DEVELOPMENT COMMITTEE
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# FORWARD LOOK – A VISION FOR THE WORLD BANK GROUP IN 2030 - IMPLEMENTATION UPDATE

Attached is the document entitled "Forward Look – A Vision for the World Bank Group in 2030 - Implementation Update" prepared by the World Bank Group for the April 21, 2018 Development Committee Meeting.

# FORWARD LOOK – A VISION FOR THE WORLD BANK GROUP IN 2030

## IMPLEMENTATION UPDATE

**March 2018**

**Fiscal Year and Currency Equivalents**

Fiscal year (FY) = July 1 to June 30

## Acronyms and Abbreviations

| | |
|---|---|
| AIMM | Anticipated Impact Measurement and Monitoring Framework |
| AML/CFT | Anti-Money Laundering/Combating the Financing of Terrorism |
| CMAW | Creating Markets Advisory Window |
| CODE | Committee on Development Effectiveness (Board) |
| COMPASS | Creating Markets Priority Setting Sessions |
| CPSD | Country Private Sector Diagnostic |
| CRW | Crisis Response Window |
| DEC | Development Economics VPU |
| DPF | Development Policy Financing |
| DRM | Domestic Resource Mobilization |
| E&S | Environmental and Social |
| ER | Expenditure Review |
| ESF | Environmental and Social Framework |
| ESG | Environmental, Social & Governance |
| FCS | Fragile and Conflict-Affected States |
| FCV | Fragility, Conflict and Violence |
| G7 | Group of Seven |
| G20 | Group of Twenty |
| GBR | Group Business Review |
| GCFF | Global Concessional Finance Facility |
| GCMP | Global Crisis Risk Management Platform |
| GDP | Gross Domestic Product |
| GPs | Global Practices |
| HR | Human Resources |
| HRC | Human Resources Committee (Board) |
| IBRD | International Bank for Reconstruction and Development |
| ICSID | International Center for Settlement of Investment Disputes |
| IDA | International Development Association |
| IG&A | Institutional, Governance, and Administrative |
| IFC | International Finance Corporation |
| IFFs | Illicit Financial Flows |
| IFI | International Finance Institution |
| ITS | Information and Technology Solutions VPU |
| KM | Knowledge Management |
| KMAP | Knowledge Management Action Plan |
| LTF | Long-term Finance |
| MCPP | Managed Co-Lending Portfolio Program |
| MDB | Multilateral Development Bank |
| MFD | Maximizing Finance for Development |
| MICs | Middle-income Countries |
| MIGA | Multilateral Investment Guarantee Agency |
| NDCs | Nationally Determined Contributions |
| NRA | National Risk Assessment |
| PEF | Pandemic Emergency Financing Facility |
| PSW | Private Sector Window |
| RAMP | Reserves Advisory and Management Program |
| RAS | Reimbursable Advisory Services |
| SDGs | Sustainable Development Goals |
| TPM | Third-party Monitoring |
| TSW | Transitional Support Window |
| UN | United Nations |
| VfM | Value for Money |
| VPU | Vice Presidential Unit |
| WBG | World Bank Group |
| We-Fi | Women Entrepreneurs Finance Initiative |

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# Forward Look – A Vision for the World Bank Group in 2030
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## Overview

1. **The Forward Look: A Vision for the World Bank Group in 2030**, endorsed by the Development Committee at the 2016 Annual Meetings, describes how the World Bank Group (WBG) will deliver on the Twin Goals and its three priorities of sustainable and inclusive growth, investment in human capital, and strengthening resilience and support the 2030 development agenda and the Sustainable Development Goals (SDGs). The Forward Look rests on four pillars: serving all clients; creating markets, maximizing finance for development, and expanding the use of private sector solutions; leading on global issues; and improving the business model.

2. This implementation update reports on recent progress toward this vision and on how clients are benefitting from a more nimble and innovative institution, one that is bringing together the combined best of the Bank, IFC, and MIGA in delivering development solutions – the "better" WBG. This update is a companion piece to the capital package document, which presents the elements supporting a stronger WBG.

> **A better and stronger WBG**
>
> *One WBG*… with
>
> *Two goals*: eradicate extreme poverty and build shared prosperity;
>
> *Three priorities*: sustainable and inclusive growth, human capital, resilience; and
>
> *Four ways to get there*: serve all clients, maximize finance for development, lead on global issues, improve the business model.

## Summary of Recent Progress

3. In recent months, the WBG has made further progress under all four Forward Look pillars:

**Serving All Clients**

IDA18 implementation has been robust, with a strong focus on countries affected by fragility, conflict and violence (FCV) and increased resources and enhanced terms for small states. The WBG is directing more resources to countries with the greatest financing needs (IDA, FCV-affected countries and MICs with the largest development gaps), supporting programs that have broad global or regional impact, and tailoring product offers for countries that can afford to pay more for services.

**Creating Markets**

The WBG is actively helping countries meet the financing needs of the SDGs by strengthening the enabling environment for private investment, undertaking catalytic investments that crowd in the private sector, helping countries mobilize and manage domestic revenues, tackling illicit funds flows, while investing internally to strengthen its capacity in this area. The IDA18 IFC-MIGA Private Sector Window (PSW) is a good illustration of WBG collaboration.

**Leading on Global Issues**

The WBG is bringing knowledge, convening power, and capacity to implement to tackle some of the toughest global issues. It is increasing financing for projects with climate co-benefits as part of a broad climate action plan; expanding financing and integrating tools for crisis response to help countries recover from conflict, natural disasters, or pandemics; helping level the playing field for women in business; promoting growth and stability through regional integration; and helping clients understand and prepare for technological changes that will transform industries and labor markets.

**Improving the Business Model**

The WBG is finding ways to serve its clients more effectively and efficiently. New environmental and social safeguards are being rolled out to improve the sustainability of investments. Procurement reforms are making it easier to implement projects, while building the capacity of borrowers. The Agile program is empowering staff to find ways to continually improve operational delivery. A wide range of administrative reforms is trimming bureaucracy, simplifying procedures, and creating efficiencies through shared services. Prudent management of resources is helping the WBG grow.

## Serving All Clients

> *"The WBG will stay engaged with all clients while continually ensuring that its resources are strategically deployed to meet global and client needs and targeted to areas of the world that most need funding"*[1]

4. By operating across the full range of country clients, the WBG maintains a rich store of development knowledge and can deliver value to every member through solutions to meet each country's needs and circumstances. A balanced portfolio approach, through which the WBG stays engaged with clients at different income levels, is also the cornerstone of the Group's healthy risk profile and the AAA ratings of its respective institutions.

5. **IDA18** implementation is off to a strong start, with between US$22.7 billion and US$25.9 billion in new commitments projected for FY18, approvals at US$9.4 billion through end-February 2018, and a strong focus on countries facing fragility while expanding tools through IDA's windows. The Crisis Response Window (CRW) has US$3 billion available to support IDA countries' response to and preparedness against severe disasters. The IDA18 Scale-up Facility makes up to US$6.2 billion in additional financing available to IDA countries on IBRD terms; the demand is strong, with 38 eligible countries[2] and FY18 approvals projected at US$2.5 billion. The IFC-MIGA PSW has begun to see projects approved.

### IDA 18 increases support for the poorest and most vulnerable

… bringing significantly more resources to:

countries at risk for fragility;

high-performing countries;

regional integration;

refugees and host communities;

crisis preparedness and response;

private sector investment;

transformational projects; and

transitional support for IDA18 graduates.

6. **IDA countries** are seeing a steady rise in WBG support, with their share of total IBRD/IDA lending[3] rising in FY17-18 by 8.4 percentage points compared to FY13-16 by value. Recent IDA graduates are receiving support through the Transitional Support Window (TSW) under IDA18, since they still face significant poverty and lingering vulnerabilities. In FY18, TSW operations will benefit Bolivia, Sri Lanka, and Vietnam. IFC's long-term finance (LTF) in IDA countries will be particularly strong in FY18, following the commitment of US$2.7 billion in Mozambique, and the pipeline for FY18 is robust with the largest increases in Sub-Saharan Africa, SAR, and MNA. MIGA continues to grow its portfolio in IDA

[1] Forward Look – A Vision for the World Bank Group in 2030 – Main Messages, DC2016-0009, Sept. 20, 2016.

