



ANNUAL REPORT OCTOBER 2017



BONGI KUNENE
EXECUTIVE DIRECTOR

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FOREWORD BY THE EXECUTIVE DIRECTOR



I am very pleased to welcome our Governors and their delegations to the 2017 Annual Meetings of the World Bank Group (WBG) and International Monetary Fund (IMF). Our office provides the WBG with opportunities for stronger partnership with our countries and an opportunity for the WBG to move forward informed by the perspective of systemically significant African Middle Income Countries. This perspective is vital to the Bank's ability to deliver on its twin goals of ending poverty and sharing prosperity, as the development challenges in our region are the greatest.

This Annual Report provides an overview of WBG Operations in our countries. It also provides updates on key WBG Strategies and Programmes, some of which will be the focus of the discussions between Governors at the Development

Committee meeting. The focus at the juncture is whether IBRD and IFC are sufficiently capitalized to meet the ambitions of the set out in the Forward Look, the ambitious strategy to support the 2030 development goals, and eradicating extreme poverty and ensuring shared prosperity.

At the 2015 Annual Meetings in Governors committed to consider capital increases for IBRD and IFC, once the work on the dynamic formula was complete, aiming to reach a decision by the Annual Meetings of 2017. While no decision will be put to Governors on a capital increase at our meetings this fall, President Kim will be seeking a mandate from Governors to develop a package of measures to strengthen the financial capacity of IBRD and IFC, including Selective and General Capital Increases. World Bank Group management have set the 2018 Spring Meetings as the target date for a decision on capital from Governors. Executive Directors will need to negotiate a balanced financial package, that includes continued capital and budget efficiency measures, agreement on transfers of net income to IDA as well as agreement on more differentiated IBRD pricing and allocation.

In making the case for a bigger Bank, our office is pleased that management has been responsive to our request that they better integrate the important role of IFC in the work of the WBG. The discussion on capital has been dominated by the IBRD shareholding review, which creates clear winners and losers and divides the Board. We have pushed for a stronger WBG approach, as our organization can be more than the sum of its parts. While IDA18 resources are significant, a stronger presence of IFC and MIGA matters to crowding in the levels of foreign capital needed to support investment. We have also been among the offices pushing for a stronger regional focus by IFC and were delighted when IFC Vice President Le Houérou recently announced his decision to create Regional Vice President positions (RVPs) to rebalance IFC's presence and delivery toward the regions. We believe that this will contribute to stronger Bank (IBRD and IDA) and IFC collaboration in the Africa Region.

This Annual Report also includes a new section on the work of World Bank Group Standing Committees, as our office continues to play an important role in World Bank Group governance. As chair of the Audit Committee, in addition to the primary task of overseeing the World Bank Group's finances, I have initiated a Board-wide discussion on the institutional arrangements for risk management. I have also taken over the leadership of the coordination of the offices representing economies in sub Saharan Africa, and proposed several ways of enhancing interoffice cooperation towards a stronger collective voice. As Executive Directors representing African Governors, we will be working closely together to advance the priorities set out by Governors at the Africa Caucus in Gaborone in August, which I was pleased to attend. We have also created working group structures to ensure a consolidated response to the revised Regional Integration Strategy from the Africa Vice Presidency, which is expected later this year.

I would like to thank my team for their hard work and continued efforts to promote the interests of our member countries and of countries in our region. I would also like to express my continued appreciation to our Governors for their support and valuable guidance.

Sincerely,

Bongi Kunene

Executive Director for Angola, Nigeria and South Africa

October 5, 2017

EXECUTIVE SUMMARY

This **Annual Report of the Executive Director** of the World Bank Group (WBG) constituency for Angola, Nigeria and South Africa covers the period from November 2016 to October 2017. It provides our Governors and delegations with consolidated information on global economic prospects and their impact on WBG strategies and operations. It summarizes activities in the Africa region and constituency member countries, and provides an overview of the Development Committee discussions. It concludes with constituency issues and events.

Chapter 1 gives an overview on the global economic performance over the past three years (2014 - 2016), and the prospects over the next three years (2017-2019). World economic activity is firming, because of an improvement in confidence. Global output growth is forecast to 2.7% in 2017 and 2.9% in 2018 and 2019. Confidence is triggering higher activity in manufacturing and trade, and international financing conditions remain benign.

Growth in advanced economies is expected to accelerate to 1.9% in 2017, before moderating gradually in 2018 and 2019 to 1.8% and 1.7%, respectively. This reflects a substantial upturn in the United States and Japan. In emerging market and developing economies (EMDEs), growth is projected to strengthen from 3.5% in 2016 to 4.1% in 2017, 4.5% in 2018 and 4.7 in 2019, mainly supported by improving economic activities between commodity exporters, recovering industrial activity and stabilizing investment.

For Angola and Nigeria, the 2017 GDP growth forecast of 1.2 percent reflects the recovering global commodity prices and improvements in domestic conditions, but foreign exchange controls are reported as distorting the foreign exchange market, thereby constraining activity in the nonoil sector. In South Africa, political uncertainty and low business confidence are identified as factors weighing on investment. The 2017 GDP growth forecast is expected to be around 0.6 percent.

Chapter 2 outlines the World Bank Group strategies and operations of the WBG entities (IBRD, IDA, IFC and MIGA).

An analysis of IBRD and IDA reveals an increase in lending volumes in FY17.

In FY17, IDA commitments reached US\$19.5 billion, resulting in full utilization of IDA17 resources and in FY18, IDA commitments are expected to reach between US\$21.4 and US\$25.4 billion. The IDA18 (FY18-20), around 50 percent higher than IDA-17, provides much needed funding for the world's poorest and most vulnerable.

In FY17, IBRD committed \$22.6 billion through 133 projects. Lending commitments (including guarantees) were lower by 24% in FY17 relative to a year earlier. This decrease was driven by a \$5.6 billion decline in Development Policy Financing operations, and a \$3.0 billion decline in Program for Results (PforR) operations.

Total IFC commitments in FY17 were US\$6.9 billion. IFC's financial performance improved in FY17. Allocable Income increased to US\$1.2 billion in FY17, a 60% increase from US\$770 million in FY16.

During FY17, MIGA issued \$4.8 billion of guarantees in support of US\$16 billion in total financing. The guarantees supported 33 investments in 20 different countries. 45% of the supported projects are in IDA-eligible countries (23% in volume), 21% was in Fragile and Conflict-affected Situations (FCS), and 12% on climate change and energy efficiency.

Chapter 3 provides an overview of WBG operations in Africa Region. The Bank approved \$9.3 billion covering 109 projects for the region this fiscal year, including \$669 million in IBRD loans and \$8.7 billion in IDA commitments. \$200 million was from the IDA Scale-up Facility.

This chapter also provides detailed data on WBG operations in Constituency member countries. In **Angola**, the Bank already carried out 19 projects of social and economic impact with a total value of US\$ 1,06 billion and its current portfolio consists of 9 IPF valued at US\$ 806.5 million. The DPF (US\$ 200 million), approved, is still pending disbursement. Furthermore, 2 IPF are in the pipeline, amounting to US\$ 330 million. MIGA exposure and IFC projects amounts for US\$ 581.8 million and US\$ 60 million, respectively.

In **Nigeria**, its portfolio as at end of FY17 consists of 27 projects with commitments of approximately US\$8.17billion. Out of which a total of US\$2.64 billion has been disbursed to date leaving a balance an undisbursed of US\$5.133 billion. There are also active 26 Advisory services and Analytics.

In **South Africa**, for the FY17, engagements with South Africa include completion of a Performance and Learning Review (PLR), approval of two financing programs, 7 IFC investments, and three MIGA guarantees. A RAS program and production of knowledge products is ongoing.

The current World Bank portfolio, comprises one core operation funded through the IBRD, namely the Eskom Investment Support Project (US\$ 3.75 billion).

IFC portfolio continues to grow and includes equity, debt and mobilization in support of companies in renewable energy, retail, and financial sector. In FY17 the IFC submitted at least seven investments proposals for board approval amounting just over US\$1 billion. For FY2017, MIGA issued three non-honoring guarantees for amount US\$540 million.

Chapter 4 is focused in strategic topics that will be discussed at Development Committee (DC) plenary meeting. It provides an overview of the last DC meeting in April 2017. The Forward Look subchapter provides with an update of progress that the WBG has made with implementation since it was approved by Governors in October 2016. It also provides an overview of the IFC's 'Measuring Impacts' toolkit which supports better assessment of the development impact of IFC investments, complementing the existing approach of measuring results during portfolio supervision and ex-poste evaluation together with the Independent Evaluation Group.

There is some specific attention given to the Cascade Approach calling for all WBG agencies to assess potential participation of private sector in development programs prior to deployment or investment of public resources. The last item is the 2015 Voice Reform and Shareholding Review update. A summary of the 2018WDR is also provided.

Chapter 5 deals with WBG Standing Committees.

Chapter 6 focuses in constituency issues and events. It includes an overview of constituency priorities including: key strategic priorities, and the role of members in relation to the financial sustainability of the Bank. It provides an overview of participation in the Voice Secondment Program and details on the African Caucus meeting held in Gaborone, Botswana, on August 2-4, 2017.

ACRONYMS

AE	Advanced economies
bn	Billions
COGAM	Committee on Governance and Administrative Matters
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
DC	Development Committee
DLI	Disbursement Linked Indicator
DPF	Development Policy Financing
DTC	Developing and Transition Countries
ED	Executive Directors
EMDE	Emerging Market and Developing Economies
FCT	Federal Capital Territory
FCV	Fragility, Conflict and Violence
GCI	General Capital Increase
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development ()
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
ISN	Interim Strategy Notes
LGA	Local Government Areas
MDB	Multilateral Development Banks
MIC	Middle Income Countries
MIGA	Multilateral Investment Guarantee Agency
NHFO-SOE	Non-honoring of financial obligation by a state owned enterprise
NHSFO	Non-honoring of sovereign financial obligations
NSHIP	Nigeria State Health Investment Project
ODA	Official Development Assistance
PBF	Performance-Based Financing
PCNI	Committee on Northeast Initiative
PLR	Performance Learning Review
PRI	Political Risk Insurance
RBF	Result Based Financing
SSA	Sub-Saharan Africa
SCD	Systematic Country Diagnosis
SCI	Special Capital Increase
SDG	Sustainable Development Goals
SPP	Smallest Poor Protection
UNFCCC	United Nations Convention on Climate Change
UPRA	Angola Private University
US\$	United States Dollars
VSP	Voice Secondment Program
WBG	World Bank Group

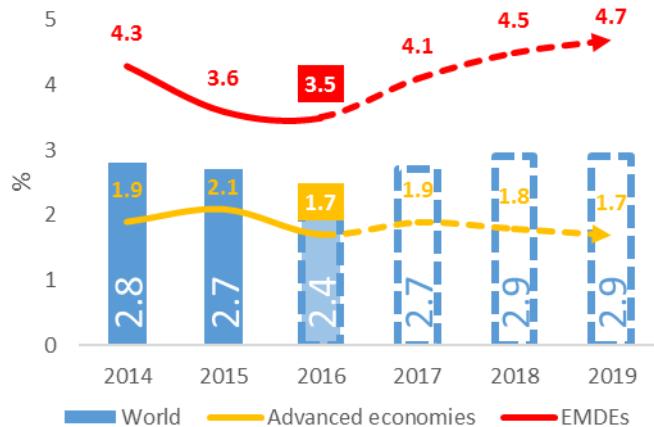


CHAPTER 1

GLOBAL ECONOMIC PERFORMANCE AND OUTLOOK

1.1 Overview

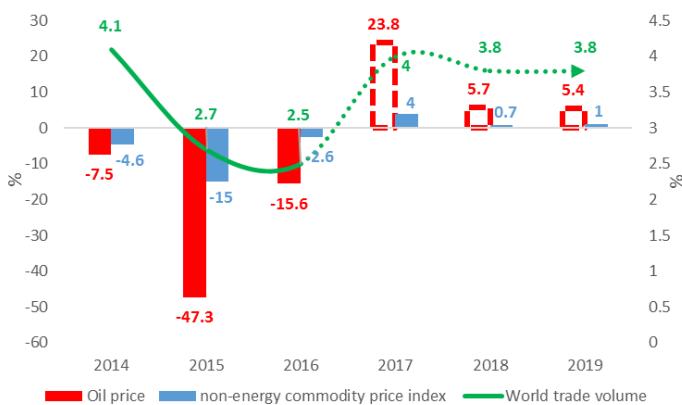
Figure 1: World GDP growth



developing economies (EMDEs), growth is projected to strengthen from 3.5% in 2016 to 4.1% in 2017, 4.5% in 2018 and 4.7 in 2019, mainly supported by improving economic activities between commodity exporters, recovering industrial activity and stabilizing investment.

1.2 Global Trends

Figure 2: Growth - global trends



goods trade during a period of marked weakness in the first half of 2016.

Global financing conditions have been benign since the start of 2017. U.S. long-term yields have stabilized since the start of 2017, following a marked increase around the November 2016 elections. Long-term yields in core Euro Area countries remain low, helping to maintain favorable global financing conditions. Improved growth prospects and increased investor risk appetite have

World economic activity is firming, because of an improvement in confidence. Global output growth is forecast at 2.7% in 2017, and 2.9% in both 2018 and 2019. Confidence is triggering higher activity in manufacturing and trade and international financing conditions remain benign. Growth in advanced economies is expected to accelerate to 1.9% in 2017, before moderating gradually in 2018 and 2019 to 1.8% and 1.7%, respectively. This reflects a substantial upturn in the United States and Japan. In emerging market and

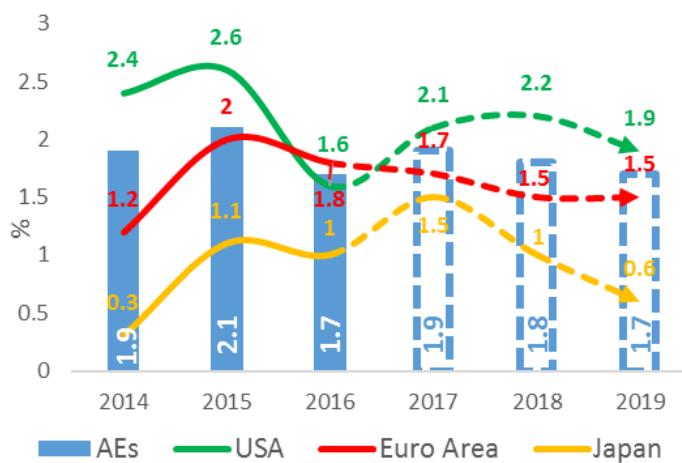
Global trade growth has rebounded from a post crisis low of 2.5 percent in 2016, despite rising trade policy uncertainty. The recovery, which began in the second half of 2016, has been supported by stronger industrial activity. Just as a slowdown in global investment growth was an important factor behind the deceleration of global goods trade, strengthening investment may support trade in 2017. Trade in services continued to play a stabilizing role, outperforming

led to a benign reaction of emerging-market assets to rising U.S. yields, especially when compared with the mid-2013. Capital inflows and bond issuance in EMDEs continue to be robust.

