. We will report on progress regarding our organizational footprint, described in Chapter 5, including our continued efforts to promote green

procurement; to reduce the ecological impact of our physical facilities through energy conservation, waste reduction, and recycling; and to harness our staff’s enthusiasm to demonstrate environmental and social responsibility at home. In tracking our performance and progress, we will refer to the relevant GRI indicators.

The next review will take up the challenge of communicating how the Bank is measuring results from our lending operations and analytical and advisory work. It will also highlight two cross-cutting themes of crucial importance to



TABLE 11 Proposed Country Outcome Indicators: Strengths and Weaknesses, and Links to the Millennium Development Goals (MDGs)

INDICATOR	AGENCY RESPONSIBLE FOR DATA COMPILATION	STRENGTHS	WEAKNESSES
1. Proportion of population below \$1/day poverty line	World Bank	<ul style="list-style-type: none"> ■ MDG indicator 1 ■ Poverty Reduction Strategies monitor this indicator ■ Based on national household surveys; new estimates are available every three years 	<ul style="list-style-type: none"> ■ Comparisons across countries may be difficult because of consumption of non-market goods ■ \$1/ day line does not yield similar welfare levels across countries (e.g., in wealthier countries or in harsh climates)
2. Under-five mortality	UNICEF/WHO	<ul style="list-style-type: none"> ■ MDG indicator 13 ■ Reflects socioeconomic conditions of population ■ Comparable data available 	<ul style="list-style-type: none"> ■ Infrequent availability of measured data ■ Uncertain level of data reliability due to estimation and potential errors
3. HIV prevalence rate among pregnant women age 15–24	UNAIDS/UNICEF	<ul style="list-style-type: none"> ■ MDG indicator 18 ■ Estimates available for most IDA countries ■ Quality of information will likely improve in the future 	<ul style="list-style-type: none"> ■ Surveillance does not provide representative sample in most countries ■ Differences in methodology result in lack of comparable data over time
4. Ratios of girls to boys in primary and secondary education	UNESCO	<ul style="list-style-type: none"> ■ MDG indicator 9 	<ul style="list-style-type: none"> ■ Does not allow a determination of whether improvements in the ratios reflect increases in girls' school attendance or decreases in boys' attendance
5. Proportion of population with sustainable access to an improved water source	UNICEF/WHO	<ul style="list-style-type: none"> ■ MDG indicator 30 ■ Most Poverty Reduction Strategies monitor this indicator ■ 94 percent of IDA countries are expected to report on this indicator during the period 2003–05 	<ul style="list-style-type: none"> ■ Access to and volume of drinking water from an improved water source are difficult to measure; "safe" drinking water may be used as a proxy
6. Household electrification rate	World Bank	<ul style="list-style-type: none"> ■ Household electricity is linked to improvements in health, education, and access to information and technology ■ Data for IDA countries are increasingly available 	<ul style="list-style-type: none"> ■ Indicator does not measure quality of service or the amount of household consumption ■ Country coverage (by available household surveys) is only about 60 percent. ■ Special data compilation by World Bank staff is needed
7. Proportion of the population using solid fuels	World Bank	<ul style="list-style-type: none"> ■ MDG indicator 29; related to both the environment and the health status of those directly exposed to solid fuels ■ Data for IDA countries are increasingly available 	<ul style="list-style-type: none"> ■ Data are currently available for only 35 percent of IDA countries ■ Special data compilation by World Bank staff is needed

Note: UNAIDS (Joint United Nations Programme on HIV/AIDS), UNESCO (United Nations Educational, Cultural and Scientific Organization), UNICEF (United Nations Children's Fund), WHO (World Health Organization).

environmental and social sustainability: how we are working to strengthen environmentally responsible procurement in World Bank investment operations, and how we are helping our clients adapt to and mitigate climate change, while reducing the carbon footprint of our own facilities and staff.

