THE WORLD BANK GROUP

OFFICE OF THE EXECUTIVE DIRECTOR

Australia | Cambodia | Kiribati | Korea | RMI | FSM | Mongolia | Nauru | New Zealand | Palau | PNG | Samoa | Solomon Islands | Tuvalu | Vanuatu

Mongolia

Korea

Nauru

Cambodia

Palau

Papua New Guinea

Australia

# ANNUAL REPORT

Marshall Islands

Micronesia

Kiribati

Tuvalu

Solomon Islands

Samoa

Vanuatu

New Zealand

## FISCAL YEAR 2015-2016

**WORLD BANK – EAST ASIA / PACIFIC CONSTITUENCY**
**OFFICE ANNUAL REPORT FY16**

**CONTENTS**

**DEVELOPMENT EFFECTIVENESS AND RESULTS**



**FUNDING DEVELOPMENTS AND REFORMS**



**ANNEXES**

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| CCPE | Clustered Country Program Evaluations (CCPE) |
| CEN | Country Engagement Note |
| CIF | Consolidated Investment Fund |
| CPS | Country Partnership Strategy |
| DB | Doing Business |
| DTF | Distance To Frontier |
| EIB | European Investment Bank |
| ESF | Environment and Social Framework |
| ERM | Emergency Response Manual |
| FCV | Fragility, Conflict and Violence |
| GDP | Gross Domestic Product |
| GoT | Government of Tuvalu |
| GoS | Government of Samoa |
| HC | Health Center |
| HEF | Health Equity Fund |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IDA17 | International Development Association/17th Replenishment by IDA Donors |
| IEG | Independent Evaluation Group |
| IFC | International Finance Corporation |
| IRM | Immediate Response Mechanism |
| IWRM | Integrated Water Resources Management |
| LGBT | Lesbian, Gay, Bisexual, Transgender |
| MID | Ministry of Infrastructure Development |
| MIGA | Multilateral Investment Guarantee Agency |
| MPWT | Ministry of Public Works and Transports |
| OD | Operational District |
| PAIP | Pacific Aviation Investment Program |
| PDO | Project Development Objective |
| PFM | Public Financial Management |
| PHDs | Provincial Health Departments |
| PPP | Purchasing Power Parity |
| RAMO | Road Asset Management Office |
| RPF | Regional Partnership Framework |
| SCD | Strategic Country Diagnostic |
| SCI | Selective Capital Increase |
| SDG | Service Delivery Grant |
| SE4All | Sustainable Energy for All (SE4All) |
| SLC | Social Land Concession |
| TC | Tropical Cyclone |
| TFSU | Technical and Fiduciary Service Unit |
| VSP | Voice Secondment Program |
| VSAT | Very Small Aperture Terminal |
| VSP | Voice Secondment Program |
| WBG | World Bank Group |
| WBG HR | World Bank Group Human Resources |
| WRM | Water Resources Management |

All monies expressed in US$ unless indicated otherwise
FY16 – refers to 1 July 2015-30 June 2016

# ANNUAL REPORT FY2016: WBG EDS09 CONSITUENCY OFFICE

## SECTION 1: EXECUTIVE SUMMARY

2016 was an important year for the World Bank Group.

We began the financial year (which ran from July 1, 2015 to June 30, 2016) with the endorsement by the United Nations of the Sustainable Development Goals. There are 17 Sustainable Development Goals and each goal has specific targets that are to be achieved by 2030. The World Bank Group will need to play a large role in assisting countries to meet these targets.

Everyone will need to play their part to achieve the Sustainable Development Goals, not just national governments. The importance of private sector resources in development was recognized in the "Billions to Trillions" paper presented at the Financing for Development conference in Addis Ababa in 2015. As a signatory to this paper, the World Bank Group has also committed to a substantial effort to help mobilize private sector resources into low and middle income countries.

With these new goals in place, the World Bank's Board of Executive Directors commenced a "forward look" process in early 2016 to ensure that the World Bank Group is well-positioned to meet the challenges of development through to 2030. The report from this process will be presented to the Board of Governors at the Annual Meetings this year for their consideration and endorsement.

The Board of Executive Directors also agreed new procurement guidelines and new environment and social safeguards during 2016 for use in the World Bank's investment project financing. Both of these will rely more on country systems than the guidelines that they replace. We think this represents an opportunity for countries to take greater ownership of the guidelines and safeguards around investment projects and to use projects as an opportunity to strengthen these support systems. My office is conscious of the need to support member countries through knowledge and capacity building and we have argued strongly for the World Bank to provide dedicated resources to this task.

A new replenishment round for IDA has also been underway through 2016. It is expected to conclude in December. It is likely that IDA member countries and the World Bank's Executive Directors will support an increase in base IDA allocations. This will benefit all countries that have access to IDA resources, but the biggest proportional increases will flow to small states, of which there are a number in our constituency.

There have also been a number of other activities around small states in financial year 2016 and continuing into financial year 2017. The World Bank's Internal Evaluation Group concluded and presented Clustered Country Program Evaluations (CCPE) for small states in the Pacific and in the Caribbean. The CCPE highlighted many of the unique challenges faced by small states and faced by the World Bank working in small states. Work has also recently concluded on a Small States Stocktake which describes the World Bank Group's current work in small states and provides some suggestions for issues that will require further work in future.

Building on this momentum around small states, my office has continued to work with World Bank management to find ways to address the anomalies that mean some of our small states are unable to access either IDA or IBRD resources. Some of the criteria for access to World Bank resources do not adequately take account of the development context in small states. Working on this issue will be a priority for my office in 2017.

To help progress this work, I worked with other Executive Directors with large numbers of small states in their constituencies to convene a "Friends of Small States" Working Group. We hope that this will be a useful forum

to present and advance issues of concern to small states. The first meeting was chaired by Canada (which also represents a constituency of Caribbean countries) and was attended by Executive Directors or representatives of all 25 of the World Bank's constituencies.

Another priority issue for us in 2017 will be the issues of correspondent banking relationships and de-risking. Banks in developing countries are finding it increasingly difficult to maintain their correspondent banking relationships. This is jeopardizing access to foreign exchange facilities and threatening remittances and other transactions. The International Monetary Fund and the World Bank with other partners are working to understand the nature of this problem and to determine what can be done to mitigate its effect.

Access to funds for climate-related projects will also be an important issue for 2017. Some countries have found it difficult to apply for and win funding for projects that address climate resilience issues and we think it will be important to simplify processes and to provide support for countries for their applications.

Finally, we welcomed a new member in 2016. Minister David Adeang of Nauru signed the IBRD's Articles of Association at a ceremony at the State Department in Washington, D.C. during the 2016 Spring Meetings. Nauru is the fifteenth member of our constituency. We welcome their membership of the IBRD and we look forward to representing them at the World Bank Group.

## SECTION 2: CONSTITUENCY OFFICE

**GOVERNORS AND ALTERNATE GOVERNORS FOR THE CONSTITUENCY***

| Member Countries | Governor | Alternate Governor |
|---|---|---|
| Australia | Hon. Scott Morrison, MP | Hon. Kelly O'Dwyer, MP |
| Cambodia | H.E. Aun Pornmoniroth | H.E. Vongsey Vissoth |
| Kiribati | Hon. Teuea Toatu | Mr. Eriati Manaima |
| Korea | Hon. Ilho Yoo | Mr. Ju Yeol Lee |
| Marshall Islands | Hon. Brenson S. Wase | Mrs. Maybelline Bing |
| Federated States of Micronesia | Hon. Sihna N. Lawrence | Mrs. Senny Phillip |
| Mongolia | Hon. Choijilsuren Battogtokh | Mr. Nadmid Bayartsaikhan |
| Nauru | Hon. David Adeang, MP | Mr. Martin Hunt |
| New Zealand | Hon. Bill English, MP | Mr. Gabriel Makhlouf |
| Palau | Hon. Elbuchel Sadang | Mr. Rhinehart Silas |
| Papua New Guinea | Hon. Patrick Pruaitch | Mr. Dairi Vele |
| Samoa | Hon. Sili Epa Tuioti | Mr. Lavea Iulai Lavea |
| Solomon Islands | Hon. Snyder Rini | Mr. Harry Degruit |
| Tuvalu | Hon. Maatia Toafa | Mr. Letasi Iulai |
| Vanuatu | Hon. Gaetan Pikioune | Mr. Simeon Malachi Athy |

* As at June 30, 2016.