In commodity markets oil prices weakened in March and April, reflecting an improved production outlook in the United States. The resilience of the U.S. shale oil industry presents a considerable downside risk for oil prices. Metal prices, which are largely influenced by fluctuations in demand from China, are projected to rise 16 percent in 2017. Agricultural prices are expected to remain stable, with global stocks of key grains at 15-year highs.

1.3 Advanced Economies

Figure 3: AEs GDP growth



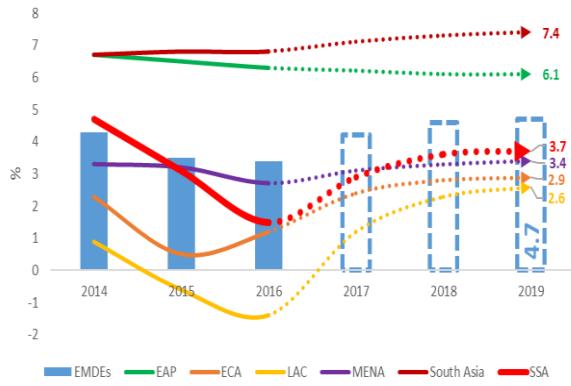
Growth in major advanced economies has strengthened, and their short-term outlook has improved, despite elevated policy uncertainty. A modest recovery should continue, with output gaps narrowing and inflation gradually converging toward central bank targets. U.S. monetary policy normalization is expected to proceed at a measured pace. China's policy guided gradual transition to slower but more sustainable growth continues as expected.

moderated in early 2017, despite strong consumer confidence. Private investment strengthened, whereas capital expenditures in the energy sector showed signs of bottoming out. Economic slack is diminishing, but unused capacity remains above pre-crisis levels. Over the long run, net migration is expected to account for the bulk of population growth, assuming no policy change. In the Eurozone unemployment fell rapidly throughout 2016, but remains slightly above structural levels. Actual and expected inflation increased somewhat since the start of the year. Investment is recovering, but remains on a lower trajectory than in previous upturns. The United States and the United Kingdom remain the single largest destination of extra-Euro Area exports.

In Japan, exports have picked up, especially for information technology-related products and capital goods. A relative increase in domestic versus foreign machinery orders is consistent with strengthening investment. Inflation expectations have risen, but remain below the central bank's target. The Bank of Japan policy shift to targeting long-term interest rates around zero slowed its asset purchases.

Emerging and developing economies

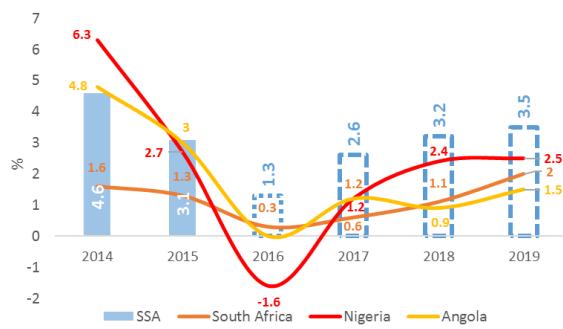
Figure 4: EMDEs GDP growth



or stagnation in 2016 (e.g., Angola, Argentina, Brazil, Kazakhstan, Nigeria, Russia). Activity remains solid in several diversified, or non-resource-intensive, economies (e.g., Costa Rica, Ethiopia, Indonesia, Malaysia, Rwanda, Senegal, Sri Lanka, Tanzania). However, remaining adjustment needs, particularly related to fiscal sustainability, are holding back economic activity in some economies, especially in those that have significant domestic vulnerabilities and political challenges.

1.4 Sub-Saharan African Economies and EDS25 Countries

Figure 5: SSA GDP Growth



these countries will need to increase public savings, contain debt accumulation, and rebuild policy buffers. Fragile states (e.g., Burundi, Zimbabwe) will continue to expand at a slower pace. For **Angola** and **Nigeria**, the 2017 GDP growth forecast of 1.2 percent reflects the recovering global commodity prices and improvements in domestic conditions, but foreign exchange controls are reported as distorting the foreign exchange market, thereby constraining activity in the nonoil sector. In **South Africa**, political uncertainty and low business confidence are factors identified as weighing on investment. 2017 GDP growth forecast is expected to be around 0.6 percent.

From a post-crisis low in 2016, growth is strengthening in EMDEs. A recovery in commodity exporters is being led by some large economies where adjustment to the earlier decline in commodity prices is well advanced. However, some other economies still face longer-than-expected adjustment needs, suggesting that this recovery will be somewhat softer than previously envisioned.

For commodity exporters, growth appears to be bottoming out, in varying degrees, in many of the large commodity exporters that were in recession

or stagnation in 2016 (e.g., Angola, Argentina, Brazil, Kazakhstan, Nigeria, Russia). Activity remains solid in several diversified, or non-resource-intensive, economies (e.g., Costa Rica, Ethiopia, Indonesia, Malaysia, Rwanda, Senegal, Sri Lanka, Tanzania). However, remaining adjustment needs, particularly related to fiscal sustainability, are holding back economic activity in some economies, especially in those that have significant domestic vulnerabilities and political challenges.

In **Sub-Saharan Africa** growth is projected to recover to 2.6 percent in 2017 from the sharp deceleration to 1.3 percent in 2016, and to strengthen in 2018. Activity was weak in early 2017 in some countries (e.g., Burundi, Chad, Equatorial Guinea). Large low-income countries (e.g., Ethiopia, Tanzania) will expand at a rapid pace, helped by buoyant service sectors, infrastructure investment, and a rebound in agriculture. However, with elevated debt levels,

CHAPTER 2 WORLD BANK GROUP OPERATIONS

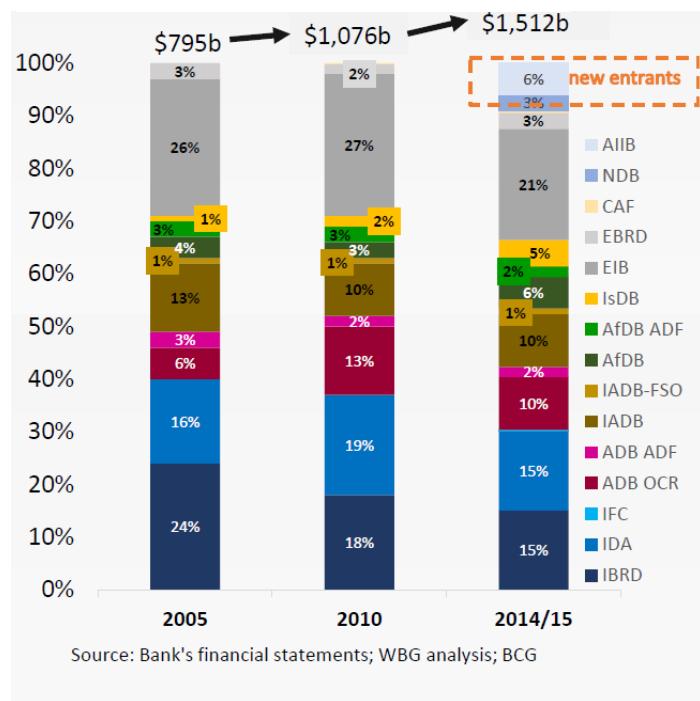
This chapter provides an overview of the operations of the WBG four operations entities, namely IBRD, IDA, IFC and MIGA.

2.1 IBRD

The International Bank for Reconstruction and Development (IBRD) is a global development cooperative owned by 189 member countries. As the largest development bank in the world, it supports the WBG's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges. Effective July 1, 2017, eligible countries with 2016 per capita Gross National Income of \$1,165 or more are eligible to borrow from IBRD.

Created in 1944 to help Europe rebuild after World War II, IBRD joins with IDA to form the World Bank (sometimes referred to as Bank). Both work closely with all institutions of the World Bank Group (which include the private sector entities, IFC and IDA). Together they account a little over a third of total development finance within the larger architecture (figure 6).

Figure 6: Share of total IFI lending



Demand for IBRD's loans remains strong, driven by the financing needs of borrowers combined with the value placed on the technical assistance offered with the financing. Country teams with a deep understanding of each country's circumstances work with clients to tailor and manage the most appropriate mix of instruments, products, and services.

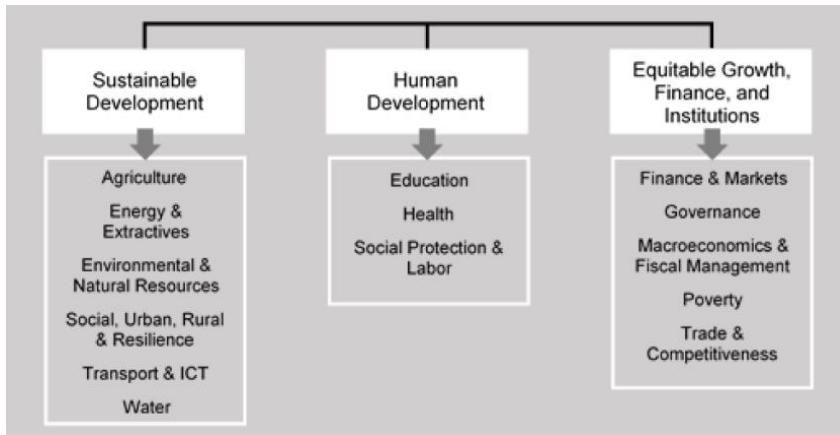
All IBRD loans, are made to, or guaranteed by, member countries. In most cases, IBRD's Executive Directors approve each loan and guarantee after appraisal of a project by staff. Under a new Multiphase Programmatic Approach approved by the Executive Directors on July 21, 2017, Executive Directors may

approve an overall program framework, its financing envelope and the first appraised phase, and then authorize management to appraise and commit financing for later program phases.

Since 1946, IBRD has extended, net of cumulative cancellations, about \$612.3 billion in loans. IBRD does not currently sell its loans. IBRD has both a country based focus and a global approach.

To facilitate this, IBRD has established the Global Practice and Cross Cutting Solution Areas, to assemble our best experts and knowledge, and make it more accessible to member countries. The Global Practices, which are grouped together into three thematic clusters enhance the sharing of global technical expertise to deliver client solutions across 14 specialized areas of development that integrate public and private sectors; capture and leverage knowledge; and build global leadership. Figure 15 illustrates the composition of the Global Practices:

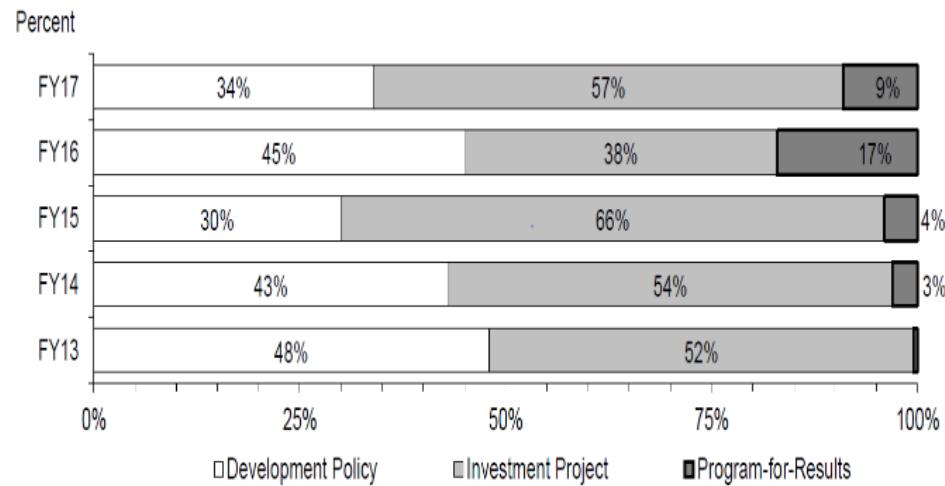
Figure 7 Global Practice Composition



In FY17, IBRD committed \$22.6 billion through 133 projects to help developing countries find solutions to global and local development challenges. Lending commitments (including guarantees) were lower by 24% in FY17 relative to a year earlier (Table 8). This decrease was driven by a \$5.6

billion decline in Development Policy Financing operations, and a \$3.0 billion decline in Program for Results (PforR) operations, due to two large operations in FY16 in the Sustainable Development thematic cluster. Despite a decrease in commitments in FY17, the Sustainable Development and Human Development Global Practice cluster saw an increase in their proportion of the FY17 commitments relative to FY16.

Figure 8 Commitments by Instruments



IBRD raises most of its funds in the world's financial markets. It has maintained a triple-A rating since 1959. This high credit rating allows it to borrow at low cost and offer middle-income developing countries access to

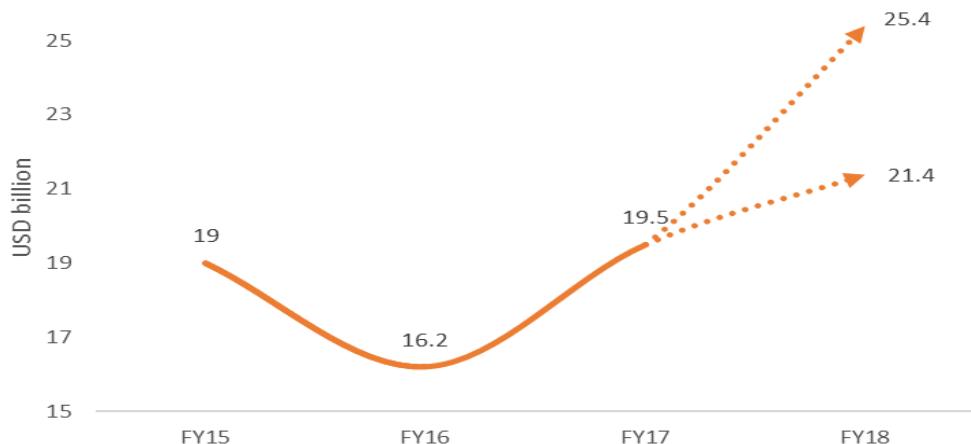
capital on favorable terms. IBRD earns income every year from the return on its equity and from

the small margin it makes on lending. This pays for World Bank operating expenses, goes into reserves to strengthen the balance sheet, and provides an annual transfer of funds to IDA, the Fund for the poorest countries.

The declining trend in the capacity of the IBRD to lend portends significant drop in IBRD's ability to meet its commitments or new obligations to its diverse Clients. The Bank has been implementing measures to strengthen its financial sustainability framework since FY10 to respond to increased demand. IBRD has had multiple pricing increases, reduced the policy minimum equity-to-loan ratio from 23% to 20%, and taken balance sheet optimization measures. The WBG has also engaged in an exceptional effort to reduce expenditures by 8% (US\$400 million by FY18) and remain committed to continuing improve its efficiency.

2.2 IDA

Figure 9 IDA commitments



The landmark IDA-18 replenishment in 2016 provides much needed funding for the world's poorest and most vulnerable. In addition, it doubles the volume of resources going to IDA countries in situations of fragility, conflict and violence (FCV).

The recently adopted Cascade approach will allow the WBG to make greater leverage of these resources than in the past through a diverse and expanding menu of WBG development solutions, including the IDA-18 Private Sector Window.

