



THE WORLD BANK
OFFICE OF THE EXECUTIVE DIRECTOR

Mongolia 

Korea 

Cambodia 

Palau 

Micronesia 

Papua
New Guinea 

Australia 

ANNUAL REPORT

Marshall Islands 

Kiribati 

Tuvalu 

Solomon
Islands 

Samoa 

Vanuatu 

New Zealand 

FISCAL YEAR
2011-2012

**WORLD BANK – EAST ASIA / PACIFIC CONSTITUENCY
OFFICE ANNUAL REPORT FY12**

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AED	Alternate Executive Director
AusAID	Australian Agency for International Development
AS	Advisory Services
CAS	Country Assistance Strategy
CIN	Constituency Information Note
COP17	17 th Global Climate Change Conference
DC	Development Committee
ED	Executive Director
FDI	Foreign Direct Investment
FEMM	Forum Economic Ministers' Meeting
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAFSP	Global Agriculture and Food Security Program
GEF	Global Environment Facility
GNI	Gross National Investment
GPO	Global Partnership for Oceans
HR	Human Resource
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDA16	International Development Association/16 th Replenishment by IDA Donors
IDA17	International Development Association/17 th Replenishment by IDA Donors
IFC	International Finance Corporation
IMF	International Monetary Fund
IoC	Instrument of Commitment
LIC	Low-Income Country
LTIP	Long-Term Income Portfolio
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-Government Organisations
NZAP	New Zealand Aid Program
PBO	Pension Benefit Obligation
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PIC	Pacific Island Countries
P4R	Program for Results
PNG	Papua New Guinea
SPCR	Strategic Program for Climate Resilience
SPLS	Social Protection and Labor Strategy
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
VSP	Voice Secondment Program
WB	World Bank
WBG	World Bank Group
WDR	World Development Report

All monies expressed in US\$ unless indicated otherwise
FY12 – refers to 1 July 2011-30 June 2012

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EXECUTIVE SUMMARY

The Constituency Office during the financial year ending June 2012 (FY12) continued efforts to improve how we serve our constituency member countries through representation, and ensuring the interests of constituency member countries are heard at both the Board and Bank staff levels. We have continued to uphold the tradition of maintaining close working relations with Bank management and staff with the ultimate goal of providing adequate information on the Bank's development work to our capitals on a timely manner.

During FY12, we have continued to maintain good communications with our members through the quarterly issuing of our Constituency Newsletters and Constituency Information Notes (CINs). Staff have had the opportunity during FY12 to visit some of our constituents, allowing them to experience and hear directly from the members the issues and challenges they face. The Executive Director has met with a wide range of Ministers and senior representatives of constituency members during the year and the office has again assisted in facilitating the programmes of delegations visiting Washington.

We continued to be involved in the Voice Secondment Program during the year by keeping our constituents informed on the process of soliciting applicants and selection based on set criteria for selection.

Climate Change and Oceans continue to be key areas of interest and our office has been involved and kept up-to-date with the current developments by way of retaining engagement with Bank management to ensure climate change and natural disaster management are incorporated into the Bank's strategies and work in the region and more importantly focusing attention on Pacific Island Countries.

The Bank has continued to provide financial assistance to Small States. By the end of FY12, its commitments had more than tripled compared to pre-crisis levels and it has become more flexible in responding to small states' evolving needs although there is more room for improvement.

Our office has continued its active role in its engagement with Bank staff working on the WDR 2013 on Jobs. The key output of our office's involvement is that the report will reflect and emphasise the importance of sound and sustainable policy settings that provide a business environment conducive to economic growth and job creation. The office also worked to facilitate the inclusion of a WDR case study on Papua New Guinea, which was funded by Australia, as well as pressing for the inclusion of specific material on the job challenges faced by island economies.

We have increasingly been engaged in discussions on the strategic challenges facing IDA over the longer term especially on IDA's future role within the development community, and its eligibility and effectiveness in the context of fragile or vulnerable states.

We continue to be involved in the discussions surrounding human resources reforms of the Bank, placing emphasis on the need to preserve WBG's competitiveness in the labour market and the Bank's ability to

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attract and retain diverse pool of talented individuals in the Bank. At the top of the agenda, we have emphasised to the Bank the need to review and strengthen its performance management system and staff incentives arrangements. Promoting diversity of Bank staff was also emphasised.

The Bank's review of its procurement policies and procedures is now being conducted. Our office has played a key role in highlighting to the review team the need to account for the important impacts of scale on appropriate procurement approaches, particularly in the context of small island member countries, and consultation is currently underway with member countries by way of an online survey.

During the year, our office was closely engaged in the preparation of the WBG's Social Protection and Labor Strategy (SPLS). Key inputs involved encouraging the Bank to (1) incorporate wider definitions of systems and institutions which extend for example to 'traditional' or 'informal' systems of social protection common throughout the Pacific and East Asia, and (2) strengthen the integration of disability into the SPLS.

We have been involved in the preparation of the Environment Strategy of the Bank with its newly developed vision of a 'clean, green, and resilient world for all', by making a strong case for the Bank to have a strong focus on the small island states interests and to address more adequately the potential changes in global migration trends resulting from impacts of climate change and natural disasters.