**EXECUTIVE DIRECTOR, ALTERNATE EXECUTIVE DIRECTOR AND STAFF**

| | |
|---|---|
| Executive Director | Heenam Choi replaced Sung-Soo Eun (Korea) |
| Alternate Executive Director | Jason Allford (Australia) |
| Senior Advisor | Rose Nakanaga (Micronesia) |
| Senior Advisor | Bevan Lye (New Zealand), not present in the group photo |
| Advisor | Mark Tattersall (Australia) |
| Advisor | Kyung-Yun Yeom replaced Jye Hoon Lee (Korea) |
| Advisor | Phiyorin Tep (Cambodia) |
| Advisor | Elliot Ali (Kiribati) |
| Advisor | Charles Paul |
| Program Assistant | Beatrice Nguerekata |
| Program Assistant | Monica Eun Jong Chang |
| Program Assistant | Elsa Warouw |

**VOICE SECONDMENT PROGRAM**

Our office continued to support the capacity building Voice Secondment Program (VSP) in FY16. This year's Cohort (the twelfth cohort of VSP) was drawn from Armenia, Botswana, Cape Verde, Côte D'Ivoire, Comoros, Grenada, Kiribati, Kyrgyz Republic, Lao PDR, Maldives, Mauritania, Rwanda, Swaziland, Sri Lanka, and West Bank and Gaza. The program commenced with six weeks of training in Bank operations before the VSP Secondees proceed to a week attachment in the respective offices of the participating WBG Executive Directors.

The VSP Secondees spent the remainder of their time at the Bank fully integrated into the work program of a WBG operational unit to help them build capacity in WBG operational policies, procedures and practices. The twelfth cohort of the VSP concluded in July. Mr. Tawaria Komwenga of Kiribati, successfully completed the training for the twelfth Cohort. He was assigned to the East Asia and Pacific Region. He also joined our office for briefing and debriefing during the induction week.

The thirteenth Cohort for the VSP application process was completed. Our office received applications from four countries (Cambodia, Mongolia, Papua New Guinea, and Samoa). Ms. Letauilomalo Polataivao-Malaga, Principal Loans Management Officer - Aid Coordination & Debt Management Division, Ministry of Finance from Samoa, was selected to participate in thirteenth cohort of the VSP following a very competitive selection process. The program will commence on January 9, 2017 and run to July 7, 2017.

## SECTION 3: POLICY AND ANALYTICAL WORK OF INTEREST TO OUR CONSTITUENCY

### PACIFIC POSSIBLE

Over the past year, the World Bank has been working on a research project – *Pacific Possible* – that aims to provide insights into transformative opportunities, as well as important challenges, for eleven Pacific Island countries in the coming decades.[1] The project has involved a joint approach with Pacific Island governments, development partners, and civil society – including formal public consultation processes.

Consultations across the Pacific have identified seven key themes for focus in the *Pacific Possible* report:

- Tourism (including aviation);
- Labor mobility
- The knowledge economy
- Fisheries
- Deep-sea mining
- Climate change and natural disaster preparedness
- Non-communicable diseases

The Bank released background papers on six of the themes for public consultation between April and July 2016. The Bank expects to release the final background paper – on the knowledge economy – no later than October of this year.

There will be a discussion of the background papers (focusing on labor mobility, climate change and the knowledge economy) at the Pacific Island Governors' Seminar during the World Bank's Annual Meetings in October 2016.

The Bank has also begun work on the final Pacific Possible report, which will pull together the overall findings that have emerged from the background papers and the process of consultation. The Bank intends to release a draft of the final report for public consultation within the next six months.

### IEG's ASSESSMENT ON WBG IN PACIFIC

During August, the Independent Evaluation Group produced an evaluation of the World Bank's effectiveness in the Pacific from 2005 to 2015. Rating the Bank's overall performance as satisfactory, the evaluation highlighted

[1] The project covers the Federated States of Micronesia, Fiji, Kiribati, the Republic of the Marshall Islands, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu and Vanuatu.

the challenges facing the region and the role that Australia and New Zealand had played in lobbying for and financing the scale-up in the Bank's presence.

Bank programming was found to be highly relevant and focused in its areas of comparative advantage. It was properly selective, and its instruments were generally appropriate. The evaluation also highlighted a few specific areas where Bank Group programming had yielded "genuinely transformational institutional outcomes":

- Contributing, in particular through the 2006 Pacific Islands at Home and Away study, to the policy debates that led to Australia's and New Zealand's temporary migration programs
- Dramatically improving connectivity in the region by introducing competition to telecommunications markets and supporting PPPs
- Increasing awareness amongst both governments and donors of the need to build environmental resilience into infrastructure investments
- Persuading governments to outsource road maintenance contracts, thereby promoting more efficient use of public resources and the development of the private sector.

Nonetheless, the performance concerns highlighted in the evaluation included complex processes and limited staff presence and turnover. The findings of the evaluation are feeding into the Bank's broader consideration of its effectiveness in small states and will be particularly important as IDA allocations to the region potentially grow sharply from 2017, further increasing the Bank's engagement.

## DOING BUSINESS REPORT

Doing Business 2016 (DB2016) under the theme "Measuring Regulatory Quality and Efficiency" was launched by the World Bank Group on October 27, 2015.

Doing Business compares business regulation for domestic firms in 189 economies. It is a tool that governments can use to design sound business regulatory policies for the creation of firms and jobs as well as to promote private sector development.

Doing Business measures 11 areas of business regulation: (1) procedures, time, cost and paid-in minimum capital to start a limited liability company; (2) procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system; (3) procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the cost of electricity consumption; (4) procedures, time and cost to transfer a property and the quality of the land administration system; (5) movable collateral laws and credit information systems; (6) minority shareholders' rights in related-party transactions and in corporate governance; (7) payments, time and total tax rate for a firm to comply with all tax regulations; (8) time and cost to export the product of comparative advantage and import auto parts; (9) time and cost to resolve a commercial dispute and the quality of judicial processes; (10) time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency; and (11) flexibility in employment regulation and aspects of job quality.

In DB2016, the improvements being introduced in indicators are further increasing the emphasis on the quality of regulation as a complement to the initial emphasis on its efficiency. The report introduces new measures of regulatory quality in four indicator sets: dealing with construction permits, getting electricity, registering property and enforcing contracts. Last year's report added a measure of regulatory quality to the indicator set for resolving insolvency and expanded those in the indicator sets for getting credit and protecting minority investors.

The DB2016 report highlights that the 20 economies at the top of the ranking perform well not only on the doing business indicators but also score well on such measures as the Global Competitiveness Index and Transparency International's Corruption Perceptions Index. The top-performing economies in the ease of doing business

ranking are those in which governments have managed to create rules that facilitate interactions in the marketplace without hindering the development of the private sector. In DB2016, Singapore remains number one in the ranking since 2007, followed by New Zealand.