[2] Only countries with low and moderate risk of debt distress are eligible for the facility. Rising debt burdens are shrinking the pool of eligible countries.

[3] In this section, data on FY18 operations are as of March 5, 2018.

countries as well. As of the end of December 2017, MIGA's gross exposure in IDA-eligible countries totaled US$5.1 billion, doubling from US$2.7 billion at the end of FY12.

7. **FCV focus**. The WBG has scaled up investment, knowledge, and advisory services for FCV-affected countries. According to the FY17 client opinion survey, stakeholders rated the WBG's effectiveness, impact, and knowledge in FCV-affected countries from 6.7 to 7.2 on a scale from 1 to 10. Under IDA18, US$14.4 billion (doubled from IDA17) will be available for FCV. In FY17-18, the share of FCV in new IBRD/IDA commitments rose by 5.2 percentage points by value compared to FY13-16 (from 8.8 to 14.0 percent). At IFC, 9 percent of LTF projects in FY17, 5 percent of commitment volume, and 20 percent of advisory services were in FCV-affected countries. IFC investments in FCV-affected countries in FY18 include the largest solar project in the West Bank and Gaza and a US$68 million investment in STG Cement in Myanmar. MIGA's gross exposure in FCV-affected countries grew from US$700 million at end-FY13 to US$1.7 billion as of January 2018, a 143 percent increase. Recent examples of projects supported include guarantees for a business center in Djibouti and a rooftop solar project in West Bank and Gaza.

8. IDA18 has several further special windows for FCV:

- The Risk Mitigation Regime has US$835 million earmarked to help countries address the drivers of fragility and build institutional resilience. Work is focused in the four eligible countries – Guinea, Nepal, Niger, and Tajikistan.
- The Turnaround Regime offers exceptional levels of financial support to help countries emerging from conflict build stability and resilience.
- The US$2 billion Refugee Sub-window provides additional resources to countries hosting refugees for investments benefiting both refugees and host communities. Eight eligible countries (Cameroon, Chad, Congo, Djibouti, Ethiopia, Niger, Pakistan, and Uganda) account for about 60 percent of all refugees in IDA countries. The project pipeline is robust, with over 15 projects, and several are projected to be delivered by end-FY18. Work is ongoing on eligibility for Bangladesh, Burkina Faso, Burundi, the Democratic Republic of Congo, Kenya, and Mauritania.
- The IFC-MIGA PSW, with facilities for risk mitigation, blended finance, MIGA guarantees, and local currency support, is available to select FCV-affected countries.

9. To support the higher cost of operating in FCV-affected countries, the Bank has expanded the share of FCV in its Country Engagement budgets from 17.9 percent in FY17 to 19.2 percent in FY18. IFC's FY18 budget for FCV-affected countries is US$81 million, 62 percent more than in FY14. There has been a 9 percent increase in WBG staff based in FCV from FY16 to January 2018. Costs for security and other support in institutional, governance, and administrative (IG&A) units have also increased correspondingly.

10. **Small states** are inherently more vulnerable and need to build resilience and respond to shocks, through enhanced resources and innovative instruments (as such debt-swaps, blue and green bonds), as well as tailored operational approaches. The IDA18 allocations for eligible countries more than doubled to US$1.5 billion.[4] The WBG reacted quickly to support Caribbean clients respond to the devastating hurricanes in 2017.[5] In line with the Roadmap for Small States, the WBG is working towards (i) enhancing concessional financing, including through a strong delivery of the IDA18 scale up, a new Low-Income Country Debt Sustainability Framework, and mobilization of climate finance; (ii) attracting private investment and economic diversification, including through use of IDA's new PSW, and (iv) building capacity in collaboration with development partners.

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[4] For the 23 IDA-eligible members of the Small States Forum.

[5] For example, Dominica's losses from hurricane Maria are estimated at US$1.3 billion or 226 percent of GDP.

11. **Middle-income countries (MICs)** are significant drivers of global growth. Over the past two decades, they accounted for over 52 percent of global GDP growth and over 32 percent of global trade growth. For low-income countries, MICs are vital for trade, investment and knowledge exchange. However, they have many unresolved development challenges, and are central to the global public goods agenda. Some characteristics of MICs:

- They account for 70 percent of the world's poor and 40 percent of the extremely poor;
- They emitted 57 percent of global $CO_2$ in 2014;
- They hosted 71 percent of the world's refugees in 2016;
- They have almost three-quarters of the world's stunted children;
- Up to half of children have only basic numeracy and literacy;
- MICs carry high costs of pandemic prevention, estimated at up to US$1.9 billion a year; and
- Many MICs have lost their demographic dividend or will soon, and their pension and social protection systems are a rapidly rising financial burden.

Middle-income countries have a large and diverse development agenda.

The WBG is:

directing more resources to countries with the greatest financing needs;

supporting programs that have significant benefits on global public goods or broad regional impact; and

tailoring product offers for countries that can afford to pay more for services.

12. MICs are significant contributors to the global public goods agenda due to their larger role in the global economy. As reflected in their Country Partnership Frameworks, MICs are a rich source of innovation and learning, particularly because many have stronger institutional capacity and better access to finance than low-income countries. The WBG is working with them to develop innovative financial instruments (such as a recent buy-down for polio in Pakistan), and mobilize private funds to mitigate climate, health, and fragility risks. MICs can spearhead the translation of Nationally Determined Contributions (NDCs) into specific policies and investments toward low-carbon and climate resilient development.

13. The WBG offers MICs a range of products and services, including investments, advisory services and analytics, guarantees, and Treasury products and services. Generally, as the income level of clients rises, the Group's product mix shifts from lending to knowledge products and reimbursable advisory services (RAS). The Bank's Reserves Advisory and Management Program (RAMP) provides asset management services and technical assistance to clients from 54 countries. Since the start of FY18, the program added three client engagements and approximately $1.5 billion in assets under management, bringing the totals to 65 and US$21.8 billion, respectively. While the private sector in higher-income countries often have more capacity and access to financing, clients value the WBG's convening power and assistance with complex knowledge and financial issues, e.g., underserved populations, technological change, capital markets development, and global public goods. WBG engagement in the MICs provides valuable benefits to other developing countries via demonstration effects, knowledge transfer, partnerships and the South-South knowledge network. A good example of such innovative engagements is Uruguay's first ever Drought Events Impact Mitigation project. IFC plays an important role in MICs, helping them address infrastructure, urbanization, and climate financing needs. It is also pioneering new business models that can be replicated in lower-income countries. IFC's ability to invest and operate in MICs is critical to its portfolio diversification strategy, while also supporting cross-border and South-South projects for regional integration and leveraging other private investment for development and growth.

*The capital package discusses the strategic deployment of WBG resources to countries across income groups.*

## Creating Markets

> *"The WBG will 'create markets' to broaden the reach and impact of private sector solutions, support economic growth, and multiply the impact of WBG resources."* [6]

The WBG helps countries meet the financing needs of the SDGs and Paris climate accord

…by strengthening the enabling environment for private investment;

helping countries mobilize and manage domestic revenues; and tackling illicit funds flows.

14. As set out in the 2017 Development Committee paper,[7] Maximizing Finance for Development (MFD) entails pursuing private sector solutions where they can help achieve development goals, while reserving scarce public finance for where it is most needed. MFD supports the 2015 Addis Ababa Agenda for Action ("From Billions to Trillions") and expands on commitments by multilateral development banks (MDBs) at the 2017 G20 summit to collectively increase the mobilization of private financing by 25-35 percent over the next three years. MFD asks teams to evaluate and advise clients on whether a project is best delivered through sustainable private sector solutions while limiting public liabilities, and if not, whether WBG support for an improved investment environment or risk mitigation could help achieve such solutions.

