



ISSUE BRIEF

The World Bank and the Leadership Forum—Building Knowledge Based Economies

The World Bank is a powerful partner for the Leadership Forum. Although the Bank does not fund projects in the United States, its proven expertise in alleviating poverty worldwide is an important knowledge asset for all of Alaska's peoples. This section of the Issue Brief will present a brief overview of the Bank and its member organizations. It will conclude with a discussion of how the Bank's mission and resources relate to the Leadership Forum—Building Knowledge Based Economies.

What is the World Bank?

The World Bank is one of the two “Bretton Woods” institutions, named after a resort in New Hampshire where they were conceived in 1944. Along with its sister institution, the International Monetary Fund (IMF), the World Bank has been a supporting pillar of the global financial system since the end of the Second World War.

The idea behind the Bretton Woods institutions is that markets sometimes fail to accomplish socially desirable goals, and when they do, states must act collectively to meet these goals. A major goal of the framers of the Bretton Woods institutions was to create a consensual, multi-lateral system that would mitigate or prevent the economic dislocations that contributed to the rise of Fascism and the world war that ensued. Thus, the IMF was set up to stabilize the global monetary system, while the World Bank was established to provide much needed investment capital for post-war reconstruction and development of impoverished countries.

The World Bank was originally known as *the International Bank for Reconstruction and Development (IBRD)*. A specialized agency of the United Nations, its initial mandate was to provide investment capital for the reconstruction of post-war Europe. Today, the World Bank Group is a family of five financial institutions with a single overarching mission: to reduce poverty around the world. The *IBRD* provides middle-income and creditworthy lower-income countries with loans, loan guarantees, analysis and advice. The *International Development Association*, established in 1960, provides interest-free credits to the world's poorest countries. The *International Finance Corporation*, founded in 1956, invests in private enterprises in developing countries, and also provides its clients with loans, loan guarantees and advisory services. Two other World Bank Group organizations, the *Multilateral Investment Guarantee Agency* and the *International Centre for Settlement of Investment Disputes*, provide services that encourage foreign investment in developing countries.

Sources: www.worldbank.org, www.brettonwood-project.org/background/index.shtml

World Bank President James D. Wolfensohn

James D. Wolfensohn became the ninth president of the World Bank in 1995 and was appointed to a second five-year term in 1999. He has used his tenure to help change the Bank's approach to poverty reduction in at least two important ways. First, he has emphasized the Bank's role not just as lender but as a manager of knowledge. Second, he has used the bully pulpit of his position to foster stronger links between the developed and developing world.

Important Bank initiatives under Wolfensohn have included the Comprehensive Development Framework, or CDF, and the Debt Initiative for Highly Indebted Poor Countries, or HIPC Initiative. The CDF is an approach to poverty reduction that gives the participating country primary responsibility for directing its own development agenda. This approach emphasizes the multidimensional nature of development, including environmental and social aspects that may not have been as prominent in the past. The HIPC Initiative, undertaken with the IMF, aims to reduce the external debt of the world's poorest and most heavily indebted countries, freeing resources for poverty alleviation. A key feature of the HIPC Initiative is the requirement that each beneficiary country complete a Poverty Reduction Strategy Paper, or PRSP. The drafting of a PRSP is a participatory process involving civil society and development partners, including the World Bank and IMF. The PRSP requirement accomplishes the important objective of placing debt relief in the context of poverty reduction, a core mission of the World Bank.

Before becoming president of the World Bank, Wolfensohn was an investment banker and a lawyer. His numerous distinctions include representing his native Australia in the 1956 Olympic Games as a member of the fencing team.

Sources: www.worldbank.com; www.worldbank.org/hipc/

The World Bank Indigenous Peoples Section

According to the World Bank website, Indigenous Peoples (also often referred to as “indigenous ethnic minorities,” “tribal groups” and “scheduled tribes”) describe “social groups

with a social and cultural identity distinct from the dominant society which makes them vulnerable to being disadvantaged in the development process.” Key characteristics identifying Indigenous Peoples:

- close attachment to ancestral territories and to the natural resources in these areas
- self-identification and identification by others as members of a distinct cultural group
- an indigenous language, often different from the national language
- presence of customary social and political institutions
- primarily subsistence-oriented production⁵.

