

RESPONDING WITH GLOBAL KNOWLEDGE AND EXPERIENCE

Sustained growth in many developing countries has pulled hundreds of millions of people out of poverty over the past decade. During the five years since the onset of the global economic crisis, developing countries have fared better than developed countries. Significant economic progress in several middle-income countries has helped the developing world during this uncertain fiscal time. Low-income countries continue to look to them as developmental models and as prospective donors.

In high-income Europe, key structural, fiscal, and monetary policy steps contributed to significant improvement in market sentiment during the fiscal year. But recently, market tensions have spread, sparked by fiscal slippages, banking downgrades, and political uncertainty in the Euro Area. This latest bout of tensions is a stark reminder that the aftereffects of the 2008–09 financial crisis have not played out fully and that volatility and uncertainty are here to stay.

Poverty is still endemic in much of the world. In fiscal 2012, slower expansion of markets for exports reduced opportunities for job creation and growth. Lower earnings for millions of migrant workers reduced remittances, a major source of income in developing countries. Food prices remained volatile, natural disasters ravaged lives and communities, women and girls were still marginalized and victimized, millions of people lacked access to water and sanitation—and at least a billion people went to bed hungry every night.

To help address these challenges, the World Bank has been working closely with partners, building human capital, creating business environments in which domestic and foreign firms want to operate, identifying and capitalizing on countries' comparative advantages, and mitigating and preparing for the effects of natural disasters and global climate change.

The Bank is also placing even greater emphasis on its modernization agenda of results, accountability, and openness, both with client countries and internally. Today the Bank is a model of transparency, having opened its information archives two years ago. Widely used data portals and online tools allow easy access to and use of World Bank data and knowledge.

PRODUCING, COLLECTING, AND SHARING KNOWLEDGE

The World Bank is the world's premier producer of knowledge and experience on development. Its research, data, and knowledge platforms inform not only Bank operations but also the activities of policy makers, researchers, and civil society throughout the world.

To help researchers worldwide conduct their own high-quality, policy-oriented analytical work, in fiscal 2012, the Bank formed a new computational tools team that includes staff with programming, advanced econometrics, and geographic information systems skills.

Building on its role as a global connector, the World Bank is investing about \$3 million a year in six new knowledge platforms as a working experiment in greater openness and collaboration. The first group of three platforms, initiated in fiscal 2012, included urbanization, green growth, and information and communication technologies. The jobs, nutrition/agriculture/food security, and fragility/conflict/violence platforms also launched. Each platform embodies a new approach to connectivity inside the World Bank and across an international community of research centers, academic institutions, think tanks, practitioners, and the private sector.



Ethiopia

Photo: Stephan Bachenheimer

While the World Bank has a long history of collaboration, these platforms are among the large-scale initiatives intended to broaden knowledge partnerships as part of the Bank's move toward a more open approach to development.

Two years after opening its vast storehouse of data to the public, the Bank has consolidated more than 5,000 books, reports, research articles, and research papers in a search engine-friendly Open Knowledge Repository that allows the public to access, distribute, reuse, and build on much of its work—including commercially. The repository, launched in April 2012, is a one-stop shop for most of the Bank's research outputs and knowledge products, and it provides free and unrestricted access to anyone interested in the Bank's knowledge. Additional material, including foreign language editions and links to data sets, will be added in the coming year.

In a bid to promote knowledge sharing, the Bank became the first major international organization to require open access and to adopt the most liberal "Creative Commons" licensing for its research and knowledge products. The repository and Creative Commons licenses are part of a new Open Access Policy that took effect July 1, 2012.

The Bank submitted data to Publish What You Fund and One World Trust, which produce reports on the openness and accountability of donor agencies. In 2012, Publish What You Fund ranked the Bank as having the highest rating on aid transparency of all multilateral and bilateral donor agencies.

REPORTING RESULTS AND MAKING DATA AVAILABLE TO ALL

As part of the focus on results, accountability, and openness, the Bank published its first Corporate Scorecard in September 2011. The Scorecard is designed to provide a snapshot of the Bank's overall performance, in-

cluding its business modernization, in the context of development results. It facilitates strategic dialogue between Management and the Board on progress made and areas that need attention.