The World Bank's Operational Commitment

Measuring Results

In 2003 the Bank launched an action plan consisting of three pillars, with the goal of achieving better outcomes:

- *In countries*, strengthen country capacity to manage for better development results
- *Within the Bank*, enhance the relevance and effectiveness of the Bank's contribution to development outcomes
- *With other development agencies*, harmonize our approaches and coordinate support to strengthen countries' management capacities.

To support this action plan, country teams within the Bank are designing country assistance strategies (CASs) that emphasize specific country-level results and that link these results more explicitly to the choices of products and services that the Bank can provide. In addition, the IDA results measurement system is being shaped to capture progress on country outcomes and the Bank's contribution toward those outcomes.

Future sustainability reviews will track our progress in identifying indicators for reporting and linking the Bank's actions to results on the ground. The table "Proposed Country Outcome Indicators" illustrates the types of results indicators being considered for tracking, their links to the Millennium Development Goals, and the advantages and disadvantages of each. Refining the indicators and managing for and measuring results are iterative processes. The results reporting system will be sequenced in the coming years to take advantage

of countries' growing abilities to monitor and assess progress and of the Bank's evolving understanding of what is effective and best practice.

For more information about the World Bank's work on managing and measuring for results, see www.worldbank.org/ida; for information about the Millennium Development Goals and their associated indicators, see www.developmentgoals.org.

Environmentally and Socially Responsible Procurement

The World Bank's Environment Department and Operational and Country Procurement Services Group have been working together since 2002 to promote environmentally and socially responsible procurement (ESRP). The ESRP program seeks to refine specifications for the Bank's corporate and operational procurement and to strengthen requirements for client procurement related to Bank-funded projects, to better reflect global environmental concerns such as biodiversity, climate change, the ozone layer, and persistent organic pollutants. To date, the Bank has focused mainly on awareness-building, training, development of contract clauses for standard bidding documents, and technical specifications or guidance on selected environmental concerns.

In fiscal 2005 the World Bank will:

- Develop a simple negative list for investment lending to ensure that procurement under Bank lending operations is in alignment with international commitments that our clients have made and that the Bank is supporting (for example, elimination of persistent organic pollutants, in accordance with the Stockholm Convention).
- Conduct baseline studies of significant goods and services procured and an analysis of risks and opportunities relating to ESRP in Bank operations in several pilot countries.
- Design guidance and best-practice notes in selected sectors and provide training to staff and clients on ESRP.

Assistance for Climate Change Adaptation and Mitigation

Climate change is projected to adversely affect water quantity and quality, agricultural production, human health, human settlements, and biodiversity and ecological systems in most countries. Developing countries, in general, are more vulnerable to climate variability and climate change because their economies are particularly dependent on climate-sensitive sectors that are crucial for the livelihoods of large segments of the population and for national production, such as agriculture. The World Bank is committed to assisting our clients who request help with their efforts to adapt to and mitigate climate change, as well as enhance their capacity to respond to the impacts of climate change.

The 2005 sustainability review will report on our progress related to climate change adaptation and mitigation. In support of adaptation, the World Bank will be developing screening tools to identify

development projects with climate sensitivities and a knowledge base of adaptation options, working initially with India as a pilot country.

In support of mitigation, we will be:

- Increasing our annual commitment for lending to renewable energy and energy efficiency projects
- Conducting a greenhouse gas (GHG) analysis of the Bank's energy-related investments
- Helping our clients access funding to switch to clean energy, through IDA, the Global Environment Facility, and the Emerging Carbon Market program.

To enhance capacity, we will be providing training and capacity-building assistance to our staff and clients for climate change mitigation and adaptation.

The World Bank's Corporate Commitment

As outlined in Chapter 5, since 1995 the World Bank has been taking cost-effective steps to make our own facilities more energy-efficient, and it has encouraged general environmental awareness among our staff through programs to save energy and reduce waste. In fiscal 2003 and 2004 our General Services Department worked across units to incorporate energy reduction initiatives into office space design, engineering, maintenance of facilities, and procurement of goods and services. These efforts will continue at the Washington, D.C., headquarters and will be shared with our offices in the field. We will continue to track and report on our progress, including steps taken to bring more of our buildings to ENERGY STAR levels and to explore innovative energy-conserving initiatives such as installation of green roofs.

