



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



DC2013-0002
April 3, 2013

A COMMON VISION FOR THE WORLD BANK GROUP

Attached for the April 20, 2013, Development Committee Meeting is a document entitled
“A Common Vision for the World Bank Group”.

* * *

DEVELOPMENT COMMITTEE MEETING - APRIL 20, 2013
Cover note to guide the discussion

A Common Vision for the World Bank Group

The direction of the World Bank Group going forward, summarized in the document entitled “A Common Vision for the World Bank Group,” will be discussed at the plenary session of the Development Committee. The overarching mission of the World Bank Group is a world free of poverty. This paper proposes for endorsement of the Development Committee two goals to guide the World Bank Group in its mission. The proposed goals are ending extreme poverty and promoting shared prosperity, pursuing both of these goals in an environmentally, socially and fiscally sustainable way. The paper also seeks the endorsement of the Development Committee of the building blocks underpinning the development of a Strategy for the World Bank Group and the change process to support it, which builds on ongoing modernization and reform initiatives in IBRD/IDA, IFC and MIGA.

Management would like to propose two questions for discussion by the Governors:

- Do the Governors endorse the two corporate goals?
 - (i) End extreme poverty: the percentage of people living with less than US\$ 1.25 a day to fall to 3 percent by 2030.
 - (ii) Promote shared prosperity: foster income growth of the bottom 40 percent of the population in every country.Achieving these goals over time and for the welfare of future generations requires promoting environmental and social sustainability at the country and global level and pursuing a fiscally responsible development path.

- Do these five building blocks provide an adequate framework for the formulation of a World Bank Group Strategy?
 - (i) Serve poor and vulnerable people in a sustainable manner everywhere.
 - (ii) Recognize the diversity of clients.
 - (iii) Work as One World Bank Group.
 - (iv) Focus on development solutions.
 - (v) Exercise dynamic selectivity.

A COMMON VISION FOR THE WORLD BANK GROUP

DEVELOPMENT COMMITTEE PAPER

SPRING 2013

Abbreviations and Acronyms

CAFEF	Conflict Affected and Fragile Economies Facility
FCS	Fragile and Conflict-Affected Situations
GDP	Gross domestic product
GEP	Global Economic Prospects
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IT	Information Technology
MDG	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-Governmental Organization
UN	United Nations

A COMMON VISION FOR THE WORLD BANK GROUP
DEVELOPMENT COMMITTEE PAPER
SPRING 2013

CONTENTS

Executive Summary	i
Section 1: Introduction.....	1
Section 2: Defining Goals For The World Bank Group	5
A. World Bank Group Mission, Goals, and Indicators	5
B. Ending Extreme Poverty	6
C. Promoting Shared Prosperity.....	8
D. Sustainability	11
Section 3: Operationalizing The Goals: Toward a Single World Bank Group Strategy	13
A. Modernization and reform activities at IBRD/IDA, IFC, and MIGA	14
B. The Strategy Process	15
C. Building Blocks for the Strategy	16
D. What is Different Compared to Past Strategy Processes?.....	19
E. The Change Process Supports the Strategy	20
Conclusion	21

A COMMON VISION FOR THE WORLD BANK GROUP

DEVELOPMENT COMMITTEE PAPER

SPRING 2013

EXECUTIVE SUMMARY

1. We live in a moment of historic opportunity, despite continued challenges to the global economy. Over the last decade, economic performance in the developing world has been strong, with average annual growth of more than 5 percent in many countries. Thanks to this high growth, the world met the first Millennium Development Goal, to halve poverty by 2015, five years ahead of schedule. While many threats remain—including, most notably, the risk that climate change will reverse past gains—today many developing countries can realistically aspire to end extreme poverty within a generation. Developing countries will need continued support from their development partners, including the World Bank Group to translate this vision into reality.

2. The overarching mission of the World Bank Group is a world free of poverty. Ambitious but achievable goals are being established to align the World Bank Group's diverse activities to this mission. The first goal is to end extreme poverty. The target for this goal is to reduce the global extreme poverty rate to 3 percent by 2030. The second goal is to promote shared prosperity, which will entail fostering income growth of the bottom 40 percent of the population in every country. These goals cannot be achieved without a credible global commitment to environmental sustainability, including urgent action on climate change.

3. The global target of reducing the extreme poverty rate—measured by the percentage of people living on less than \$1.25 a day—to no more than 3 percent by 2030 is highly ambitious. It will require maintaining the strong performance of recent decades—about one percentage point annual reduction in poverty—in the face of significant new challenges. Achieving this target will require further acceleration in the pace of growth and poverty reduction in many countries—particularly in South Asia and Sub-Saharan Africa and in Fragile and Conflict-Affected Situations (FCS)—in the context of increasing inequality in many countries. It implies sustaining high rates of economic growth across the developing world, as well as more effectively translating growth into poverty reduction within countries at a magnitude not yet seen in many low-income countries.

4. The scale of the challenge in many low-income countries, including FCS, is substantial. Progress in reducing extreme poverty in these countries will require institutional, governance, and social policy reforms, which will demand enormous, coordinated efforts from national governments and the international community. Progress will not be possible without long-term structural changes in many low-income countries with failed social contracts. The World Bank Group will work with these countries to define ambitious country-specific paths of poverty

reduction that are consistent with their context and challenges. This is the essence of our mission and our goals.

5. The goal of promoting shared prosperity reflects the World Bank Group's commitment to improving the welfare of poor and vulnerable people everywhere. Income growth of the bottom 40 percent of the population will be monitored and reported for each country, complementing the existing practice of monitoring countries' growth rates. This measure captures the twin elements of shared prosperity: the importance of economic growth matched with a strong concern for equity. This requires attention to both the expansion of developing economies and improvements in the welfare of the poorest segment of society. This focus on the welfare of the less well-off recognizes that, over the medium term, sustained progress in achieving shared prosperity is incompatible with increases in inequality.

6. To sustain progress in reducing extreme poverty and in promoting shared prosperity over time and across generations we must safeguard the future of our planet and its resources, ensure social inclusion, and limit the debt burden inherited by our children. Growth in all countries, which is critical to continue the process of poverty reduction, has to be compatible with the limits imposed by the finite resources of the planet. In particular, climate change presents a fundamental threat that might reverse past advances in poverty reduction, so a major global commitment to environmental sustainability is essential to make progress on these corporate goals.

7. Setting these two goals reinforces the World Bank Group's unwavering commitment to the Millennium Development Goals and to helping shape the Post-2015 Agenda. We remain committed to supporting countries in reaching the current MDG targets and, at the same time, we will continue actively participating in setting a collective Post-2015 Agenda that is ambitious and transformational.

8. The goals of ending extreme poverty and promoting shared prosperity will be the foundation of a unified Strategy to ensure World Bank Group activities and resources are relentlessly focused on achieving our overarching mission. Five building blocks will guide the formulation of the Strategy: serve poor and vulnerable people in a sustainable manner everywhere; recognize the diversity of clients; work as one World Bank Group; focus on development solutions; and exercise dynamic selectivity.