15. New diagnostics are being piloted to underpin MFD. The Infrastructure Sector Assessment (InfraSAP) identifies opportunities to maximize finance for infrastructure investments and the actions needed to unlock them. The Country Private Sector Diagnostics (CPSDs) and Sector Deep Dives help identify key constraints to market solutions. Overall progress is being monitored by tracking MFD-enabling projects and private capital mobilized, using a methodology shared across MDBs. Guidance is being developed for WBG staff in incorporating MFD into country programs. An initial set of nine pilot countries[8] has been identified, focusing predominantly in infrastructure sectors. MFD pilots build on existing work programs in all countries, with the aim to re-energize, re-prioritize, or add new activities that address binding constraints or unlock newly identified opportunities. While initially focused on infrastructure, WBG teams are collaborating to take MFD into health, education, small- and medium-enterprise finance and agriculture. The MFD initiative is supported by new incentives, progress monitoring, and guidance, training, and engagement with WBG staff. Training initiatives include an expanded program on conflict of interest, and an orientation on MFD for country unit and Global Practice (GP) staff. For IFC, MFD is central to its long-term strategy of creating markets. IFC's established Regional Vice-Presidents positions to improve stronger alignment with the Bank and MIGA so that the WBG can pursue MFD with greater efficiency and clearer accountability.

16. IFC is working across the WBG and with partners to create and expand markets for private sector investment. The Anticipated Impact Measurement and Monitoring Framework (AIMM) enables *ex ante* assessment of a project's contribution to market creation. Implementation of the strategy is well underway, with new tools, approaches and platforms fully operational. FY18 progress on IFC 3.0 instruments and processes include the following:

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[6] See DC2016-0009.

[7] Maximizing Finance for Development: Leveraging the Private Sector for Growth and Sustainable Development, DC2017-0009, September 19, 2017.

[8] Cameroon, Cote d'Ivoire, Egypt, Indonesia, Iraq, Jordan, Kenya, Nepal, and Vietnam. MFD diagnostics are also underway in many other countries.

- The Creating Markets Priority Setting Sessions (COMPASS) was launched in FY18, including staff from across IFC as well as the GPs, initially focused on IDA and FCV-affected countries.
- The Creating Markets Advisory Window (CMAW) allows IFC to enhance upstream project preparation and address complex challenges in creating markets. Decisions are taken within the context of strategic discussions held through COMPASS.
- New analytical tools such as CPSDs[9] and Sector Deep Dives were deployed to identify opportunities to create markets, including regulatory reform, de-risking mechanisms, and project development. Two CPSDs have been completed and over 40 are expected to be completed by FY20. To date, four Sector Deep Dives have been presented to the Board; two more will be presented per quarter. These tools are impacting the design of new WBG joint operations, such as agribusiness investment in Ghana and the Africa Digital Economy program.
- Implementation, governance and risk management frameworks for the IFC-MIGA PSW were put in place at the start of FY18. The PSW is a critical element for each of the institutions' contributions to unlocking private sector opportunities in the most difficult markets. For IDA, the PSW is also a key platform to support the jobs and economic transformation special theme, and its commitment to scale up support to FCV-affected countries. The PSW is now operational and the first IFC project has been approved by the Board. Eight projects have been endorsed by IFC's Blended Finance Committee at the concept stage and an additional 45-50 projects are at an earlier stage of identification for potential support.
- IFC's mobilization platforms are helping clients access institutional investors to maximize finance for development. Under the Managed Co-Lending Partnership Program (MCPP), MCPP HKMA (with the Hong Kong Monetary Authority), MCPP Infra, and MCPP FIG are now operational.

**Box 1. Egypt Feed-in-Tariff / Nubian Suns**

Five years ago, the renewable energy market in Egypt was dormant, and combined energy subsidies consumed about 8 percent of GDP (US$21 billion). The Bank supported Egypt's implementation of subsidy reform and the design of a Feed-in Tariff program which led to renewable energy becoming a more viable investment opportunity. In October 2017, IFC approved financing for Nubian Suns in Egypt, which will be the world's largest solar plant when fully operational in 2019, with a combined capacity of 1.65 gigawatts. IFC developed a platform that enabled financing for 13 renewable energy projects simultaneously. IFC's financing of US$202 million catalyzed over US$450 million from 11 other financial institutions. MIGA is also playing a critical role in supporting the reforms, to date providing guarantees for almost US$150m for multiple investors into the project. The project will create over 10,000 jobs during construction and 4,000 permanent jobs. It will enable Egypt to avoid over 2 million tons of $CO_2$ emissions per year.

17. The **MIGA2020** strategy prioritizes IDA, FCS and climate, while generating impact, and has four pillars: (i) strengthen core business; (ii) innovation; (iii) create projects; and (iv) create markets. MIGA is collaborating with the Bank and IFC to promote the MFD approach, including leading the preparation of a WBG-wide product presentation, participating in the Presidential Exchange Fellows program, creating case studies, developing product-level training materials, engaging in outreach, and participating in CPSDs.

[9] For instance, the Ghana CPSD identified agribusiness as one of the most promising creating markets opportunities. Based on this finding, the WBG launched the *Invest Ghana: Agribusiness Competitiveness Advisory Project* to address constraints to agribusiness investment.

18. The **International Centre for Settlement of Investment Disputes (ICSID)** is seeing rising demand for its services with a record 53 new cases in 2017 under the ICSID Convention Rules and Regulations and Additional Facility Rules.

19. The Bank is offering **new financial products** to support the SDGs, as envisaged by the UN Secretary-General's Financial Innovation Platform launched in 2016. In early 2017, the Bank launched the first SDG-linked bonds in Switzerland. In January 2018, it placed a Sustainable Development Bond in the Canadian market, promoted with the message that empowering women and girls as one of the most effective ways to accelerate development, reduce poverty, and build sustainable societies.

20. **MDB harmonization.** Last year, MDBs agreed on a shared definition of private capital mobilization, with the IFC in the lead. At the request of the G20, IFC has launched globally the MDB Toolbox to support private sector initiatives. The WBG-led G20 Investor Forum in 2018 will bring together G20 decision-makers and key members of the investment community to help unlock additional long-term financing that can support countries in reaching the SDGs.

21. **Domestic resource mobilization (DRM).** The Addis Ababa Action Agenda recommended to ramp up DRM as a source of financing for the SDGs. Today, 36 percent of IDA countries and 70 percent of FCV-affected countries do not reach the minimum threshold of 15 percent of GDP needed to fund basic state functions. The Bank has committed under IDA18 to support at least one-third of IDA countries in increasing their tax-to-GDP ratio, by strengthening the tax base and information-sharing systems, and implementing international taxation standards. Assessment frameworks for tax policy and administration are near completion. A new tool, the Medium-Term Revenue Strategy, is being piloted in nine countries to foster collaboration on tax policy and administration, with a further six countries in the process of adoption. Close coordination with the International Monetary Fund, Organisation for Economic Co-operation and Development, and the United Nations under the Platform for Collaboration on Tax continues. Several DRM-focused operations are under way, including in IDA countries. The following provides a brief status of the Bank's operational work:

- The Bank's focus is on the poorest countries below the 15 percent tax-to-GDP threshold. The Bank supports 20 of the 33 IDA countries that collect less than 15 percent through either lending operations or advisory services. Among MICs, support is provided to 7 of the 20 countries below the % threshold. In FCV-affected countries, the Bank supports tax reforms in 11 of the 22 countries with such low tax collections; and
- The Bank has active engagements in support of DRM across all six Regions and in 59 countries, including advisory services to 32 countries and lending operations in 33 countries, including 14 development policy financing (DPF) operations, 19 investment project operations, and 4 Program for Result operations. Commitments currently stand at US$970 million, of which US$572 million relate to DPFs. Examples of results associated with the Bank's support to tax policy and administration reforms are listed in Box 2, which include increased revenue collection, improved compliance, reduced burdens for taxpayers, higher effectiveness of tax audits, and improved equity.

**Box 2. Examples of Results in DRM-related Operations**

**Armenia.** The Tax Administration Modernization Project (2012-2018) has trained 35,000 tax inspectors, automated 96 percent of tax services and documents, and significantly reduced the time required for making tax payments (by 187 hours, or 37.5 percent). Since 2012, tax collection has improved from 16.3 to 21.0 percent of GDP.

**Pakistan.** The Tax Policy & Tax Administration Reform for an Increased Fiscal Space (2015-2019) has contributed to an increase in taxpayer registration and payment nationwide by about 9 and 30 percent, respectively. Overall, the project has helped boost Pakistan's tax-to-GDP ratio from 10.5 percent in 2014 to 12.5 percent in 2016. Under the Punjab Public Management Reform Program (2013-2018), the digitization of urban immovable property tax records with the addition of previously unregistered properties have contributed to more than double receipts.