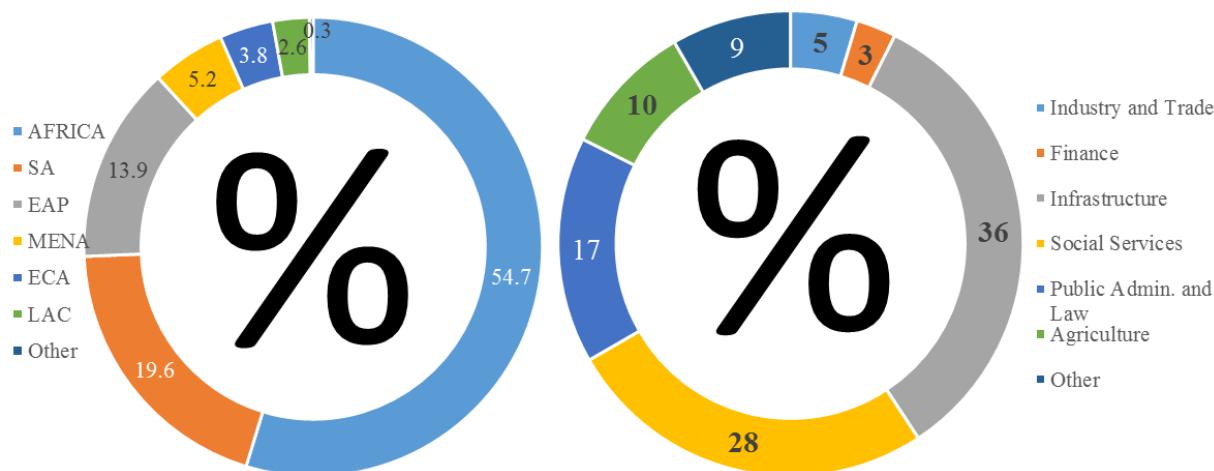
In FY17, IDA commitments reached US\$19.5 billion, resulting in full utilization of IDA17 resources and in FY18, IDA commitments are expected to reach US\$21.4 - US\$25.4 billion.

Demand for Bank services continues to grow and while IDA lending capacity has been considerably strengthened in a period when IBRD lending is constrained by limited capital.

The Bank continues to strengthen its assistance to IDA countries with an increase in funding capacity from US\$54.7 billion over the IDA-17 period (FY15-17) to US\$75 billion over IDA-18 (FY18-20). Demand remains equally strong for IBRD lending.

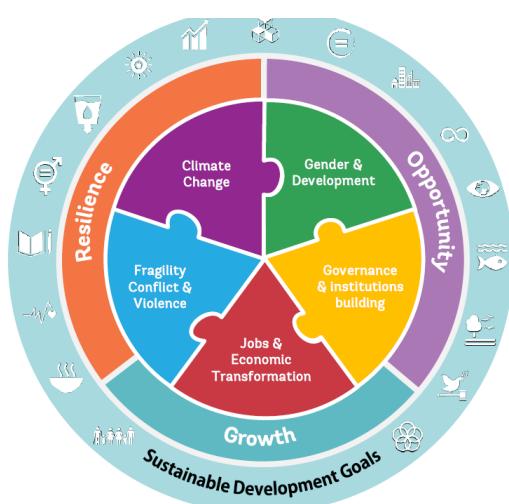
The new and more complex IDA financing framework (market access costs to deliver on IDA's new financing framework) and new or recently scaled-up IDA windows/facilities have created additional demands on both Operations and Institutional, Governance, and Administrative units.

Figure 10 IDA lending by region and sector FY17



Responding to heightened global ambitions and escalating risks, IDA18 presents a paradigm shift in how it mobilizes finance to help IDA clients achieve their development goals. IDA annually allocates its core resources through the Performance Based Allocation (PBA) system, which is determined by a formula using indicators as Country Performance Institutional Assessment (CPIA) and Portfolio Performance Rating (PPR), population and GNI *per capita*.

Figure 11 IDA18 themes



The IDA18 replenishment is the largest in IDA's 56-year history and heralds a significant step change in its policy and financing framework. IDA18 was finalized in December 2016 and will finance projects over the three-year period from July 1, 2017 to June 30, 2020.

IDA clients face a myriad of complex and interrelated challenges in the new global economy, calling for innovative approaches to development. These challenges call for a new IDA, underpinned by a transformational, ambitious policy and financial package. The IDA18 package responds to the calls from the G20 and international community for the World Bank Group to

innovate and do everything it can to be a critical implementation agent for achieving the 2030 Agenda.

2.3 IFC

IFC is a member of the WBG but is a legal entity with its own Articles of Agreement, share capital, financial structure, management, and staff. IFC does not accept host government guarantees of its exposures and raises virtually all the funds for its lending activities through the issuance of debt obligations in the international capital markets, while maintaining a small borrowing window with IBRD. Equity investments are funded from capital.

Total IFC commitments in FY17 were US\$6.9 billion. IFC's financial performance improved in FY17. Allocable Income increased to US\$1.2 billion in FY17, a 60% increase from US\$770 million in FY16.

Distribution of IFC's investment portfolio

Total commitments in Sub-Saharan Africa, increased by 47%, notably expanded to new countries where IFC's prior involvement had been low. IFC significantly expanded its engagements with existing clients, resulting in a 42% increase in total commitments in South Asia led primarily by Financial Institutions Group activities in MSME-based financial inclusion. New investments in the power and renewables sector drove a 12% increase in Middle East and North Africa.

IFC's Investment Portfolio

Table 1 IFC's Investment Portfolio by Region: FY16 vs FY17 and ratios between regions

IFC's Committed Portfolio	Sub Saharan Africa	South Asia	Middle East and North Africa	East Asia and Pacific	East and Central Asia	Latin America and Caribbean	Rest of the World	Total
at the end of FY16	7,957	6,475	5,570	7,671	9,058	11,389	3,875	51,995
<i>% of total portfolio</i>	<i>15%</i>	12%	11%	15%	17%	22%	7%	100%
at the end of FY17	8,505	7,255	5,569	8,372	9,629	11,324	4,362	55,016
<i>% of total portfolio</i>	<i>15%</i>	13%	10%	15%	18%	21%	8%	100%
% change FY16 - FY17	6.9%	12.0%	0.0%	9.1%	6.3%	-0.6%	12.6%	5.8%

Commitments by sectors

Commitments in all focus sectors increased in FY17, except in the core infrastructure sector.

The Agribusiness, Financial Inclusion, and Health and Education programs grew rapidly. Total commitments in agribusiness reached US\$2.05 billion in 43 projects, more than double the previous year's volume, driven by large transactions in the fertilizer sector.

Total commitments in FIG reached US\$8.5 billion in 135 projects, up 37% compared to FY16 volume.

As IFC scaled up its work in financial inclusion, commitments in microfinance and financial intermediaries helped ease access to finance for MSMEs.

Total commitments in the Health & Education and Life Sciences sector grew by 69%, reaching US\$905 million¹, of which US\$236 million was mobilized from other investors.

Total commitments in core infrastructure, decreased to US\$3.1 billion compared to US\$3.7 billion in FY16. The decline can be attributed to instability in key markets, the uneven pace of reforms and slow-down in new trade-related infrastructure as well as low commodity prices.

Climate Finance represented 25% of IFC's total commitments, exceeding its FY17 target of 22% and substantially higher than the 17% delivered in FY16. In FY17, total commitments increased by 45% compared to FY16, reaching US\$4.8 billion, of which US\$1.8 billion was mobilized from the private sector.

IFC achieved record volume in Manufacturing, Agriculture and Services Group, doubling its FY16 commitment and reaching US\$1.8 billion in long term climate finance, particularly through climate-smart agribusiness.

In Financial Institutions Group, total commitments in climate reached US\$1.4 billion, significantly exceeding FY16 volume of about US\$400 million. US\$60.9 million or 26% of the total AS program related to climate change, represented a 16% increase in volume compared to FY16.

Financial Performance

IFC's financial performance improved in FY17. Allocable Income increased to US\$1.2 billion in FY17, a 60% increase from US\$770 million in FY16. This growth was largely driven by treasury income and the impact of a one-time recalibration of general loan loss reserves following the introduction of new credit risk ratings.

Total expenses were US\$1.4 billion or 93.3 % of the FY17 total resources budget, in line with expectations. IFC's equity portfolio gained 8% during FY17 compared to 24% for the MSCI EM index driven primarily by

- underperformance of our large portfolios in China, Turkey, and Brazil;
- significant currency devaluations in Turkey and Egypt; and
- large investment specific losses in the finance and insurance, power, pulp and paper, education, food and beverages, and chemicals sectors.

¹ This growth was attributable mostly to large health services transactions in Brazil and Turkey.

However, IFC's equity portfolio gained 4.6% annually over the last five years compared to 4.3% annually for the MSCI EM index.

Non-Performing Loans (NPLs) declined as a share of loans outstanding to 5.4% at FY17-end from 6.5% at FY16-end, driven by substantial exits and write-offs. If the effect of write-offs and settlements was removed, NPLs would have reached 6.9% at FY17-end.

IFC's Deployable Strategic Capital (DSC) as a percentage of Total Resources Available was 7.8% at FY17- end compared to 4.4% at FY16-end. Total Resources Available increased by US\$1.1 billion, due in part to a US\$543 million improvement in the actuarial liability under IFC's retirement benefit plans. Total Resources Required increased by US\$0.2 billion, as growth in the business portfolio was offset by a reduction in the capital required to support the liquid asset portfolio.

Given the achievement of DSC and allocable income hurdle rates, IFC could designate US\$205 million from net income for key advisory and IDA contributions.

2.4 MIGA

MIGA serves as the World Bank Group's risk mitigator, providing investors and lenders the level of comfort necessary to invest in developing countries where risks or perceptions of risk are high. MIGA provides support through its political risk insurance and through credit enhancements products including cover against the non-honoring of sovereign financial obligation and the non-honoring of financial obligations by SOEs. Political risk insurance provides cover against transfer restriction and inconvertibility, expropriation, war and civil disturbance, and breach of contract.

MIGA's FY15 – FY17 strategy (2014) set a target of 10% annual growth with a product mix consisting of two-thirds political insurance and one-third non-honoring products. At the time of the strategy development, MIGA projected new guarantee issuances valued at \$3.1 billion for FY14, \$3.7 billion for FY15, \$3.7 billion for FY16 and \$4.1 billion for FY17. The strategy, refined in 2015 and 2016, also sought to prioritize IDA-eligible countries, FCS countries, climate, innovation, and demonstration of development impact. The strategy also encouraged optimization of opportunities presented by expanded product line and broader client base, along with a focus on strengthening business development, enhanced SOE credit analysis and outreach, and institutional efficiencies.

During FY17, MIGA issued \$4.8 billion of guarantees in support of \$16 billion in total financing to its member countries support. The guarantees supported 33 investments in 20 different countries. 45% of the supported projects are in IDA-eligible countries (23% in volume), 21% was in Fragile and Conflict-affected Situations (FCS), and 12% on climate change and energy efficiency. Out of US\$4.8 billion, US\$3.3 billion (68%) provided cover for political risk while 32% went towards credit enhancement. The supported investments are spread between infrastructure, financial sector, and the AMS cluster (Agriculture, Manufacturing and Services),

and are expected to contribute towards sustaining services for 8.5 million people with power, raise \$8.4 billion in medium/long-term lending to small and medium enterprises, generate \$692 million annually in government revenues, and support \$328 million of locally produced goods on an annual basis.

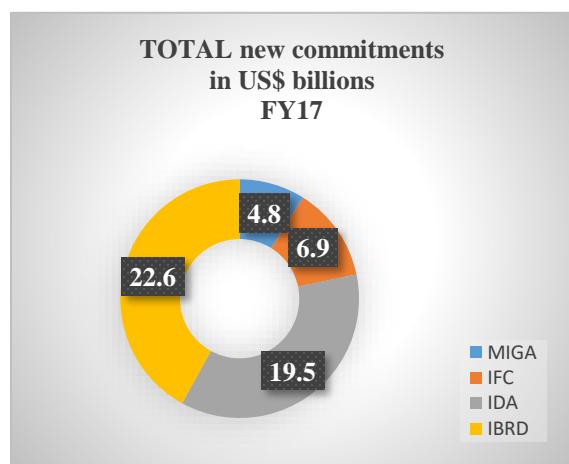
Of the 33 supported investments, 21 are in Sub-Saharan Africa totaling \$1 billion and have increased MIGA's gross outstanding exposure in the region to \$4.9 billion. SSA ranks second after Europe and Central Asia region where exposure stands at \$5.9 billion. (Latin America and Caribbean exposure rose to US\$2.9 billion from under \$2 billion). MIGA's gross outstanding exposure as at end of FY17 is US\$17.8 billion.

MIGA operated within a budget of US\$55.6 million approved by the Board for FY17. The total administrative expenses were \$47.8 million while income made is \$4.8 million. Gross premium income rose to \$179.7 million, a 29% growth from FY16's US\$139.8million. The gross premium income growth is attributable to increased gross exposure and higher effective portfolio premium. Two claims were paid in FY17, for war and civil disturbance.

For FY18-20, MIGA will continue to prioritize IDA and FCS countries and climate change, a 40% growth in issuances from the FY16 level (US\$4.3 billion supporting 17 projects). To realize this growth, MIGA will proactively pursue private investors in developing countries; expand guarantee capacity through reinsurance, improve efficiency, and enhance staff capabilities and motivation in support of MIGA's goals.

Summary

Figure 12 Total new commitments and relative share in FY17



Collectively, WBG entities invested a total of US\$53bn into development projects and programs in FY17 (Figure 13). This relative share is an 80:20 split of IBRD+IDA or 'public sector' lending and 50 percent IFC+MIGA or 'private sector lending'.

However, at these Annual Meetings, management is setting out an ambition for a 50:50 public private Bank by 2030. Delivering on a proportional shift of this magnitude suggests very major changes to the entities and their interaction as the WBG.

CHAPTER 3 WBG OPERATIONS IN AFRICA

3.1 WBG Operations in Africa

The Bank approved \$9.3 billion covering 109 projects for the Region this fiscal year, including \$669 million in IBRD loans and \$8.7 billion in IDA commitments, of which \$200 million was from the IDA Scale-up Facility.

During FY17, the focus areas in the Africa Region included raising agricultural productivity, increasing access to affordable and reliable energy, building resilience to climate change, strengthening fragile and conflict-afflicted areas, and promoting good quality education. The Bank also made important contributions to knowledge this fiscal year.

The incidence of poverty in our region continues to be very high. In 1990, 35 percent of the world's poor or 1.8bn people were living in extreme poverty. About half of these were in the East Asia and Pacific Region where the extreme poverty rate was 60 percent, making it the world's poorest region at that time. In 2013, extreme poverty in East Asia and the Pacific was 4 percent. Levels in South Asia fell from 45 percent to 15 percent.

Sub Saharan Africa has also seen a decline in the extreme poverty rate over this period to 41 percent, however due to population growth, the absolute number of the extreme poor has increased by 113 million to a total of 389 million people. Sub Saharan Africa now accounts for half the world's poor.