9. The Strategy will be supported by a comprehensive change process building on the reforms implemented across the World Bank Group in recent years. The Bank's ambitious Modernization Agenda launched in 2010 resulted in a more open, accountable, and efficient Bank. The IFC 2013 initiative and MIGA reforms resulted in greater focus and improved client and on-the-ground engagement. Overall, these efforts have led to a more results-oriented World Bank Group and have laid the foundation for the current change process. The efforts by each individual institution in the Group have also helped set the stage for deeper progress toward working together as one World Bank Group. The forthcoming change process has four pillars. First, improve the flow of knowledge both internally and externally. Second, strengthen our emphasis on client impact and results, with a clear understanding of risk and accountability. Third, ensure we attract and retain the best in leadership, talent, and skills. Fourth, optimize our

global footprint by defining a business model that leverages proximity to the clients while maintaining the World Bank Group's global experience and leadership in development. The Strategy and change process will inform the ongoing discussions under the IDA 17 replenishment, while IDA will reinforce its implementation as the main instrument for Bank's support to the poorest countries.

10. The World Bank Group Strategy will set in place a framework for guiding the planning and implementation of the World Bank Group's activities. By the time of the FY15-FY17 planning cycle, the Strategy will drive the budget process.

11. The Strategy will be delivered by the time of the 2013 Annual Meetings. Ongoing initiatives will continue in parallel to the Strategy and will be enhanced through the change process. Ultimately, this will allow a unified, focused World Bank Group to more effectively work with partners to end poverty and promote shared prosperity in a sustainable manner.

A COMMON VISION FOR THE WORLD BANK GROUP

DEVELOPMENT COMMITTEE PAPER

SPRING 2013

SECTION 1: INTRODUCTION

1. **In his speech to the opening plenary of the 2012 Annual Meetings, President Jim Yong Kim described a World Bank Group vision.** Through collective action and a relentless drive for results, he noted, the World Bank Group can move from dreaming of a world free of poverty to achieving it. Now is the moment to bend the arc of history and end extreme poverty and promote shared prosperity across the globe.¹

2. **Today there is a historic opportunity to accelerate development through concerted and coordinated action.** Tremendous progress was made across the developing world over the last decade. The first Millennium Development Goal on reducing global poverty was met ahead of schedule, thanks to strong, sustained growth in dozens of developing countries. Several IDA-eligible African countries, in particular, were among the fastest growing economies over the previous decade.

3. **The outlook for developing economies is promising, but the global economy continues to face severe risks and considerable difficulties.** Developing countries are projected to grow at about 6 percent in the coming years, creating an opening for strong progress in reducing poverty. Yet the challenges are great. Food prices continue to bear down worst on the poorest. Financial stability in the global economy is not yet restored, and ongoing crises in developed countries hinder progress elsewhere. According to the January 2013 *Global Economic Prospects* (GEP), while downside risks have diminished in the short-run, high-income countries are still searching for new solutions to create jobs, spur growth, and restore fiscal sustainability. Simulations presented in the GEP suggest a serious crisis scenario in high-income countries could lower developing country GDP by about 1 percent in 2013, as today many developing countries have less fiscal space to respond to a downturn than they did in 2008-09. Even in economies where growth is strong challenges remain: lagging regions abound in middle-income countries, and some natural resource-rich countries suffer from enclave development that does not improve welfare for the broader community. Fragile states, home to a growing share of the world's poor, need solutions to reignite growth and poverty reduction.

4. **While the gains of past decades were undoubtedly impressive, challenges persist, and needs are still great.** Some 1.2 billion people continue to live on less than \$1.25 a day, and an additional 2.7 billion live on \$1.25-\$4.00 a day. Though extreme poverty has declined significantly, the share of the world's population that is not poor but that is vulnerable to fall into poverty remains stubbornly high. In addition, the international community continues to struggle to produce global solutions to global challenges, including the urgent need to curb climate change, as well as the need to secure open and stable channels for trade, capital, and information

¹ President Kim at the opening plenary session of the 2012 Annual Meetings in Tokyo, October 11, 2012.

flows that benefit all. Today the development community has a responsibility to build on progress, increase momentum, and help developing countries end extreme poverty and promote shared prosperity in a sustainable manner.

5. Looking forward, the World Bank Group’s diverse members will continue to face particular challenges and opportunities in the years and decades ahead. Many low-income countries are marching toward middle-income status. Even after crossing this threshold, however, many will still be home to large poor populations; today there are literally hundreds of millions of poor people living in countries that escaped “low-income” status over the last decade. Some fragile states will progress while others may stagnate, and new sources of fragility may emerge. Faster growth will be needed for these countries to address their development challenges. Middle-income countries will continue to face the difficulty of moving up the technological ladder as they attempt to compete in ever more sophisticated markets. As noted in the 2013 *World Development Report: Jobs*, the creation of quality jobs is critical to sustained poverty reduction and social stability for all countries. Similarly, equality, women’s empowerment, and social inclusion will remain challenges at all income levels. In addition, global environmental problems will continue to pose an extreme threat to human welfare.

6. The development landscape in which the World Bank Group operates continues to evolve. Official capital flows to governments, while still an important share of net flows particularly to low-income countries, are no longer the main source of development finance as private flows—including private philanthropy—have flourished. Net private inflows to developing countries surpassed \$1 trillion in 2010 and are projected to return to those levels in 2014, according to the most recent GEP. Private enterprises in developing countries have become increasingly important sources of global growth and trade, and they continue to be critical partners in development. The private sector provides about 90 percent of jobs in the developing world, as well as essential goods, services, and tax revenues. On the knowledge front, development economics in the academic community is experiencing a resurgence, and regional development banks and bilateral development agencies have strengthened their research and analytic capacity. Many developing countries themselves have increased their analytic capacity and data quality. An information and technological revolution is creating the potential for vastly improved information sharing, data collection, and measurement of impact. This new landscape creates the scope for a whole new array of global partnerships to solve specific development problems. The Post-2015 Agenda provides an opportunity for coordination and reenergizing the global development community’s efforts.

7. The World Bank Group has always evolved to adapt to its changing environment and must continue to do so. Over the years we have extended our range of clients (from subnational entities to entrepreneurs), engaged with more stakeholders, expanded our products, and taken on new roles as a partner and convener. After many years as a bank focused on financing, it became clear that the World Bank Group was, as well, a knowledge bank. In the last few years all our knowledge has been shared openly with the rest of the world. Reform programs across the World Bank Group are modernizing and adapting our products and services, our organization, our processes, and our systems.