**Philippines.** With Bank support, the Government hiked tobacco and alcohol taxes over the period 2012-16. The "sin tax" reform reduced the number of smokers from 30 percent of the population in 2011 to 25 percent in 2015, with the largest declines posted by the poor and young. The reform also generated 80 percent of the US$3.9 billion in additional revenues over the initial three years, and was linked to a threefold increase in the budget of the Department of Health. The additional resources for health were used to triple the number of families receiving free health insurance, from 5.2 million in 2012 to 15.3 million in 2015.

22. **Illicit financial flows (IFFs)** remain a threat to many countries. To assist countries in identifying the sources of illicit funds and the strengths and weaknesses of their defenses against them, the Bank developed the National Risk Assessment (NRA) tool. In FY18, 15 new country engagements delivering the NRA have been initiated (bringing the total up to over 100). A methodology to measure and analyze IFFs will be developed using the information collected in the assessments. The Bank has also launched a new Rapid Assessment Tool targeting illicit flows and a regional risk assessment tool is being designed. In December 2017, the Global Forum on Asset Recovery was hosted at the Bank (convened by the US and the UK, organized by the Stolen Asset Recovery initiative, to assist the four focus jurisdictions (Nigeria, Sri Lanka, Tunisia, and Ukraine) in reclaiming proceeds of corruption back from financial centers around the world.

23. The Bank is also helping clients strengthen their legal framework to tackle IFFs. As an example, the Bank is helping Colombia review its legislative framework and draft a comprehensive statute against illicit finance. Tracing and detecting financial flows linked to terrorist activity in the Middle East and Africa is also a key objective: the Bank is conducting a comprehensive program to train practitioners on how to identify and investigate terrorist financing and its links with trafficking activities (drugs, arms, human beings). In Africa, the Bank is helping the "zone franc" secretariat identify weaknesses and issue recommendations to enhance anti-money laundering/combating the financing of terrorism (AML/CFT) regimes in West and Central African countries. To complement these efforts, the Bank is assisting relevant international bodies in implementing AML/CFT standards at the country level and participates actively in the work of the Financial Action Task Force and associated regional bodies. Other efforts to fight IFFs include IFC' s screening of projects to detect misconduct and illicit flows and requiring compliance with legal standards set by member states, and the Bank's ongoing consultation and study on tax and crime. The WBG will continue to help clients combat IFFs that destabilize financial systems and undermine financial transparency, good governance, and accountability.

*<u>The capital package further discusses approaches to creating markets and what it will take to scale up impact while maintaining a balanced portfolio</u>.*

## Leading on Global Issues

> *"The WBG will … lead on the global public goods agenda, including robust implementation of the Climate Change Action Plan, … enhance … the WBG approach to crisis preparedness, prevention, and response; … and contribute to global efforts to bridge the infrastructure funding gap, critical to achieving the SDGs."*[10]

24. The WBG supports the **climate agenda** through policy advice, global advocacy, and lending. Climate financing represented 22 percent of the Bank's new commitments for FY17; the Bank is on track to meet the 2020 target of 28 percent. According to the FY17 client opinion survey, stakeholders rated the WBG's effectiveness, impact, and knowledge on climate from 6.9 to 7.8 on a scale from 1 to 10. As countries submit updated and potentially more ambitious NDCs at COP24 in Poland in 2018, the WBG will report on its Climate Change Action Plan and announce new commitments and targets beyond 2020. The WBG has committed to applying a shadow price on carbon for all projects in key high-emitting sectors, reporting greenhouse gas emissions from projects it finances in key emissions-producing sectors beginning in FY19, and ending its finance of upstream oil and gas projects as of 2020.

25. IFC delivered particularly strong volume of LTF for climate-related projects in the first half of FY18, driven by the largest package for renewable energy – the US$652 million Nubian Suns project in Egypt (Box 1), and the US$214 million Schwartz Group Green Building project in ECA. Climate is close to 27 percent of the IFC's Advisory program. IFC maintains a strong focus on climate-smart agribusiness, green buildings and smart cities, clean energy, green finance, and on creating technology-enabled green markets.

26. Climate-friendly finance is one of three priority areas in the MIGA2020 strategy. Gross outstanding exposure on climate-related projects stands at US$4.2 billion as of January 2018, a 14 percent increase since the end of FY15. To date in FY18, US$350 million of guarantees issued were in climate-related investments, across 16 projects.

27. The Bank, together with partners, is developing innovative insurance solutions and providing finance to help vulnerable countries proactively manage disaster risks. For example, two disaster risk pools for small island states established with Bank support – the Caribbean Catastrophe Risk Insurance Facility and the Pacific Catastrophe Risk Assessment and Financing Initiative – provided immediate financial assistance to Dominica, Trinidad and Tobago and Tonga.

28. The IBRD and IFC are major issuers of green bonds, with a total of US$17.5 billion in 225 bonds between them. Fundraising closed on IFC's latest mobilization platform, the US$2 billion Green Cornerstone Bond Fund, a pivotal instrument for developing the green bond market in emerging economies. In February 2018, the Bank issued the first ever multi-country catastrophe bonds that collectively provide US$1.4 billion in earthquake protection to members of the Pacific Alliance (Colombia,

**The WBG brings knowledge, convening power, and capacity to implement to address the toughest global issues.**

It is:

significantly increasing financing for projects with climate co-benefits as part of a broad climate action plan;

expanding financing for crisis response to help countries recover from conflict, natural disasters or pandemics;

helping to level the playing field for women in business;

promoting growth and stability through regional integration; and

helping clients understand and prepare for the future of work.

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[10] See DC2016-0009.

Chile, Mexico and Peru). This is the Bank's largest catastrophe bond transaction to date and the largest sovereign risk insurance transaction ever, transferring the risk of earthquakes to capital markets and giving authorities financial headroom to quickly respond to an emergency.

29. The WBG cooperates with other MDBs in many areas of climate action, including adaptation and resilience metrics, climate finance tracking and reporting, and greenhouse gas accounting. In December 2017 at the One Planet Summit, leading MDBs and International Development Finance Club members issued a joint statement aligning themselves with the Paris Agreement and identifying ways to step up cooperation on climate-smart development.

30. **Crisis response.** The WBG is expanding the range of innovative financing solutions and analytical capacities to address crisis risks. On the financing side, these include the Global Concessional Financing Facility (GCFF), the Pandemic Emergency Financing Facility (PEF), IDA's CRW, catastrophe bonds, and insurance products developed by the Global Facility for Disaster Reduction and Recovery. On the analytical side, diverse WBG units monitor key crisis risks in their areas of expertise.

31. The Global Crisis Risk Management Platform (GCMP) integrates crisis risk management tools.[11] In 2017, it mobilized US$2 billion to respond to famines in northeast Nigeria, Somalia, South Sudan, and Yemen. More recently, work has been undertaken to pivot the WBG's crisis work to prevention by: (i) strengthening crisis risk monitoring and analytical capacities; (ii) aligning crisis risk programming at the global, regional, and country levels; (iii) leveraging new financial products, including market-based vehicles, to arrest crisis risks upstream; and (iv) promoting more flexible crisis risk management mechanisms. Plans for the GCMP will be presented to the Board by the end of FY18.

32. The GCFF provides a structure for rapid, concessional support to MICs facing refugee crises. It subsidizes the cost of borrowing from MDBs for projects that benefit both refugees and host communities, helping to address both immediate humanitarian need and longer-term challenges. Several MDBs use the facility to coordinate their programmatic efforts. Since its launch in April 2016, it has mobilized US$1.4 billion in concessional financing for Jordan and Lebanon.

33. IDA18 provided the CRW with US$3 billion to respond to economic, health, and natural shocks. CRW approvals in FY18 include US$80 million to support recovery from economic shocks in Mongolia and US$200 million to support response to the cholera outbreak in Yemen. A recent internal review confirmed that CRW projects disburse nearly 40 percent faster than other IDA projects – a key feature for effective crisis response.

34. The PEF is fully operational. It has US$425 million in its insurance window to mitigate outbreaks of six diseases likely to cause major epidemics until June 2020. The Germany-funded US$50 million cash window provides flexibility to make resources available for outbreaks that do not meet the criteria of the insurance window. The PEF has broken new ground by putting a price tag on pandemic risk and engaging with private capital markets and the insurance industry. However, ensuring its long-term financial sustainability remains a challenge, and solutions are needed to reduce the facility's dependence on donor assistance. The Bank is working to enhance involvement by recipient governments, other development agencies, and the private sector.