Green Power Purchases

In fiscal 2004 our highest-impact energy conservation effort was the procurement of "green power" from wind and landfill gas, equivalent to 12 percent of our electricity consumption. These



purchases make us a leader in renewable energy purchases in the D.C., Maryland, and Pennsylvania area. In fiscal 2005, to further reduce our carbon footprint, we are expanding our green power purchases, focusing on wind and other low-emission or zero-emission sources, and will purchase renewable energy certificates worth 100 percent of our electricity usage at headquarters. We are actively seeking opportunities to expand green power purchases to country offices, as well.

Carbon Dioxide Assessment and Offset

The World Bank is committed to addressing and reducing our facilities' contribution to climate change by tracking our carbon footprint and investing in solutions to reduce it. Since 2001, units across the Bank have made carbon credit purchases to offset the carbon dioxide emissions estimated to be associated with particular activities, such as conferences and unit staff travel, or with the facilities and supplies utilized by the unit. To develop a more unified approach to offsetting World Bank corporate carbon emissions, an independent carbon assessment of direct and indirect emissions will be commissioned for our headquarters facilities. The goals are to:

- Promote consistency and transparency in our corporate greenhouse gas emissions accounting, our offset purchases, and our reporting practices

- Generate information useful for decision making regarding offset strategies, including investments in efficiency improvements, purchase of offsets through carbon funds or renewable energy certificates, and other GHG reduction efforts
- Facilitate yearly measurement of progress in reducing headquarters' carbon footprint and in benchmarking with key partners.

Based on the carbon assessment, the Bank plans to buy a carbon offset for headquarters operations, beginning in fiscal 2005, and will expand the program to include the four largest country offices in fiscal 2006.

The focus on measuring development results, strengthening environmentally and socially responsible procurement, and reducing our carbon emissions does not lessen our commitment to other activities, such as coordinating with our partners on common safeguard standards and working with our staff for healthy, energized communities. In the interconnected and interdependent world of development, each particular effort will succeed in the long term only if all the dimensions of our actions and impacts—economic, environmental, and social; personal, communal, and global—are recognized and balanced.

Annex

GRI Content Index

GRI 4.1

GRI NUMBER	CONTENT	LOCATION	REPORTING STATUS
<i>Vision and Strategy</i>			
1.1	Statement of organization's vision and strategy regarding its contribution to sustainable development	inside cover, page 3	●
1.2	Statements from senior management	pages 3-4, 7-10	●
<i>Profile</i>			
2.1	Name of reporting organization	page 13	●
2.2	Major products and services	pages 24-28	●
2.3	Operational structure of the organization	pages 13-18	●
2.4	Description of major divisions, operating agencies	pages 13-18	●
2.5	Countries in which the organization's operations are located	time line	●
2.6	Nature of ownership; legal form	pages 13-18	●
2.7	Nature of markets served	pages 13-18	●
2.8	Scale of the reporting organization (including employees, assets, sales, and products)	pages 13-18, 27-28	●
2.9	List of stakeholders, key attributes of each, and relationship to the organization	pages 28-35	○
2.10	Contact person(s) for the report, including e-mail and web addresses	pages 5-6	●
2.11	Reporting period for the information provided	pages 5-6	●
2.12	Date of most recent previous report	pages 5-6	●
2.13	Boundaries of report and any specific limitations on the scope	pages 5-6	●
2.14	Significant changes since the previous report	—	◆

Reporting Status Key

- Fully reported
- Partially reported
- Locally managed indicator, not globally aggregated
- ◆ Not applicable to reporting organization's operations
- Detailed data not collected or not yet available in this reporting format
- + See World Bank Annual Report (www.worldbank.org/annualreport) or analytical and research papers (www.worldbank.org/TopicsInDevelopment)