8. **This evolution has ensured the World Bank Group remains a vital and constant development partner.** We offer the global reach and experience needed to help clients tackle their toughest development challenges, from designing social protection programs to providing equity investments in small and medium enterprises. Our partner countries seek more than solutions to address immediate crises; they want solutions to generate growth, create jobs, and usher in a more prosperous, inclusive, and sustainable future. We are increasingly meeting this demand with integrated, evidence-based development solutions using our broad menu of financing options, knowledge, and convening power. We are more focused on delivering results than ever before, as we strive to maximize the synergies across the Group and work more effectively with partners in the development community—including leveraging the private sector.

9. **An ambitious change management process has been launched and will be driven by a new Strategy anchored in specific corporate goals to end extreme poverty and promote shared prosperity in a sustainable manner.** The new change process will strengthen our capacity to provide integrated development solutions based on hard evidence and tailored to the specific context of each client, both in the public and private sectors alike, while promoting global public goods. The Strategy and change process will inform the ongoing discussions under the IDA 17 replenishment, while IDA will reinforce its implementation as the main instrument for Bank's support to the poorest countries.

10. **This paper provides an overview of the direction of the World Bank Group going forward.** Section 2 proposes clear goals to guide our mission to end poverty and promote shared prosperity. Section 3 describes the principles underpinning the process underway to develop a Strategy for the World Bank Group.

SECTION 2: DEFINING GOALS FOR THE WORLD BANK GROUP

A. World Bank Group Mission, Goals, and Indicators

11. **The overarching mission of the World Bank Group is a world free of poverty.** Despite progress during the last decades, humanity still faces urgent and complex challenges. More than 1 billion people still live in destitution, making extreme poverty a continuing priority. Against a backdrop of rising inequality and social exclusion in many countries, poverty remains an urgent challenge. The simple-sounding mission has proven to be a complex challenge with multiple dimensions requiring coordinated action on many policy fronts by the entire international community. Coordinated action has been facilitated by the establishment of intermediate goals to focus efforts, adapt to an ever-changing development landscape, and build consensus among the rapidly expanding number of local, regional, and global stakeholders. Going forward, the World Bank Group will strive toward (i) ending extreme poverty as soon as possible, and (ii) promoting shared prosperity among all people, pursuing both of these goals in an environmentally, socially, and fiscally sustainable way so that future generations do not find themselves amidst a wasteland.

12. **To anchor this overarching mission in today's development context, and to encourage international and national efforts, we have established ambitious but achievable goals.** The first goal is to end extreme poverty at the global level. The second goal is to promote shared prosperity defined as a sustainable increase in the wellbeing of the poorer segments of society. We have articulated these goals as a call for our institution together with the international community to:

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

Ending extreme poverty and promoting shared prosperity must be sustainable over time and across generations. The welfare of current and future generations requires *promoting environmental, social, and fiscal sustainability* by securing the long-term future of our planet and its resources, ensuring social inclusion, and limiting the economic debt inherited by future generations.

13. **In using income to measure progress toward these goals, we will not ignore non-income dimensions but rather continue our focus on improving welfare along multiple dimensions of poverty.** A measure expressed in monetary terms has the advantage of capturing the notion of welfare in a single, compelling indicator. That said, money-based measures do not capture all dimensions of welfare. Ending poverty and sharing prosperity are unequivocally about progress in many non-monetary dimensions of welfare, including, but not limited to, education, health, nutrition, and access to essential infrastructure, as well as about empowerment and enhancing voice and participation in economic, social, and political spheres, especially for women and vulnerable groups. The relative importance of each dimension varies across

countries, and such non-monetary dimensions of welfare will be monitored at the country level. Income remains useful as a multi-dimensional indicator of welfare because it aggregates the purchase of many commodities and services, including health and education, while avoiding the complication of adding across different non-monetary dimensions.

14. **Setting these goals reinforces our unwavering commitment to the Millennium Development Goals and to helping shape the Post-2015 Agenda.** Our teams across different sectors continue to work on this Agenda jointly with client countries, the UN, and other global partners. While we remain committed to supporting countries still struggling to meet current MDG targets, the efforts underway to shape the Post-2015 Agenda offer a remarkable opportunity to build on a solid foundation that will allow the developing world to make deeper and faster progress. We are committed to actively participating in setting a collective Post-2015 Agenda that is ambitious and transformational and that encompasses ending extreme poverty and building prosperity for all in a sustainable manner. The goals we are establishing, while being critical for focusing our own work, are well-aligned with the overall objectives of the MDG process. Our active participation in the Post-2015 Agenda will facilitate the channeling of our own resources in a way that supports the global objectives set by the international community.

B. Ending Extreme Poverty

15. **Ending extreme poverty is a moral imperative and arguably one of the most urgent challenges facing the development community and the community of nations.** We are setting a target date for ending extreme poverty globally within a generation, using the internationally established measure of extreme poverty as the proportion of people living on less than \$1.25 a day. It is an ambitious endeavor, but urgent and achievable. It will require sustaining high rates of economic growth across the developing world, as well as translating growth more effectively into poverty reduction in each developing country. This will call for institutional and social policy changes not seen yet in many poor countries, which will in turn require enormous efforts from national governments and the international community.

16. **We establish a global target of reducing the extreme poverty rate to no more than 3 percent in 2030. This requires maintaining the strong performance of recent decades in the face of significant new challenges.** Here, we highlight three main challenges. First, China's contribution to global poverty reduction, which accounted for more than half of the total reduction between 1980 and 2000, is likely to diminish as that country comes closer to ending extreme poverty. In order to reach the global target for 2030, the pace of poverty reduction in Sub-Saharan Africa and South Asia, which has improved significantly in the last decade, must further accelerate. Second, if inequality were to continue to rise, as it has in some of the larger developing countries in recent years, attaining the global target would require higher growth rates than what has been historically observed. Third, the potential for large-scale economic shocks—like food, fuel, or financial crises—as well as natural and climate change-related disasters poses risks to economic growth and therefore to the pace of poverty reduction. However, on the positive side, factors such as technological advances that foster productivity and create economic opportunity for the poor and progress in implementing better-designed social policies improve the outlook for poverty reduction.

17. **Reducing the extreme poverty rate to 3 percent by 2030 will require a one percentage point annual reduction in the global poverty rate.** While this is about the same as the average annual reduction seen since 1980, it will require maintaining a developing country trend growth rate in mean per capita household income at least as high as the growth rate observed since 1999. Countries will have to implement policies and reform institutions to limit increases in inequality, and prevent or mitigate the impacts of shocks on the poor. Moreover, progress on poverty reduction itself imposes increasingly difficult policy challenges, as the one percentage point reduction becomes an increasingly large share of remaining global poverty. Given all these challenges, one would expect the pace of global poverty reduction to slow down in the coming years below the trend seen in the last three decades. Transforming the trajectory to maintain the historical trend requires a concerted effort by the international development community to bend the “natural arc” of history.

