

**Renewal**  
at the World Bank

**World  
Bank**

Working better  
for a better world

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## Goals of the renewal program

The renewal program will make the World Bank a more effective development institution:

- Closer to clients
- Quicker, more responsive and flexible
- More focused on results
- Technically excellent
- More accessible and open to partnership
- More cost effective
- A stronger force for change in the world, by helping to improve the lives of billions of people in poverty

# Renewal at the World Bank

The World Bank is changing the way it does business in order to tackle poverty more effectively. In March 1997 the Bank's Executive Board voted unanimously for an action program—the Strategic Compact—to lower the institution's costs, raise productivity, and improve the quality of the projects and programs it supports.

It is less than six months since the 30-month program was approved, but in that time the Bank has introduced major changes that have launched it on a thoroughgoing process of renewal. The renewal has four main thrusts:

- to improve the Bank's services to client countries,
- to carry forward today's more complex development agenda,
- to strengthen the management of knowledge about development,
- to revamp the Bank's capacity to deliver results.

During the last fiscal year, as the renewal program got underway, the Bank achieved a record level of disbursements to borrowing countries (\$20 billion), continued to reduce the share of problem projects in its portfolio, and made measurable improvements in its service standards, including shortening the time it takes for new projects to get up and running. The Bank has also begun investing significantly more in training for its staff and managers, with a view to raising professional standards and technical excellence.

# Why change is needed

The World Bank has been at the forefront of thinking on economic and social development for more than 50 years, working in all regions of the world on virtually all aspects of social and economic development. Its central mission is to improve the quality of life of the poor in its client countries, through investing in and encouraging sustainable development.

The Bank's experience, global reach, and partnerships with governments throughout the world give it substantial advantages. But the development scene has been changing fast, and the Bank recognizes that it needs to change to reflect today's realities:

- Different sources of capital: the amount of private capital flowing into developing countries is now five times greater than the amount of official aid.
- A broader agenda: new development challenges are emerging, emphasizing the need to safeguard social and environmental sustainability, build local capacity, and support good governance.
- More players: nongovernmental organizations (NGOs) and private firms as well as other multilateral and bilateral institutions are increasing their development activities, making partnerships more important than ever.

- The information revolution: organizations are speeding up, improving their standards, flattening their structures, looking for partnership opportunities, and recognizing the key contribution of knowledge to their effectiveness.

The renewal program is the Bank's response to these trends. The vision that shapes the program is shared by the Bank's management, staff, and 180 member countries. It is that of a flexible, cost-effective institution with a technically excellent staff, working through partnerships and acting as a catalyst for the entire development community. Above all, it is a vision of an institution that delivers results in reducing poverty.

Entrenching that vision in the day-to-day work of staff requires changing the Bank's culture. The values of client-focus, teamwork, professional excellence, innovation, and results must be reflected in the way staff behave, and in how they are rewarded. Both through new approaches to leadership in the Bank, and in a far-reaching reform of human resources policy now underway, the Bank is seeking to enable these values to flourish and reshape its culture.

# The renewal program

## *1. Better service for clients*

In its current business activities, the Bank is taking steps to get closer to its clients, so that it can respond quickly with assistance that is tailored to their needs. Actions include: decentralizing operational responsibilities and functions to in-country offices, introducing a matrix organizational structure to combine local country knowledge with world-class technical expertise, raising the share of resources allocated to frontline services, simplifying administrative procedures and cutting red tape, and improving the quality of both lending operations and advisory services.

### Closer contact with client countries

Local Bank offices in client countries are taking on a bigger role as the Bank decentralizes. All the Bank's regional units have now reorganized and repositioned themselves to better serve their clients.

They have reduced bureaucratic layers, decentralized authority to local offices, and begun speeding up their responses to clients' needs.

The Bank is moving ahead with decentralization faster than earlier planned. It has started to give much greater authority to its local offices, who are a key part of the new operational teams. By the end of September 1997, 18 of the Bank's 48 country management units will be locally based, compared with only three in June 1997. This decentralization is made possible by better knowledge management and global communications; over the past year the Bank has extended its headquarters communications network from 5 to 33 of its 80 local offices.