GRI NUMBER	CONTENT	LOCATION	REPORTING STATUS
2.15	Basis for reporting that affects comparability	—	◆
2.16	Restatements of information from previous reports	—	◆
2.17	Decisions not to apply GRI principles	pages 5-6	●
2.18	Criteria used in accounting for economic, environmental, and social costs and benefits	—	+
2.19	Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information	page 45	●
2.20	Policies and internal practices to enhance and provide assurances about the accuracy, completeness, and reliability that can be placed on the sustainability report	page 6	○
2.21	Current practice with regard to independent assurance	pages 5-6	●
2.22	Means by which report users can obtain additional information about economic, environmental, and social aspects of the organization's activities	pages 5-6, 28-35, 50-75, back cover	●
<i>Governance Structure and Management Systems</i>			
3.1	Governance structure of the organization	pages 13-18	●
3.2	Percentage of the board of directors who are independent, non-executive directors	—	◆
3.3	Process for determining the expertise of board members	pages 28-35	○
3.4	Board-level processes for overseeing the organization	pages 13-18	○
3.5	Linkage between executive compensation and the achievement of the organization's financial and non-financial goals	—	□
3.6	Organizational structures and key individuals responsible for oversight, implementation, and audit	pages 13-18, 36-40	●
3.7	Mission and values statements	inside cover	●
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors	pages 28-35, 36-40	●
3.9	Basis for identification and selection of major stakeholders	page 28	○
3.10	Approaches to stakeholder consultation	pages 28-35, 36-40	○

Reporting Status Key

- Fully reported
 - Partially reported
 - Locally managed indicator, not globally aggregated
 - ◆ Not applicable to reporting organization's operations
 - Detailed data not collected or not yet available in this reporting format
 - +
- See World Bank Annual Report (www.worldbank.org/annualreport) or analytical and research papers (www.worldbank.org/TopicsInDevelopment)

GRI NUMBER	CONTENT	LOCATION	REPORTING STATUS
3.11	Type of information generated by stakeholder consultations	pages 28-35, 36-40	●
3.12	Use of information resulting from stakeholder engagements	pages 28-35, 36-40	●
3.13	Explanation of the precautionary approach or principle	pages 36-40	○
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives	page 20	●
3.15	Principal memberships on industry and business associations and/or national/international advocacy organizations	—	◆
3.16	Policies and/or systems for managing upstream and downstream impacts	pages 40-49, 83-84	●
3.17	Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities	pages 40-45	○
3.18	Major decisions during the reporting period regarding changes in operations	—	◆
3.19	Programs and procedures pertaining to economic, environmental, and social performance	pages 50-75, 77-92	●
3.20	Status of certification pertaining to economic, environmental, and social management systems	—	◆
<i>GRI Content Index</i>			
4.1	A table indicating location of each element of the GRI report content by section and indicator	pages 99-104	●
<i>Performance Indicators</i>			
EC1	Net sales — as listed in the profile section under 2.8	page 13	●
EC2	Geographic breakdown of markets	—	+
EC3	Cost of all goods, materials, and services purchased	—	□
EC4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	—	□
EC5	Total payroll and benefits	—	□
EC6	Distributions to providers of capital broken down by interest on debt and borrowings and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	—	◆

Reporting Status Key

- Fully reported
- Partially reported
- Locally managed indicator, not globally aggregated
- ◆ Not applicable to reporting organization's operations
- Detailed data not collected or not yet available in this reporting format
- + See World Bank Annual Report (www.worldbank.org/annualreport) or analytical and research papers (www.worldbank.org/TopicsInDevelopment)