Boosting agricultural productivity

Agriculture accounts for 65 percent of employment in Africa. At a time when some countries are facing challenges from the decline in commodity prices, developing this sector can help to diversify economies. To improve the lives of 2 million of the estimated 50 million pastoralists in the region, the \$248 million Regional Sahel Pastoralism Support Project aims specifically to improve access to essential productive assets, services, and markets in six countries – Burkina Faso, Chad, Mali, Mauritania, Niger, and Senegal, and to improve the local response to pastoral crises and emergencies. Most of the beneficiaries of the six-year project will be women and youth.

Increasing affordable and reliable energy

Africa continues to lag behind other regions in access to electricity – an irony given the continent's huge potential for renewable energy, including hydropower, solar, and geothermal. Increasing access to affordable, reliable, and sustainable energy is a primary objective of the Bank's work in Africa. This fiscal year the Bank provided \$700 million for the Sankofa Gas Project in Ghana, which will develop offshore natural gas resources located 60 kilometers from the western shore. Gas from the project will fuel up to 1,000 megawatts of domestic power generation, about 40 percent of Ghana's currently installed generation capacity. The project will leverage \$7.9 billion in private sector investments, yielding huge potential fiscal returns and benefits to Ghana.

Adapting to climate change and building climate resilience

Climate change, especially changes in temperature and rainfall patterns, is projected to hit Africa's poorest people particularly hard. Investing in adaptation techniques and disaster risk management therefore remains a top priority for the Bank. The Africa Climate Business Plan, presented at the 21st Conference of Parties (COP 21) climate change talks in Paris, December 2015, laid out a work program to help countries both mitigate and adapt to the effects of climate change. In April 2016, the World Bank, in collaboration with partners, agreed to establish the West Africa coastal observatory to enhance the knowledge base on coastal erosion, flooding, and other climate change hazards that West Africa's coastal and island nations face. The observatory will build national and regional capacity and support countries' efforts to strengthen the resilience of their coastal areas to climate change.

Supporting fragile and conflict-affected countries

This fiscal year IDA approved turnaround resources for Guinea-Bissau and Madagascar. These funds help fragile and conflict-affected states to address the roots of fragility and support their transition to functioning states. In Guinea-Bissau and Madagascar, they will support key government reform initiatives, including the strengthening of a transparent and accountable public financial management system. Regional initiatives by the World Bank and the United Nations in the Great Lakes, the Sahel, and the Horn of Africa are supporting cross-border efforts to address the underlying causes of fragility. The Bank is addressing the pressing issue of displacement in the Great Lakes and the Horn of Africa with two operations to help countries manage ongoing crises through support for forcibly displaced people and their host communities.

Fostering the development of human capital

Every year for the next decade, 11 million African youth will enter the job market. They must be equipped with the right skills and training in order to succeed. To help bridge the gap between what African students are learning and the skills employers seek, the Bank has launched initiatives to boost STEM (science, technology, engineering, and mathematics) education across the region. A \$140 million Africa Higher Education Centers of Excellence project is funding 24 competitively selected centers in institutions of higher education in Eastern and Southern Africa. It will strengthen their capacity and focus on producing excellent training, applied research, and knowledge transfer in priority sectors such as agriculture, health, education, and applied statistics.

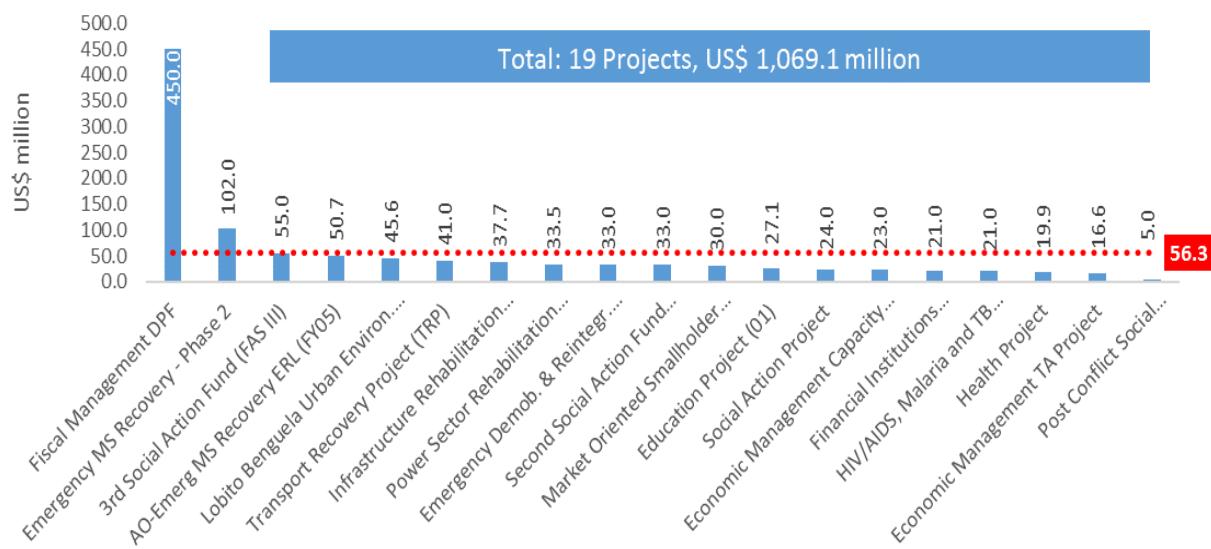
Meanwhile, the US\$75 billion IDA18 became operational from July 01, 2017 with a robust pipeline of projects, discussion about capital increase for IBRD is still ongoing in the World Bank Executive Board. There have been strong calls for a well-capitalized WBG to provide support for the Forward Look objectives of the Group. A case for capital adequacy for IBRD is currently before a select committee of independent experts. A decision is expected before the end of the year. The decision will guide the ongoing Board discussion on the possible and acceptable size of

capital increase for the Bank. Report on progress with this discussion will be presented in subsequent editions of our publications.

3.2 Angola

In 1991, the WBG began its assistance to Angola, through IDA credit facility, to improve economic management capacity in the country. Consequently, the Bank opened its office in Luanda, in order to promote a dialogue with the Government of Angola. After the implementation of a Transitional Support Strategy 2003-2004 of the country, two Interim Strategy Notes (ISN) followed.

Figure 13 Angola-WBG projects / facilities from 1998-2016



Source: World Bank, 2016.

From 1998 to 2016 the Bank carried out over 19 projects of social and economic impact with a total value of US\$ 1,069.1 million, in order to improve the transparency, efficiency, and credibility of the management of public resources, expand the delivery of services to the war affected vulnerable groups and prepare the country for economic growth that eradicates poverty.

Strategy with the World Bank Group

The World Bank Group Country Partnership Strategy (CPS) for Angola covering Fiscal Years 2014-2016 was approved in 2014 to support the country's transition and to define areas that could be supported with a new set of instruments, among which knowledge took a center stage. Aligned with its 2013-2017 National Development Plan, the CPS aimed at boosting Economic diversification, equitable distribution of wealth, and better service delivery through the use of various financial and advisory instruments available in the WBG (i.e. IBRD, IFC and MIGA).

The World Bank is preparing to undertake a Performance Learning Review (PLR) and consequently a Systematic Country Diagnosis (SCD) to better understand the sources of economic growth for a better institutional approach to be reflected into a Country Partnership Strategy (CPF) for the period 2017-2020.

From the three possible World Bank instruments, Angola has just used IPF and DPF, giving still space for a diversification of WB instruments through Program for Results.

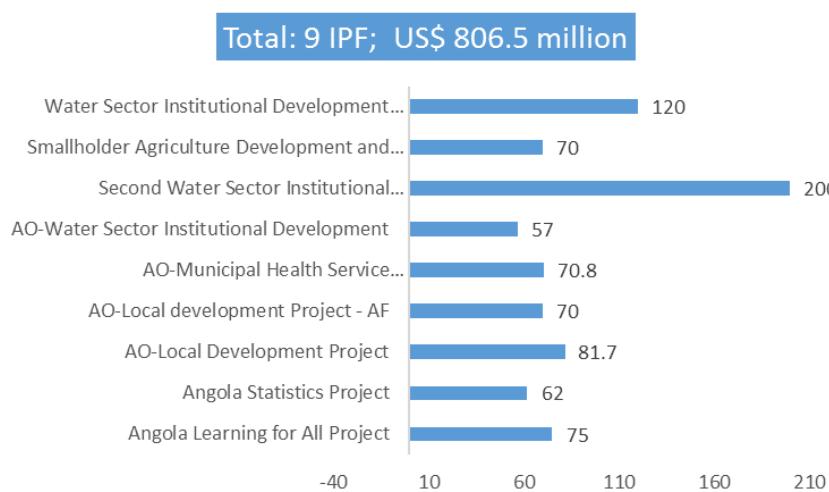
Figure 14 Angola-WB financial relations



Portfolio size and composition

The current portfolio consists of 9 IPF valued at **US\$ 806.5 million**. The DPF (US\$ 200 million), approved, is still pending disbursement.

Figure 15 Angola actual portfolio size and composition with WBG lending facilities



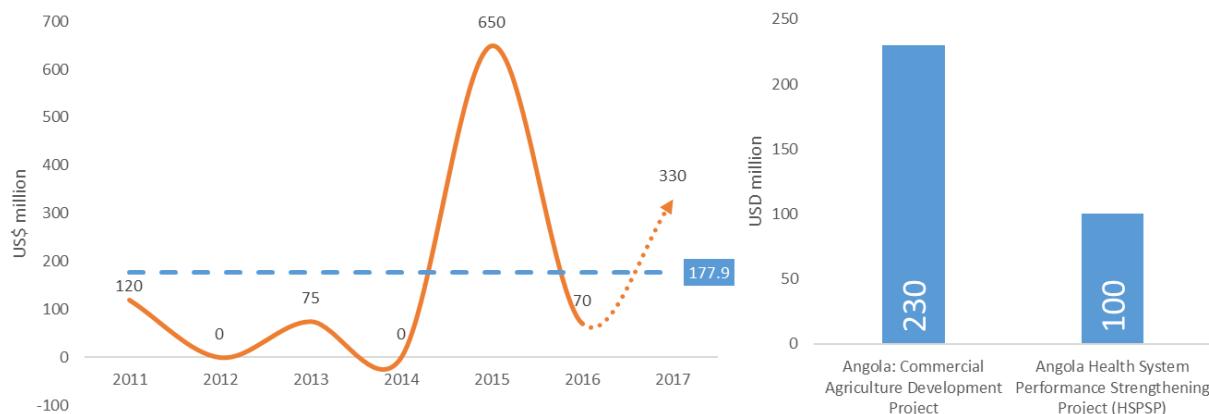
On the **MIGA** side, its exposure amounts to **US\$ 581 million**, consisting of a guarantee of US\$ 511.8 million to lead arranger HSBC Bank Plc. covering a non-shareholder loan (and interest) for the expansion of the Cambambe Hydroelectric Power Station and a guarantee of US\$ 70 million covering an equity investment by KLF Capital S.a.r.l. of Luxembourg in Aceria de Angola SA.

And as far as private sector is involved, **IFC**'s active portfolio with Angola amounts to **US\$ 60 million**, being the biggest part of it senior loan of US\$ 30 million to a company from the sector with building materials. There is also a project in the amount of US\$ 28.8 million for a company in the Construction and Real Estate sector in the pipeline.

Pipeline

In addition to the projects and other lending facilities financed by the WBG, Angola is seeking to accomplish its National Development Plan goals by enhancing financial cooperation with WBG institutions. As matter of fact, 2 investment projects are in the pipeline, amounting to US\$ 330 million.

Figure 16 WB projects approved and in the pipeline



3.3 Nigeria

Country Partnership Framework

The last CPF for 2014 – 2017 was prepared in the context of the WBG renewed commitment to the twin goals of reducing the number of people living below USD\$1.25 per capita per day to 3% by 2030 and fostering income growth of the bottom 40 percent of the population in every country. The PLR held in September, last year confirmed the alignment of the CPF objectives with Nigeria's developmental agenda, but found mixed progress toward achieving expected outcomes. Its proposal to adjust the CPS to Nigeria's emerging new development priorities by introducing a new crosscutting /foundational cluster of restoring macroeconomic resilience (CPS Cluster 4) developing a program of support in some prioritized areas such as the Northeast recovery plan,

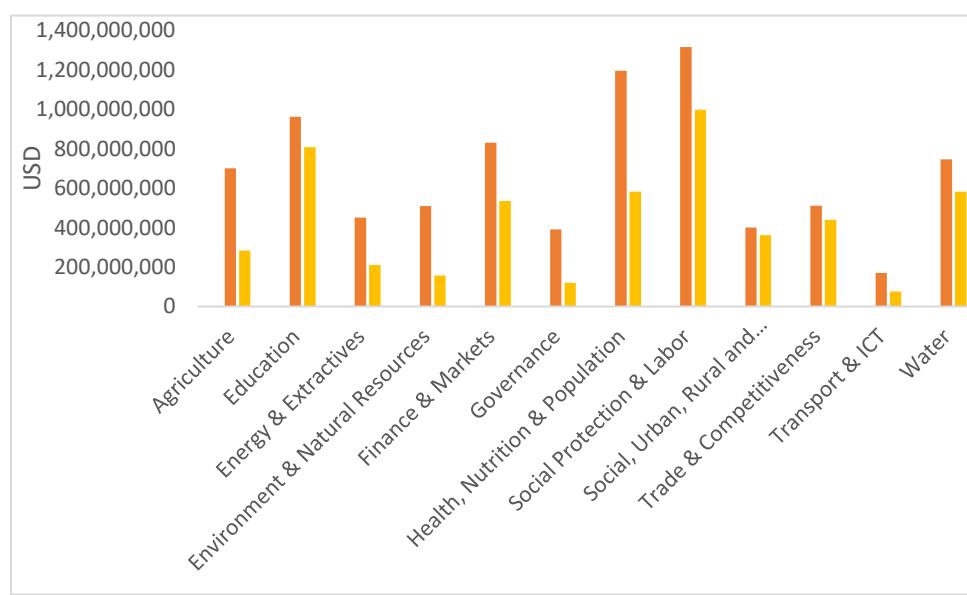
diversifying the economy, enhancing climate resilience and safeguarding social expenditures at a time of fiscal crunch while improving the efficiency and effectiveness of those expenditures.

Systematic Country Diagnostic

Following the April 2017 Concept Review Meeting, work on the SCD is nearing completion with a Board date set for October, 2017. It is expected that the SCD will rely strongly on the government's medium term framework as encapsulated in the Nigerian economic growth and recovery plan (NEGRP) launched recently by the Federal Government in response to the emerging urgent need to diversify the economy after the collapse of commodity prices. The new strategy is expected to seek to incorporate outcomes of the PLR to exploit synergies for generating maximum development impact through innovative solutions while leveraging World Bank Group knowledge and technical expertise, including through other partners' resources.