The ease of doing business ranking started to be based on the distance to frontier (DTF) score in the DB2015 report. The DTF score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators, where 100 is the frontier. The DTF score explains that an economy can make progress and still lose ground in the ranking when the other economies perform comparatively better.

The table below presents the ease of doing business raking and DTF score for our constituency member countries.

**Table 1. Ease of doing business ranking for constituency members**

| No. | Economy | DB2016 | | DB2015* | |
|---|---|---|---|---|---|
| | | **Rank** | ***DTF score*** | **Rank** | ***DTF score*** |
| 1 | New Zealand | 2 | *86.79* | 2 | *86.75* |
| 2 | Republic of Korea | 4 | *83.88* | 4 | *83.91* |
| 3 | Australia | 13 | *80.08* | 12 | *80.09* |
| 4 | Mongolia | 56 | *68.83* | 59 | *68.19* |
| 5 | Vanuatu | 94 | *61.08* | 96 | *60.02* |
| 6 | Samoa | 96 | *60.70* | 92 | *60.63* |
| 7 | Solomon Islands | 112 | *57.86* | 109 | *57.74* |
| 8 | Cambodia | 127 | *55.22* | 133 | *52.78* |
| 9 | Palau | 136 | *53.43* | 131 | *53.43* |
| 10 | Republic of the Marshall Islands | 140 | *51.58* | 137 | *51.58* |
| 11 | Papua New Guinea | 145 | *50.74* | 141 | *50.67* |
| 12 | Federated States of Micronesia | 148 | *49.67* | 146 | *49.68* |
| 13 | Kiribati | 149 | *49.50* | 143 | *49.99* |
| 14 | Tuvalu | n/a | n/a | n/a | n/a |
| | | | | | |

***** *DB2015 ranking shown is not last year's published ranking but a comparable ranking for DB2015 that captures the effects of such factors as data revisions and the changes in methodology.*

Reforms to improve doing business that were implemented from June 2014 to June 2015 for some of our constituency members are:

- New Zealand's global ranking remained in 2nd place. In the area of getting electricity, the utility in New Zealand reduced the time required for getting an electricity connection by improving its payment monitoring and confirmation process for the connection works.

- Mongolia made starting a business easier by reducing the number of days required to register a new company. In the area of getting credit, the credit registry began distributing data from a utility company, improving access to credit information. As a result, Mongolia improved its doing business ranking from 59th to 56th place.

- Vanuatu improved the quality of land administration by appointing a land ombudsman to deal with complaints relating to the land registry. In the area of trading across borders, Vanuatu reduced the border compliance time for importing by improving port infrastructure in Port Vila. Consequently, Vanuatu's ranking moved from 96th to 94th place.

- Cambodia made starting a business easier by simplifying company name checks and streamlining tax registration. It also reduced the average frequency and duration of power outages experienced by a

customer over the course of a year in Phnom Penh by increasing power generating capacity. These reform measures improved Cambodia's ranking from the 133rd to 127nd place.

The new Doing Business 2017 (DB2017) is expected to launch at the end of October 2016. The upcoming report has the following main methodology expansions in the areas of paying taxes:

- Measuring the process of going through an audit on corporate income tax due to underpayment;
- Measuring the process of obtaining a value added tax refund related to a large capital purchase; and
- Measuring the process of going through an administrative tax appeal.

The DB2017 will focus on the link between business regulations and income inequality. Transparent and accessible business regulations make it easier for people of all incomes levels to access markets, develop their own businesses and navigate the bureaucracy. People of low income are more likely to benefit from transparent regulations because they cannot afford to pay experts to guide them through the system in the same way as people of higher income can.

It should be noted that the World Bank Group's doing business report has its limitations in its scope; it does not cover some important policy areas, including macroeconomic stability, the state of the financial system, the level of training and skills of the labor force, the prevalence of bribery and corruption, market size, and security. Despite these limitations, the important value of the doing business initiative is that it allows governments to benchmark their economy's performance against that of other economies. The data identify best practices globally and identify where each economy's practices hold inefficiencies or inadequate legal protections and where reforms need to be focused to promote a better regulatory framework to support business activities and economic development.

## CLIMATE CHANGE ACTION PLAN

During the World Bank/IMF Annual meetings in Lima, Peru in 2015, President Kim committed the WBG to increase climate change projects and activities to equal 28% of the overall lending portfolio. Over the past year, the IBRD and IFC have mobilized to develop climate change action plans that will help to meet this new commitment.

The plans will scale up the Bank's existing work in developing innovative financial products, including increasing disaster risk mitigation through insurance schemes and other vehicles. These scaled-up efforts continue to build on the new tools developed as part of the IDA-17 Replenishment in December 2013 to help screen projects for short and long-term climate and disaster risks, as well as measure the benefits of projects to climate change adaptation.

All IDA Systematic Country Diagnostics and Country Partnership Frameworks will continue to incorporate climate and disaster risk considerations into the analysis of a country's development challenges and priorities and, when agreed with the country, incorporate such considerations into the content of the programs and the results framework.

For the pacific, the Regional Partnership Framework (which is the result of the SCD) will operationalize the Bank's future commitment to the region. It will include the scaled up efforts for climate change and mitigation as well as other issues that are to come up during country specific dialogue with the Bank.

## SYSTEMATIC COUNTRY DIAGNOSTIC (SCD)

The Systematic Country Diagnostic (SCD) for a group of eight smaller Pacific island member countries that include Kiribati, Marshall Islands, the Federated States of Micronesia, Palau, Samoa, Tonga, Tuvalu, and Vanuatu was concluded and published earlier this year.

This is the product of a simultaneous diagnostic exercise carried out for the eight countries in 2015 by the World Bank Group (WBG) in close consultation with the national authorities, the private sector, civil society and other stakeholders to identify the most critical constraints and opportunities facing the countries for advancing progress towards the twin goals of reducing absolute poverty and fostering shared prosperity. This SCD will help the countries, the WBG and other development partners to focus their efforts around the key priorities and activities that have high impact and are aligned with the global goals.

The Bank has historically covered the Pacific Island countries in regional strategies, rather than individual country strategies. However, with the significant scaling up of the Bank's engagement in the Pacific over the past five years, individual Country Partnership Strategies (CPS) have been prepared for all countries except Palau and Vanuatu. The joint SCD for the eight Pacific countries marks the return to a regional approach driven by the similarity of development challenges the countries facing and the importance of regional solutions to these challenges that have become an important complement and provided significant leverage to country specific engagements.

To further guide the Bank Group's future engagement in the region, a Regional Partnership Framework (RPF) that will draw on the findings of the SCD is being prepared covering the same Pacific island countries including Nauru (which became a member after the SCD was completed). The new framework will ensure the right balance between a regional perspective and adequate country specificity as priorities will differ across countries with regard to country context and progress towards the twin goals.

The new framework is expected to be put to Executive Directors for endorsement in early 2017 and the constituency office is working closely with the Bank staff to making sure that the development needs and priorities of the countries are adequately addressed in the new strategy.

## CAMBODIA COUNTRY ECONOMIC NOTE

On May 19, the World Bank Group's Executive Board discussed the Country Engagement Note (CEN) for the Kingdom of Cambodia for the period FY2016-FY2017. The CEN sets out the strategy of the World Bank Group (WBG) to support Cambodia to reduce the incidence of poverty and help to further improve its business climate and make its products more competitive in global markets. It also aims to improve social and infrastructure service delivery, generate opportunities for the poorest people, and reduce their vulnerabilities through investments and programs to build assets and create more jobs.

During the implementation of the CEN, the WBG will conduct Systematic Country Diagnostic (SCD) with an aim to identify opportunities and challenges, as well as solutions for reducing poverty and sharing the benefits of growth among all Cambodians. The Bank will also provide analytic and advisory services requested by the government, with a focus on: (a) trade and investment promotion; (b) macroeconomic and financial management; (c) public sector management; and (d) social infrastructure.