18. **By setting this target, we envisage the fight against extreme poverty to come to an end in most of the world by 2030.** While we cannot be complacent with any level of extreme poverty, the nature of the struggle against poverty will change in most parts of the world once the 3 percent threshold is reached. The focus in most developing countries will need to change from an all-out effort to lift large sections of society out of poverty, to a focus on policies that address poverty among specific vulnerable groups, and ensure that no individual drops below the extreme poverty line for a protracted period of time and to set in place appropriate support structures in case that happens.

19. **The scale of the challenge is even more apparent given the high rates of extreme poverty that still exist in many developing countries.** One-third of countries in Sub-Saharan Africa (with available data) had an extreme poverty rate of more than 50 percent in 2008, compared to a developing world average of 22 percent. The extreme poverty rate in seven of the poorest FCS was above 50 percent in 2008, and above 80 percent in three of these countries. Reaching the global target of 3 percent in 2030 will require rapid, broad-based economic growth in low-income countries, translated into poverty reduction at a higher rate sustained over longer periods than ever seen in the past. This will not be possible without long-term structural changes in many low-income countries with failed social contracts. Structural changes would include complex institutional and governance reforms that enhance the accountability and performance of the state to improve the economic, legal, and social environment and the quality of services, which are essential to expand the income opportunities and welfare of the poor.

20. **The World Bank Group remains committed to supporting efforts to reduce extreme poverty in the countries with the highest poverty rates, including FCS.** These countries are characterized by severe institutional and policy challenges that will likely endure in the medium to longer term. The World Bank Group will work with these countries to define ambitious country-specific paths of poverty reduction consistent with each individual country’s economic, social, and institutional context and challenges. We will work on addressing the urgent challenge of improving the coverage, quality, and frequency of micro-level data. The World Bank Group’s engagement will focus and bring together the efforts of country governments and the development community. This is the essence of our mission and our goals.

21. **Achieving the global goal of reducing the extreme poverty rate to 3 percent by 2030 is a difficult but not impossible task.** The target of reaching 3 percent in 15 years is not a prediction, but rather represents the ambition of a difficult but achievable global endeavor. Achieving the goal must be an urgent priority for the global community; more than 1 billion people are destitute in a world that has the resources and technology to prevent such an outcome. Even if country-level targets are not set, global progress requires national policies that aggressively focus on this goal, together with an accelerated and coordinated effort in the global community. Ending extreme poverty in our time is a goal that the international community as a whole can and should aspire to attain.

C. Promoting Shared Prosperity

22. **The Bank's mission of a world free of poverty means a continuing commitment to raise the incomes of the poor and vulnerable in every country.** The World Bank Group's mission is about poor and vulnerable people everywhere, not just those in the poorest developing countries. While extreme poverty has ended in many countries when measured at \$1.25 per day, this threshold represents a bare minimum living standard. Poverty continues to exist in most countries as defined by the specific standards of each society and remains an urgent challenge to address if societies are to achieve the stability and opportunity to which they aspire. Promoting shared prosperity, by enhancing the well-being of the poor and the vulnerable in every country, is the path toward achieving our overarching mission of a world free of poverty.

23. **To assess a country's progress on shared prosperity, we will monitor the growth rate of real income per capita of the bottom 40 percent in every country.** This measure captures the twin elements of shared prosperity: the importance of economic growth matched with a strong concern for equity. This requires attention to both the expansion of developing economies and improvements in the welfare of the poorest segment of society in a sustainable way. The indicator captures the spirit that the growth that benefits the weaker segments of society is the one that matters and should be the focus of our efforts. More specifically, shared prosperity reflects a growing economy where the benefits are shared by all in a sustainable way. Monitoring the growth rate of the bottom 40 percent will complement the Bank's existing practice of monitoring the average rate of growth for each country as a whole.

24. **The choice of the shared prosperity indicator underscores the importance of growth that is inclusive of the poorer segment of society.** The living standards of the less well-off in any society are unlikely to increase in the medium or long term in the absence of sustained growth of the overall economy. Economic growth has been critical for lifting millions of individuals out of poverty in the last two decades. Increasing the income growth of the bottom 40 percent in every country and reducing poverty in all countries will necessarily require accelerating the pace of overall economic growth. However this cannot be any type of growth, but rather sustainable growth that is shared by the less well-off segment of society.

25. **Shared prosperity also means focusing on those who are vulnerable to becoming poor.** Even in most middle-income countries where extreme poverty affects a relatively low proportion of the population, a larger group is still affected by poverty, and an even larger group is exposed to the risk of falling into poverty due to unforeseen events. The most effective way to

reduce vulnerability is by raising incomes at the lower end of the income distribution, since vulnerability declines the further an individual moves away from the poverty threshold. In some of the FCS, where the frequency and severity of shocks are particularly high, income growth of the bottom 40 percent is an urgent priority for reducing vulnerability.

26. Sustained progress in achieving shared prosperity is incompatible with a steady increase in inequality. Progress in shared prosperity implies the need in every country for a social contract whereby those at the bottom are considered a priority in the formulation of policies that support growth. When inequality is high, further increases in inequality are likely to constrain the rise in prosperity. Growth of the bottom 40 percent that is consistently lower than the average income growth of a country should be a cause for concern, as rising inequality may eventually abate the growth process itself by causing political instability, distorting incentives, and reducing the dynamism and mobility in society. In the medium term, no country has successfully transited beyond middle-income status with high levels of inequality. Moreover, egregious inequality in its different forms and manifestations is morally unacceptable.

27. Promoting shared prosperity, however, does not necessarily imply reducing inequality in all countries at every point of time. Income growth of the bottom 40 percent in a country could occur, at least in the short run and especially in low-income countries, at the expense of rising inequality, which implies that the average income grows faster than the income of the poor. A singular focus on inequality can even be counterproductive for the poor in the short run. In certain country contexts, some rise in inequality is consistent with the need to generate growth, by creating incentives that reward innovation and risk taking and induce firms and people to invest in human and physical capital. This occurred in some East Asian countries decades ago, for example, when income growth of the bottom 40 percent was strong while lagging behind the growth of average income.

28. An assessment of a country's performance in shared prosperity should be taken in context with a number of other factors, including the initial income distribution and level of development, as well as the growth in mean income of the population. To improve the welfare of the poor, low- and middle-income countries require high and sustained rates of growth in the incomes of the bottom 40 percent. But what can be seen as good performance for a middle-income country is not necessarily the same for a low-income country, because of differences in the initial conditions of the two countries.

29. The last decade provides some encouraging news on income growth of the bottom segment in many countries. Incomes of the bottom 40 percent grew rapidly in a number of countries. In 20 out of 55 developing countries during approximately the decade of 2001-2011, real per capita incomes of the bottom 40 percent grew at an average rate of more than 5 percent annually. Income growth of the bottom 40 percent is strongly associated with growth in average income. But some countries with the same average income growth experienced very different rates of growth for the bottom 40 percent, indicating that inclusiveness of growth varies widely. In 60 percent of developing countries, incomes of the bottom 40 percent actually grew faster than the average of the population during the decade. However, in some countries this occurred with almost no income growth of the bottom 40 percent (since average income grew very slowly or

not at all), illustrating that falling inequality does not necessarily lead to improvements in shared prosperity.