Portfolio Size and Performance

Figure 17 Nigerian Portfolio composition and disbursements



Nigeria's portfolio as at end of FY17 consists of 27 projects with commitments of approximately USD\$8.17 billion. Out of which a total of \$2.64 billion has been disbursed to date leaving a balance of \$5.133 billion. There are also active 26 advisory services

and analytics underway.

The disbursement rate hitherto has been quite low has shown considerable signs of improvements following direct intervention by the HMF through regular portfolio review meetings at both the Federal and State level which clearly identified bottlenecks in most cases proffered practical solutions to hasten the pace of disbursement. The annualized disbursements of 8.8% as well as the total amount of undisbursed resources is below expectations as can be seen in the chart below. where the different sectoral compositions are shown against the disbursed and undisbursed balances in brown and orange boxes rates respectively. However it is worth noting that many of these projects are new.

IFC

For FY17, IFC's investment and pipeline of projects are in 3 different sectors namely: Energy, finance and agribusiness. In all IFC invested in 7 projects out of which 3 are Advisory Services. Only recently, the Board approved \$8.5 million equity investment in Health Services under the AoB basis. Nevertheless, IFC has pledged to continue to support Nigeria's growth and development through investments in trade finance, infrastructure, manufacturing and services.

MIGA

MIGA has continued to remain critical in supporting the developmental efforts of Nigeria. Its flagship work on the Azura Independent Power Plant has remained reference point in MIGA's operations.

3.4 South Africa

Engagements with South Africa in FY17 include completion of a Performance and Learning Review (PLR), approval of two financing programs, 7 IFC investments, and three MIGA guarantees. A RAS program and numerous on knowledge products are also under implementation.

Strategy with the World Bank Group

The South Africa – World Bank Country Partnership Strategy for the period from 2014 to 2017 that was approved in 2013 identifies three areas of focus:

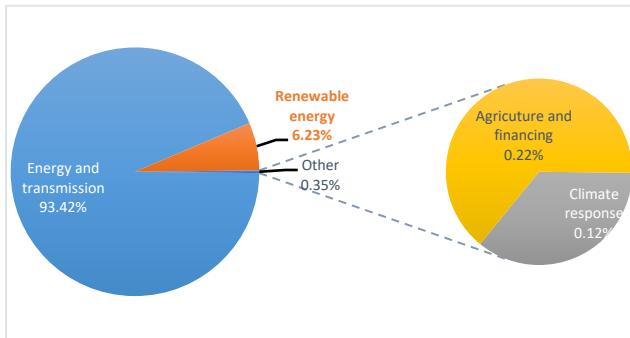
- reducing inequality,
- promoting investment, and
- strengthening investments.

Sectors identified in the CPS across the pillars are cities support, health, financial inclusion, energy, private investments, environment, basic education, and asset, debt and risk management. The CPS also identifies the knowledge hub as the primary vehicle for delivering development solutions, notes that support to the regional integration agenda will be a key part of the CPS and that financing of knowledge services will come from the Bank's internal resources.

A Performance and Learning Review (previously referred to as mid-term review) was completed and discussed by the board in FY17, and the partnership strategy implementation period was extended to 2018.

IBRD Portfolio Size and Composition

Figure 18 Sectoral composition of IBRD lending

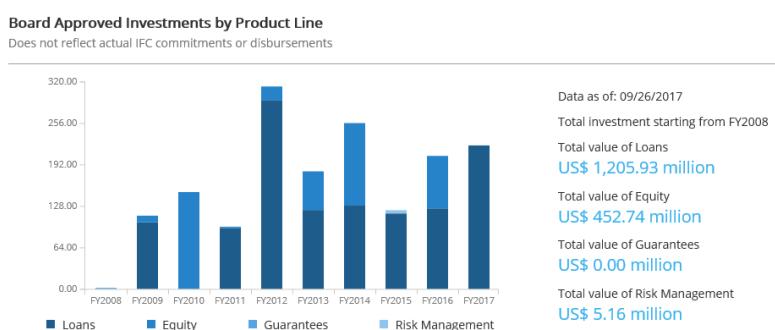


The World Bank lending program in South Africa comprises two operations funded through the IBRD, namely the Eskom Investment Support Project (US\$3.75 billion) closing in 2019 and the Land Bank Financial Intermediation (US\$ 93 million) closing in 2022. Other operations, financed through loans supported in energy sector are the and the

South Africa Partnership for Market Readiness (US\$5 million) and Eskom renewable support (US\$250m) and supported through mix of trust funds and development finance. Support for the Development, Empowerment and Conservation in the Greater St Lucia Wetland, Park and Surrounding Region, was closed in February 2017 after seven year of implementation. In addition to the lending portfolio, South Africa has numerous partnerships underway, structured as advisory services and analytics (ASA) and reimbursable advisory services (RAS).

IFC and MIGA

Figure 19 IFC investment in South Africa since 2009



market. For FY17 the IFC submitted at least seven investments proposals for board approval with amounting just over US\$1 billion.

For FY2017, MIGA issued three non-honoring guarantees for amount US\$540 million. MIGA has issued a total of US\$ 26, 814.24 million in total guarantees to private firms investing in South Africa in the period from FY2009 to FY2018.

IFC portfolio in South Africa continues to grow and includes equity, debt and mobilization in support of companies in renewable energy, retail, and financial sector. Investments include mainly injection into local operations and support for growth beyond domestic

CHAPTER 4 WORLD BANK GROUP STRATEGIES AND PROGRAMMES

4.1 April 2017 Development Committee

The Development Committee meets every fall at the time of the Annual Meetings of the Boards of Governors of the World Bank and the IMF, and every spring at the Spring Meetings. The current Chair of the DC is Ms Sri Mulyani Indrawati, Minister of Finance of Indonesia. She assumed her role as Chair of the DC on August 16, 2016.

When Governors met in April there was increased global political and economic uncertainty as a result of the unexpected election of President Trump, the formalization of the UK's decision to leave the European Union.

The Bank's analysis of Global Economic Prospects (GEP) highlighted that economic growth outcomes had been consistently lower than forecast since 2011.

"Downside risks still dominate global economic prospects and are associated with heightened policy uncertainty, protectionist pressures, and risk of financial market disruptions" (Global Economic Prospects Report, June 2017).

Slow growth also elevated concerns that a debt crisis may be emerging in some countries. These events have had a direct impact on the Bank which has been pursuing agreement on a capital increase from shareholders since 2015, with a decision expected at the 2017 Annual Meetings.

The agenda of the April Development Committee focused on the Forward Look and Shareholding Review, but was increasingly clear that with respect to a capital increase, a 'wait and see' approach has been adopted until there is greater clarity on the US position.

In his statement to the Development Committee, US Treasury Secretary Mnuchin offered the Trump administration's endorsement of the bank's focus on private sector-led development but did not commit any additional U.S. resources — or even the same amount of U.S. resources — to realizing that vision.

"We believe that more can be done to optimize the World Bank's balance sheet to avoid a precipitous decline in lending, and we look forward to discussing a full suite of options at a later date ... For this reason, we do not view the original schedule for considering the bank's capital position as necessary or realistic" (Governor Mnuchin)

The major innovation announced in April was IDA's use of capital markets to raise nearly a third of the resources for IDA18. This has enabled the Bank to increase lending in the context of a declining bilateral funding environment. The Bank highlighted the success of the IDA18 replenishment noting that several new countries have become contributors to IDA. IDA's focus on fragile and conflict-affected states and the use of the newly established private sector window were widely supported.

The Bank has also continued to pivot towards increased focus on the role of the private sector as a key development actor. The Bank introduced its organizing idea or set of principles to underpin

this approach to Governors. This is a hierarchy for decision making in infrastructure investment as follows: 1) commercial investment; 2) addressing upstream reforms and market failures and 3) public and concessional resources for risk instruments and credit enhancements; 4) public finance.

President Kim outlined plans to move the bank away from its traditional lending and project finance role, to become an “honest broker” that can leverage and move trillions of dollars in private capital into fragile and emerging economies.

The role that World Bank Group could play to de-risk markets, especially in fragile and conflict-affected countries, was raised frequently, especially with regards to the International Finance Corporation with considerable focus on how the IFC can use its tools and advisory services to de-risk on the financial side.

“Instead of waiting for an investor to come and restructure the finance, we lean forward and try to create the conditions for more investors to come and feel reassured that the conditions are there to invest” (IFC CEO Le Houérou)

The April 2017 Development Committee Communiqué (hereafter the Communiqué) stressed that there was some cause to be optimistic about economic recovery, but highlighted concerns raised by the IMF on an observed decline in correspondent banking relationships. While crossborder payments have remained stable and economic activity has been largely unaffected, fragilities in some countries could undermine long-run growth and financial inclusion prospects by increasing costs of financial services and negatively affecting bank ratings.

The Communiqué highlighted the distributional implications of technological change, trade, financial flows, and economic integration within the larger context of shifting sentiment against integration.

The key messages on the Forward Look were:

- a) prioritize private sector solutions when deploying scarce public resources, including for infrastructure;
- b) strengthen domestic resource mobilization;
- c) support global public goods;
- d) assist all WBG client segments;
- e) be more agile, responsive, and results-focused in working across the public and private sectors; and
- f) pay special attention to stabilizing the economy and supporting growth in situations of fragility, conflict, and violence, as well as to the development needs of small states.

The Communiqué placed a strong emphasis on crisis preparedness, prevention, and response, in close coordination with the UN and other partners. However, for the first time in many years, there was no comment on the perils of climate change in the formal record of the meeting. This new reluctance to be as explicit about the Bank’s support to financing investment in cleaner

technologies in response to climate change should be understood in the context of the recent change in the US's position on the Paris Agreement and climate change.

4.2 Forward Look

Governors approved the Forward Look at their meeting in October 2016. The 2017 October Development Committee meeting will receive the second update on the Implementation of the Forward Look.

The Forward Look has been carefully calibrated to respond to requests and desires from key constituencies within the World Bank. The Implementation Update is organized into four themes:

- a) Serving all Clients;
- b) Leading the Global Agenda;
- c) Mobilization for Development; and
- d) Improving the Business Model of the Bank.

Governors are also provided with an update of where the discussion on strengthening IBRD's financial capital has landed as 'strengthening financial capacity' was central to the agreement on the Forward Look arrived at during the 2016 Annual Meetings.

Serving all Clients

Low income clients: IDA

In FY17, IDA commitments reached US\$19.5bn. For the current 2018 fiscal year, low-income countries (LICs) are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of \$1,005 or less in 2016. Between US\$21.4bn and US\$25.4bn is expected in FY18.

The IDA18 agreement will also see a large increase in IDA Scale-Up Facility Commitments. US\$3.8bn was committed to the SUF during IDA17, and US\$6.2bn has been allocated for IDA18.

There are also high expectations with respect to new IDA windows and the push to ensure that IFC and MIGA increase their portfolio in LICs.

Middle income clients: IBRD

The definition of middle-income countries (MICs) is broad. For the current 2018 fiscal year, lower MIC economies are those with a GNI per capita between \$1,006 and \$3,955 while upper MIC economies are those with a GNI per capita between \$3,956 and \$12,235. IBRD lending in FY17 was down 24 percent from FY16, from a high of US\$29.7bn to US\$ 22.6bn.

As there is no short-term prospect of agreement on more capital for IBRD, rationing of IBRD resources in FY17 and FY18 relative to FY16 is inevitable.

Some of the larger shareholders, including the US, UK, France and Japan, have recently begun to emphasize that they would like IBRD to pay greater attention to its commitment to build up the

portfolio for IDA graduates and lower MICs. The argument is that some upper MICs have a relatively stronger ability to mobilize domestic resources and access capital markets than others.

Leading on Global Issues

In 2016, the Board approved the Bank's **Climate Action Plan** which included a ratio of WBG climate-focused projects as a percentage of total commitments. The goal is to increase climate related financing from 21 percent to 28 percent of annual commitments by 2010. The biggest proponents of this at the Executive Board are the German, French, Chinese and Nordic Executive Directors.

The Bank has acted to reorganize to improve coordination in crisis response. The **Global Crisis Response Platform** has been created to provide more systematic and scaled-up support by bringing together knowledge, resources, and current and emerging financial tools under a single umbrella. There was a very strong focus on this issue in the period running up to agreement on the Forward Look in October 2016, given the high-profile events of the summer of 2016. It remains an important priority for many European-led chairs as well as chairs representing countries in the Middle East and North Africa (MENA). This is an important priority for several Governors and it will continue to be a focus at these Annual Meetings.

An important thematic area for Sub Saharan Africa is that of regional cooperation and connectivity. While it is captured in the Forward Look, and has been exhaustively studied by the WBG, the Bank has had limited success in providing direct support to transformative projects. There is a tendency to overstate what the Bank can and is willing to do to support this policy priority in client countries. Because of the design of the country engagement model, the Bank is not particularly internally configured to be proactive in undertaking regional diagnostics or identifying binding constraints and opportunities for integration.

The Executive Directors representing the predominantly African countries (EDS13, EDS14 and EDS25) have been proactive in engaging the Africa Vice Presidency to reflect on lessons learnt and rethink its approach, particularly given the additional resources in IDA18 and the opportunities suggested by more IFC and MIGA investment in sub Saharan Africa. A new regional integration strategy is being drafted within the Africa Vice Presidency and will be put to the Executive Board in November.

The priority given to gender issues in the Forward Look is supported by the WBG's Gender Strategy. During these Annual Meetings, attention will be given to the WBG Women Entrepreneurship Finance Initiative (We-Fi) which plans to leverage US\$341m to more than US\$1bn for new programs supporting women-owned and led SMEs through public and private sector interventions, including the use of blended finance.

Responding to the employment challenge in many developing countries is also among the global issues captured in the Forward Look. Jobs and Economic Transformation is one of the special

themes in IDA18, and the Forward Look highlights the current and potential contribution of IFC in this regard.

Mobilization for Development

The Bank continues to pivot towards increased focus on the role of the private sector as a key development actor. The Bank introduced its organizing idea or set of principles to underpin this approach to Governors also sometimes referred to as ‘the cascade’. This is a hierarchy for decision making in infrastructure investment as follows: 1) commercial investment; 2) addressing upstream reforms and market failures and 3) public and concessional resources for risk instruments and credit enhancements; 4) public finance.

As part of a larger effort to woo the Trump administration on the role and contribution of the Bank, President Kim has given this element detailed focus through a full discussion of Maximizing Finance for Development: Leveraging the Private Sector for Growth and Development. This is discussed under ‘the Cascade Approach’

Improving the Business Model of the Bank

Improving the Business Model of the Bank refers to measures to strengthen the Bank’s knowledge work, and seeing better integration of the work of the Development Economics research team.

The Bank has also revised key policies including its Procurement Framework and Environmental and Social Framework and management will report to Governors on implementation.

Measures include a stronger integration of Trust Fund resources and incentives for greater cooperation and coordination across the group.

There are also human resources measures that include changes to support for staff, and an assessment of the Bank’s values as an organization.

The main progress that has been made since the Spring Meetings is in the Agile Initiative which is a push to improve how the Bank works internally and improve its responsiveness to clients. It includes an effort to reduce the amount of process and paperwork in project origination and implementation. The internal evaluation and adjustments have been generating new approaches for policy, procedure and administrative reform. These are currently being tested in what are referred to as agile pilots.