Moving staff, financial resources, and responsibility to local offices will allow greater speed and flexibility, as well as greater participation by borrowers in designing country assistance strategies, preparing projects, and carrying out research. In the Bank's East Asia Region, for example, redeployment of resources has already resulted in a faster response time, with project approval within five months of appraisal—a process that took nine months in fiscal year (FY) 1996.

## Better management of technical know-how

New professional Networks of staff have been organized around the main themes of the Bank's work, to collect, organize, and make available knowledge on best practices and lessons of experience. The Networks cover human development; finance, private sector development, and infrastructure; environmentally and socially sustainable development; and poverty reduction and economic management. Network leaders are responsible for designing the Bank's global programs, for developing and evaluating sector strategies (for example on support for forestry, road maintenance, or child health), establishing professional standards and for planning what the Bank spends on learning and dissemination. For staff who are working on different countries and regions, membership in the same Network will facilitate systematic sharing of knowledge, skills, and experience.

### Better-quality projects

To attain the greatest and most sustainable impact from its assistance programs, the Bank is toughening its analysis of proposed projects and monitoring its ongoing projects more closely. It now does more rigorous quality reviews of new projects. It has increased its attention to portfolio management: in FY97, staff supervised ongoing projects more intensively and made more active use of mid-term reviews, country portfolio performance reviews, and cancellations. And the use of a new early-warning system has already reduced the share of projects at risk from 33 percent of the portfolio in mid-1996 to 26 percent in mid-1997.

### Cost savings

Through a comprehensive review of its cost-effectiveness, the Bank is identifying ways to free up resources—particularly, resources now spent on overhead and indirect costs—that can be used for meeting clients' needs. The Bank's Board will consider management's proposals and projected cost savings in October 1997. Cutting costs while implementing change is never easy but substantial savings are expected over the medium term.

## *2. Broader development agenda*

Through the second main thrust of the renewal program, the Bank is responding to the broader development agenda that now faces its clients. This involves giving increased attention to:

### Social and environmental analysis and concerns

Social and participatory approaches are being “mainstreamed” into lending and analytical work to better address key social issues. Country assistance strategies also are now designed in consultation with a broad array of stakeholders. Approaching country assistance strategies from a social development perspective will mean that the Bank will deal more directly with the people affected by each project, taking great care over the social conditions of specific groups of poor people—in villages and urban slums, and among ethnic minorities and households headed by women. It will enable the Bank to support economic growth that at the same time promotes equity, increases human and social capital, and enhances social justice.

## Rural development

Rural areas are home to three fourths of the world's poor. A rural action plan is being implemented, with lending for rural development rebounding to almost \$4 billion in FY97 after many years of decline; 15 focus-country programs and five subregional programs have been developed. This plan revitalizes Bank support to rural development by providing funding to accelerate the design of country strategies, fill critical gaps in skills, improve the quality of operations, and strengthen alliances with agencies such as the United Nations Food and Agriculture Organization.

## Private capital

The Bank plays an important role in helping countries attract, maintain, and manage private capital to achieve sustainable development. Private sector solutions can address development problems in a growing number of sectors. For this to happen, however, there must be transparent, well-regulated, rational investment environments that will attract capital. In a wide range of countries, the Bank is helping to create a stable environment for private business by strengthening financial and legal systems and supporting reform of policies and regulations affecting enterprise and trade. The Bank and its affiliates, the International Finance Corporation (IFC)

and the Multilateral Investment Guarantee Agency (MIGA), are now better coordinating their support for private sector development at the policy, country, and project levels. The Bank provides partial risk and credit guarantees; the IFC provides equity financing for developing-country companies as well as loans for and equity investments in private ventures, and MIGA provides political risk insurance. These instruments are increasingly used in conjunction with other Bank operations, guarantees, or technical assistance. New risk-mitigation products are being launched to help encourage private investment in poor countries, and new advisory services are being created. To make access to the Bank Group's products faster and easier, private sector clients can now deal with the Bank and the IFC through a single contact point: the Business Partnership Center (see box—Partnerships).