The April 2012 release of the electronic version of the Scorecard provides users with easy online access to indicators, data disaggregated by the International Bank of Reconstruction and Development (IBRD) and the International Development Association (IDA), and regions and countries for selected indicators, time series, and visual presentation of data. It also includes definitions, sources, and links to supplemental information and other relevant resources. (See <http://corporatescorecard.worldbank.org>.) Further improvements to the system, including data-download capability in line with Open Data standards, and disaggregation of data by sector are planned for fiscal 2013.)

In February 2012, the Bank released new estimates of poverty, making the data accessible to all through PovcalNet. (See <http://iresearch.worldbank.org/PovcalNet>.) (In fiscal 2010, the first Millennium Development Goal (MDG), halving extreme poverty, was achieved well before the 2015 deadline.)

This year also saw the release of a new tool for measuring financial inclusion across the world. The Global Financial Inclusion (Global Findex) Database is a set of indicators that measure how adults in 148 economies save, borrow, make payments, and manage risk. The Global Financial Inclusion Indicators is the first major output of a 10-year program supported by the Bill & Melinda Gates Foundation. (See <http://www.worldbank.org/globalfindex>.)

By connecting people and allowing them to learn about what is being done in other parts of the world, such initiatives help policy makers and practitioners develop sustainable development solutions that are rooted in results.

For the first time in 30 years, the Bank introduced a new lending instrument, Program for Results (PforR). Launched in February 2012—following discussions with government, civil society, and stakeholders in some 40 countries—this innovative type of lending links the disbursement of funds directly to the delivery of defined, verifiable results. (See <http://www.worldbank.org/P4R>.)

PforR helps countries improve the design and implementation of their development programs. In consultation with the Bank, clients define the results in an operation supported by PforR. It focuses the Bank's technical and financial support more strongly on institutional development, particularly capacity to monitor results and strengthen the public expenditure systems of a country. PforR also helps countries strengthen their national fiduciary and safeguard systems.

IMPROVING LIVING CONDITIONS AND SUPPORTING THE MILLENNIUM DEVELOPMENT GOALS

Results-based financing (RBF) holds promise across sectors. In health, for example, it improves countries' ability to monitor progress and evaluate outcomes for MDG 1c (halve by 2015 the proportion of people who suffer from hunger); MDG 4 (reduce child mortality); and MDG 5 (improve maternal health). IDA—the Bank's fund for the poorest countries—is increasingly encouraging countries to carry out rigorous impact evaluations of health innovations and programs such as RBF. IDA commitments for health during the past decade have delivered antiretroviral therapies to 1.5 million adults and children with HIV, provided 55 million women with prenatal care, purchased or distributed more than 34 million mosquito nets to prevent malaria, immunized almost 500 million children, and done much more. (See <http://www.worldbank.org/health>.)



Ghana

Photo: Jonathan Ernst

Critical inputs into health are sanitation and water. The world achieved a major milestone in fiscal 2012, having met the MDG 7 target of halving the proportion of people without sustainable access to safe drinking water. With help from the United Nations Children's Fund (UNICEF), the World Health Organization, the World Bank, and others, more than 2 billion people have gained access to an improved source of drinking water since 1990. Also during that time, 1.8 billion gained access to improved sanitation. Still, some 2.5 billion people remain without sanitation, and at least 780 million lack access to improved water.

With water at the nexus of so many areas, doing a better job managing it is essential to reaching almost all of the development goals. The Bank is the largest external source of financing for water projects, which totaled \$3.6 billion in fiscal 2012, comprising 4 percent of total Bank lending for General Water, Sanitation, and Flood Protection; 3 percent for Water Supply and Sanitation; 2 percent for Flood Protection; 2 percent for Wastewater Collection and Transportation and Treatment and Disposal; and just under 1 percent for Solid Waste Management.

Financing is only part of the solution. The Bank also responds to client demand for knowledge, innovation, and nontraditional partnerships that are needed now to meet tomorrow's demands. The majority of this complementary work is supported through water-related programs such as the Water and Sanitation Program, the Water Partnership Program, the Global Partnership on Output-Based Aid, the Public-Private Infrastructure Advisory Facility, the Cooperation in International Waters in Africa, and the South Asia Water Initiative.