Strengthening Financial Capacity

After its last report to Governors in Spring of 2017, the Board of Executive Directors has met frequently to try to advance agreement on whether to recommend a Selective Capital Increase (SCI) to Governors. The Progress Report to Governors at the Development Committee at these Annual Meetings will acknowledge that “building consensus on such a comprehensive and ambitious set of capital and shareholding decisions is a complex and challenging exercise.”

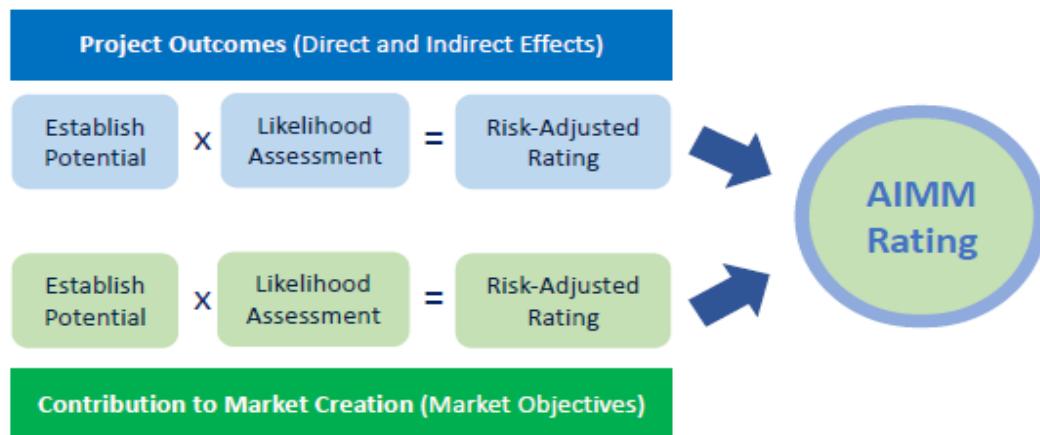
Although Board members generally recognize that completing the 2015 Shareholding Review remains an urgent task, there is a divergence of opinions and interests among members. It has become clear that it will take longer to complete the work than was envisaged in the Lima Roadmap. Some shareholders have pushed for an External Capital Adequacy Review of IBRD and IFC, and the agreement on the Terms of Reference was reached in the Audit Committee. An Independent External Panel will review the technical analysis provided by Price Waterhouse Coopers, and will provide a summary report of their views to management and shareholders. This panel is chaired by Axel Weber, the chair of the Board of Directors of the Swiss Bank, UBS.

While this is not formally on the Development Committee agenda, it is the main priority of IBRD management as they try to rebuild consensus for more capital. It is expected that the capital adequacy review and the Panel's initial comments will be raised during the Development Committee Lunch on October 13, 2017.

4.3 IFC Measuring Impacts

Over the past year, IFC has been developing an ex-ante project rating system that would operationalize the IFC's 3.0 strategy by intensifying the focus on development impact of IFC interventions. VP CEO Mr Houérou has stressed the importance of re-centering IFC on delivering development impact. To support this goal, the IFC has devised a new tool to help management better articulate the development impact of IFC investments. It is intended to complement the existing approach of measuring results during portfolio supervision (through the Development Outcomes Tracking System or DOTS) and ex-poste evaluation together with the Independent Evaluation Group.

Figure 20 Deriving AIMM ratings



The Anticipated Impact Measuring and Monitoring system or AIMM is an attempt to do two things. First, devise a more systematic approach to assessment of the potential development impact of IFC investment and second, to track the impact claims during project implementation.

It seeks to give IFC a more rigorous, quantified basis to achieve its double bottom line: select projects for their development impact as well as their financial performance. The major innovation that is being introduced is that IFC projects should be assessed and selected not only for their (direct) project impacts but also their (more indirect) systemic market impacts.

AIMM proposes to assess the development impact of IFC transactions along two main dimensions:

a) *Project outcomes:*

- Stakeholder impact (including customers, supplier and the community);
- Value added, employment and economic rate of return; and
- Environmental and social impact.

b) *Market outcomes*

- Competitiveness;
- Integration;
- Inclusiveness;
- Resilience; and
- Sustainability.

The concept of ‘creating markets’ is at the crux of the new thinking within IFC under the leadership of VP CEO Mr Houérou. Creating markets pushes IFC to go beyond a traditional focus on client need through direct investment and advisory products to include the potential to enable the development of new markets or systemic changes to markets to have a development impact. This includes coordinating capacity and supporting complementary investments across the group.

Within the AIMM approach, IFC staff must be able to demonstrate a clear channel through which an investment / intervention delivers an identified market outcome including:

- Enabling policy / regulatory reforms;
- Promoting competition;
- Generating spillover effects including through the creation of productive networks; and
- Building capabilities and skills that enable the realization of new market opportunities.

Once operational teams have completed their analysis of project and market level impacts, consideration is given to the probability of achieving the anticipated outcome. Here the distinction is made between potential and what could be realistically achievable is important. The likelihood assessment provides a comparable metric to profitability and other strategic objectives.

Another important component is the ‘upstream’ analytical work to diagnose and identify opportunities that might drive intervention decisions. Country Private Sector Diagnostics and other analytical tools help to establish the starting point for each of these two components of the AIMM rating. It is important to have some assessment of the sector before the IFC project. Thereafter it falls to IFC to develop the case for how much a project moves the market.

Monitoring is particularly important to the AIMM approach. It links the ex-ante rating process with the learning and accountability function already present in the existing results measurement system.

The AIMM approach is an effort to embed development impact in every stage of a project development cycle. The goal is to ensure that AIMM ratings and monitoring will be built into each stage of the project. This process of review will provide operational staff with an opportunity to better capture and enhance a project's potential development impact, and through the appraisal process, obtain additional information and commitments from the client to assess whether great impact can be achieved through adjustments to project design, additional client commitments, complementary investments across the rest of the group or additional measures.

IFC is beginning with a pilot period where it will be improving the development impact analysis of every project to be more structured and systematic in articulating the impact of IFC interventions. Assessments of project and market impact will be aggregated and presented in a provisional AIMM rating table. The overall assessment sits at the intersection of the project level assessment and market level assessment.

In this illustration, the provisional AIMM rating is ‘good’ based on a project impact assessment of ‘moderate’ and a market impact assessment of ‘very strong’. During the pilot period, this matrix will serve as a general guide for the overall AIMM rating. As the implementation of the AIMM system proceeds during FY18, this table will evolve based on operational experience and refinements of the rating process. Qualitative ratings will eventually convert to quantitative scores.

The objective is to have a fully operational system in place so that AIMM scores will be applied to all IFC projects starting in FY19.

4.4 The Cascade Approach

In addition to the work of the IFC and the Private Sector Window - a special window to create markets and catalyze private sector participation in development investments, the World Bank Group will also use a CASCADE approach to crowd-in private sector in development programs.

Governors discussed “From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance” at the Development Committee meeting of Spring meeting of 2015. The paper prepared by the World Bank Group in collaboration with the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Monetary Fund, advocates for a paradigm shift on how development is financed to unlock the resources needed to achieve the SDGs. The paper advocates for intelligent development finance that goes beyond filling financing gaps but strategically unlock, leverage, and catalyze private flows and domestic resources creating a set-up where ODA is targeted increasingly to crowd-in other funding sources.

The theme of scaling financial mobilization, expanded work with the private sector, and leveraging a range of capabilities to expand and create markets, is carried through in the Forward Look, a paper that informed the Fall 2016 discussion. Further articulation of the mechanism is provided in “Forward Look” paper of Spring 2017, and in the “Maximizing Financing for Development” paper to be discussed in Fall 2017 meeting.

The WBG institutions are working together through new approaches such as the Cascade to allow policy reforms and institution-building supported by IBRD/IDA to be complemented by private sector investment. The cascade approach calls for all WBG agencies to assess potential participation of private sector in development programs prior to deployment or investment of public resources. With the Cascade approach, the World Bank Group suggest a more systematic effort to secure private participation in development investments.

To maximize the impact of scarce public resources, the Cascade first seeks to mobilize commercial finance, enabled by upstream reforms where necessary to address market failures and other constraints to private sector investment at the country and sector level. Where risks remain high, the priority will be to apply guarantees and risk-sharing instruments. Only where market solutions are not possible through sector reform and risk mitigation would official and public resources be applied. The approach is articulated in the box below.

Cascade Objective and Algorithm

Maximize financing for development by leveraging the private sector and optimizing the use of scarce public resources. WBG support will continue to promote good governance and ensure environmental and social sustainability.

When a project is presented, ask – "Is there a sustainable private sector solution that limits public debt and contingent liabilities?"

- If the answer is "Yes" – promote such private solutions.
- If the answer is "No" – ask whether it is because of:
 - Policy or regulatory gaps or weaknesses? If so, provide WBG support for policy and regulatory reforms.
 - Risks? If so, assess the risks and see whether WBG instruments can address them.
- If you conclude that the project requires public funding, pursue that option.

Source: [Important next steps for Maximizing Finance for Development/Cascade, Sep-14-2017](#)

The Cascade approach is being piloted in nine pilot countries – Cameroon, Cote d’Ivoire, Egypt, Indonesia, Iraq, Jordan, Kenya, Nepal, and Vietnam. Zambia also have projects that models this approach.

4.5 The 2015 Voice Reform and Shareholding Review

In 2010 Governors agreed a set of reforms that enhanced the voice and participation of Developing and Transition Countries (DTC) in the World Bank Group, notably through an increase in voting power, and realigned shareholding in line with economic weight and development contributions.

Building on the steps taken in 2010, the 2015 Shareholding Review identified shareholding review principles that Governors endorsed at the Lima Annual Meetings. The 2015 Shareholding Review Report to Governors defined a Roadmap to Implementation of the Review that was endorsed by Governors at the 2015 Annual Meetings in Lima. The Roadmap set out proposed work streams to prepare the ground for decisions on Selective and General Capital Increases (SCI & GCI) for both IBRD and IFC by the 2017 Annual Meetings.

Since last Spring, Executive Directors have focused on discussing options for Selective Capital Increases to rebalance shareholding. Additionally, there has been a parallel work aimed at assessing the financial capacity and needs of the World Bank Group. The linkage with this important exercise fundamentally underlines the shareholding review discussion. The Progress Report to Governors at this Fall Meetings acknowledges this much that “building consensus on such a comprehensive and ambitious set of capital and shareholding decisions is a complex and challenging exercise.”

Progress with the exercise has been incremental and perhaps more complex than envisaged. Although Board members generally recognize that completing the 2015 Shareholding Review remains an urgent task, more work remains to be done to reach common grounds on a number of issues. Reaching agreement has been difficult because of divergence of opinions and interest among members. Among the many areas of divergence have been:

- The size of IBRD Special Capital Increase (SCI) which now hovers between 200,000 and 700,000. While some members prefer a larger allocation of shares necessary to achieve significant adjustment of shareholding and voting power can, others prefer a smaller allocation of shares, which cannot achieve the same objective since a similar adjustment of shareholding and voting power calls for more use of allocations targeted at the under-represented.
- Opinions and interest are also divided among members on which of the four potential allocation rules should be used for shares distribution. The rules include: an allocation strictly in line with the formula; an allocation to under-represented; an equal allocation to all countries; and a special allocation. Whichever option or a combination of option that would eventually be agreed, concerns have been raised in the discussion on the level of dilution of members’ shareholding positions.
- Agreement is yet to be reached on acceptable approach for a potential Selective Capital Increase in IFC. Therefore, of the two broad options identified, consensus must be reached on whether the exercise follow the approach taken in 2010 using consultations of countries on their interest in increasing their IFC shareholding, consistent with the overall aims of the exercise; or to pursue a rules-based allocation, applying share allocation rules to an agreed measure of under and over-representation.

On the shareholding discussion, while there are differences to resolve, views have converged on some elements of the potential package as noted in this progress report. As reported to the Spring Meetings, based on the technical work described in this report there is scope for potential Selective

Capital Increases. Nevertheless, more work remains to be done to reach an agreement and this work will proceed on the basis that nothing is agreed until everything is agreed.

Completing the 2015 Shareholding Review remains an urgent task and a timeline of work leading up to the Spring Meetings has been developed. Whatever the outcome, it is critical that the minimum allocation size is such that can generate sufficient adjustment in the shareholding positions of members and support the Forward Look objectives. Eventually, Governors will be required to take a set of decisions on strengthening the capital positions of IBRD and IFC including possible selective and general capital increases in IBRD and IFC as a package.

4.6 2017 World Development Report: Learning to Realize Education’s Promise

The World Development Report (WDR) is one of the WBG flagship reports published annually on a specific development theme. The Report typically provides an analysis of a specific challenge and respective responses, find country experiences to compare and provide as examples for both positive models and weaknesses, show patterns of global response, and make recommendations for future actions. The report is usually launched in October. Themes of the past reports include Governance and the Law in 2017, Digital Dividends in 2016, Mind, Society, and Behavior in 2015 and Risk and Opportunity—Managing Risk for Development in 2014.

The focus of the 2018 WDR is “learning”, as a competency that will enable people to contribute meaningfully to own world and development. Titled “Learning to Realize Education’s promise” the WDR reflects on discrepancies between attending school and acquiring foundational skills and competency needed to thrive, points out varying performance levels across countries, noted the socio political and operational challenges that perpetuate a less-than-optimal school functioning and learning outcomes, the absence of measurements, the little correlation between spending and learning outcomes, and implications of low levels of learning on jobs skills and for inequality. The report authors use the concept of “Learning Crisis” to emphasize poor classrooms outcomes amidst improving enrolments and accessibility of schools.

Problems highlighted include the following:

- Hundreds of millions of children reach young adulthood without even the most basic life-skills. Early learning deficits are magnified from year to year when not addressed.
- Education should equip students with the skills they need to lead healthy, productive meaningful lives, yet many countries are not yet achieving this goal because learning that is expected to happen in school is not happening. Children learn very little in many education systems, and attain less than expected basic competencies due to several school related and non-school related factors.
- Education systems are widening social gaps instead of narrowing them. Individuals already disadvantaged in society because of poverty, location, ethnicity, gender, disability, and others, learn the least when countries fail to enable learning for all.

- Weak proficiency levels are high even in Upper Middle Income Countries. It is estimated that only 57% of learners reach the minimum proficiency level.
- Struggling education systems lack one or four of the school level ingredients, namely prepared learners, effective teaching, learning focused inputs, and skilled management and governance that pulls them together.
- Increased financing can support learning for all if key actors and inputs are aligned to enable learning.

Three key recommendations made to improve education and learning are:

- Assess learning and track performance over time. Countries need to put in place a range of well-designed student assessments to help teachers guide students, improve systems management, and focus society's attention on learning.
- Act to make school work for learners by building strong teaching-learning relationship in classroom. To do this, focus should include preparedness of learners, teachers' skills, and inputs and management of schools including technology directed at enhancing teaching and learning.
- Align actors to make the whole education system work for learning including through use of evidence as a basis for reform decisions, coalitions to shift political interests towards learning, and use of innovative and adaptive approaches to identify strategies that work.