35. Looking ahead, the key priority on the fragility agenda is ensuring that scale-up under IDA18 is targeted to the most vulnerable people and addresses the drivers of fragility. Doing so requires shifts in the way the WBG does business and works with partners, especially on projects in locations where the

[11] Previously the Global Crisis Response Platform.

WBG does not have staff on the ground.[12] Third-party monitoring (TPM) is one way to support project implementation in insecure environments. Typically, costs are several times higher than average Bank supervision budgets, and trust funds are relied on extensively. Expanded use of TPM may require multiple funding sources as a complement, including from non-Bank Budget sources. Remote project supervision can enhance monitoring and evaluation and supervision capacity in conflict-affected zones by using simple information and communications technology tools and cost-free apps to collect in-field data. Another priority for FCV is a stronger focus on prevention: the Bank recently launched a joint WB-UN flagship study[13] which offers the most comprehensive research to date on how development, diplomatic, and peacebuilding actors can collaborate to prevent conflict from turning violent. Over the next few months, the WBG will operationalize the study's findings. A new research agenda on the prevention of violent extremism will look at ways development can mitigate the spillovers of extremism, particularly in MICs.

**Box 3. MDB Collaboration on Economic Migration and Forced Displacement**

At the request of the Italian G7 Presidency, and building on the joint framework presented at the G7 Ministerial Meeting in May 2017, seven MDBs are finalizing a new Coordination Platform on Economic Migration and Forced Displacement under the co-leadership of the WBG and the European Investment Bank. This will include initiatives to enhance collaboration and provide a vehicle to engage a wide range of actors, including international organizations, governments, private sector, and civil society. Work is underway to establish a financing facility to support coordinated activities.

The MDBs' consultations with key partners to operationalize the platform underscore the need for common principles and procedures, better data and analytical evidence, and more coordination on key issues on the ground. The platform is expected to be launched at the 2018 Spring Meetings.

36. The implementation of the WBG **gender strategy** is gaining momentum. All WBG Regions are implementing new or updated Gender Action Plans, aligned with the strategy. Country diagnostics identify specific gender gaps in human capital endowments, more and better jobs, asset ownership, as well as voice and agency. All WBG units are taking concrete actions to close gaps in their operational programs. The governing council of the Women's Entrepreneurs Finance Initiative (We-Fi) met in February 2018 to allocate financing under the first call for proposals, with the WBG as an implementing partner. To prevent gender abuse in its operations, the WBG is implementing the recommendations of the Global Gender-Based Violence Task Force launched in FY17. According to the FY17 client opinion survey, stakeholders rated the WBG's effectiveness, impact, and knowledge on gender from 6.8 to 7.8 on a scale from 1 to 10. The Bank is supporting Canada's G7 presidency (2018) on an extensive gender and women's economic empowerment agenda, with implications for education and the evolving labor market.

37. IFC's new AIMM methodology reviews the contribution of projects towards gender equality where relevant. By end-December 2017, 34 percent of all new advisory projects addressed gender equity issues, in line with IFC's corporate scorecard gender target. IFC invested US$45 million of gender-dedicated finance in ABBank, Vietnam, focusing on small- and medium-enterprise loans for women entrepreneurs. In December 2017, IFC submitted its first proposal to the We-Fi program to support innovative approaches to assist women entrepreneurs via start-up equity, cash management and insurance products.

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[12] Promising examples have emerged in Yemen, where the Bank is using implementation arrangements with UNDP, UNICEF, and WHO to deliver nearly US$1 billion in critical support to address the famine and cholera emergencies; and in Somalia, where a first-of-its-kind contractual arrangement with the International Committee of the Red Cross supports implementation of a US$50 million emergency drought response project in high-risk areas.

[13] United Nations; World Bank. 2018. Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict. Washington, DC: World Bank.

38. In 2017, President Kim was recognized as the inaugural HeForShe Thematic Champion for International Finance Institutions (IFIs) by UN Women, during which the WBG made four commitments to gender equality. The WBG has almost reached its target at the senior management level, with men at 53 percent and women at 47 percent, and has an action plan in place to achieve the second level of EDGE, the leading business certification standard for gender equality, by 2020.

**Box 4. Disruptive Technology**

The WBG needs to better understand how disruptive technology can support or threaten progress towards the Twin Goals. While the pace of technological breakthroughs is relentless, a robust policy and regulatory environment is necessary to deploy transformative technology at scale, encourage innovation, and minimize the risks that disruptive technologies could lead to rising inequality, particularly when they disrupt labor markets. The World Development Report 2016: Digital Dividends laid out the challenges and opportunities of advancing technology. A task force to frame the WBG's response to disruptive technology will present initial findings to management in March 2018, and WBG teams are incorporating disruptive technologies in projects and looking to scale up. Examples include:

- A new smartphone app developed in Belarus that provides real-time assessments of road infrastructure and safety is being rolled out in nine other developing countries.
- An IFC investment of US$10 million allowed bKash, the world's second largest mobile financial services company, to expand basic financial services to 24 million people in urban and rural Bangladesh from 2012 to 2016; today, 80 percent of mobile payments in Bangladesh transacts through bKash.
- A Power Supply Irregularity Index developed by the Bank in India uses data analytics and machine learning to sort through satellite images and identify gaps in the electricity grid. This has improved monitoring, planning, and investment. Researchers believe the technology has potential to be rolled out to more than 70 countries, and its scope expanded to study patterns of poverty, migration, and even economic and environmental change.
- The Bank is partnering with Tanzania's Zanzibar region on a mapping initiative which uses drones to create and digitize a national property register that reduces the cost and time to keep it current.
- The use of cellphone data has allowed the Bank to partner with policymakers and the private sector in Haiti to rethink transportation infrastructure solutions in terms of access to jobs.

39. **Regional integration** agendas encompass cooperation on policy for trade, investment, infrastructure, domestic regulation, and other public goods (e.g., shared natural resources, security). Infrastructure can support integration, provided other "software" is in place to spread benefits fairly, for example, quality customs administration, responsible application of non-tariff barriers, and other complementary policies and institutions to administer benefits and resolve conflicts. The WBG's regional integration toolbox includes analytical work, convening power, advisory services, and lending, investing, and mobilization. Examples of WBG engagements that leverage collaboration among GPs and with other development partners include the Eastern Africa Electricity Highway and West Africa Power Pool, the Central Asia-South Asia Electricity Transmission and Trade project, the Western Balkans Trade and Transport initiative, and the Pacific Alliance Regional Integration Advisory project, and the analytical program on the Belt and Road Initiative.

40. **Jobs**. Unemployment and underemployment remain major challenges in client countries, particularly for youth and women. The WBG is implementing an integrated approach to jobs across more than 40 countries, via Jobs Diagnostics, new Jobs strategies and platforms that cover macroeconomic, regulatory and labor policies, and targeted investment promotion. The WBG is supporting the Jobs and Economic

Transformation theme in IDA18 through development policy operations (Bangladesh and Jordan), Program-for-Results (Lebanon), and multi-sector investment operations (Nepal, Tunisia, and West Bank and Gaza). Bank GPs and IFC are jointly developing innovative cross-sectoral initiatives for private sector-led job creation, with at least two country pilots planned for FY19. IFC's new AIMM framework expands the assessment of project impacts beyond direct employment creation to include estimates of indirect and induced employment. IFC is expanding the focus on women's employment, with a recently launched program in Sri Lanka and an advisory project on women's employment planned for later in FY18. Under the new CPSD series, identifying high-potential sectors for job creation is a focus area. The WBG is leveraging the Partnership for Economic Inclusion, to help increase the earnings, productivity, and assets of the extreme poor and vulnerable.