Meanwhile, water scarcity in many regions is rising because of rapidly increasing water demands and the impacts of climate change. Billions of



Philippines

Photo: Danilo Pinzon

people lack other basics for advancement or survival as well. Nearly a billion people in rural areas are without access to all-weather roads. In thousands of villages across Africa and Asia, the only light after sunset is from a kerosene lamp, a candle, or a cooking fire; using electricity remains a dream for more than 1.3 billion people. More than 2.5 billion people depend on biomass or coal for cooking and heating, a practice that causes the premature death of 1.9 million people a year, most of them women and children, from indoor air pollution. Total demand for infrastructure investment and maintenance from developing countries is estimated at \$1.1 trillion a year, with the greatest needs in Africa and Asia.

To address the infrastructure deficit, a new strategy, Transformation through Infrastructure, will guide the Bank's engagement in infrastructure through 2015. The Bank will maintain support of infrastructure to meet basic needs. It will also enhance its focus on transformational projects, and mobilize further private sector financing. Such support, which accounted for almost 40 percent of total Bank lending, included \$4.5 billion for Transportation, \$5.2 billion for Energy and Mining, \$3.9 billion for Water, Sanitation, and Flood Protection, and \$0.2 billion for Information and Communications in fiscal 2012.

Another priority area for the Bank is education, the focus of MDG 2 and MDG 3. The Bank invested more than \$3 billion in education in fiscal 2012, up from \$1.8 billion in fiscal 2011. It currently manages an education portfolio of \$9 billion, with operations in 73 countries.

A major new initiative of the Bank in education is Systems Approach for Better Education Results (SABER). It collects data on the policies and institutions of education systems around the world, and strengthens the knowledge foundation for evidence-based policy making.

Key priorities include helping countries, through knowledge and financing, reach the education MDGs, improve student learning, and promote skills development by linking education to labor markets—a critical objective in today's context of high unemployment coincident with skills shortages. In fiscal 2012, the Bank began to measure the success of its new education strategy in terms of countries that take new steps to attain the MDGs, apply SABER diagnostic tools, collect and use the system's data, and conduct learning assessments. (See <http://www.worldbank.org/education>.)

The *World Development Report 2012: Gender Equality and Development* highlighted progress in educational enrollment, life expectancy, and economic opportunities for women—but it also pointed out that these gains have not been universal. In many parts of the world, too many women still die in childbirth, or, at alarming rates, are not born at all. Women continue to lack voice in the household, and in politics, and the ability to participate in decisions that affect them, their families, and their societies. Their economic opportunities remain very limited.

The Bank is working within five strategic directions to operationalize these findings and increase the focus on gender equality: informing country policy dialogue, enhancing country-level gender diagnostics, scaling up lending, investing in gender data, and leveraging partnerships. Gender was designated a special theme of IDA16.

This fiscal year saw a sharp increase in attention to gender issues—the Bank allocated around \$29 billion, or 83 percent of total Bank lending, to gender-informed operations, and a total of 208 projects, or 80 percent of all Bank projects, were rated gender informed. The Bank continues to track gender commitments under the Corporate Scorecard and the IDA16 Results Measurement Framework, reporting progress quarterly. (See <http://www.worldbank.org/gender>.)

The Bank is also working to improve social protection, critical in the current economic climate. Its new strategy, adopted in fiscal 2012, calls for extending safety-net coverage to the poorest, most vulnerable people; building a coherent and integrated portfolio of national policies and programs that help people deal with multiple risks, which can be scaled up or down in response to crises; taking evidence-based action and encouraging South-South sharing of knowledge; and increasing access to jobs and economic opportunities, with a strong focus on early childhood development and workers' skills and productivity. (See <http://www.worldbank.org/spstrategy>.)

More than 200 million women, men, and youth are out of work, more than 1 billion are marginally employed in low-income or informal jobs that keep them earning below their potential, and a demographic surge will soon require the creation of millions of new jobs every month. To address unemployment, the Bank continued working with a network of partners, including academic institutions, think tanks, and the private sector, to work jointly on jobs-related activities by linking research to policy.

With Bank support, countries are protecting workers and creating jobs, through programs that include unemployment benefits, public works, employment services, training, support to self-employment and entrepreneurship, approaches that incorporate innovative technologies, and access to credit. The Bank is also advancing assistance through knowledge-sharing, research, and strategies on a wide range of topics, including labor market policies and regulation, productivity, employment and mobility, crises and recovery, and globalization. (See <http://www.worldbank.org/jobsworldconomy>.)