The CEN includes seven investment projects funded under IDA17 with the total amount of around US$250 million. The WBG's new engagement with Cambodia started with an initial four projects in the areas of:

- *road infrastructure*, which aims to improve 218 kilometres of roads resilient to seasonal flooding, shortening travel times and providing better connectivity along national road corridors;

- *health care*, which aims to help cover the costs of health services for the nation's three million poor people, reducing their out-of-pocket costs and providing reliable financing for health facilities;
- *social land allocation*, which aims to provide agriculture extension services to more than 5000 previously landless and land-poor families; and
- *fishery resources management*, which aims to improve the management of fisheries and water resources, and help reduce rural poverty in the Mekong River Basin in northeast Cambodia.

These four newly-approved development projects are being supported by US$130 million in concessional credits from IDA and repayments are stretched over 25 to 40 years, including a grace period of 5 to 10 years. The other three projects will focus on education quality, disaster risk management, and livelihood enhancement programs for poor. These projects are under preparation and expected to be implemented in early 2017.

During the CEN period, the International Finance Cooperation (IFC) plans to expand its engagement through private sector investments (in the amount of US$200 million) and advisory services (in the amount of US$10 million) that will cover: (i) financial sector; (ii) infrastructure; and (iii) trade/competitiveness.

The Cambodian government will explore the opportunity for the Multilateral Investment Guarantee Agency (MIGA) to engage in the country and offer political risk insurance and guarantees to investors in sectors such as finance, manufacturing, agribusiness, services, and infrastructure.

The Country Engagement Note envisions the WBG's renewed full engagement in Cambodia through a subsequent Country Partnership Framework (CPF).

### GENDER STRATEGY

In December 2015, the Bank launched a new Group-wide Gender Strategy. This was only the second ever such strategy produced by the Bank, updating the 2001 strategy which called for task teams to apply a "gender lens" to their investments and established a monitoring framework to track these considerations in project designs. The new strategy recognized the need for stronger and better resourced efforts to address gender inequality, in particular through better access for women to jobs and productive assets. It also focused on reducing the remaining gender gaps in health and education and enhancing women's voice and agency.

The new strategy includes a greater focus on outcomes and results and sets out steps to strengthen country diagnostics and gender disaggregated data, improve the evidence base on what works and disseminate this to clients, better monitoring of 'gender mainstreaming' efforts, and enhanced partnership with the UN and other actors. The strategy is being operationalized in part through IDA 18, in which gender will remain a Special Theme.

## SECTION 4: OPERATIONS POLICY OF INTEREST

### FORWARD LOOK

During 2016, the Board progressed the 'Forward Look' exercise mandated by the Bank's Governors at the 2015 Annual Meetings. Advanced through a series of moderated discussions between Board members and Bank management, the exercise is intended to ensure that the Bank is able to respond to the changing development landscape over the next 15 years.

Discussions first began in February and March, based around three themes: the global development context; a 'fit-for-purpose' Bank; and financial sustainability. A subsequent report to Governors at the Spring meetings foreshadowed the development of proposals to ensure the Bank:

- Remains responsive to the diverse needs of all its clients
- Leads on global and regional issues
- Makes the 'Billions to Trillions' agenda a reality
- Partners effectively with the private sector as 'One World Bank Group'
- Becomes a more agile and effective development partner, and adjusts its business model accordingly.

Further retreats during June and July streamlined the final product. A final report, along with a summary of commitments, will be presented to the Governors at the Annual Meetings in October. The exercise will then feed into discussions on the Bank's capital adequacy and financial sustainability during 2017.

## IDA18 REPLENISHMENT

The IDA 18 replenishment meeting proceeded during 2016, with meetings in March (Paris) and June (Nay Pyi Taw, Myanmar). The replenishment is ongoing and no decisions have yet been taken. Nonetheless, the replenishment looks set to yield a good result, both globally and for the constituency in particular. Under a 'base scenario' proposed by management, the size of the replenishment would grow from US $52 billion in IDA17 to US $75 billion in IDA18. This would be supported by donor contributions that are nominally flat in national currency terms, representing a 12% reduction in Special Drawing Rights (SDR), the Bank's basket of currencies.

The rare combination of a substantial growth in the replenishment level alongside reduced donor contributions is made possible by increased reflows from loan repayments and the innovation of 'leveraging', or issuing market-based debt from the IDA balance sheet. As Management has stressed, this would mean that each donor dollar to the replenishment would result in three dollars being available for borrowing countries – up from two dollars in IDA17. A key milestone in this process was achieved on 21 September 2016 when IDA was granted AAA credit ratings from both Moody's and Standard and Poors.

Given the likelihood of a strong financial outcome from the replenishment, debate has focused mostly on the level of non-concessional resources generated by leveraging, as well as the criteria through which these funds would be allocated. (Management favors allocation by IDA's performance-based allocation system; some donors would prefer allocation based on priorities such as global public goods or the ability to leverage alternative sources of finance). Also under discussion is the level of ongoing transfers to IDA from IBRD and IFC, both during IDA 18 (when IFC and IBRD resources are likely to be constrained) and beyond.

Most immediately for the constituency, proposed changes to IDA's allocation system are likely to yield substantial benefits for smaller members. These include a significant increase in the base allocation (from SDR4 million to SDR15 million annually), further growth in the Regional Window, and a larger Crisis Response Window. Specifics are unclear at this stage, but it seems likely that this would result, at a minimum, in a doubling of IDA allocations to the Pacific.

A third replenishment meeting will be held on the sidelines of the Annual Meetings, with the final pledging meeting planned for Indonesia in December.

## SAFEGUARDS REVIEW

During August 2016, the Board approved a new Environmental and Social Framework (ESF) covering the Bank's investment project financing. The ESF will replace the Bank's existing environmental and social safeguards, first

put in place in the 1980s. The Board's approval comes four years after the commencement of the safeguards review and follows the largest ever public consultation process conducted by the institution.

The new framework represents a substantial step forward in key areas, bringing the Bank into line with other multilateral development banks. Protections for those affected by Bank projects have been expanded. A stand-alone safeguard protecting the rights of project workers is included for the first time. Anti-discrimination provisions, including for LGBT communities, have been enhanced. The Free, Prior and Informed Consent (as opposed to just consultation) of affected Indigenous communities is required. Meanwhile a new, non-binding vision statement sets out the Bank's aspiration to assist member countries to meet their commitments under the Universal Declaration of Human Rights.

Perhaps most significantly, the policy provides for a more risk-based, adaptive approach to safeguards implementation, in which borrowers and the Bank work together over the course of the project to put in place appropriate environmental and social protections. The new framework provides for greater use of borrower systems, enhanced capacity building assistance to clients and improved harmonization with other multilateral and bilateral actors. All of this should contribute to the efficiency and sustainability of Bank operations. Together with the 2015 approval of a revised procurement framework, the new safeguards represent the backbone of efforts to streamline the Bank's processes and speed its delivery, an outcome promised in the 2013 World Bank Group Strategy.

Effective implementation is the challenge that lies ahead for the new framework, which is expected to go into effect in early 2018. The difficulties involved will be substantial, not least the cultural change required to ensure that an adaptive management approach is effective. The challenge will be particularly acute in the Pacific, where capacity is low and lending volumes are expected to increase sharply following the conclusion of the current IDA 18 replenishment.

Adequate resourcing is one part of the answer, and in the final negotiations management committed to providing substantial new funding to support implementation, including through capacity building programs targeted to small and low capacity states. So too will staff skills, and an intensive training and awareness campaign will be rolled out over the coming year.