30. **Progress in reducing extreme poverty and in increasing the welfare of the poor requires pursuing an agenda of physical and human capital accumulation, competitiveness, and innovation.** The most effective path out of poverty is through access to more and better jobs; this requires rapid and broad-based growth centering on the strong contribution of the private sector. Jobs are a driver of poverty reduction and shared prosperity not only by increasing the earnings of the poor, but also by being a force for transformation—jobs empowering women lead to greater investments in children and efficiency increases as workers get better at what they do and as more productive jobs replace less productive ones. In the decade of the 2000s, most of the reduction in poverty across the globe was related to better labor market engagement and private sector growth; only to a lesser extent did direct income transfers to the poor, remittances, or changes in demographic patterns contribute. Evidence also suggests that poverty reduction is higher when growth is biased toward labor-intensive sectors. But for this to occur, growth needs to be diversified and to generate employment opportunities in multiple sectors. This, in turn, requires public sector action to improve competitiveness by creating the right regulatory and macroeconomic environment to encourage investment and innovation in the private sector. Natural resource-based growth, for example, has been found to increase welfare of only those at the upper end of the income distribution if it is not accompanied by policies to raise the competitiveness of other sectors and the productivity of workers.

31. **A healthy and stable social contract is needed to ensure that the less well-off not only enjoy the benefits of growth, but are an integral part of the process of creating prosperity.** These mechanisms include investments that improve opportunities for all citizens, especially those often excluded, such as women and youth, and provide safety nets to protect the poor and the vulnerable against extreme deprivation and shocks that constrain families' ability to access economic opportunities or invest in the future of their children. The resources to support these mechanisms need to be raised through a tax system that creates incentives for economic growth and promotes fairness through progressivity. The redistribution of resources this implies is not just about transferring income from one segment of the society to another at a point of time, but also about investing in creating opportunities to promote growth and equity in a sustainable way over time and across generations.

32. **The goals of ending extreme poverty and promoting shared prosperity imply a broad agenda of advancing opportunities for all, creating a level playing field for all individuals to maximize their human and productive potential.** This implies during childhood and youth improving access to health, nutrition, education, and early childhood support programs to build human capital. Among adults, especially women, it implies creating opportunities to become entrepreneurs, gaining access to productive assets, financial services, markets, and infrastructure, participating in labor markets and developing skills to keep up with a changing economy, as well as being socially and politically active. Improving welfare requires a continued multi-sectoral agenda for the World Bank Group with a particular lens—one that has the welfare of the less well-off in mind.

D. Sustainability

33. **The goals of ending extreme poverty and promoting shared prosperity must be achieved in an environmentally, socially, and fiscally sustainable manner** to ensure that progress is sustained over time and across generations. A sustainable path of development and poverty reduction (i) manages the resources of our planet for future generations, (ii) ensures social inclusion, and (iii) adopts fiscally responsible policies that limit the debt burden on future generations. Sustainability is an overarching theme that frames the goals of reducing extreme poverty and improving shared prosperity.

34. **A major global commitment to environmental sustainability is essential to reduce extreme poverty and promote shared prosperity.** The past two decades have seen a significant toll on the environment. For example, an estimated 5.2 million hectares of forest were lost annually between 2000 and 2010; more than 550 billion tons of CO₂ has been emitted globally between 2000 and 2010 leading to increased global temperatures and more frequent and intense floods, droughts and storm surges; 87 percent of the world's ocean fisheries are fully or over-exploited or depleted; and air pollution is a major problem in almost all megacities of the developing world. The poor are often more dependent on ecosystems and the goods and services they provide. Unsustainable management of these ecosystems and the additional effects of climate-related events have disproportionate impact on the poor. Poor people are always the least able to protect their children from the impacts of pollution on health and educational outcomes. Water and land constraints are already affecting poverty: some 28 percent of the world's population today lives in areas of high water stress and a full quarter of the world's agricultural land is degraded, compromising the ability of those who farm these lands to aspire to prosperity. Growth in all countries, which is critical to continue the process of poverty reduction, has to be compatible with the limits imposed by the finite resources of the planet.

35. **The World Bank Group's report *Inclusive Green Growth: The Pathway To Sustainable Development* analyses the social costs of resource depletion.** The report recognizes that green growth is the only way to reconcile the rapid growth required to achieve shared prosperity and the imperative of a better managed environment.

36. **Urgent action on climate change is essential to address the threat it poses to poverty reduction and sustainable economic growth.** The distribution of adverse impacts of climate change will continue to fall disproportionately on the poorest countries and the poorest segments of the population within countries due to lack of capacity to adapt. Climate change is not just an environmental challenge. It is a fundamental threat to sustainable growth and the fight against poverty.

37. **Improving the quality and coverage of quantitative indicators related to environmental sustainability is a critical endeavor and a priority for the World Bank Group.** Our current economic system does not put a value on finite resources, and natural capital accounting is critical to encourage resource efficiency and improve quality of policy decisions in managing economies sustainably. We have committed, working closely with our development partners, to moving beyond a reliance on GDP and promoting wealth and natural capital accounting and making progress in the development of measures of genuine savings that include

natural capital depletion and pollution damages. Given the complexity of the issues, multiple indicators are needed to adequately capture progress. We are working with the international community on indicators combining local and global measures, and we will report periodically on progress on this work.

38. **To ensure social sustainability, development must be inclusive and enhance the voice and participation of all groups in society.** This in turn requires creating the institutions, structures, and processes that empower local communities to hold their governments accountable for being responsive to their needs. It implies creating the space for all groups in society, including traditionally marginalized groups, such as ethnic minorities and indigenous populations, to participate in the decision-making processes. It also involves recognizing that the process of institutional and social change that leads to a more inclusive society can be gradual and complex; the state has a crucial role to play as a catalyst for positive change, for example, through legal, institutional, and economic reforms that attempt to reduce imbalances in power between different groups.

39. **Social inclusion is consistent with the notion of promoting equitable access to opportunities,** which is in turn critical for building a cohesive society that is able to achieve consensus on its development path. Opportunity gaps must be reduced between different groups in society, such as those differentiated by gender, region, ethnicity, or socioeconomic background. For a society as a whole, this will enhance mobility on the economic and social ladder within and across generations, regardless of the differences in the personal or family circumstances of each individual.

40. **An urgent development challenge is to continue creating the conditions that enable women to contribute to their fullest potential in the development process.** In many societies, this includes removing barriers faced by women to participate in labor markets, have access to assets, become entrepreneurs, and be empowered in social and political spheres. As the 2012 *World Development Report* argued, gender equality is not just a core development objective but also smart economics. Greater gender equality can enhance productivity, improve development outcomes for the next generation, and make institutions more representative and, therefore, more responsive.