### Client countries' institutions

Building capacity in developing countries in order to create wealth, improve the living standards of the poor, and protect the environment is at the heart of the Bank's work. Through its operations and policy advice, and through the work of the Economic Development Institute, the Bank helps to build the institutional capacity of borrowing countries by supporting training, improving skills, modernizing institutions, and streamlining procedures and systems.

## Partnerships

The Heavily Indebted Poor Countries (HIPC) Initiative, proposed by the Bank and the International Monetary Fund and agreed upon by governments around the world in 1996, enables poor countries with good policy performance to escape from unsustainable debt and focus all their energies on sustainable development and poverty reduction. It represents a commitment by the international community, including all creditors, to act together in a coordinated, concerted way, to reduce the debt to a sustainable level. The World Bank, other multilateral creditors, and bilateral donors have established a HIPC Trust Fund to provide debt relief to eligible countries by either prepaying a portion of debt owed to multilateral institutions, purchasing and canceling a portion of the debt, or paying debt service as it comes due. The first countries to benefit from the HIPC initiative are Uganda, Bolivia, and Burkina Faso; the debt relief packages for these countries amount to about \$900 million.

The Consultative Group to Assist the Poorest furthers the development of microfinance services for poor customers. Twenty five member donors together coordinate activities and define common policies and procedures for microfinance activities; the World Bank provides the

secretariat. CGAP supports very poor men and women who can benefit from access to financial and related services. Its aim is to help them become progressively more productive, with the expectation that some will eventually move on to use formal banking services.

Nongovernmental organizations are involved in half the Bank-assisted projects approved in fiscal 1997. They help shape Bank policy and procedures through regular policy discussions such as those of the NGO-World Bank Committee (NGO leaders from around the world and senior World Bank managers), and participate in designing country assistance strategies. More than 50 of the Bank's 80 local offices now have staff responsible for strengthening operational cooperation and dialogue with NGOs—compared with only one, two years ago.

“To facilitate access to the Bank Group's products and services, private sector clients can now contact the World Bank Group Business Partnership Center, which serves as a focal point for basic information and referrals. In addition, the Center promotes cooperation and strategic partnerships with leading business associations such as chambers of commerce and federations of industries.

The Bank supports the Partnership for Capacity Building in Africa—an initiative managed, and to be implemented, by African governments to build skills, strengthen African institutions, and improve the environment for private business. In keeping with this initiative, the Africa regional office is incorporating assistance for capacity building within all its lending and nonlending work.

The Bank has also established a new unit to support its growing work in post-conflict reconstruction—for example in Bosnia, Gaza, and Rwanda. This unit helps design and carry out reconstruction programs for countries emerging from conflict, collects and shares information to enhance the capacity for reconstruction work, and serves as a focal point for partnerships with other members of the international community active in post-conflict reconstruction.

The Bank actively supports member countries' efforts against corruption. It helps countries to improve governance and control corruption by improving the transparency, accountability, and capacity of public institutions. It addresses the problem at four levels: protecting Bank projects from fraud and corruption; responding to specific requests for assistance in areas where it has expertise, including policy reform and institutional strengthening; considering corruption more explicitly in the policy dialogue, country assistance strategy, design of lending

programs, portfolio management, design of projects, economic and sector work, and research; and lending its voice, knowledge, and support to international efforts against corruption.

### New products and advisory services

(See box—New Products).

Today's development priorities call for new ways of working. The Bank is developing closer partnerships with clients and other development agencies, including local civic organizations, foundations, and community organizations. All groups in society have a role in promoting sustainable development, and the Bank recognizes that its own work can only be effective in partnership with other key stakeholders. The Bank's formal partners now include multilateral financial institutions, United Nations agencies, foundations, bilateral donors, NGOs, the European Union, and academic institutions and private organizations. Such strategic alliances enable more effective development assistance at the lowest cost to each provider, while close consultation with client governments and civil society will ensure better strategic direction and project design. And through partnership with the private sector the Bank helps its borrowers to attract much-needed private financing for development purposes (see box—Partnerships, on page 14).

## New Products

As well as improvements in processing its traditional loans the Bank is working to develop a new range of products and advisory services, with the emphasis on relevance and timeliness for clients.