The World Bank's approach to indigenous peoples has undergone a transformation since the Bank's first policy statement in 1982. Back then, the Bank's policy was “Do no harm.” Under that view, indigenous peoples stood outside the development process; the Bank's aim with regard to indigenous peoples was simply to ensure that development did not have adverse effects on them. Today, the Bank identifies indigenous peoples as an important beneficiary of its efforts to reduce poverty and promote sustainable development. It has taken a number of steps to ensure that indigenous peoples are participants in, and beneficiaries of, economic development.

The Bank's Indigenous Peoples Section includes a team of social scientists responsible for ensuring that vulnerable cultural and ethnic groups, including indigenous peoples, are included in Bank operations. Among its many activities is building the capacity of indigenous groups to take part in the development process in a way that preserves their identity.



Additionally, the Bank's recently launched Global Fund for Indigenous Peoples directly assists indigenous peoples through support of three activities: a Grants Facility that provides small grants directly to indigenous peoples' organizations to support sustainable development projects and programs based on cultural preferences; a pilot program for capacity building for indigenous leaders in the Andean region; and financial support for the U.N. Permanent Forum on Indigenous Issues.

Finally, the Bank is in the midst of revising its Indigenous Peoples Policy. The new policy will retain the protections afforded indigenous peoples under the current policy, but will outline special procedures for incorporating indigenous peoples into Bank-financed projects through the design of Indigenous Peoples Development Plans.

The participation of the Indigenous Peoples Section will contribute to the objectives of the Leadership Forum in a number of ways. Notably, the section's relationships with indigenous peoples from around the world can be a resource to Alaska Natives interested in sharing knowledge and experiences with their peers from other countries.

Source: www.worldbank.org;
<http://lnweb18.worldbank.org/ESSD/sdvext.nsf/63ByDocName/AboutUs>

The World Bank Development Marketplace

One of the most important trends in international development today is the emergence of social entrepreneurs committed to using innovation to combat poverty and promote sustainable development. Like entrepreneurs in the private sector, these innovators require a marketplace to match their ideas with the capital that can put them into practice.

Like their peers in the private sector, social entrepreneurs face distinct challenges in attracting capital, notably risk-averse investors. Social entrepreneurs face the additional challenge of not having a simple benchmark of success, such as return on investment, to offer investors.

To address these challenges and others, the World Bank supports the Development Marketplace. This section will describe the origin and growth of the Development Marketplace. It will conclude with a brief discussion of how the Development Marketplace is relevant to the Leadership Forum.

The idea of a Development Marketplace emerged in 1997 as a way to deal with a pressing Bank need: evaluating the many new ideas that bubbled up in response to President James Wolfensohn's appeal for new approaches to poverty reduction.⁶ During a brainstorming session, a World Bank staff member came up with the metaphor that would guide the program. On one side were entrepreneurs with ideas; on the other were institutions that wanted to fund ideas. What was needed was a market to bring them together more efficiently. Entrepreneurs in the private sector found risk-tolerant investors through venture-capital firms and the stock market; why couldn't social entrepreneurs get access to donors looking for greater returns on their social investments?

Using guerilla marketing, and overcoming some opposition within the Bank, a team of young World Bank staffers organized the first Development Marketplace (then known as the Innovation Marketplace) in May 1998. They disbursed \$3 million to small projects, some of which later grew to become major Bank-funded efforts, such as a scheme to improve construction in developing countries through the involvement of insurance companies.

An expanded Development Marketplace was a success in 2000. Since then, the Bank has sought to expand the influence of the idea by organizing Web initiatives and promoting events in member countries. It has held additional global Development Marketplaces in 2002 and 2003. The power of the idea has even inspired Alaska's Denali Commission to launch its own Development Marketplace patterned explicitly after the World Bank's.