> *The capital package highlights opportunities to do more on FCV, climate change, and gender.*

## Improving the Business Model

> *"The WBG will need to continually improve its effectiveness and internal operational model."*[14]

41. The Bank expects to operationalize the new **Environmental and Social Framework (ESF)** in early FY19. It represents a major step forward in environmental and social (E&S) risk management, with advances in terms of transparency, accountability, nondiscrimination, and public participation. The Bank's ESF is harmonized with the framework of several other IFIs, and several bilateral partners have indicated plans to adopt the ESF. Launch efforts are underway, including development of a full range of procedures, guidance, tools and templates; training of 1,000+ Bank staff (to continue in FY19-21); and borrower and stakeholder workshops to chart further capacity building work for FY19-24. Operational processes and tools are being strengthened. A new monitoring system is under implementation to support integrated E&S risk management, to be built into the Operations portal with automatic data push to supervision, performance, and corporate reports, and to replace multiple standalone risk monitoring systems. The E&S requirements are being harmonized across the WBG, opening opportunities for collaboration across the three institutions to reduce the burden on clients. IFC actively manages environmental, social & governance (ESG) risks in its portfolio, supporting the creation of sustainable markets by encouraging the adoption of its globally recognized ESG standards. To further benefit clients and improve sustainability, IFC is developing and scaling up upstream ESG Advisory support. IFC has updated its Sustainability Training and eLearning Program, which helps clients in developing ESG risk management systems. MIGA's sustainability policy and performance standards harmonize with those of the Bank and IFC, providing confidence to MIGA's private sector clients.

> **The WBG is finding ways to serve its clients more effectively and more efficiently.**
>
> New environmental and social safeguards are being rolled out to help improve the sustainability of investments.
>
> Procurement reforms make it easier to implement projects, while building the capacity of borrowers.
>
> A wide range of administrative reforms is trimming bureaucracy, simplifying procedures, and creating efficiencies through shared services.

[14] See DC2016-0009.

42. The Bank's **procurement reform** is a multi-year commitment. Designed to increase the flexibility, efficiency and transparency of procurement processes, the framework goes beyond rules-based and compliance-oriented systems by recognizing the role of procurement as a driver of public sector performance, service delivery, and citizen trust. A sustained effort is needed to build countries' procurement capacity (particularly in low-capacity borrowers), to develop external partnerships including with the business community, and to expand borrowers' use of alternative procurement arrangements. The reform's outlook in the near/medium term includes: (i) continuing to embed new procurement approaches in operations; (ii) scaling up good practice; and (iii) expanding the industry engagement program, working collaboratively with businesses to improve procurement results. Management has established a multi-donor trust fund to supplement investment in country capacity-building, such as e-procurement systems that increase efficiency and stimulate private sector growth. The Bank is engaging with industry to communicate the new enabling environment and drive better performance; working closely with all MDBs to harmonize procurement practices; and collaborating with the Organization for Economic Cooperation and Development and bilateral donors to implement the revisions to the methodology for assessing procurement systems with the aim of establishing a global platform for knowledge-sharing and standards.

43. Implementation of the new Bank **Knowledge Management Action Plan** (KMAP) and roadmap endorsed by the Board in October 2017 includes: (i) launching an operations-wide knowledge needs assessment (February 2018), (ii) developing professional knowledge management (KM) competencies; and (iii) releasing new search capability and collaboration tools in April 2018. The plan supports key agendas such as MFD and disruptive technology by developing case studies and capturing lessons learned and helping staff find and use new tools and technologies to support their development efforts. Over the next three years, the KM team aims to deploy a new incentive structure in collaboration with HR, DEC, and the GPs. Becoming a "Better Bank Group" requires making knowledge flow and agile learning part of the organization's DNA and ensuring that our knowledge solutions are intuitive, well-integrated, and process-driven. In partnership with ITS, the knowledge technology landscape will be rationalized. Artificial intelligence, machine learning, and KM offerings such as knowledge packages will be built into workflows. Meeting the Forward Look commitments will require a deep behavioral change, moving the mindset on knowledge from supply-driven to demand-driven.

44. Support from the **South-South Facility** to Bank operations has significantly increased over the past year. Under the second call for programmatic knowledge exchange proposals in November 2017, 49 applications were received and three grants were awarded. As of January 2018, 233 grants have been approved, for a total of US$15 million, with 216 knowledge exchanges completed and 17 under implementation.

45. The **Agile Program***,* launched by the Bank in 2016, is a long-term effort to enhance ways of working and promote a culture of continuous improvement, increasing value to clients through more efficient resource allocation and empowered staff. The program is built around an Agile community with fellows from across the WBG. They work across three broad areas: ways of working, risk management, and smarter systems and processes. To succeed, the program will require a steady commitment over several years and clear incentives for staff to embrace the approach. IFC has also launched an Agile program to introduce practical process improvements and change behaviors to enable IFC to make better and more timely decisions. A new decision-making and accountability structure to support these changes has been approved and the first investment process pilots will be launched in March 2018.

46. FY18 is year two of the Agile program, and it builds on the pilots with increasing ambition. Several interventions tested have been rolled out and scaled up, such as delegated restructuring and the multiphase programmatic approach. To date, five projects have benefitted from delegated restructuring,

and the Board recently approved the first multiphase programmatic approach in Madagascar. With the focus on MFD, the Agile program is working to remove internal barriers to collaboration (e.g., disjointed approval processes, overlapping documents). Task team leaders are testing Agile interventions in over 170 projects across more than 60 countries. In a recent survey of staff participating in the initiative, over 90 percent of respondents indicated that the Agile interventions increased quality and saved them time, and over 70 percent believed the interventions increased client value.

47. The **administrative simplification** program is a critical complement to the Agile initiative, seeking to improve the WBG business model by modernizing key administrative processes and systems. To date, achievements include: (i) around 250,000 expense approvals will be eliminated by end-Q3 FY18; (ii) 20 HR processes have been automated and simplified; (iii) trust fund approval and management processes are being streamlined; (iv) a decluttered intranet, personalized workspace (OneSpace), and enhanced search system are in the beta testing stage; and (v) a robotics pilot is underway, with the first 20 use cases under implementation.

48. The WBG is at the forefront of **shared services** among MDBs, setting best practices, providing services to, and sharing experience with institutional partners. To improve services and further leverage its offshore presence, a new Group-wide shared services strategy was adopted in December 2017. The aims are to deliver greater effectiveness and efficiency, increase cost transparency, promote cross-cutting synergies, support simplification, and pivot to a customer-centric model. The current functional model of service delivery will be complemented with a "horizontal" function to address cross-cutting issues, build common capabilities such as business process simplification and robotics, and strengthen governance. Shared services align with other strategic initiatives such as the people and global footprint strategies, enterprise risk management, business continuity, and information technology strategies.

49. Attention has been paid to strengthen management of key cross-cutting areas, including through (i) an Enterprise Risk Committee to identify and manage enterprise-level risks (recent issues addressed include data privacy, cloud adoption, and concentration risks); and Real Estate Governance Council to review the real estate strategy, space standards, prioritization and shifts in the investment program in the context of a broader global footprint discussion.

50. IFC's new operational delivery model emphasizes joining investment operations with advisory services as well as increased alignment with the Bank. In FY18, IFC realigned its organizational structure, including remapping about 300 network staff to improve accountability, accelerate decision-making, and make more efficient use of resources. The reintroduction of Regional Vice-Presidents provides a key counterpart to Bank Regional Vice-Presidents, and strengthens the focus on regions and countries where collaboration on MFD is operationalized. To better align resources to the IFC 3.0 strategy, IFC has introduced a Cost-of-Doing-Business analysis to understand the cost dynamics of investment projects in each of its business areas. This will inform how best to estimate and further align future resource requirements to achieve IFC's strategy.

51. **Efficiency at ICSID.** The Centre is amending its key rules and regulations to position itself at the cutting edge of international dispute settlement. Extensive consultation with member states and the public is informing draft amendments that will be ready in the summer of 2018. Consultation with all member states on the proposed changes is scheduled for September 2018. The proposed amendments are expected to be tabled with the Administrative Council in 2019.

52. The new WBG's **values** statement was launched in the Fall of 2017, and aims to unify staff around an inspirational work culture and outstanding organizational behavior. Implementation of the values statement is ongoing, with the "Refreshing our Values" team staying engaged with WBG staff at all levels

via focus groups, the Staff Association, and online. Implementation involves incorporating values into the WBG's policies and procedures, starting with HR and the Code of Conduct.