## SHAREHOLDER REVIEW

The Executive Directors agreed to put forth a report and recommendations on the Dynamic Formula to Governors at the World Bank/IMF Annual Meetings scheduled for October 7-9, 2016. The Dynamic Formula is part of the 2015 Shareholding Review that was endorsed by Governors at the 2015 Annual Meetings in Lima.

The 2016 Annual Meetings are a key point in the Roadmap endorsed by the Governors. The discussions on a Selective Capital Increase (SCI), including its size and rules on allocation of shares, building on the dynamic formula, are what will determine the realignment of member countries' voting power. Agreement on a formula is a critical step in the Roadmap that paves the way for these upcoming discussions. The agreement, which is based on extensive discussion of the options, required substantial compromise on all sides. As a result, the Roadmap endorsed by Governors is on track, with significant discussions to come in the next stage.

The dynamic formula agreed by Executive Directors to recommend to Governors uses only two variables: economic weight and IDA contributions. Economic weight is measured by GDP, using a blend of market exchange rates (MER) and purchasing power parity (PPP). On IDA contributions, the discussion focused on how to balance recognition of historic contributions to IDA with an incentive for new and traditional donors to participate in future IDA replenishments. The recommended IDA variable gives 80 per cent weight to the most recent three

IDA replenishments and 20 per cent weight to earlier replenishments, which was seen overall as a fair balance of encouraging continued support for IDA while also recognizing the generosity of past contributions.

Voice reform at the World Bank has so far been characterized by movement in significant but manageable steps, maintaining a steady direction of reform. Due to the broad range of economic weight among IBRD member countries, in combination with the IDA variable, the formula generates calculated shareholding values that are more dispersed than the current distribution of shareholding. With a formula being adopted for the first time, certain adjustments may be necessary in an SCI to smooth the impact for individual shareholders, secure broad acceptance by the membership and protect the smallest poor.

## CRISIS RESPONSE

The Bank substantially reviewed and refined its instruments for preparing and responding to crises during FY 16. Initially this was spurred by the West African Ebola outbreak, which led the Bank to develop the Pandemic Emergency Facility (PEF). This was approved by the Board in May 2016 and is designed to help fill the funding gap that occurs in the period after the early investigation and assessment of an outbreak – and before large scale humanitarian relief begins to flow.

The PEF's insurance arm combines coverage from the global reinsurance market with catastrophe-linked bonds issued by IBRD, providing coverage of up to USD 500 million for an initial period of three years. The finance would be made available to IDA-eligible countries and / or qualified international agencies, if qualifying criteria (relating to the pandemic's type, size, growth and spread) are met.

In order to minimize gaps in coverage, the PEF also includes a cash window. This provides flexibility to address outbreaks caused by 'unknown' pathogens, single country outbreaks or other events that do not fit the insurance triggers. It could also be used as a conduit for further external finance if the resources generated through insurance are insufficient.

In addition, the Bank made major efforts to respond to the global forced displacement crisis. In January, management put forward a plan to make USD 200 million in IDA resources available to Jordan and Lebanon. This would be only the second time that a middle income country received IDA finance (the first being Iraq in the mid-2000s). In parallel the Bank developed the MENA Financing Facility, designed to allow donors to buy down MDB loans for Jordan and Lebanon, due to the numbers of refugees both countries are hosting. It drew pledges of USD 140 million in grants, USD 1 billion in concessional loans and USD 500 million in guarantees from eight donors.

In September the MENA facility was expanded to a Global Concessional Finance Facility, available to all middle income countries hosting refugee populations. This targets both refugees and host communities and supports policy reforms in areas such as education, health and job creation to create sustainable development outcomes.

In addition the Bank has proposed a Global Crisis Response Platform, designed to further review and improve its crisis response instruments. Its purview includes increased use of insurance and risk management instruments, as well as implementing changes proposed under the IDA 18 replenishment, including a proposed doubling of IDA allocations to fragile states and a substantial increase in the size of the Crisis Response Window. An expanded regional window will have a 'set-aside' within it for use in assisting with IDA countries hosting refugees. Meanwhile, IBRD's Catastrophe Deferred Draw-Down instrument (which sets aside funding for release in the event of a crisis, provided preparedness criteria are met) will be made available to IDA countries for the first time.

## HUMAN RESOURCE POLICY

The past year marks the last period of the 3-year WBG HR strategy for FY2014-FY2016 (July 2013-June 2016). The WBG HR strategy was derived from the WBG Strategy that was endorsed at the 2013 Annual Meeting. The WBG HR strategy aims to ensure that the World Bank Group has a capable and committed workforce with the skills and organizational capabilities required to deliver sustainable business outcomes.

The major FY 2016 implementations of 3-year WBG HR strategy can be categorized in four areas:

- First, in the area of building a culture of performance and accountability, there were refinements to the WBG Special Compensation Measures Framework for country offices, including providing additional support for local staff in cases of sudden and severe inflation or local currency depreciation.
- Second, in the area of driving a more effective organization, the implementation of the new WBG Contract Architecture continued, phasing out Extended Term Appointments, rebalancing the use of Term and Open-ended appointments, and strengthening the management of the contingent workforce.
- Third, in the area of fostering a more diverse and inclusive workforce, the WBG diversity index increased from 0.84 to 0.87. Targeted recruitment, such as the Africa Recruitment, has been a contributing factor.
- Fourth, in the area of creating career opportunities, the Career Framework and Career Guide for Operations were launched in April 2016, outlining career paths for key roles and helping staff systematically think about and understand the many and varied career opportunities. The new Global Mobility Support Framework went into effect on January 1, 2016. Its purpose is to increase staff capacity primarily outside of Washington, D.C. by simplifying assignment types and removing key hurdles to mobility.

As the 3-year HR strategy implementation has been finished, the bank is in the process of developing new strategy, namely the FY2017-2019 (July 2016-June 2019) WBG People Strategy.

The WBG Engagement Survey was conducted on May and results were released on June 30, 2016. Notably, the staff participation rate was 83%, the highest in recent years. The overall result has improved considering that the scores for 48 questions out of total 70 (excluding one open-ended question) went up compared to last year and only 4 questions score went down. However, the positive response from staff remained relatively low (at or below 50%) in the area of leadership, career management and institutional practices.

The office has kept pushed for a stronger focus on the diversity and inclusion agenda in order to provide different perspectives and ideas for clients, and urged management to address the issues surrounding the recruitment of underrepresented nationalities. Based on this, the bank decided to dispatch Korea recruitment mission on coming November 2016. Korea is one of NOF (Nationalities of Focus) classified by the WB. NOF are countries whose engagement in and contribution to the World Bank far exceeds the proportion of their nationals in the workforce.

# SECTION 5: DEVELOPMENT EFFECTIVENESS AND RESULTS

### Evaluation and Learning

During the year the Independent Evaluation Group refocused its work by introducing three strategic engagement areas (SEAs)—Inclusive Growth, Sustained Service Delivery for the Poor, and Environmental Sustainability. The strategic engagement areas aim to drive a more selective, coordinated, and focused approach within the organization and to align IEG's evaluation work more closely with the World Bank Group's priorities. In addition to the small states evaluation discussed elsewhere in the report, key products delivered during the year included:

WBG Engagement in Situations of Fragility, Conflict and Violence (FCV)

This evaluation highlighted that, when middle-income countries experience situations of fragility, conflict, and violence, providing assistance can be a challenge for the World Bank Group. It concluded that the Bank Group's comparative advantage is supporting countries in tackling longer-term development challenges, including early engagement and a sustained presence in conflict-affected areas, as well as continuous dialogue with the parties to violent conflicts, where possible.