Sources: www.worldbank.com (under Business Center, Grants, Development Marketplace) Robert Chapman Wood and Gary Hamel, "The World Bank's Innovation Market," *Harvard Business Review*, November 2002.

The World Bank Sustainable Development Section

While "sustainable development" may mean different things to different people, almost everyone agrees that intergenerational equity lies at the heart of the concept. In other words, it does not seem fair to prioritize today's development if it leaves future generations inadequate resources for their own development.

The World Bank's mission is poverty reduction through sustainable development. Its activities in the area of sustainable development include lending for projects with a primarily environmental impact, a learning program run by the World Bank Institute, and the Environmentally and Socially Sustainable Development (ESSD) Network, which links sustainable-development efforts throughout the Bank.

Sustainable development is an important goal of all Alaskans, including Alaska Natives. That is why the World Bank's participation is so valuable to the Leadership Forum. In particular, the Bank's experience in incorporating environmental protection into development projects can be a model for Alaskans.

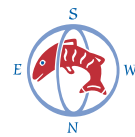
The Global Development Learning Network

One of the challenges of reducing poverty and promoting sustainable development in remote communities is overcoming the physical distance that separates them from valuable sources of knowledge, including communities around the world that have similar development goals. One way the World Bank has sought to meet this challenge is the Global Development Learning Network, or GDLN.

GDLN is a web of more than 50 centers around the world that provide teleconferencing, Internet services and other tools of distance learning. Each year, 30,000 participants use GDLN centers to share their knowledge and experience with peers around the world. For instance, the World Bank recently used GDLN to consult 250 people in 15 countries for its 2004 World Development Report. This enabled stakeholders from different countries and regions to interact with each other as well as the Bank. Such tools transform the consultation process from a hub-and-spoke model to a spider web of connections, enriching all participants by multiplying the opportunities to share vital information.

The World Bank launched the GDLN's precursor, the World Bank Learning Network, in 1997. Today, the Bank underwrites the staffing and operating expenses of GDLN Services, a coordinating team based in the World Bank Institute in Washington, D.C. The GDLN Centers themselves are owned and operated by partner institutions. Users pay a rental fee to the partners to offset connection and operating costs.

Source: <http://www.gdln.org/about.html>



World Bank Peers

Although not formally linked, the World Bank has close relationships with a number of regional development banks. These banks are similar in structure and mission to the World Bank, but have specialized missions related to the regions of the world they serve. The two institutions of greatest interest to the Leadership Forum are the Inter-American Development Bank (IDB) and the Asian Development Bank (ADB). Separate Issue Briefs will describe these two institutions in greater detail. Other regional banks include the African Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD).

The World Bank as a Resource for the Leadership Forum

The World Bank embodies two important principles that are at the heart of the Leadership Forum's mission. First, it is an organization dedicated to the reduction of poverty everywhere. As such, it has nearly 60 years of experience in using investment to raise the living standards of the world's poor. It shares this experience not only through its formal advisory arrangements with clients, but also through its publications, many of which are available online at little or no cost. Its staff, which comes from all over the world, also serves as a ready source of knowledge about poverty reduction. Second, the World Bank has been a leading proponent of the idea that in today's global economy, knowledge is the new capital. (See the issue brief on Knowledge Economies for more on this.) To this end, the Bank has focused on building the capacity of impoverished states to acquire, use, and contribute knowledge. Examples of its efforts in this area include the Global Development Learning Network (see above), which facilitates the transmission around the globe of new ideas for poverty reduction.

⁵ [http://lnweb18.worldbank.org/ESSD/sdvext.nsf/63 ByDocName/KeyConcepts](http://lnweb18.worldbank.org/ESSD/sdvext.nsf/63%20ByDocName/KeyConcepts)

⁶ Chapman and Hamel, 3.