REDUCING VULNERABILITY TO DISASTERS AND INCREASING RESILIENCE TO CLIMATE CHANGE

Disasters, many of them climate change-related, contributed to massive losses this fiscal year. Adverse weather conditions (including chronic droughts and floods), increasing international oil prices, Asia's strong demand for food imports, and the persistent European financial crisis contributed to the increase of volatility in global food prices. Domestic prices remained high and volatile in many parts of the world, and the cushion to absorb shocks remained low. If the production of fiscal 2012 and the fore-



Adolescent Girls Initiative

Photo: Simone D. McCourtie

casts for fiscal 2013 do not materialize, global food prices could increase rapidly, underscoring the need to remain vigilant and improve the monitoring of early signals of global and regional crises.

When disasters strike, poor countries are often confronted with the urgent need to provide emergency assistance to victims and to rebuild roads, hospitals, schools, irrigation systems, electric power, and water supply. These exigencies put pressure on their budgets, frequently forcing them to cut essential nonemergency services. To prevent this from happening, the Bank provided the Philippines with a \$500 million Development Loan with a Catastrophe Deferred Drawdown Option (Cat DDO), a contingent line of credit that can be used following natural disasters. The loan was the largest Cat DDO the Bank has extended. The Cat DDO helped the Philippine Government undertake recovery and reconstruction activities in the wake of tropical storm Sendong.

Seven out of ten World Bank Country Assistance Strategies now recognize natural hazards as a risk to development. Trust funds have been instrumental in providing rapid response for disaster relief, such as after the tsunami in Aceh, Indonesia, and the earthquake in Haiti. For example, the Haiti Reconstruction Fund, which supported the financing of IDA operations, has funded safety inspections on 400,000 homes, provided grants for repair and reconstruction, helped stabilize government operations, addressed a cholera epidemic, and helped thousands of children get back to school.

To address increasing climate variability and climate change—which threaten to erode development gains—the Bank has moved low-carbon and climate-resilient development to the forefront of its strategy and operations. Since fiscal 2009, all new regional and sector strategies have emphasized mitigation and adaptation actions. A new World Bank Group Environment Strategy, approved by the Board in June 2012, articulates a vision for a “green, clean, and resilient world for all.” Under the resilience pillar, the strategy prioritizes support to countries to reduce their vulnerability to the range of climate and disaster risks. The Bank also stepped up climate-related policy research, as well as knowledge and capacity-building activities, as exemplified by the launch in December 2011 of the Open Climate Data Initiative. This initiative will promote better access to climate and climate-related data sets, notably through the Climate Change Knowledge Portal and the Open Data for Resilience Initiative.

This fiscal year, the Bank allocated more than \$7.1 billion in lending for low-carbon development and \$4.6 billion in lending for climate-resilient development. The loans, credits, and grants benefited 104 projects in 55 countries. These numbers have been generated through a new system, approved in fiscal 2012, to measure funding that contributes to climate-change adaptation and mitigation, enabling the Bank to report on its climate-related lending in a consistent and transparent manner.

Critical to sustainable development is the shift to Hydropower and Other Renewable Energy, and enhanced energy efficiency in Heating and Power. Bank commitments for Hydropower and Other Renewable Energy rose 337 percent from fiscal 2007 (\$0.4 billion) to fiscal 2012 (\$1.9 billion). Over the same period, commitments for energy efficiency in Heating and Power have also increased, to \$0.3 billion in fiscal 2012 from \$0.1 billion in fiscal 2007. Funding is going to programs like one in Bangladesh that has installed 1.4 million solar home systems in rural low-income households since 2003, demonstrating that clean energy can deliver life-changing electricity.

In partnership with other multilateral development banks, the Bank ramped up operations and the implementation of projects under the \$7.2 billion Climate Investment Funds (CIF), which allocate \$2.2 billion to the Strategic Climate Fund and \$5 billion to the Clean Technology Fund, every \$1 from which leverages \$8 of cofinancing from other sources. Overall, the CIF committees have approved \$2.1 billion for new projects that support developing-country efforts to mitigate and adapt to the effects of climate change.