53. **Management processes.** The Group Business Review (GBR) and the "W" strategic planning process bring Group-wide management together to foster alignment on corporate priorities and budget priorities, and to build consensus toward collective action. In the first two quarters of FY18, the GBR helped shape the corporate agenda on a variety of strategic issues such as MFD, IDA18's IFC-MIGA PSW, risk management, and trust fund reform.

54. Delivering on **value for money** (VfM) is central to how MDBs use shareholder capital and other leveraged resources, so that they can achieve development results while ensuring financial sustainability. WBG continues to emphasize core principles of VfM in its operations, strategy and organizational structure and in its use of balance sheet and financial instruments as delivered through projects, country programs, and regional and global engagements. MDBs are developing a common VfM framework. The working group is mapping institution-specific metrics (both quantitative indicators and qualitative narratives) to a shared conceptual framework. A draft MDB report will be delivered to G7 in April 2018, and a final report by October 2018.

### Improving WBG Efficiency

55. The Bank strengthened its financial position through a combination of revenue measures and expenditure measures, including the Expenditure Review (ER). It will meet its target of US$300 million in ER savings by the end of FY18, part of broader savings of US$400 million for WBG institutions and trust funds. As of FY18, IBRD will fully cover administrative expenses with revenues generated from its operations. A WBG Real Estate Council has been established to refine and implement the real estate strategy. ITS is implementing new efficiency measures over and above those under the ER, including rationalizing spending on IT operations and maintenance. By the end of FY18, Business Reviews will have been completed for three-quarters of the IG&A units, examining potential additional efficiencies. This program will cover the remaining IG&A units and will extend to operational units. The Bank conducts affordability assessments of annual workforce plans and is limiting hiring in units where the plan is deemed unaffordable. Furthermore, efforts are ongoing to control overall position count growth, optimize the grade mix, and enhanced staff performance management.

> **Prudent management of resources helps the WBG grow.**
>
> Budgets have been brought in line with operational revenue.
>
> Trust funds fees are closer to full-cost recovery, and TFs themselves are more aligned with strategic priorities of the WBG.

56. IFC and MIGA are aligning budget to priorities and are pursuing further efficiency gains. **IFC** has established financial sustainability levers to ensure that its loan and fee income (excluding equity gains) exceeds its administrative costs and has taken decisions to better respond to evolving needs by strengthening its regional presence. Through the ER alone, IFC generated efficiency gains that exceeded targets by 7 percent; it will continue to strengthen controls over non-staff costs, and achieve greater administrative efficiencies through WBG shared services agreements, joint real estate strategies, and procurement negotiations. Additional efficiency measures resulting from benchmarking exercises and a deep dive into IFC's Advisory Services delivery model are expected to deliver further savings. IFC will also participate in the WBG-wide effort to achieve further efficiency gains in institutional and administrative functions. Cost efficiency in **MIGA** has improved over FY14-17 with the ratio of administrative expense to net premium income declining from 63 percent in FY14 to 55 percent in FY17. MIGA's financial

sustainability hinges on its consistent operational performance over the long term, which will allow it to deliver on its development objectives and support the twin goals. Gross premium income was US$101.6 million in the first half of FY18, up by 17 percent over the same period of FY17. Operating income, a key measure of financial sustainability, grew by 27 percent over the same period.

57. The WBG is implementing a **trust fund reform** program. The exercise seeks to re-organize trust funds around the WBG's top priorities while retaining a degree of flexibility for innovation and emerging priorities. It increases efficiency and reduces transaction costs; strengthens the results focus for greater development impact; and promotes more active and strategic management of the portfolio at the corporate, GP, and Region levels. The reform changes the focus of trust-funded programs toward leveraging ideas and strengthening impact. Governance structures and management systems are being reoriented to better support program objectives, and less toward transactional oversight. The reform also ensures that trust funds are more closely integrated into the annual strategy, planning, budgeting, and staffing processes.

58. Trust funds enable **MIGA** to develop innovative insurance products. By partnering with donors on specialized guarantee trust funds, MIGA (i) works with external partners to develop new products that address the needs of the private sector, including emerging market investors; (ii) mobilizes guarantee capacity in FCV-affected countries; and (iii) underwrites highly developmental projects that it could not otherwise support. As of end-FY17, MIGA's guarantee exposure amounted to US$108 million across four trust funds, primarily supporting FCV-affected countries by catalyzing private capital flows through mobilizing political risk insurance products from both MIGA and the global insurance industry.

*The capital package discusses the elements of a "stronger WBG."*

## Conclusion

59. The WBG has made significant progress under the Forward Look, leading and innovating in areas of most pressing needs and as befitting high expectations of clients and shareholders. Increasingly, clients experience a Bank Group that combines the best of IBRD/IDA, IFC and MIGA to address both country-specific needs and global issues, and to do so at a scale that only the WBG can bring. However, there remains much to be done including scaling up and mainstreaming MFD, tackling climate change issues with urgency, consolidating further platforms to mitigate fragility and risks, addressing issues such as gender, DRM and illicit financial flows, and ensuring that Agile and simplification reforms take hold as lasting cultural shifts. Not least, the WBG will continue the dialogue with shareholders and clients on how to make sure that resources are targeted to areas that are in most need of funding. The support of shareholders to ensure that the WBG can continue in its role as the world's premier development institution is needed more urgently than ever.

## Annex 1. Forward Look Results Matrix

This table summarizes progress to date in implementing the Forward Look, including areas for further work, alongside Corporate Scorecard Indicators where relevant. The next Update will start reporting on the progress against new Scorecard indicators, and indicators shared between the Forward Look and the Scorecard will be refreshed as appropriate. Indicators not suited to scorecard monitoring will be reported to the Board through other engagements.

<table>
<tr><th rowspan="2">Theme</th><th rowspan="2">Progress</th><th rowspan="2">More to be done</th><th colspan="4">Relevant Indicators from WBG, WB and IFC Corporate Scorecards*</th></tr>
<tr><th>Indicators</th><th>Baseline (FY13)</th><th>Actual (FY17)</th><th>Target (FY17)</th></tr>
<tr><td rowspan="20">Assisting All Client Segments</td><td rowspan="20"><ul><li>Strong IDA18 pipeline developed</li><li>Strong FCV pipeline developed</li><li>Commitments to increase staff working on FCV met</li><li>New instruments for different client segments launched</li><li>IBRD lending shift towards lower-income clients under way</li><li>Engagement in MIC reforms and lending maintained</li><li>Scaled-up IDA support arrangements defined</li></ul></td><td rowspan="20"><ul><li>Continuing to expand the product offer for upper middle-income countries beyond traditional financing</li></ul>Refer to capital package</td><td>WBG: Satisfactory completion of country strategies</td><td>55</td><td>67</td><td>70</td></tr>
<tr><td colspan="4">Satisfactory outcomes of WBG operations (percent, IEG rating**) (as share of commitments)</td></tr>
<tr><td>WB</td><td>71.2</td><td>74.3</td><td>75</td></tr>
<tr><td>IFC</td><td>64</td><td>50</td><td>65</td></tr>
<tr><td>MIGA</td><td>76</td><td>61</td><td>NA</td></tr>
<tr><td>Increase in WBG staff based in FCV locations***</td><td>705 (FY16)</td><td>768 (1/30/18)</td><td>NA</td></tr>
<tr><td>IFC: FCS/LIC IDA Total LTF (US$ billion)***</td><td>1.6 (FY16)</td><td>1.6</td><td>1.5 (FY18)</td></tr>
<tr><td>ASA objectives accomplished (percent, client rating)</td><td>61</td><td>91</td><td>NA</td></tr>
<tr><td colspan="4">Stakeholder and Client Feedback</td></tr>
<tr><td>Stakeholder feedback on WBG effectiveness and impact on development results (scale: 1-10)</td><td>6.4</td><td>6.6</td><td>7.0</td></tr>
<tr><td>Stakeholder feedback on WBG knowledge (scale: 1-10)</td><td>6.8</td><td>7.2</td><td>7.0</td></tr>
<tr><td>Client feedback/satisfaction on WBG effectiveness and impact on results (scale: 1-10)</td><td>6.9</td><td>7.1</td><td>7.0</td></tr>
<tr><td>Client feedback/satisfaction on IFC investment (percent satisfied)</td><td>85</td><td>86</td><td>85</td></tr>
<tr><td colspan="4">Operational Delivery and Performance</td></tr>
<tr><td>Satisfactory WBG performance for country strategies (percent, IEG rating)</td><td>72</td><td>57****</td><td>75</td></tr>
<tr><td>WB: Concept to first disbursement (months)</td><td>28</td><td>25.4</td><td>Cut by 1/3</td></tr>
<tr><td>IFC: Mandate-to-disbursement (days)</td><td>NA</td><td>195</td><td>150</td></tr>
<tr><td>MIGA: Concept to Guarantee issuance (months)</td><td>5.41</td><td>6</td><td>NA</td></tr>
</table>