The evaluation found that he Bank has been adept at responding and at adjusting its strategies and analytical support to situations of violence and conflict, but its operational response has been constrained by its limited menu of instrument choices. Moreover, institutional and staff incentives to engage in conflict situations and to take risks seem to be lagging behind the spirit of its strategic approach, as expressed in various Bank documents, including the 2011 World Development Report on conflict, security, and development. It noted that the Bank Group can further enhance its impact in these situations by exploring opportunities beyond supporting livelihoods in conflict-affected communities, including support for private sector development, using its expertise in public financial management more effectively, and improving its monitoring and evaluation frameworks.

Behind the Mirror: A Report on the Self Evaluation Systems of the World Bank Group

The report covered the self-evaluation of World Bank operations (investments, policy-based support, knowledge and advisory services, impact evaluations, trust funds, and partnerships); IFC investment and advisory services; country programs; and, selectively, MIGA guarantees.

It found that the systems mesh well with the independent evaluation systems for which they provide information and the systems have been emulated and adapted by other development agencies. However, the systems primarily focus on results reporting and accountability needs and do not provide the information necessary to develop learning to enhance performance. They produce corporate results measures but need to produce value to staff and line management and to the primary beneficiaries of the "Solutions Bank"—client governments, implementing agencies, firms, beneficiaries and citizens. Most staff do not view the self-evaluation systems as a source of timely, credible, and comprehensive information.

The evaluation examined the incentives created inside and outside systems, including through ratings and validation processes, which it found are not conducive to conducting high-quality self-evaluation. Staff engage with the systems with a compliance mindset where candor and thoughtful analysis of drivers of results and failures suffer. The particular causes for misaligned incentives were identified: an excessive focus on ratings; attention to volume that overshadows attention to results; and low perceived value of the knowledge created.

World Bank Group Support to Industry Competitiveness and its Implications for Jobs

This evaluation responded to the prominent place that productivity, competitiveness, and more and better jobs hold in government development agendas. It found that WBG industry support has been relevant with regard to country priorities, country level of competitiveness, and stages of country development. Moreover, the Group's industry-specific support is associated with distinctively positive improvements in competitiveness -- accelerated expansion and growth in export markets, but without observable increases in productivity.

The evaluation found that there was no distinct, overarching approach to supporting industry-specific competitiveness across the Group in the last decade. Instead, different parts of the World Bank Group, sought to support industry specific engagements as part of their own strategies or work programs. Furthermore, the Group's new organizational structure has distributed the industry competitiveness portfolio across global practices, creating a greater need for enhanced coordination across and within institutional units.

The evaluation noted that WBG support to manufacturing had declined in recent years - at a time when deindustrialization is emerging as a significant problem for developing countries, particularly in Sub-Saharan Africa. It found that only a small proportion of the WBG portfolio integrates jobs in objectives, interventions, or indicators. As a result, it recommended the Group:

- articulate its approach to industry specific competitiveness work and ensure a consistent treatment across the Group
- strengthen its industry level support to inclusive and sustainable industrialization
- integrate the jobs perspective in its industry specific support to competitiveness.

World Bank Group Support to Electricity Access 2000-2014

This evaluation responded to the fact that the WBG has committed to achieving universal access to electricity by 2030 under the Sustainable Energy for All (SE4All) Initiative. It noted that the investment needed to provide access would be about $37 billion per year. By comparison, in recent years, low-access countries received an average of $3.6 billion per year for their electricity sectors from public and private sources, including $1.5 billion per year from the World Bank Group.

The evaluation found that the scale of the SE4All challenge requires the Bank Group to reposition itself as a global solutions provider in this sector, going well beyond the confines of its own direct support for access. In doing so it drew out lessons from successful country examples that point to some common principles of success. These included that:

- Planning the rollout of national electricity access needs to be comprehensive and synchronized, integrating grid and off-grid means and bringing development partners together in a framework of many partners, one team, one plan.
- The financial viability of the electricity sector and its agents depends on clear institutional roles and accountability, and may require appropriately targeted subsidies.
- Affordability, equity, and inclusion need to be addressed by targeting the poor and those in remote and inaccessible areas.
- Government vision and its engagement in all the above issues is the crucial binding factor.

## SECTION 6: FUNDING DEVELOPMENTS AND REFORMS

### IBRD

Total IBRD commitments in FY16 were $29.7 billion – an increase of 26% over FY14. From a balance sheet perspective, the equity-to-loan (E/L) ratio decreased from 25.1% in FY15 to 22.7% in FY15. The current E/L ratio remains above the Board-approved minimum E/L ratio of 20%, but the headroom for additional lending is now rapidly reducing.

Allocable income from the IBRD fell by 14% to $593 million, largely due to low contributions from equity. Based on this income result, Executive Directors decided to recommend that the Board of Governors transfer $497 million to IDA and retain the remaining $96 million in IBRD's reserves.

### IDA

Total IDA commitments fell by 15% to $16.2 billion in FY16. (This is partly a reflection of the fact that IDA commitments in FY15 – the first year of the IDA17 period – were unusually strong.)

IDA runs a largely cash-based funding model in which commitment levels to client countries are based on donor inflows. IDA's funding position remained at 70% at year-end in both FY15 and FY16. This means that IDA's investment portfolio and unrestricted demand notes on donors accounted for 70% of undisbursed commitments.

As in the past, the funding gap will be covered by future receipts of cash and demand notes already committed by partners, as well as through repayments on existing credits. In recent years, IDA's funding position has ranged between 70% and 81%.

## IFC

FY16 was a difficult year for IFC, reflecting broader challenges in many emerging markets. IFC's long-term finance and core mobilization commitments increased by 7% to $18.9 billion in FY16, but there were significant impairments, provisioning charges and unrealized losses.

Deployable Strategic Capital– IFC's headline indicator of available resources – reduced from 5.4% in FY15 to 4.4% in FY16, largely due to an increase in the unfunded pension liability (associated with a decrease in the discount rate used to calculate the liability). We have seen a sustained reduction in IFC's deployable strategic capital in recent years, which represents an increasingly binding constraint on IFC's ability to grow.

IFC income for designation decreased substantially from $1,327 million in FY15 to $770 million in FY16. Based on the application of a set of Board-approved principles, this would allow IFC to designate up to $161 million for other purposes. Executive Directors decided to recommend that the Board of Governors transfer $101 million to IDA and use the remaining $60 million to support IFC's Advisory Services.

## MIGA

MIGA had a very strong year. Commitments increased by 51% to $4.3 billion, and premium income increased by 9% to $86.4 million. A substantial reduction in provisioning charges meant that MIGA went from a loss of $10.8 million in FY15 to net income of $56.8 million in FY16.

MIGA's level of capital utilization remains extremely low. MIGA's preferred measure of Total Economic Capital/Operating Capital fell from 54% to 50%, which is well below the 70-80% target range viewed by Management as acceptable. Part of the reduction in capital utilization does reflect, however, the greater use of reinsurance by MIGA.