Through the funds it raises in capital markets, the Bank continues to support innovative financing flows for climate-smart investment. Since it first launched the World Bank Green Bonds in 2008, it has issued more than \$3 billion through almost 50 World Bank Green Bond transactions in 17 currencies.

The Bank is also the trustee of 13 carbon funds and facilities (capitalized at just over \$3 billion) that support the mitigation of climate change. Some 160 active projects are expected to reduce emissions by an estimated 229 million metric tons of carbon dioxide or its equivalent in other greenhouse gases, with 78 percent of all such emission reductions achieved by 2013. In December 2011, the Bank announced two new facilities to help least developed countries access financing for low-carbon investments and enable them to tap into carbon markets after 2012. The BioCarbon Fund’s third tranche (BioCF T3) will focus on reforestation and landscape projects that produce cobenefits such as decreased soil erosion and increased land fertility. Under the Carbon Initiative for Development (Ci-Dev), public and private sector entities pledge their support to capacity building and carbon market development in the world’s poorest countries.

As part of its commitment to reduce its environmental footprint and to maintain carbon neutrality, the Bank measures, reduces, offsets, and reports on the greenhouse gas emissions associated with its global facilities, major meetings, and air travel. In fiscal 2012, the Bank met its goal of reducing greenhouse gas emissions 7 percent below a 2006 baseline in its Washington, DC, facilities, and is working to set a new target. Total fiscal 2011 emissions for the Bank’s global facilities, including business travel and major meetings, were approximately 160,484 tons of carbon dioxide equivalent. Additional details are published in the Bank’s annual sustainability-related reports in adherence with international standards, such as the Global Reporting Initiative and the Carbon Disclosure Project. (See <http://crinfo.worldbank.org>.)

Conscientiousness stretches outward from the World Bank as well. Complementing its enhanced efforts to prevent fraud and corruption in high-risk projects, the Bank hosted the second meeting of the International



Mongolia

Photo: Dave Lawrence

SUPPORTING PEOPLE WHO FACE VIOLENCE, CONFLICT, AND FRAGILITY

Some 1.5 billion people live in countries or parts of countries affected by violent conflict. Reducing poverty in these settings is a particular challenge. To help countries develop strategies to prevent, manage, and recover from violence, conflict, and fragility, the World Bank is working on a range of efforts. For example, in July 2011, the Bank launched the Global Center for Conflict, Security, and Development (CCSD). With staff in Nairobi, Kenya, in addition to Washington, DC, and New York, the CCSD provides country support and access to the latest research and knowledge on what works in volatile environments, as the Bank puts into practice the *World Development Report 2011: Conflict, Security, and Development*.

IBRD/IDA trust funds complement the Bank's operational work to develop capacity and institutions, support poor and vulnerable groups, and help coordinate aid. As administrator of the multidonor State and Peace Building Trust Fund, the Bank oversees a portfolio of 53 grants in 26 countries, with a total value of about \$118.8 million. Nearly half of the projects are in the Africa region; 22 percent are in the Middle East and North Africa region; and 12 percent are in the Latin America and the Caribbean region. The Bank also administers the Korea Trust Fund for Economic and Peacebuilding Transitions, which prioritizes actions in the East Asia and Pacific region.

In December 2011, 37 countries and international organizations, including the Bank, endorsed a New Deal for Engagement in Fragile States. The recommendations of the new framework include a shift to country-led fragility assessments, stronger support for political processes, more effective support for capacity development, greater aid transparency, and more timely and predictable aid.

Corruption Hunters Alliance to engage members on new technological tools and resources that can support the collective fight against global corruption. An Integrity app in the works, for example, will enable users to report suspected fraud and corruption in World Bank-financed projects directly to the Bank Hotline.

In May 2012, the World Bank's Sanctions Board announced the debarment of eight companies based on investigations in a number of countries in Africa, Latin America, the Middle East, and South Asia. This brings the total number of firms debarred by the Bank to 84 during this fiscal year. With a functional cross-debarment agreement implemented in fiscal 2012 by the World Bank and other multilateral development banks, the impact of these debarments is gaining strength and sending a powerful signal across the development world that fraud and corruption impacting development resources will not escape punishment.