41. **Economic policies to end extreme poverty and promote shared prosperity should be fiscally responsible over time.** Poverty could be reduced unsustainably, through policies that produce short-lived gains but leave countries mired in debt, threatening the prosperity of future generations. The right policies for a country are those that are part of a social contract that includes public and private actors and that aims to end poverty permanently, along an intertemporally balanced growth path and in a sustainable fashion. These include policies that promote macroeconomic stability and prudent management of finances, while ensuring that public spending is efficient and effective in promoting the objectives set out by the social contract in every country.

SECTION 3: OPERATIONALIZING THE GOALS: TOWARD A SINGLE WORLD BANK GROUP STRATEGY

42. **The goals of ending extreme poverty and promoting shared prosperity in a sustainable manner will anchor the World Bank Group going forward.** We must more effectively support countries to reach these goals. This will require a sharper focus at all levels and in all parts of the institution and a better understanding of what works best to reach these goals. The World Bank Group Strategy will align our activities and resources to make a more significant contribution toward these goals. It is intended to accelerate the pace of adapting the institution to the changing global environment.

43. **The World Bank Group has continuously adapted its role.** We have evolved to serve a broader set of clients, embrace multiple partnerships, and diversify our services and funding sources. On the client side, we deepened our engagement with clients within countries—including sub-national entities, state-owned enterprises, micro, small, and medium enterprises, and financial institutions to the client list—as well as substantially strengthened our focus on the private sector, particularly in IDA countries. We took on a rapidly expanding number of programs that cater to global clients. We engaged and regularly consulted with a much broader group of stakeholders, including all parts of civil society, and assumed a role as one of the world’s premier convening organizations for a large array of activities. Our products expanded beyond traditional instruments to, among other things, results-based lending, trade and supply chain finance, local currency finance, and new types of mobilization such as via the IFC Asset Management Company. Many of the multiple new partnerships were funded by a significant increase in trust funds such that the basic funding model of many World Bank Group activities changed.

44. **This led to challenges which needed to be addressed through operational improvements.** The rapid expansion of our business left the institution in need of internal reforms. Some issues were specific to IFC—for example full implementation of a decentralization program to be closer to the clients and achieve more efficient decision-making. Some were specific to the World Bank—for example making data and knowledge more accessible. Some were common across the World Bank Group, driven by the need to focus more on results and to adapt many of our policies, processes, and incentives to the changed global environment.

45. **Modernization and reform activities undertaken at IBRD/IDA, IFC, and MIGA responded to these challenges.** The Bank’s ambitious Modernization Agenda launched in 2010 contributed to more openness, accountability, and some efficiency improvements. The IFC 2013 initiative and MIGA’s own strategy review resulted in greater focus and improved client and on-the-ground engagement. Overall, these efforts have allowed the World Bank Group to become more results-oriented and accountable, and they have laid the groundwork for the current change process.

A. Modernization and reform activities at IBRD/IDA, IFC, and MIGA

The Bank's Modernization Agenda

46. **The Modernization Agenda of the Bank, initiated in 2010, has paved the way for the current change process.** The 2012 Development Committee Spring Meetings paper, Update on Modernization: Results, Openness and Accountability, outlined an agenda to get the Bank “fit for the future.” Commitments made to Governors in that paper will be largely implemented by the end of FY13 (see Background Annex).

- On the results side, we have adopted a clearer, more flexible, more results-oriented set of operational processes. Our capacity to measure the more difficult-to-measure results (for knowledge products or institutional development) has improved. We have introduced a package of measures to improve the quality of our lending portfolio. We have also diversified our portfolio of instruments; we are more systematically getting gender into the DNA of our projects, increasingly promoting development solutions that combine the strength of the World Bank Group, and reinforcing our ability to scale up impact in FCS.
- On the openness side, we have continued to innovate to remain a leader in the field. This includes experimenting more with direct beneficiary feedback in our projects and opening up our finances and our administrative contracts to public scrutiny.
- On the accountability side, we have systematized country surveys to strengthen feedback loops from our clients and strengthened the internal “line of sight” between goals and results. We are also introducing a new performance system and a framework for efficient decision-making to tighten internal accountability.

These achievements will be foundational for our ability to implement the upcoming World Bank Group Strategy. The combination of a sharper focus on results, tighter accountability, and greater openness helps us maximize development impact and value for money.

IFC's change process

47. **Just over a decade ago IFC began a change process focused on decentralization and building a stronger field presence, in response to changing client needs and calls for greater engagement in IDA countries.** However, with the bulk of decision-making and support functions still in Washington, there were strains on IFC's efficiency and timeliness. IFC responded with the “IFC 2013” initiative, bringing decision-making, execution capacity, and support functions closer to clients and shifting industry expertise and support functions from Washington to the regions (see Background Annex). As a result, IFC's impact has been growing strongly during the past decade, and IFC's organizational health is improving. A 2012 survey of IFC's staff evaluating the Corporation's organizational health across nine organizational health outcomes showed strong improvements in eight out of the nine outcomes, when compared to the same survey in 2009.

48. **A number of specific initiatives are part of this process**, including, *inter alia* (i) significantly improved human resources (HR) policies and practices, developing managerial and supervisory guidelines and training, more mobility options, better performance management mechanisms, and cascading objectives; (ii) the establishment of the People and Leadership Committee to guide IFC's management on HR matters; (iii) the creation of a Global Knowledge Office to develop stronger ability to deliver knowledge and innovation to staff and clients; (iv) investing heavily in a consolidated results measurement system, which includes global development targets to help drive implementation of strategy, a unified monitoring system, and a common evaluation strategy; (v) the establishment of the Operations Center in Istanbul, which has contributed to increased investment volumes, more projects, and extended development impact across the region's priorities of job creation, SMEs, and infrastructure development.

MIGA's recent reforms

49. **MIGA, too, has undertaken significant efforts in recent years to expand its relevance to member countries and private sector clients.** Three years ago MIGA implemented amendments to its Operational Regulations enabling it to offer clients coverage for unconditional sovereign financial guarantees or payment obligations, short-term business interruption, and expanded breach of contract (see Background Annex). Subsequently substantial changes to its Convention further expanded the scope of support it could provide. The impact of these changes has been immediate and considerable, and close to 50 percent of MIGA's new business in the past two and a half years has stemmed from these decisions. The Agency's relevance in Africa and IDA countries has in particular been strengthened. Work in FCS continues to be one of MIGA's strategic priorities and a Conflict-Affected and Fragile Economies Facility (CAFEEF) is being developed, in close consultation with the donor community as well as the World Bank and IFC, which will provide an initial loss layer that will crowd-in insurance capacity for projects in FCS. In FY10, an IFC/MIGA business development unit was established to build on the two organizations' natural synergy and provide cross-marketing support. In order to better leverage guarantee instruments across the World Bank Group, MIGA and the World Bank's Guarantee Program plan to co-locate Washington staff starting in FY14.