The key messages of the report are that: learning matters; measurement of learning is key in enabling an appropriate focus; and a systems-based approach would be fundamental to bringing the right level of reforms to improve learning in schools. The point well-made is that “Tackling the learning crisis and skills gaps requires diagnosing their causes – both immediate causes at the school level and their systemic drivers”.

Despite over-emphasis on assessments, the report also notes that assessments by themselves are not an answer. The significance of skilled and motivated teachers and a systematic and coherence approach to education sector improvements, and the need to address prevalent technical weaknesses and competing political priorities leading at times to inappropriate investments, are highlighted. While the report also suffered lack of adequate and consistent data on learner performance across countries, relies on selective incomparable data from specific countries for its examples, and makes limited connection between family and learning capabilities, it nevertheless provides a useful basis for engagement on the subject of learning and skills development, and ways to address critical gaps in the education systems of many developing countries.

CHAPTER 5 WORLD BANK GROUP STANDING COMMITTEES

5.1 World Bank Standing Committees

There are five Standing Committees of the Boards of the World Bank Group including the Audit, Budget, Development Effectiveness, Governance and Administrative Matters and Human Resources. There is also an Informal Subcommittee of CODE. Standing Committees are established to strengthen the efficiency and effectiveness of the Board in discharging its oversight responsibilities through in-depth examinations of policies and practices. Though Committees do not make decisions, they provide recommendations to the Board for its consideration and decision, if required. Committees strive for broad consensus in reaching a recommendation. The extent to which the Committee is able to work with Management and other key parties on pending issues, reach a consensus, and drive the ensuing Board discussion is key for the effective operation of the Board and timely decision making and for productive engagement with Management and oversight and accountability units. In addition to the Standing Committees, the Ethics Committee considers on an ad-hoc basis matters relating to the interpretation or application of the Code of Conduct for Board Officials. The 2009 Resolution on Standing Committees sets out the general guidelines for appointment of its members, the Chairperson, the Vice Chairperson and Terms of Reference (TOR).

Constituency Executive Directors are members of the Standing Committees. Each Executive Directors is a member in two Committees. If chairing, the Constituency is only represented in that Committee. Our ANSA Constituency Executive Director Bongi Kunene is the Chair of the Audit Committee.

5.2 Audit Committee

The purpose and Terms of Reference (TOR) of the Audit Committee (AC) is to assist the Boards in overseeing the World Bank Group's (WBG) finances, accounting, risk management, internal controls and institutional integrity, including:

- a) the **integrity of financial statements** for IBRD, IDA, IFC and MIGA and financial reporting related to trust funds;
- b) the appointment, qualifications and independence of the External Auditor;
- c) the performance of Internal Audit and of the External Auditor;
- d) the adequacy and effectiveness of financial, accounting and administrative policies and internal controls and the mechanisms to deter, prevent and penalize fraud and corruption in WBG operations and corporate procurement;
- e) the **effective management of financial, fiduciary, compliance and administrative risks** in IBRD, IDA, IFC and MIGA, including trust funds; and
- f) institutional arrangements and **processes for risk management across WBG institutions.**

The AC is tasked with both oversight of IBRD's, IDA's, IFC's and MIGA's policies, procedures and practices and their continuous improvement

The AC Chair and members work closely with Senior Management, Finance teams, the External Auditor, the Internal Audit Vice Presidency (IAD), the Integrity Vice Presidency (INT), the Group Chief Risk Officer (CRO) and the Boards.

The core business of the AC is review of financial policies and other matters having a significant bearing on financial sustainability, portfolio concentration, credit risks, financial risks and exposures, reserving and loan-loss provisioning and the allocation of net income, as well as the integrity of the World Bank Group's financial reporting and risk management processes.

The AC is also tasked with review of fiduciary aspects of activities, undertakings, and policies of the World Bank Group institutions, focusing on effectiveness and integrity and administrative policies with a focus on the adequacy and reasonableness of controls.

The AC reviews and discusses IBRD's, IDA's, IFC's and MIGA's quarterly and annual financial statements with Senior Management and recommends annual financial statements to the Board for approval. The also reviews relevant and significant reports or financial information submitted by IBRD, IDA, IFC and MIGA to any governmental body, external analysts, underwriters, or the public, including management assertions on the effectiveness of internal control over external financial reporting and relevant reports submitted by the External Auditor, Auditor General or INT.

The AC also receives regular activity reports from IAD, INT, CRO and the financial operating units, as necessary to meet the Committee's obligations as contained in these TORs.

ED Kunene chairs the AC and the staff in EDS25 play a major role in ensuring the smooth running of the AC processes, and broad understanding of AC issues and content by members of the Executive Board. In practice, this means scheduling and hosting frequent informal briefings by staff to AC members, and very regular engagement with staff in the Corporate Secretariat on the workplan of the AC.

Risk management practices have become an area of focus in corporate governance in recent years. In the immediate aftermath of the global financial crisis, it was widely recognized that traditional risk and certain aspects of governance models were weak in this regard, and different structures were necessary to bring a focus on risk at the board level. Many large banks have board-level Risk Committees, and these are expected to become even more prevalent under Dodd-Frank rules.

U.S. banks and bank holding companies with greater than \$50 billion in assets, those with greater than \$10 billion in assets and that are publicly traded and certain other non-bank financial companies designated as systemically important would be required to set up a risk committee and develop a risk charter. In addition to the need for greater alignment with global best practice,

WBG risk management processes and practices are of relevance to potential Bank (IBRD and IDA) bondholders.

Staff in EDS25 led an AC working group of advisors to examine the adequacy of current reporting practices. The report of this working group contains recommendations for improved reporting and several general comments and questions for the office of the CRO. The central conclusion is that for the AC to deliver effectively on its risk oversight mandate, the Board requires greater clarity with respect to the WBG's risk taxonomy and how information on specific risks is conveyed.

This initiative by the office of the Chair of the AC has contributed to broader and more widespread consideration of how specific risk areas including Strategic, Operational and Stakeholder Risk are being managed within the Bank.

The Board wide discussion of risk management is also relevant to making the Bank's lending and project implementation practices more agile and supportive of adaptive programming. There are concerns within the Bank as to the appropriate levels of delegation of authority; and the nature and adequacy of the upper layers of risk management systems in the WBG.

There have been a series of subsequent engagements between the Bank's Chief Risk Officer and AC members. The AC chair has also engaged the Chair of the Committee on Governance and Administrative Matters (COGAM) to consider the mandate and scope of the AC's role, with consideration of risk management and how effective oversight is explicitly or implicitly shared across Standing Committees and in the Operational Updates to the Executive Board.

5.3 Budget Committee

The TOR of the BC is to supervise the budgeting process and to support the Boards in approving the IBRD, IDA, IFC and MIGA budgets. Additionally, it oversees the preparation and execution of their business plans.

The committee assists the Boards in providing guidance to management on strategic directions; in reviewing alignment of budgets (including both expenditures and revenues) and trust funds with these strategic directions; in monitoring budgetary and operational performance to fulfill the Boards' obligations with respect to the efficient and effective use of resources; and in reviewing and recommending for Board approval appropriate budgetary policies, procedures, standards for due diligence and accountability mechanism.

Its specific responsibilities are:

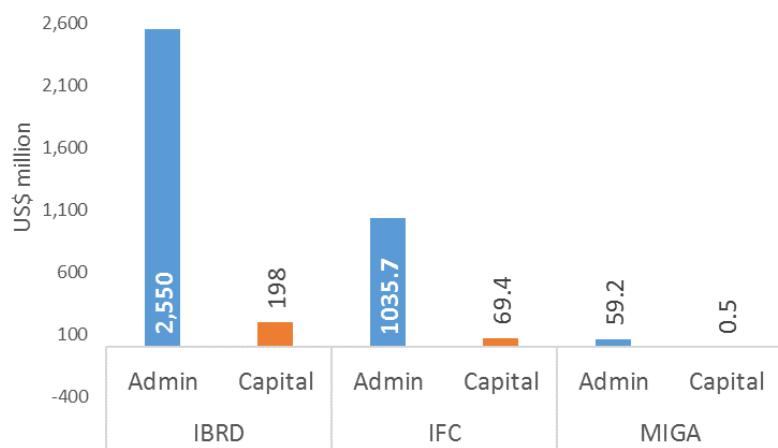
- **Guidance on Strategic Directions:** Provide inputs to enable constructive engagement with World Bank Group management in articulating strategic directions for the Group.
- **Strategic Alignment of Budgets:** review the business plans, budgets and results of each World Bank Group institution in relation to agreed strategic priorities and efficient and effective use of World Bank Group's own resources

- **Monitoring Performance:** Periodically discuss performance with management on the basis of quarterly reports from IBRD/IDA, IFC and MIGA analyzing trends in outputs and results, resource use and staffing.
- **Budgetary Policies, Procedures, Standards and Accountability Mechanisms:** recommend for Board approval, and thereafter monitor, mechanisms for due diligence and supervision of “below the line” budget items within the Board scope of responsibility.

World Bank Group FY 18 Budgets

- **World Bank:** the operations in risky environments involves higher labour intensity and this requires higher expenditures. There was an increase to the administrative spending of US\$ 19.0 million, representing a nominal increase of 1.0% and a decrease of 1.3% in real terms when compared to FY17. The Capital Budget stood at US\$ 198.0 million.
- **IFC:** it reflects its commitments in implementing an innovative new strategy aiming at creating markets and mobilizing private capital in the poorest and most fragile environments. The administrative and capital budget stood at US\$ 1,035.7 million and US\$ 69.4 million, respectively.
- **MIGA:** its increased involvement in risky environments in IDA and FCS countries, as well as in Climate Change projects is reflected in the 22% percent increase in the projected Gross New Issuance.

Figure 21: WBG FY18 Budget



5.4 Committee on Development Effectiveness

The committee on development effectiveness (CODE) which is charged with the responsibility of supporting the Boards in assessing the development effectiveness of the WBG among others provides guidance on strategic directions of each member institutions, monitor the quality and

results of the WBG operations and oversee or laisse with the work of the entities that are part of the WBG accountability framework. It identifies, consider and make recommendations to the Boards on high priority issues related to the development effectiveness of the member institutions of the WBG and the results archive through their operations.

In course of FY17, CODE deliberated on and made far reaching recommendations to the Board that would enhance effectiveness of the operations of the WBG. Prominent among which are as follows:

- IEG Reports – Key IEG reports considered by CODE in FY17 are those:
- Higher Education for Development wherein among others the committee underscored the need to diversify funding sources and put in place proper regulatory frameworks to monitor performance and the adequacy of higher education service providers. It also emphasized the need for Bank and IFC to improve the quality of results indicators, ensure their adequate measurement, and to further build and draw on the evidence based for higher educations, WBG support for Urban transport, Data and Statistical capacity as well as the evaluation of the WBG's engagement in FCV states; Others include:
- New ESF – The committee also considered the progress report on the road to the Launch of ESF in 2018. Core activities lined up in preparation for the roll out of the launch includes: staff training, preparation of guidance notes, change management borrowers' awareness raising as well as engagement with strategic partners were discussed, while quality inputs that will ensure a robust launch were agreed upon;
- Multi Phased Pragmatic Approach (MPA) – In the spirit of agility, the committee in June discussed the MPA with modifications for IPF and P for R and commended for Boards consideration and approval its implementation during the IDA 18 cycle. It is expected that this will allow IBRD/IDA borrowers to structure long, large or complex engagement as a set of smaller linked operations (or phases) under one programme management wherein overall programme framework and its financing envelope is considered and approved by Board while management is authorized to commit financing for the MPA Program phases. The merits of the MPA are obvious in terms of delivery, agility and flexibility. It is expected that regular feedback will be provided by management to continue to preserve Board oversight;
- Streamlining Restructuring Policies and Procedures for IPF and P4R. The committee alongside with COGAM met and agreed that the proposal for the modification to the policy for IPF & P4R to delegate to management the authority to approve project and programme restructuring in line with the forward look initiative and the agility agenda be sent to the full Board for consideration;

5.5 Committee on Governance and Administrative Matters

The purpose and TOR of COGAM is to assist the Boards in issues related to the governance of the institutions of the World Bank Group, the Boards' own effectiveness, and the administrative policy applicable to Executive Directors' offices. The Committee:

- Considers issues related to the institutions' governance, the effectiveness of the Boards and the administrative policy applicable to Executive Directors and their Alternates and Senior Advisors.
- exercises its duties with respect to issues referred to it by the Boards or on the Committee's own initiative.
- Considers questions of governance and make recommendations to the Boards on governance related principles, practices and procedures to be followed in the organization.
- Keeps up to date on the trends and best practices in governance followed by multilateral institutions, not-for-profit organizations, and the private sector and evaluate their applicability to the organization.
- Evaluates the effectiveness of the Boards and Board Standing Committees and make recommendations to the Boards when appropriate.
- Considers questions of administrative policy relating to Executive Directors and their Alternates and Senior Advisors and make recommendations to the Boards.
- Upon request of the President or any Executive Director or Alternate concerned, consider, and in the absence of a request for reference to the Boards, decide questions involving individual Executive Directors and Alternates, arising under established administrative policy.
- Maintain close liaison with the IMF Executive Board on relevant matters relating to
- Administrative policy bearing in mind the need for parallelism between the two institutions.
- Considers governance aspects related to representation and shareholding in World Bank Group institutions.

The Committee may also consider issues that do not fall within the mandates of existing Committees that have become increasingly important in Board governance.

5.6 Human Resources Committee

The Human Resources Committee was established to strengthen the efficiency and effectiveness of the Boards in discharging its oversight responsibility on the World Bank Group's Human Resources strategy, policies and practices, and their alignment with the business needs of the organization. Responsibilities include annual review of the Human Resources strategy, staff compensation, and effectiveness and alignment of policies and business needs in relation to

Strategic staffing, Diversity; Compensation and benefits; Performance management, rewards and recognition; Staff knowledge and learning; Organizational design, including decentralization strategies; Staff health and safety; and Managerial accountability.

For FY17, greater attention was placed on overseeing the implementation of the FY17 – 19 People strategy whose action plan include integrated talent acquisition and management (strategic staffing), strengthen overall organizational effectiveness including workforce planning, developing management and transformational leadership capacity, strengthening performance and rewards, and promoting health, wellness and safety. Three subjects that dominated the discussions were (i) addressing the short-term consultancies: improving contingency staff planning and increasing numbers on open-ended contracts, (ii)staffing of the FCV portfolio and (iii) compensation on country office staff and overall compensation of staff. A compensation review was initiated to review the methodology for salary increase including determinants of salary increase envelope, and budget sustainability of the compensation trajectory.

At the end of FY17, the WBG had 15 983 active fulltime staff on board, a 3.8% increased from FY16 (588 in number). The share of open-ended contracts staff rose to 53.2% following the conversion of 1 198 staff from Term contracts. Staff count remains 4.3% lower than the FY14 levels. Staffing expenses grew by 4.6% (\$133.6m) mainly due to increases in headcount and FY17 salary increases and pension costs. Significant changes in IFC and IBRD, increasing 6.3% and 4.0 percent respectively. Staff increased across all grade levels with higher growth outside the US aligned to increased field presence and in FCS contexts.