GRI NUMBER	CONTENT	LOCATION	REPORTING STATUS
EC7	Increase/decrease in retained earnings at end of period	—	+
EC8	Total sum of taxes of all types paid broken down by country	—	◆
EC9	Subsidies received broken down by country or region	—	◆
EC10	Donations to community, civil society, and other groups	pages 90-92	●
EN1	Total materials use other than water, by type	—	□
EN2	Percentage of materials used that are wastes from sources external to the reporting organization	—	◆
EN3	Direct energy use segmented by primary source	pages 79-81	○
EN4	Indirect energy use	pages 79-81	○
EN5	Total water use	pages 77-79	○
EN6	Location and size of land owned, leased, or managed in biodiversity-rich habitats	—	+
EN7	Description of the major impacts on biodiversity associated with activities in terrestrial, freshwater, and marine environments	pages 52-61	○
EN8	Greenhouse gas emissions	pages 79-81	○
EN9	Use and emissions of ozone-depleting substances	pages 79-81	○
EN10	NO _x , SO _x , and other significant air emissions by type	—	□
EN11	Total amount of waste by type and destination	pages 82-83	○
EN12	Significant discharges to water by type	—	◆
EN13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume	—	◆
EN14	Significant environmental impacts of principal products and services	—	+
EN15	Percentage of products that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	—	◆
EN16	Incidents of and fines for non-compliance with international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues	—	◆

Reporting Status Key

- Fully reported
- Partially reported
- Locally managed indicator, not globally aggregated
- ◆ Not applicable to reporting organization's operations
- Detailed data not collected or not yet available in this reporting format
- ⊕ See World Bank Annual Report (www.worldbank.org/annualreport) or analytical and research papers (www.worldbank.org/TopicsInDevelopment)

GRI NUMBER	CONTENT	LOCATION	REPORTING STATUS
EN17	Initiatives to use renewable energy sources and to increase energy efficiency	pages 52-61, 79-81	●
EN27	Objectives, programs, and targets for protecting and restoring native ecosystems and species in degraded areas	pages 52-61	○
EN35	Total environmental expenditures by type	pages 52-61	●
LA1	Breakdown of work force	pages 86-89	○
LA2	Net employment creation and average turnover	—	■
LA3	Percentage of employees represented by independent trade union organizations	—	◆
LA4	Policy and procedures involving information, consultation, and negotiation with employees	pages 86-89	●
LA5	Practices on recording and notification of occupational accidents and diseases	—	□
LA6	Description of formal management and worker representative health and safety committees	—	■
LA7	Standard injury, lost day, and absentee rates and number of work-related fatalities	—	■
LA8	Description of policies or programs on HIV/AIDS	page 89	●
LA9	Average hours of training per year per employee by category of employee	—	■
LA10	Description of equal opportunity policies or programs as well as monitoring systems to ensure compliance and results of monitoring	pages 86-89	○
LA11	Composition of senior management and corporate governance bodies, including female/male ratio and other indicators of diversity as culturally appropriate	pages 86-89	●
HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights	—	□
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions	pages 41-43, 84-85	○
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors	pages 41-43	○

Reporting Status Key

- Fully reported
- Partially reported
- Locally managed indicator, not globally aggregated
- ◆ Not applicable to reporting organization's operations
- Detailed data not collected or not yet available in this reporting format
- + See World Bank Annual Report (www.worldbank.org/annualreport) or analytical and research papers (www.worldbank.org/TopicsInDevelopment)

GRI NUMBER	CONTENT	LOCATION	REPORTING STATUS
HR4	Description of global policy and procedures/programs preventing all forms of discrimination in operations	pages 40-43	○
HR5	Description of freedom of association policy	pages 86-89	●
HR6	Description of policy excluding child labor	pages 41-43	○
HR7	Description of policy to prevent forced and compulsory labor	pages 41-43	○
HR12	Description of policies, guidelines, and procedures to address the needs of indigenous people	pages 40-41	○
S01	Description of policies to manage impact on communities in areas affected by activities	pages 40-41	○
S02	Description of the policy and compliance mechanisms addressing bribery and corruption	pages 45-47	●
S03	Description of policy and compliance mechanisms for managing political lobbying and contributions	—	◆
PR1	Description of policy for preserving customer health and safety during use of products and services	—	◆
PR2	Description of policy and compliance mechanisms related to product information and labeling	—	◆
PR3	Description of policy and compliance mechanisms for consumer privacy	—	◆