B. The Strategy Process

50. **The commitment to undertake a World Bank Group Strategy and change process provides an opportunity to deepen these Group-wide efforts.** Despite the achievements described above, the World Bank Group remains overstretched with multiple strategies and goals; we need to become more focused on our overarching goals. As a Group, we need to be more selective and identify activities for truly transformational development impact. We need to move decisively beyond the remnants of a one-size-fits-all approach and recognize the full extent of the diversity and complexity of our client base, then tailor solutions to each client. We need to more systematically take stock of partners at the country, regional, and global levels and ensure that we leverage our own resources through effective partnerships. We need to better tap synergies inside the World Bank Group, drawing on the rich and unique capabilities of all of our parts. The launch of an overall change process, supporting the new Strategy for the World Bank Group, will allow us to best fulfill our overarching mission of a world free of poverty.

51. **The broad contours of the Strategy exercise have been identified.** We have identified our goals of ending extreme poverty and promoting shared prosperity and ensuring that these goals are achieved in a sustainable manner, which will contribute to the shaping of the Post-2015 Agenda. Supporting our clients and achieving these goals requires us to play an even more catalytic role and build on our comparative advantages. The World Bank Group has a reputation associated with quality, credibility, and environmental, social, and fiduciary safeguards, as well as the investment expertise of its private sector operations. We are recognized as a trusted advisor, one that understands the complexity of the development process and is committed to a long-term development relationship. We bring a strong local presence combined with global experience, a broad menu of financing solutions, and knowledge that ranges from basic research to practical implementation support. However, we need to collect more evidence to validate our actual comparative advantages in the context of today’s global economic landscape and aid architecture. This will help guide decision-making processes for sharpening focus on high-impact activities. Finally we need to significantly improve our measurement systems to monitor progress toward these goals, learn from that the evidence, and adapt over time.

C. Building Blocks for the Strategy

52. **The World Bank Group Strategy will set in place a framework for guiding the planning and implementation of activities to maximize development impact in line with our corporate objectives.** Based on ongoing dialogue with stakeholders, the Board of Executive Directors, and staff, we have articulated an initial set of specific principles to frame the Strategy:

- (i) Serve poor and vulnerable people everywhere in a sustainable manner
- (ii) Recognize the diversity of clients
- (iii) Work as One World Bank Group
- (iv) Focus on development Solutions
- (v) Exercise dynamic selectivity

(i) Serve poor and vulnerable people everywhere in a sustainable manner

53. **The two overarching institutional goals keep our focus on the poor and vulnerable who are the ultimate beneficiaries of World Bank Group activities.** Our current approach is driven by the poverty profiles and development paradigm of more than 20 years ago, when the majority of the poor lived in poor countries and there was a strong correlation between GNI and the number of poor. As large developing country economies have grown, many of the world’s poor people now live in middle-income countries. A number of middle-income countries still have significant pockets of poverty and, equally importantly, vulnerability—people at the risk of falling into of poverty—even if these countries have low rates of extreme poverty. These countries also increasingly face threats to sustainability, further complicating their poverty-reduction efforts. In recognition of these changes in the developing world, the World Bank Group will serve poor and vulnerable people in all countries: large, medium, and small, across the spectrum of income levels and institutional capacity. The World Bank Group will step up its focus on FCS, which have the greatest needs. In serving the poor and vulnerable, the World Bank Group will increase its focus on the sustainability of development outcomes, including environmental, social and fiscal sustainability, to serve future generations.

(ii) *Recognize the diversity of clients*

54. **Ending poverty and promoting shared prosperity requires recognizing the diversity of clients and tailoring programs to their specific needs.** We need to broaden our view of clients beyond the traditional IBRD-IDA dichotomy and beyond national governments. We also need to recognize that we serve clients beyond country clients and including both private sector and global/institutional clients. The Strategy will guide engagements for each client type supporting them to deliver the outcomes to further the World Bank Group’s overarching mission. Recognizing the diversity of public and private sector clients allows a clearer alignment of our comparative advantages to the demands of each client. It will also facilitate the identification of synergies within the World Bank Group as well as managing the trade-offs across client groups.

55. **We need to better focus efforts on diverse country needs and country counterparts.** To that end, the Strategy document will lay out a framework for tailoring development solutions to countries with different levels of income, poverty, institutional capacity, and fragility. Tailoring development solutions requires recognizing the full range of diversity including in areas such as geography, demographics, rural-urban divide, and country size. The division of government responsibilities—in particular the role of subnational entities—must be taken into account. The degree of access to international capital markets and other sources of development finance also play a critical role, and we will continue to support country clients that lack alternative sources of financing. We also recognize the importance of engaging non-governmental entities within countries, such as NGOs, to promote empowerment and address country needs.

56. **We recognize that our clients are not just governments and public sector entities.** A key element of our work is to promote the private sector as a critical driver of jobs, goods, and services to improve the lives of the poor through inclusive and sustainable growth. In terms of the private sector, IFC and MIGA have the longstanding relationships, financial instruments, knowledge base, and experience for taking a leading role. Sometimes these private clients map into individual countries (*e.g.*, in project finance) but in other cases they are multi- or cross-national in orientation and increasingly supporting south-south investment. There are both untapped synergies and at times conflicting demands across beneficiaries, country authorities, and private clients; these need to be reconciled and guided by the Strategy.

57. **At the global level, there is a need to clarify the World Bank Group’s catalytic role in engaging in global activities.** We will engage in those global activities that are critical to the World Bank Group’s overarching mission. We should continue to promote global collective action, deliver global public goods, and influence global agendas. However, we need to develop more coherent and focused business lines for global activities, which are appropriately resourced. We need to tap the synergies of working simultaneously at the global and country levels and find the opportunities to make this engagement more effective in contributing to the corporate goals. The World Bank Group Strategy will look for ways to optimize being both a “global World Bank Group” addressing global public goods and a “demand-driven World Bank Group” responding to specific problems at the local level.

(iii) Work as One World Bank Group

58. **Realizing the World Bank Group’s full comparative advantage requires harnessing expertise from across the institution to engage and leverage both public and private actors.** The World Bank Group’s individual agencies have distinct capabilities and client relationships that can respond to complex development problems when these assets are deployed in a coordinated manner. We need to maximize front-line synergies while recognizing the distinct client focus and strengths of each World Bank Group agency. Management will take steps to provide a more coordinated client interface, such as improving internal communication about each agency’s activities, coordinating business planning, and improving delivery of joint activities. There is also substantial scope for increasing the consistency of policies and processes, as well as reducing overlap and improving complementarity of services across the World Bank Group. As a first step, the development of the new Strategy is a comprehensive World Bank Group effort.