- **Single Currency Loans**

Already available, these give clients flexibility: borrowers may choose a single currency denomination for new loan commitments without volume restriction, and convert existing currency pool loans into the currency of their choice.

- **A Development Grant Facility**

Just approved, this will consolidate the management of existing World Bank arrangements for grant financing under a single institutional umbrella, to ensure that all grants fit in with the Bank's strategic priorities and to enable more systematic quality control.

- **Learning and Innovation Loans**

These loans, of under \$5 million, allow borrowers to pilot new approaches that foster local initiative and build local institutions. They will permit client countries to test new schemes and undertake pilot projects before scaling up to nationwide operations. The loans' quick processing time—which could be less than 60 days—will allow countries to address urgent needs (such as housing deterioration, deforestation, and water supply problems), and their small scope will allow borrowers to determine what approaches work best, at a relatively low cost, before converting such pilots into major investments.

### *3. Knowledge management*

Collection, synthesis, and dissemination of knowledge is one of the major goals of the renewal program. The Bank is making investments in order to improve the quality of all its services for clients: to help it achieve higher-quality operations, better-briefed teams, lower transaction costs, faster business processes, and better information sharing with clients and partners. This thrust of the renewal program will help to build clients' capacity while establishing learning as a priority in all Bank activities.

The knowledge management system will provide a corporate memory of information, lessons learned from experience, and best practices, but it will also incorporate the best development knowledge from other organizations. It will interconnect with universities, foundations, and other world-class sources of knowledge. At the outset, the goal of the system is to make Bank staff more effective through providing them with just-in-time, just-enough knowledge on call. The eventual goal is to meet the needs of Bank clients and partners as well as of staff. For example, a firm considering investing in an electricity generation plant in India should be able to quickly obtain the latest economic and power sector data; information on relevant policies and on other investment and

projections for the sector; details on the best analytical tools; information on what has and has not worked in the past; answers to frequently asked questions; and lists of other best sources of information.

Substantial progress has been made in developing the knowledge management system. The Bank has appointed a Chief Information Officer to consolidate and align the institution's information and technology services, and has established an information and knowledge management council to coordinate policies and set priorities for managing knowledge. Spearheaded by the professional Networks, a prototype knowledge management system has been implemented for education and health and preparations are well advanced in other areas, including private sector infrastructure. Building on region-specific systems—notably Africa's (see box—Knowledge)—the creation of an institutionwide system is accelerating. The Bank's Economic Development Institute has taken a lead role in channeling development knowledge to client countries.

# The new Bank at work

## Knowledge

The Bank's Africa Live Database provides access to the latest economic and social information on Africa. It is fed by capturing and standardizing the research being done throughout the Bank. In a few minutes the user can access knowledge that might take a week to gather otherwise. The database, containing 1,500 indicators for 53 countries, is now being made available to clients and partners.

In client countries, the Bank Group as a whole is financing \$1.5 billion a year toward reducing the information infrastructure gap.

The Information for Development Program (InfoDev), a global multilateral donor program managed by the World Bank, helps developing countries benefit fully from the economic development potential of modern communications and information systems through partnerships with governments, donors, the private sector, and non-governmental organizations. InfoDev shares experience and disseminates best practices to key decisionmakers and channels policy advice and other technical assistance to governments in developing countries.

IPAnet, an initiative of the Bank's affiliate, the Multilateral Investment Guarantee Agency, allows users to exchange information about investment worldwide—from business operating conditions to detailed descriptions of investment projects, joint venture opportunities, and privatization initiatives.

The Bank and the government of Canada cohosted the Global Knowledge 97 conference in Toronto in June 1997. More than 2,000 government, corporate, and NGO participants from 124 countries discussed actions to spread the global knowledge revolution, especially to the poorest.