Reporting Status Key

- Fully reported
- Partially reported
- Locally managed indicator, not globally aggregated
- ◆ Not applicable to reporting organization's operations
- Detailed data not collected or not yet available in this reporting format
- + See World Bank Annual Report (www.worldbank.org/annualreport) or analytical and research papers (www.worldbank.org/TopicsInDevelopment)

TOPIC	EMAIL ADDRESS	WEBSITE
Role of the World Bank	feedback@worldbank.org	www.worldbank.org/aboutus
Debt Relief	premadvisory@worldbank.org	www.worldbank.org/debt
Heavily Indebted Poor Countries	debtissues@worldbank.org	www.worldbank.org/debt under "Topics"
Poverty	premadvisory@worldbank.org	www.worldbank.org/poverty
Lending Instruments	feedback@worldbank.org	www.worldbank.org/projects
Economic and Sector Work	eswteam@worldbank.org	www.worldbank.org/projects under "Strategies"
Information Disclosure	disclosure@worldbank.org	www.worldbank.org/operations/disclosure/
Project Documents	pic@worldbank.org	www.worldbank.org/projects/documents
Management and Governance	governancewbi@worldbank.org	www.worldbank.org/wbi/governance , or www.worldbank.org/publicsector
Anticorruption	premadvisory@worldbank.org	www.worldbank.org/anticorruption www.worldbank.org/debarr www.worldbank.org/integrity
Anti-money laundering	askfinancialsector@worldbank.org	www.worldbank.org/finance
Corporate Governance	rru@worldbank.org	rru.worldbank.org
Evaluation	eline@worldbank.org	www.worldbank.org/oed
Governance and Public Sector Reform	premadvisory@worldbank.org	www.worldbank.org/publicsector
Internal Auditing Department	Ms. Carman Louise Lapointe-Young, Auditor General, 202-458-4870 Mr. Thomas Hum, Manager, Corporate Process, 202-458-8913 Mr. David Kanja, Manager, Development Operations, 202-473-6899	
Environmental and Social Issues	eadvisor@worldbank.org	www.worldbank.org/sustainabledevelopment
Agriculture and Rural Development	eadvisor@worldbank.org	www.worldbank.org/rural
Environment	eadvisor@worldbank.org	www.worldbank.org/environment
Energy	energyhelpdesk@worldbank.org	www.worldbank.org/energy
Gender	premadvisory@worldbank.org	www.worldbank.org/gender
Indigenous People	eadvisor@worldbank.org	www.worldbank.org/indigenousspeoples
Social Development	eadvisor@worldbank.org	www.worldbank.org/socialdevelopment
Water	whelpdesk@worldbank.org	www.worldbank.org/water
Human Development	hdnetwork@worldbank.org	<i>By region:</i> Africa: www.worldbank.org/afr/hd Eastern Europe and Central Asia: www.worldbank.org/eca/ecshd Middle East and North Africa: www.worldbank.org/mna/hd Latin America and the Caribbean: www.worldbank.org/lac/hd East and Pacific Asia: www.worldbank.org/eap/hd South Asia: www.worldbank.org/sar
Education	eservice@worldbank.org	www.worldbank.org/education
Health, Nutrition, and Population	Healthpop@worldBank.org	www.worldbank.org/hnp
HIV/AIDS	Healthpop@worldBank.org	www.worldbank.org/aids
Labor	socialprotection@worldbank.org	www.worldbank.org/labormarkets
Social Protection	socialprotection@worldbank.org	www.worldbank.org/sp
Corporate Footprint	mmoore@worldbank.org	www.worldbank.org/ess
Community Outreach	vbetancourt@worldbank.org	www.worldbank.org/dcoutreach



THE WORLD BANK

Environmental and Social Sustainability Secretariat
1818 H Street, NW
Washington, DC 20433
Telephone: 202 458 2767

www.worldbank.org/ess