**ANNEX 1 - LIST OF FY16 CONSTITUENCY COUNTRY DEVELOPMENTS AND APPROVED PROJECTS**

| Country/Document/Project Name | Agency | Amount ($ millions) | Date of Approval |
|---|---|---|---|
| **CAMBODIA** | | | |
| ❖ **Road Asset Management Project II**<br>The project development objective of the Second Road Asset Management Project for Cambodia is to improve the condition, safety and climate resilience of selected national road corridors in Cambodia. The project will achieve this objective through (i) the systematic introduction of designs that include climate proofing and road safety measures and the use of performance based contracts; and (ii) by enhancing Ministry of Public Works and Transports (MPWT) capacity to carry out road maintenance planning, contracting and management. The project comprises of three components. 1) Road asset management component is to support the preservation of MPWT's road network and provide implementation support for the design and supervision of works. i) periodic maintenance and performance based contracting (PCB) and ii) implementation support for the civil works under the project and related technical capacity building activities. 2) System upgrading and capacity development. It consists for following six sub-components: i) system upgrading and technical capacity development for road asset management within the MPWT; ii) road safety awareness raising of communities and road safety audits of project roads; iii) enhancement of financial management and internal audit capacities of MPWT and the project team; iv) carrying out of technical and financial audits of the project; v) provision of technical assistance to enhance road asset management offices (RAMO) procurement capacity; and vi) provision of operational and technical support for the day-to-day management, monitoring and evaluation of project activities. | IDA | 60 | 5/19/2016 |
| ❖ **Mekong IWRM Project III**<br>The project development objective of the Third Phase of the Mekong Integrated Water Resources Management (IWRM) Project is to establish the foundation for effective water resource and fisheries management in project areas in the northeast of Cambodia. The project comprises of two components. The first component, fisheries and aquatic resources management in Northern Cambodia is to improve the management of fish and aquatic resources in selected areas in Kratie and Stung Treng provinces. It consists of following four sub-components: a) establishment of community fisheries management, b) fisheries co-management infrastructure and equipment, c) enhancements of fisher community livelihoods, and d) project administration and management. The second component, water resources management (WRM) in Northeastern Cambodia aims to improve water resources management in Northeastern Cambodia in the Sekong-Sesan-Srepok- Sekong Prek (3S) and the Preah, Prek Krieng, Prek Kampi and Prek Te (4P) subbasins, and support trans-boundary dialogue with Vietnam under the framework of the Mekong IWRM Program. It consists for following three sub-components: a) strengthening water resource management institutions, b) water resources monitoring and management in the 3S and 4P Basins, and c) project administration and management. | IDA | 15 | 5/19/2016 |
| ❖ **Land Allocation for Social & Economic Development II**<br>The development objective of the Land Allocation for Social and Economic Development Project for Cambodia is to help improve target | IDA | 25.1 | 5/19/2016 |

| | | | |
|---|---|---|---|
| beneficiaries' access to agriculture resources and selected infrastructure and social services in project communities. The project comprises of three components. The first component, infrastructure and livelihood systems; it consists of three subcomponents: (i) social land concession investment planning and prioritization will support planning and prioritization of investments in participating SLC sites in the project provinces; (ii) land preparation and infrastructure development will support the provision of technical assistance and community grants to beneficiaries for preparation and implementation of prioritized infrastructure sub-projects in the participating social land concession (SLC) sites ; and (iii) agriculture and livelihood development will support the provision of technical assistance and community grants to beneficiaries for the purposes of consolidation and improvement of agricultural production systems and improvements in the livelihoods, food security and nutrition status of land recipients. The second component, project management will support the provision of technical and operational assistance for the overall project administration and coordination. The third component, contingent emergency response will support to an immediate response mechanism (IRM) in Cambodia. The IRM allows reallocation of a portion of undisbursed balances of IDA-financed investment projects for recovery and reconstruction support following a formal Government request in the event of an eligible emergency. With IDA's support, Cambodia is developing its Emergency Response Manual (ERM). The ERM will detail eligible uses, financial management, procurement, safeguard and any other necessary implementation arrangements for the IDA IRM. | | | |
| ❖ **KH Health Equity and Quality Improvement**<br>The project development objectives of Health Equity and Quality Improvement Project for Cambodia is to improve access to quality health services for targeted population groups with protection against impoverishment due to the cost of health services in the country. This project has four components. 1) The first component, Strengthening Health Service Delivery, will expand the current Service Delivery Grant (SDGs) into a mechanism for providing performance-based financing to different levels of the Cambodian primary and secondary health system based on achievement of results. It has three subcomponents as follows: (i) the first subcomponent, Service Delivery Grants: Health Centers (HCs), will provide SDGs to HCs to help finance the Minimum Package of Activities (MPA) of HCs. Over and above the fixed grants, the amount and payment of the performance grants will be based on the utilization (that is, quantity) of services provided and on the quality of services; (ii) the second subcomponent, Service Delivery Grants: Hospitals, aims to incentivize improvements in the quality of care at the secondary level, improve performance in capacity-building activities for in-service and preservice candidates, and promote utilization of services by Health Equity Fund (HEF) beneficiaries; (iii) the third subcomponent, Service Delivery Grants: Provincial Health Departments (PHDs) and Operational District (ODs), aims to strengthen the management of ODs and PHDs. 2) The second component, Improving Financial Protection and Equity, will continue to support and expand the HEF system and co-finance with the RGC the cost of health services for the poor. 3) The third component, Ensuring Sustainable and Responsive Health Systems, will support a program of activities designed to improve supply-side readiness and strengthen the institutions that will be implementing project activities. | IDA | 30 | 5/19/2016 |
| **KIRIBATI** | | | |
| ❖ **Pacific Aviation Investment** | IDA | 7.1 | 3/9/2016 |

| | | | |
|---|---|---|---|
| The objective of the Project is to improve operational safety and oversight of the international air transport infrastructure and associated infrastructure. | | | |
| **SAMOA** | | | |
| ❖ **Samoa Aviation Investment Project**<br>The development objective of Aviation Investment Project is to improve operational safety and oversight of international air transport and associated infrastructure. This project has four components. 1) The first component, International Airport Infrastructure Investments, aims to carry out aviation infrastructure investments at the Faleolo airport. 2) The second component, Strengthening Policy, Regulatory Capacity and Training, aims to carry out technical assistance and training designed to improve aviation sector management, policy, safety and security oversight; development of a national aviation policy; and safety and security oversight audits. 3) The third component, Strengthening airport operations and management capacity, aims to carry out activities to strengthen airport operations and management capacity, including among other things: studies to assess the current conditions of the aviation sector and airports; development of a strategic business plan; and training on aviation policy, management, and operations. 4) The fourth component, Project Support, aims Provision of support required for the project, including, among other things: technical, advisory, and administrative support to the Pacific Aviation Investment Program (PAIP) Technical and Fiduciary Services Unit (TFSU) and the Project Support Team; and annual subscriptions for the operation of the Very Small Aperture Terminal (VSAT) infrastructure during project implementation. Additional Financing (AF) in a total amount of 16.62 million dollars is sought to: (i) increase the scope of air side pavement works, and accommodate an incremental increase to project management costs due to the increase in activities under the AF. In particular, the Government of Samoa (GOS) decision to construct a new airport terminal building requires expansion and strengthening of the apron and taxiways, reconfiguration of the fuel hydrant infrastructure, and modifications to airfield drainage; and (ii) replace the co-financing originally envisaged from European Investment Bank (EIB), all activities would now be funded through International Development Association (IDA) resources. The closing date is to remain as June 30, 2019. | IDA | 16.6 | 6/3/2016 |
| **SOLOMON ISLANDS** | | | |
| ❖ **Additional Financing for Rapid Employment Project**<br>The objective of the Rapid Employment Project for Solomon Islands is: to assist targeted vulnerable urban populations in the Recipient's territory to (i) increase their incomes through the provision of short term employment; (ii) improve their knowledge, experience and basic employment skills that are valued in the workplace and society; and (iii) improve their access to services and markets through repaired, more climate resilient roads and access infrastructure. The additional financing (AF) will enable existing components of the project to continue for a further 18 months, targeting communities affected by the floods. Under the AF, the Ministry of Infrastructure Development (MID) will pilot a new activity for the improvement and maintenance of urban and peri-urban roads in and around Honiara, to reinstate critical access for small urban communities to the main roads and to basic socio-economic services. This new pilot activity under MID Subcomponent 1A will slightly shift the focus from labor generation through road repair and maintenance activities, to a focus on improving and strengthening the quality of urban and peri-urban roads damaged by severe weather events. | IDA | 1.5 | 7/31/2015 |