| Theme | Progress | More to be done | Relevant Indicators from WBG, WB and IFC Corporate Scorecards* | | | |
|---|---|---|---|---|---|---|
| | | | Indicators | Baseline (FY13) | Actual (FY17) | Target (FY17) |
| Maximize finance for development (MFD) | • MFD approaches agreed and being piloted; MFD is being expanded to new sectors<br>• IFC3.0 strategy under implementation, with CMAW fully operational<br>• Strong PSW pipeline<br>• Measurement of private capital mobilization harmonized across MDBs<br>• EFI advancing on DRM and IFF<br>• Staff incentives focused on MFD | • Scale up pipeline of bankable projects<br>• Build staff skills on MFD<br>• Continued implementation of the IFC Advisory Services delivery model<br><br>*Refer to capital package* | *Working as One WBG* | | | |
| | | | Share of Country Partnership Frameworks that have at least one joint objective in the results matrix (percent) | 83.3 | 100 | NA |
| | | | *Private capital* | | | |
| | | | Private capital directly mobilized by WBG transactions (US$ billions) | NA | 10.7 | NA |
| Leading on Global Issues | • Climate Action Plan and monitoring in place<br>• On track towards climate co-benefits target<br>• Global Crisis Risk Management Platform (GCMP) in place<br>• Targets for Gender integrated Country Strategies and Projects reporting on gender results met | • Build consensus on risk-based approach for crisis operations<br><br>*Refer to capital package* | WBG: Climate-related commitments, US$ billion | 8.4 | 12.8 | NA |
| | | | IFC: Climate share of total LTF (percent) | 17 | 25 | 22 |
| | | | Gender-integrated country strategies (percent) | 86 | 100 | 100 |
| | | | WB: Projects reporting on gender results during implementation (percent) | 55 | 75 | 75 |
| | | | WB: Projects with gender-informed analysis, action and monitoring (percent) | 54 | 71 | 66 |
| Improving the Business Model | • New Procurement framework under implementation<br>• On track with the launch of the new ESF<br>• Knowledge Action Plan under implementation<br>• Implemented incentives for collaboration across WBG<br>• Strong progress on Agile Pilots and Administrative Simplification<br>• Launch of IFC Agile, pilot underway to shorten Concept to Commitment time<br>• Three Deep Dives on IFC Advisory completed<br>• Shared Services Strategy approved and under implementation<br>• New People Strategy under implementation | • KMAP: Increase operational uptake of South-South Exchange, the Global Delivery Initiative, geospatial, big data and text analytics; develop staff learning curricula<br><br>*Refer to capital package* | *Collaboration and Knowledge Transfer* | | | |
| | | | Staff time spent across regions (percent) | 10.7 | 7.2 | NA |
| | | | Staff time spent across GP/CCSAs (percent) | 9.1 | 9.3 | NA |
| | | | Staff perception of WBG collaboration (percent) | 23 | 40 | 66 |
| | | | *Managing Talent* | | | |
| | | | WBG: Employee engagement (percent) | 71 | 79 | 76 |
| | | | WBG: Managerial effectiveness (percent) | 67 | 74 | 71 |
| | | | WBG staff diversity (index) ***** | 0.85 | 0.90 | 1.0 |
| | | | WBG inclusion index (percent) | 54 | 63 | 68 |

| Theme | Progress | More to be done | Relevant Indicators from WBG, WB and IFC Corporate Scorecards* | | | |
|---|---|---|---|---|---|---|
| | | | **Indicators** | **Baseline (FY13)** | **Actual (FY17)** | **Target (FY17)** |
| | • Targets for employee engagement and managerial effectiveness met | | | | | |
| Ensuring Adequate Financial Capacity | • Strong IDA replenishment completed<br>• Agreement on approach to IDA transfers<br>• Increase of MIGA's reinsurance and overall guarantee limits completed<br>• ER and budget anchor targets on track to be met by end-FY18<br>• External funds better integrated in WBG budget & planning processes | *Refer to capital package* | Total revenue (US$ billions) | 8.5 | 9.0 | NA |
| | | | Average annual growth of WBG business revenue (percent) | NA | 4.7 | >5 (FY15-24) |
| | | | IBRD budget anchor (percent) | 155 | 107 | ≦100 (FY18) |
| | | | IDA budget anchor (percent) | 98 | 97 | ≦100 |

* Dates are as per the latest online version of the Corporate Scorecard, unless otherwise stated.

** IEG ratings are preliminary and are under review.

*** Not in WBG Corporate Scorecard.

**** Measurement methodology was changed recently; baseline and target to be restated.

***** This Index measures the aggregate difference from a target of "1" and is made up of four institutional diversity indicators: Sub-Saharan African/Caribbean (SSA/CR) staff at grades GF and above, women in technical roles at grades GF and above, Part II managers, and female managers. Each indicator is weighted to form a component of the index, with each indicator weighted at 0.20, except SSA/CR, which is 0.40.

## Annex 2: Board Engagements on Key Forward Look Items since 2017 Annual Meetings

| | | |
|---|---|---|
| **Serving All Clients** | | |
| October 25, 2017 | CODE Meeting | WBG's Support for Shared Prosperity – An Independent Evaluation |
| November 21, 2017 | EDs' Seminar | WBG Engagement across Income Spectrum |
| January 10, 2018 | CODE Sub-Committee Meeting | IFC's Approach to Engaging Clients for Increased Development Impact |
| February 21, 2018 | ED's Seminar | Update on MIGA's FY18-20 Strategy and Ex-ante Development Impact |
| March 20, 2018 | Technical Briefing | Update on Small States |
| **Maximizing Finance for Development** | | |
| October 6, 2017 | IFC EDs' Seminar | Multinational Corporations: Important Partners of IFC to Increase Development Impact and Foster Global Economic Integration – IFC's Approach to Working with MNCs |
| November 13, 2017 | Audit Committee | Updates to the IDA18 IFC-MIGA Private Sector Window |
| January 16, 2018 | Board Informal Meeting | Doing Business in 2018 |
| February 15, 2018 | EDs' Seminar | IFC – Creating Markets |
| **Leading on Global Issues** | | |
| October 6, 2017 | IFC EDs' Seminar | Dialogue with IFC Management on the AIMM |
| November 8, 2017 | IBRD Informal Board Meeting | Gender-based Violence Task Force Update |
| January 23, 2018 | HRC/Technical Briefing | Gender Initiatives |
| March 19, 2018 | Technical Briefing | Update on Disruptive Technology |
| March 22, 2018 | Informal Board Meeting | Pandemic Emergency Financing Facility Implementation Update |
| April 10, 2018 | Informal Board Meeting | Global Crisis Risk Management Platform |

| Improving the Business Model and Efficiency | | |
|---|---|---|
| October 3, 2017 | HRC Business | Diversity and Inclusion |
| October 24, 2017 | IBRD Informal Board Meeting | Knowledge Management Action Plan<br>Final Update of the FY14-17 WBG and WB Corporate Scorecards |
| November 1, 2017 | CODE Ad hoc | Environmental and Social Framework Implementation |
| November 14, 2017 | HRC/Technical Briefing | WBG Compensation Methodology Review: Key Updates |
| November 16, 2017 | EDs' Seminar | Enhancing IFC's Additionality Framework |
| November 20, 2017 | HR Committee | Update on Work Force Planning<br>Update on WBG Engagement Survey |
| December 8, 2017 | EDs' Seminar | Post W1 |
| December 13, 2017 | EDs' Seminar | Bank Efficiencies |
| January 25, 2018 | Technical Briefing | World Bank Governance Programs Update |
| January 26, 2018 | EDs' Seminar | IFC Efficiencies |
| January 30, 2018 | EDs' Seminar | Post W3 |