With regards to diversity and inclusion, the WBG's diversity index has increased from 0.87 in end FY16 to 0.90 in end FY17. Progress has been made in the percentage of women managers (1.5% increase to 38.1%) albeit still low for part II women managers (declined by 0.6% to 42.3%). For African staff, SSA/CR at GF+ levels², an increase in 0.7% was seen, raising the ratio to 12.4%. This makes the WBG 0.1 % shot of its target of 12.5%. Levels of SSA/CR staff varies across agencies, stands at 12.9% in IBRD (meets target), 10.9% in IFC, and 11.2% in MIGA. At the same time, SSA/CR exits from the WBG made 12.6% of all exists while new hires are at 21.4% of all hires, with the majority being young professionals.

Organizationally, the WBG agencies continue to restructure and realign in line with the 2014 re-organization and the evolving mandate.

² This number exclude staff at lower grades- GA-GE, and include only professional staff - GF and up, a better way to measure technical representation.

CHAPTER 6 CONSTITUENCY MATTERS

6.1 EDS25 leadership in the coordination of the three Sub-Saharan African Chairs

In July 2017, EDS25 took over the responsibility for the coordination of the three Sub Saharan African chairs. Our office is giving priority to the frequent request by officials to further deepen these relationships and identify areas where the Africa ‘Bloc’ can be more vocal and proactive at the Board.

The objectives of deeper cooperation include:

- Exchanging perspectives on key policy issues;
- Aligning key messages (as appropriate);
- Providing mutual support in key deliverables, particularly joint statements;
- Compelling greater accountability of Senior Management on key concerns of constituencies;
- Supporting a more focused approach for Sub Saharan Africa within the WBG; and
- Pursuing elements of the Africa Caucus agreements.

EDs and AEDs in the three offices have agreed to meet a minimum of three times during the leadership of a chair, i.e. every 2 months. In each cycle, they will meet with the Vice President of the Africa region, and key Vice Presidencies in pursuit of deliverables under the core priorities identified by each chair.

EDS25 proposes that responsibility for coordination rotate every 6 months, consistent with the approach of the EU Caucus and the G11 Caucus. The previous arrangement was for rotation every three months.

Another innovation is more formal accountability by Lead Advisors in each office. In the past, the focus was on agreement on a schedule of responsibilities to produce joint statements and informing each other of the allocation of tasks and duties within offices.

However, EDS25 has proposed that Lead Advisors should meet informally to discuss the Bank’s agenda and that these should occur in advance of the Steering Committee meeting. An understanding of the points of emphasis for each office empowers chairs to support each other.

Lead Advisors will also arrange meetings of constituency staff in advance of key technical briefings. Importantly, when EDs and AEDs meet, they will receive a written report and oral briefing from Lead Advisors on areas of coordination and collaboration since their last meeting.

Strategic Priorities

The focus of the group between now and the 2018 Spring Meetings will be the New Africa Regional Integration Strategy of the Bank. The last strategy presented by the Bank on this issue was in 2008. Using this group, the EDs and AEDs from our offices have succeeded in getting some insight into the direction that the Africa Vice Presidency is taking. In addition to compelling an opportunity for our chairs to provide guidance and recommendations, the offices will coordinate closely in advance of the Board Presentation before the end of the calendar year.

In addition to this, ED Kunene has identified three strategic priorities during the leadership of EDS25 of this structure.

Over the short term, the focus is on IFC's redefinition of its role including through the new IDA windows, the cascade and approaches to assessing development impact. The pressure on IFC and MIGA to do more in Sub Saharan Africa creates an opportunity for EDS25 to be a key interlocutor in this area.

Over the medium term, EDS25 believes that it is important that all three offices regularly pressure the Development Finance VP and the Africa Region VP on the content of the IDA18 pipeline, particularly the new windows including the Regional Window, the Private Sector Window and the Crisis Response Window.

Over the longer term, EDS25 would like to initiate a process of consensus within the Africa 'voice' in IDA on what the priorities for IDA18 should be. Both Nigeria and South Africa are now donors to IDA, and there are now many more African borrower representatives around the table. The current practice is for EDS13 and EDS14 to lead on a borrower statement. However, it may be more powerful to simply have an Africa statement and the pros and cons of this approach will be considered in the months ahead. In addition to the strategic priorities of IDA, the criteria for IDA eligibility is an area of interest for EDS25. This will be a further area of close attention.

6.2 African Caucus Meetings

The Africa caucus memoranda, an outcome of the August 2016 caucus meeting in Benin was discussed with the WBG president and the IMF MD at the Fall meetings in October 2016. Through the memorandum, governors welcomed the proposal to leverage IDA's balance sheet and to create an IDA private sector window (PSW); support job creation in manufacturing, facilitate countries' readiness and accreditation processes for access to the Green Climate Fund (GCF) and to the Private Sector Facility (PSF); address and build capacity in countries, and provide guarantees to support investment and scale up financing for transformative projects.

They also called on both IMF and WBG to scale up technical assistance on tax policies and administration, articulate plans tackle IFFs and recover stolen assets; take necessary steps and assistance towards addressing debt arrears for Eritrea, Somalia, South Sudan, Sudan and Zimbabwe; scale-up financial and technical support to FCS countries, and scale up their assistance

to the regional integration efforts notably through enhanced regional surveillance as well as policy and technical support to regional and sub-regional institutions.

In the 6-paged response, the President Kim's noted the following:

- (i) The *World Bank Group Support to Africa*, noting the FY16 IDA delivery to Sub-Saharan Africa was \$8.7 and \$669 million in IBRD lending, \$3.37 billion of IBRD for North Africa, and \$3.17 billion in IFC's commitment to new long-term financing and mobilizations in Sub-Saharan Africa, and advice provided to governments and private investors in projects worth \$63 million in 37 countries.
- (ii) As part of the *Boosting Growth and Fostering Economic Transformation* the WBG is scaling up support to infrastructure, especially energy, and to agriculture and agribusiness; are focusing on improving the quality of primary and secondary education and expanding our assistance to STEM—science, technology, engineering and mathematics, deepening policy dialogue with countries to help countries achieve difficult second generation reforms needed to build on and sustain progress.
- (iii) To *Optimize Tax Revenue*, the WBG is expanding its portfolio of tax projects in African countries in response to demand, and is collaborating closely with the IMF including in developing an innovative tax policy assessment framework to diagnose, benchmark, and set a reform path for tax policy issues facing developing countries. The WBG is also building partnerships for delivering on the tax agenda and is working with ECOWAS, ATAF, EU, OECD and WAEMU to support ECOWAS countries in strengthening transfer pricing regimes.
- (iv) Regarding *Tackling Illicit Financial Flows*, The WBG works on three core approaches to IFFs: measuring illicit flows at the country level; assisting countries to prevent the underlying behaviors that give rise to illicit funds; and supporting country and international efforts to stop the flow of illicit funds. Other initiatives include the Stolen Asset Recovery (StAR) Initiative, the Anti-Money Laundering Program, support in implementing EITI commitments.
- (v) *Scaling up Support from Bretton Woods Institutions*: Directly supporting transformative projects on the continent, and collaborating with other partners to leverage our assistance. The continent is expected to continue to receive a significant portion of IDA's financing in IDA18. In IDA18, Africa IDA-eligible countries are expected to receive 60% resources, Sub-Saharan Africa is also a regional priority for the Global Infrastructure Facility (GIF), and counts for 34 percent of the GIF pipeline. Financial support to countries facing fragility, conflict and violence will increased to more than \$14 billion to help address the root causes of these risks before they escalate. Capacity for crisis response and pandemic preparedness will too be enhanced through enlarging the Crisis Response Window (CRW) and introducing Catastrophe Deferred Drawdown Options (CAT-DDO) for IDA countries. IFC and MIGA also affirms their commitment to growing the portfolio in Africa, IDA and FCS.
- (vi) Simplification of the *Debt Sustainability Framework* is a specific stated objective of this review, to strengthen provision of assistance to countries to enhance their capacity to undertake debt sustainability assessments and manage their debt burden.

(vii) *Quota, Voice, and Diversity*, the WBG have met the target of 12.5 percent of staff of African and Caribbean descent, and will now raise it **to 15 percent beginning in FY 18**. At present, the bank has six VPs from Sub-Saharan Africa, four of whom are women. The total of Practice Managers of Sub-Saharan African and Caribbean descent is now over 14 percent. Going forward, tracking will include all African descendent staff, regardless of current nationality, and to include South African staff.

For FY18, the Africa Caucus meeting was held in Gaborone on 2 – 4 August under the theme of agriculture. Titled “Economic Transformation and Job Creation”, the caucus memorandum calls on the Bretton Woods Institutions (BWIs) to provide support in agriculture policy reforms; agriculture technologies, value Chains and sustainable jobs for youth and women; financing infrastructure and strengthening fiscal sustainability, and voice representation and staff diversity.

Discussions with the President of the World Bank and the Managing Director of the IMF are scheduled for Sunday 15th October and the items for discussions is likely to include financial commitments to Africa, market creation and financial deepening and inclusion to unleash African agriculture potential, Review of IMF Facilities for Low Income Countries, and implementation of the new Debt Sustainability Framework for Low Income Countries.

6.3 Update on the Voice Secondment Program

As part of the capacity enhancement efforts, the Executive Directors initiated the VSP for officials from Developing and Transition Countries(DTCs) with the main objective of helping the EDs and Bank operational teams in their relations with their constituencies from the DTCs, to strengthen the ability of capitals to provide timely and adequate feedback to the EDs and operational teams, to increase the knowledge of officials from DTCS the procedures and products and operations of the Bank. Essentially participants are drawn from countries from the EDs offices representing 8 or more DTCs, countries with low income countries under stress as well as those with Poverty Reduction Strategy Paper(PRSP) process.

Selection is transparent and highly competitive and is based on agreed criteria, one of which is that the secondee is expected to return home to strengthen the country engagement process. The number of participants is 25 and the duration of the secondment is 6 months.

Since the creation of this constituency in the Fall of 2010, there has been two participants from each of the member countries, with Angola and Nigeria participating in the 9th and 10th cohorts while South Africa took its turn in the 10th and 11th cohorts. Meanwhile, Ms. Gladys Ekwere of Federal Ministry of Finance, Nigeria was selected from the constituency to participate in the 14th Cohort of the VSP commencing January 2018.

6.4 Ideas for Action Global Competitions

Youth engagement is critical to the achievement of the Sustainable Development Goals. Tackling the challenges the world faces, will need the full participation of the youth so they can share their innovative ideas for solutions. Ideas for Action (I4A) is a competition for youth to share their ideas for financing sustainable development. It is jointly organized by the World Bank Group and the Zicklin Center for Business Ethics Research, Wharton School of the University of Pennsylvania. The winners were selected from more than 740 submissions from 118 countries. The I4A competition engages young people around the world to encourage them to develop and share their ideas for financing solutions to deliver on the ambitious 2030 development agenda

The competition is in its third year, and consistently, Nigeria has shown strong performance by being the second-place winner in 2015, and first place winner in 2016 and 2017 respectively. Over the same period, the country submitted more proposals than any other country in Africa for 2015-2017. Below is a summary of the global competition in the last three years.

I4A Statistics 2017 - Nigeria: 70 submissions (highest in Africa and second globally, after USA with 82 submissions)

First place winner: Team Kitovu (Nigeria). The 2017 winning proposal, Kitovu, from Nigeria, is an innovative platform that matches the type and quantity of fertilizers, improved quality seeds, and other inputs, to the right soil. The group proposes a web and mobile-based decentralized fertilizer/seedling warehousing system that matches the right inputs to different farm locations owned by smallholder farmers in distant locations so as to lower the cost of cultivation while ensuring increased yields. The platform also seeks to create market access for smallholder farmers in distant locations by using a mix of web, mobile, and SMS platforms to link them to processors, produce buyers, inputs, and other ecosystem stakeholders so as to tackle post-harvest losses and enable produce to be tracked while also increasing farmer income.

7-9 Place: Haima Health Initiative (Nigeria). Haima Health Initiative offers innovative solutions to a sustainable blood supply chain management system; a technology driven donor management system in Nigeria, using mobile and web based technology. It also provides opportunities for scale, health sustainability, economic advancement, and incorporation of volunteer driven public-private sector collaboration.

I4A Statistics 2016 - Nigeria: 23 submissions (highest in Africa)

First place winner: Team DLVR (Nigeria): A Peer-to-Peer Hyper Local Approach to Last-Mile Delivery in Nigeria. Team DLVR developed a novel solution for the lack of proper addressing systems and inefficient postal infrastructure in developing countries. The team developed a low-cost peer-to-peer delivery system that connects senders with local transporters to carry out scheduled or on-demand deliveries. The enormous potential economic impact and scalability

helped this outstanding idea to prevail against a wide array of extremely innovative, high-quality proposals from around the world.

I4A Statistics 2015 - Nigeria: 35 submissions (highest in Africa)

Second place winner: Team OXYGEN (Nigeria). The second-place winners propose the development of an automated warehousing receipt system to improve access to customized financing for smallholder farmers in rice value chains in Nigeria. Through an innovative public-private partnership model, the proposal demonstrates the potential of pooled private and public sector resources to improve smallholder farmers' access to financing. By using movable assets such as inventory as collateral to secure loans, smallholder farmers can get better access to agricultural inputs.

These proposals are published in the World Bank Group's Books: Financing Sustainable Development, 2017; 2016; 2015. Further information can be obtained from: <http://www.ideas4action.org>

Angola and South Africa have not participated in the online process in the past. All countries of the Constituency are strongly encouraged to mobilize youth of ages 20 – 35 years to take part in the exercise. The Office of the Senior Vice President - The 2030 Development Agenda & UN Relations and Partnerships is willing to conduct outreaches to countries that are yet to participate in this global competition.

6.5 Farewells (and new beginnings)

Mr Aliyu Ahmed returned to Nigeria to take up a senior position. We wished him a fond farewell, and happily ignored his repeated pleas for no parties or gifts.



In November 2016, we also bid farewell to Ms Ana Dias Lourenço who was our Alternate Executive Director and Executive Director for the 2012-2014 and 2014-2016 period, respectively.

At the end of her term in our office, she returned to Angola to take her position as Member of Parliament. In addition to her Parliamentary responsibilities, she has spent much of the past 10 months campaigning with her husband, João Lourenço, Vice-President of the MPLA and former Minister of Defense. The MPLA won the country's parliamentary elections, taking 61% of the vote. João Lourenço was sworn in on September 26, 2017. We are all very proud of them and wish them both every success in meeting the challenges ahead.



**Office of the Executive Director
Angola, Nigeria and South Africa**



FUTURE EVENTS

Events	Dates	Venue
Ministerial Dialogue	TBD	Abuja, Nigeria
IMF/WBG Spring Meeting	April 20 to 22, 2018	Washington, DC
IMF/WBG Annual Meeting	October 12 to 14, 2018	Bali, Indonesia