(iv) Focus on development solutions

59. **Development solutions involve a blend of well-chosen and well-designed instruments.** Substantial progress has been made to move away from a purely finance focus and provide a customized mix of financing options, knowledge, and convening power. We have accumulated considerable experience in providing these on a stand-alone basis—such as a specific analytical report—or bundled—bringing together expert knowledge to solve investment project implementation challenges. Moving further, the new Strategy will lay out a framework to sharpen the focus of World Bank Group activities on *transformative* products and services that leverage the World Bank Group’s scarce resources and deliver development solutions that are sustainable. This will build on progress already made to better articulate the results of the activities we support, how to measure these results, and how to learn from them. Moving to an institution focused on “what works” and “how best to deliver it” will require deeper research, data collection, and evidence-based policy making on the part of the World Bank Group and its development partners to further the science of delivery.

(v) Exercise dynamic selectivity

60. **At the core of the Strategy, in a context of limited resources, is the concept of “dynamic selectivity.”** Selectivity will be built around the World Bank Group’s comparative advantages and focused on the Group’s overarching mission. Our “dream of a world free of poverty” is being more precisely articulated to establish relevant objectives and monitoring of poverty and shared prosperity. The Strategy will provide a clear line of sight between our overarching goals and all our Group-wide activities. At the same time, it will recognize that the world is fast-changing and complex. Priority activities may change over time, as circumstances evolve and new information is absorbed. The Strategy will propose a “dynamic” framework that will allow the World Bank Group to adjust to the changing world.

61. **At the country level, we will sharpen ongoing selectivity through country partnership strategies.** Country partnership strategies will remain grounded in country ownership while taking into account global priorities with which the World Bank Group is engaged. Instruments

and activities will need to clearly contribute to achieving the overarching goals. These decisions will continue to take into account the level of local capacity and the role of other multilateral, bilateral, private sector or civil society partners to ensure that we are playing a catalytic role.

62. ***For private sector clients, selectivity will continue to be sharpened based on the principles of development impact, financial sustainability, leverage, and additionality.*** This selectivity will be geared toward generating growth and productive jobs and delivering essential services to the poor—all in the context of competitive markets. As with government clients, our comparative advantages and the link with our overarching objectives will also be essential to the process of selection.

63. ***At the global level, strategic alignment of global activities with the World Bank Group’s comparative advantages and overarching mission is needed.*** There is a clear need to achieve better alignment between the many demands on the World Bank Group to support global activities—often financed by external trust funds—and the World Bank Group’s overarching goals and priorities. This includes ensuring that priorities for global activities are not driven by external funding.

D. What is Different Compared to Past Strategy Processes?

64. **The Strategy will provide the World Bank Group with a clear framework for making difficult choices based on comparative advantage and evidence of what works.** This “dynamic selectivity” does not necessarily imply picking exclusive sectors for concentrating our work, nor does it imply doing everything for everyone. For implementation of the Strategy, the World Bank Group will need policies, procedures, and a structure to exercise selectivity in a dynamic fashion, with built-in learning and adaptation as we make progress toward our overarching goals.

65. **The new Strategy will equip the World Bank Group with the vision and tools to lead the global effort to end extreme poverty and promote shared prosperity in a sustainable manner.** The Strategy will provide a clear line of sight between these overarching goals and all World Bank Group activities, enabling dynamic choices and trade-offs.

66. By recognizing the full diversity of World Bank Group clients the Strategy will pave the way to offer tailored services to better meet specific needs. More deliberate and systematic efforts to capitalize on World Bank Group synergies, especially at the front line, will strengthen the World Bank Group’s comparative advantage and brand. A unified World Bank Group, which focuses on results and learning, will have much greater development impact. In a departure from past efforts, the Strategy will be supported by key change components and will be used to shape budget choices.

67. **The Strategy will drive the budget process.** Once it is in place, the Strategy will shape the FY15 budget process. It has been agreed that the full impact of the new Strategy will be reflected in next year's planning cycle (FY15-FY17), to begin in the autumn of 2013. The main goal in preparing the FY14 budget will be to support priorities that will underpin the forthcoming Strategy. For the Bank this includes increasing support to FCS; stepping up focus on results and quality in project implementation; operationalizing the extreme poverty and shared prosperity

goals; implementing elements of the change agenda such as information systems; and promoting innovation for poverty reduction. For IFC, these include continuing support of the five IFC long-term strategic focus areas and other initiatives as discussed in the IFC Road Map, FY14-16.

68. **The Strategy is being developed in consultation with a variety of stakeholders.** Targeted discussions with staff, shareholders, clients, and other stakeholders are already underway (and are already providing useful inputs and feedback) and will be completed prior to delivering the Strategy for endorsement by the Governors at the 2013 Annual Meetings. Management envisions regular engagement with the Executive Directors on key issues related to design and execution of the Strategy.

E. The Change Process Supports the Strategy

69. **The Strategy will be supported by a dynamic change process with specific elements to support implementation.** The change process broadens and deepens efforts under the Bank's Modernization Agenda, and recent changes at IFC and MIGA. Key elements of the change agenda include:

- Facilitating the creation and the smooth flow of knowledge internally and externally: Among other things, the World Bank Group will work toward developing a Science of Delivery in partnership with clients and other development partners that ultimately will help clients obtain better results by developing local capabilities in agile, evidence-based approaches and providing ready access to global—including peer—implementation expertise.
- Promoting stronger client impact and results, with a clear understanding of risk and accountability: Helping clients find development solutions requires an ability to focus on and measure desired results, to innovate and take informed risk, to have clear accountability for decisions that need to be taken, and to be able to respond quickly. More will be done to enable the World Bank Group to do this on a consistent basis.
- Improving leadership, talent, and skills: To provide high-quality services and advice to clients, the World Bank Group must be the employer of choice in the area of development with recognized excellence in leadership and effective merit-based performance systems. The aim for the World Bank Group is achievement of a cohesive, collective, decision-driven leadership structure that emphasizes an institutional view, role-models desired behaviors, makes decisions transparently, and inspires and empowers people.
- Defining an optimal Global Footprint: The World Bank Group needs to optimize its global footprint by defining a business model that leverages proximity to clients to become more responsive to their needs, while maintaining the World Bank Group's global experience, leadership in development, and coherence as a global institution.

The change process will build on recent efforts to deepen synergies and collaboration across the World Bank Group to ensure that we bring the best solutions to our clients, capitalizing on all

parts of the institution. As a first step, a process of Group-wide integration has started for HR and information technology (IT) functions, as well as for external affairs. Once delivered in July 2013 (October for HR) this integration will enable efficiency gains and support further front-end synergies across the World Bank Group.

CONCLUSION

70. **The World Bank Group has developed a common vision and embarked on an ambitious change process to accelerate progress toward a world free of poverty.** This effort builds on and expands the IBRD/IDA modernization effort and reforms at IFC and MIGA. As part of this vision, we are adopting the goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. To realize these goals, the Strategy will guide the planning and implementation of World Bank Group activities to maximize our development impact. The Strategy will drive a broader change process across the institution.