| | | | |
|---|---|---|---|
| **TUVALU** | | | |
| ❖ **Supplemental Financing for Second DPO**<br>Tuvalu, comprised of nine Polynesian islands and atolls, is one of the smallest states in the world. The Gross Domestic Product (GDP) of Tuvalu was estimated at AUD 41.7 million in 2014. Tuvalu has a land area of only 26km square and its population is estimated at 11,000. Tuvalu is one of the smallest and newest members of the World Bank Group, having joined the World Bank only in 2010. Tuvalu is not currently a member of the International Finance Corporation. Since the global financial and economic crises, the Government of Tuvalu (GoT) has progressed on substantive reforms while gradually rebuilding its fiscal buffers. Tuvalu?s economy is highly vulnerable to challenges stemming from its very small size and geographic isolation, and relies heavily on grants and buffer assets to absorb shocks. Tuvalu?s buffer assets in the Consolidated Investment Fund (CIF) supported the GoT in weathering the recent global financial crisis (GFC). Over the past 3 years, the GoT has gradually rebuilt the CIF back to its sustainable level through a mixture of expenditure restraint, higher revenues and additional budget support from donors including two budget support operations from the World Bank. In parallel, the GoT has progressed on a number if reforms, including improving public financial management (PFM) and social service delivery. The GoT, with the support of the donor community, has taken a series of steps in response to the disaster, but will need additional financing for the recovery efforts. Subsequent support provided to the affected communities included construction materials, medicines, and tools to assist with the clean-up of storm debris. The GoT has endorsed the Recovery and Vulnerability Reduction Plan (taking into account the RDA outcomes), which estimates reconstruction costs at AUD 23.8 million in the short to medium term. | IDA | 3 | 9/15/2015 |
| ❖ **Pacific Aviation Investment**<br>The project development objective is to improve the safety and security of air transport and associated infrastructure. | IDA | 2.9 | 3/31/2016 |
| **VANUATU** | | | |
| ❖ **Vanuatu Reconstruction Project**<br>The project development objective (PDO) is to reconstruct and/or improve the disaster and climate resilience of selected public sector assets in provinces impacted by Tropical Cyclone Pam, and to provide immediate and effective response to an Eligible Crisis or Emergency. The project consists of five components. The first component, road reconstruction and improvement will fund a range of roads works in provinces of Vanuatu that were affected by TC Pam to undertake spot improvements to road assets, such as small road structures and footpaths, and to improve the resilience of road assets. The second component, school reconstruction and improvement have assessed the extent of damage from TC Pam to more than 70 primary and secondary schools in cyclone affected areas, and have estimated repair costs. Schools received massive damage, mostly in the form of full or partial roof loss, but several buildings were completely demolished; The third component, public building reconstruction and improvement several public buildings, provincial and national government offices, workshop and associated buildings on TC Pam-affected islands suffered serious damage with partial or total destruction of individual structures or groups of buildings. The fourth component, project Implementation and technical support carrying out a program of activities designed to enhance the capacity of the recipient for Project management, implementation, coordination, monitoring and evaluation of the Project, such program to include the | IDA | 25 | 6/17/2016 |

| | | | |
|---|---|---|---|
| establishment and maintenance of a Project support team. The fifth component, contingency emergency response will support preparedness and rapid response to eligible disasters, emergencies, and/or catastrophic events, if needed. | | | |

## ANNEX 2 – GOVERNORS' RESOLUTIONS

| No. | RESOLUTION TITLE | DATE |
|---|---|---|
| **IBRD** | | |
| 642 | Direct Remuneration of Executive Directors and their Alternates | August 14, 2015 |
| 643 | 2018 Annual Meetings of the Board of Governors of the International Monetary Fund and the World Bank | August 26, 2015 |
| 644 | Financial Statements, Accountants' Report and Administrative Budget | October 9, 2015 |
| 645 | Allocation of FY15 Net Income | October 9, 2015 |
| 646 | Resolution of Appreciation | October 9, 2015 |
| 647 | Membership of the Republic of Nauru | November 6, 2015 |
| 648 | Transfer from Surplus to Replenish the Trust Fund for Gaza and West Bank | June 24, 2016 |
| 649 | 2016 Regular Election of Executive Directors | July 28, 2016 |
| 650 | Direct Remuneration of Executive Directors and their Alternates | July 28, 2016 |
| 651 | Parental Leave for Executive Directors and their Alternates | July 28, 2016 |
| **IDA** | | |
| 236 | Financial Statements, Accountants' Report and Administrative Budget | October 9, 2015 |
| 237 | Resolution of Appreciation | October 9, 2015 |
| **IFC** | | |
| 261 | Resolution of Appreciation | October 9, 2015 |
| 262 | Financial Statements, Accountants' Report, Administrative Budget and Retained Earnings | October 9, 2015 |
| **MIGA** | | |
| 97 | Financial Statements and the Report of the Independent Accountants | October 9, 2015 |
| 98 | Resolution of Appreciation | October 9, 2015 |
| 99 | 2016 Regular Election of Directors | July 28, 2016 |

** While most Constituency members are quick to respond to a request for a vote from Governors, our office continues to be concerned about a number of Constituency members who have difficulty in returning their vote and /or do not take the opportunity to vote.*

## ANNEX 3 – CONSULTATIONS WITH CONSTITUENTS IN FY16

| | Annual Meetings Peru | Spring Meeting DC | Country Visits FY16 (Dates) | EDs' Group Trip to EAP(Philippines, Vietnam and Indonesia) and SAR (India, Sri Lanka and Bangladesh) | ADB Annual Meetings | ECOSOC Meeting | IDA18 Replenishment Meetings (Senegal, Netherlands, France, Myanmar) |
|---|---|---|---|---|---|---|---|
| **Australia** | x | x | Oct 22-26, 2015<br>Jun 7-8;<br>Jun 15-17, 2016 | | | | x |
| **Cambodia** | x | | Oct 27-<br>Nov 1, 2015<br>Jun 28-<br>Jul 3, 2016 | | | | |
| **Kiribati** | x | | Mar 17-21, 2016 | | | | |
| **Korea** | x | x | Sep 2-6, 10-12, 2015<br>Jan 3-6, 2016<br>Mar 25-29, 2016<br>June 23-28, 2016<br>July 3-5, 2016<br>July 22-28, 2016<br>Aug 29-30, 2016<br>Sep 11-13, 2016 | x | x | x | |
| **Marshall Islands** | x | | | | | | |

| | Annual Meetings Peru | Spring Meeting DC | Country Visits FY16 (Dates) | EDs' Group Trip to EAP(Philippines, Vietnam and Indonesia) and SAR (India, Sri Lanka and Bangladesh) | ADB Annual Meetings | ECOSOC Meeting | IDA18 Replenishment Meetings (Senegal, Netherlands, France, Myanmar) |
|---|---|---|---|---|---|---|---|
| **Micronesia (FS)** | x | | Sep 7-10, 2016 | | | | |
| **Mongolia** | x | x | Aug 31- Sep 3, 2016 | | | | |
| **New Zealand** | x | x | Feb 21-25, 2016 | | | | |
| **Palau** | x | | Sep 4-7, 2016 | | | | |
| **Papua New Guinea** | x | x | Sep 6-9, 2015 | | | | |
| **Samoa** | x | | Mar 23-24, 2016 | | | | |
| **Solomon Islands** | x | | | | | | |
| **Tuvalu*** | x | | | | | | |
| **Vanuatu** | x | June 12-15, 2016 | | | | | |

## ANNEX 4 – WBG ORGANIZATIONAL STRUCTURES