## 4. *Modernizing the Bank's capabilities*

The fourth major element of the renewal program strengthens the Bank's capacity to deliver results, by:

### Revitalizing management

Managers are now recruited from a wide pool, including international external candidates and young internal managers. New vice presidents have been appointed in almost all regions. In the past five months, almost 150 new country and sectoral managers have been appointed, using a new, more open management selection process. The Bank is improving its system for evaluating managers' performance and ensuring they get straightforward feedback. It is also investing heavily in executive development. So far, about 200 managers have participated, alongside participants from other organizations, in a seven-week customized executive development program to broaden their perspectives and hone their leadership skills; by mid-1998, all of the Bank's managers and potential managers will have participated. The program is run by a consortium of top business schools and includes development case studies. Participants spend their seventh week living in a village or poor urban area.

## Fostering professional development of staff

The Networks are developing a common framework for professional standards. Using these standards, they will validate the selection criteria for staff appointments, assess technical skills and performance, support career development and enhancement of skills, and help line managers and staff to manage performance. The Bank is also expanding training opportunities, to allow staff to maintain cutting-edge skills. New courses take into account today's development agenda, including governance, anti-corruption, and gender issues. Resources for staff training and professional development are 50 percent greater in the current fiscal year than last year. More than 7,000 staff and managers participated in more than 350 training courses in the past two years.

### Reforming human resources policy

The principles of a far-reaching reform of the Bank's personnel and human resources policy have been discussed with the Bank's Board. The aim of the reform is to enable the Bank to recruit and retain the very best staff—diverse, team-oriented, and with first-class professional skills and a commitment to meeting client demands. The major elements of the reform will be ready for Board consideration by the end of 1998, with significant components in place before then.

### Renewing information systems

The Bank is redesigning its operational and financial data collection and management systems in order to create a fully integrated, easily accessible, high-quality system. The new system is being phased in over three years, with immediate priority going to improving services for frontline operations, including in local offices. By mid-1998, the Bank will have global communications links with all its local offices.

### Strengthening financial management

New policies, governing the concentration of the Bank's loan portfolio and the size and management of its liquid assets, are being developed to allow the Bank to meet clients' needs better while preserving its strong financial standing.

# Measuring Performance

To assess the progress of the renewal program, the Bank is introducing an extensive institutional performance monitoring system.

Using a “scorecard” of performance indicators, the Bank will monitor the key factors that determine operational outcomes including: the quality of proposed projects, the speed and efficiency of transactions, delivery of products, and management of the portfolio. Monitoring a set of development indicators—the number of extremely poor people; primary and secondary school enrollment rates; infant, maternal, and under-five mortality rates; access to primary health care; annual per capita income growth; and private capital flows to developing countries—will identify areas for priority attention and help focus the Bank’s and its partners’ work programs.

To obtain the client feedback that is crucial to the success of the renewal program, the Bank will conduct regular, objective surveys soliciting clients’ views on the relevance, effectiveness, and efficiency of its operations. The results will complement the evaluations that are done of individual projects.

# The road ahead

Implementation of the renewal program is on track.

In the five months since the program was approved the Bank has substantially decentralized its operations to get closer to clients, modernized its development agenda and begun developing and introducing new products, made progress in knowledge management, professional development, and training, and begun work to contain its administrative costs. It has started on a comprehensive reform of its human resource policies. Meanwhile, results show an overall improvement in portfolio quality, progress on making country assistance strategies more participatory and relevant, and improvements in service standards, including speedier processing of new projects.

In sum, the Bank is more flexible and better attuned to the demands of a new century. The whole organization now feels the momentum of change and is ready to follow through with the reforms that lie ahead.

*Our dream is of a world free of poverty. The issues are urgent. Because as poverty gets worse, our task gets harder. You cannot have peace and stability in a world of inequality and a world of pain. We are getting the necessary people, knowledge, and policies in place, together with new products that answer clients' needs. We are building stronger partnerships with other players in the development business, focusing on the comparative advantage of each. And it is my belief that we have a new spirit at the Bank. We are a very short distance from making it all come together—from making the Bank fully match its potential as a potent and unique force for global prosperity and peace.*

World Bank President  
**James Wolfensohn**

# For more information

The World Bank's Public Information Center (PIC) provides information and publications on development issues and on the Bank's work.

The PIC is located at Bank headquarters in Washington, DC, with branches in London, Paris, and Tokyo. All offices have public reading rooms, with documents and computer workstations.

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