The Program for Results (P4R) initiative was approved by the Executive Board on January 2012. This is the first new financing instrument of the Bank in 30 years. P4R in a nutshell aims to assist the Bank's clients improve the design, implementation and monitoring of results based development programmes at the same time as strengthening the partnerships between governments and other development partners with emphasis on building institutional capacity and strengthening country systems. During the preparation phase of this tool, our office has actively pushed for such an instrument that strikes an appropriate balance between guarding against fiduciary risk and demonstrating greater flexibility and responsiveness with an emphasis on real outcomes. Additionally, our office has called for adequate resources to be provided to countries with weakest capacity to fully benefit from the P4R instrument.

On the funding development front, our office is comfortable with the WBG's finances as reported for FY12. IBRD and IFC both reported positive allocable incomes and fulfilled projected transfers to IDA. Indeed IDA has improved its funding position as a result of early contributions by donors. MIGA reported a record year in terms of the high volume of activities. IFC's financial position at year end is favorable with an increase in total commitments of nine percent compared to the previous year.

The FY12 has been both challenging and exciting for our office. A new President for the WBG was selected by the Executive Directors on 16 April 2012 to replace Mr. Robert B Zoellick. Our office welcomed a few management level staff during the year: the new Executive Director, Mr. John Whitehead from New Zealand, took over the helm from former ED, Dr. Jim Hagan; Mr. Michael Willcock from Australia replaced Cat Moody from New Zealand as Senior Advisor; and Ms. Cushla Thompson from New Zealand commenced work as Advisor.

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CONSTITUENCY OFFICE

Our Constituency Office continued its operations during FY12 despite significant changes to senior staff in the first half of the year. Amongst other wide-ranging priorities, our office managed to maintain our close working relationship with members, through our staff visits to a number of constituency countries, complemented by the quarterly release of our office's newsletters and Constituency Information Notes (CINs) where necessary.

Changes in Staff

During FY12, our office continued to be fully staffed by twelve (12) staff, including the ED, AED, two (2) Senior Advisors, five (5) Advisors and three (3) Administrative Assistants. We bade farewell to senior staff including the ED and welcomed their replacements in the first six months of FY12.

- Mr. John Whitehead from New Zealand took over the position of Executive Director as of 1 August 2011. He replaced Dr. Jim Hagan.
- Mr. Michael Willcock from Australia replaced Ms. Cat Moody from New Zealand as Senior Advisor from 1 August 2012.
- Ms. Cushla Thompson from New Zealand started as Advisor on 25 July 2011.
- Ms. Elena Chanchu, Program Assistant transferred to a different area of the Bank in February 2012. Her replacement is expected to start later in the year.

Travel

During FY12, office staff visited most constituency countries. The new Executive Director, Mr. John Whitehead, personally visited a number of countries and also had the opportunity to meet with authorities during the IMF/WBG Annual and Spring Meetings in Washington as well as the Forum leaders meeting and the FEMM. Although there are time and budget constraints, other staff have also travelled to constituency countries on behalf of the ED. Among those visited were Australia, Cambodia, Kiribati, Korea, Mongolia, New Zealand, PNG, Samoa, Solomon Islands and Vanuatu.

Staff also travelled to other countries to attend various meetings including donors' meeting in Paris, ADB Annual Meetings in Manila, Philippines, and EDs' Group Travel to Africa and Europe and Central Asia.

Meetings with Governments, Non-Government Organisations (NGOs)/Parliament

This again has been a busy year for hosting visitors from capitals and for meeting with NGOs. Among those we have met this year were AusAID officials, NZAP, Bank Information Center, Bridges Across Borders, and many other stakeholders.

Voice Secondment Program

Our office continued to support the capacity building Voice Secondment Program (VSP) in FY12. Out of

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the four (4) candidates that applied from our constituents, Mr. Niuatui Niuatui from Tuvalu, was selected to participate in the upcoming ninth term of the VSP following a very competitive selection process. The program will commence on 14 January 2013.

POLICY OF INTEREST TO OUR CONSTITUENCY

Climate Change and Disaster Risk Management

Climate change issues remain a priority for the constituency and the World Bank as a whole. At the constituency level, climate change and natural disaster risk management are critical issues for many members. During the year, the office maintained engagement with management to ensure that climate change and natural disaster management are factored into the strategies and priorities of the Bank's work in the region, and that appropriate attention is given to climate-vulnerable member countries such as Pacific Island countries.

Through FY12, new opportunities have been developed for innovative financing for climate mitigation, adaptation and disaster resilience. In April the governing body of the Climate Investment Fund approved a pilot program called the Pacific Regional Strategic Program for Climate Resilience (SPCR). This regional programme aims to support more effective integration of Pacific Island countries' climate change adaptation and disaster risk reduction activities, to build resilience to climate change and climate-related disasters.

The World Bank has continued its commitment to support international work on climate change issues, and the nature of the Bank's role continues to evolve. Climate change issues have been integrated into the Bank Group priorities, and the Bank continues to play an intellectual leadership and technical support role in various global fora. At the recent Global Climate Change Convention Summit – COP17 at Durban, South Africa – the Bank Group provided support to the negotiations to assist the development of the building blocks of a global deal. Despite differences in position, three important political building blocks fell into place in Durban:

- Despite fears to the contrary, the Kyoto Protocol was extended into a new commitment period while a broader global deal is negotiated.
- The Durban Platform was agreed, providing a roadmap towards a global deal. The process is to be launched immediately, and by 2015, member states are scheduled to negotiate an agreement with the status of a treaty — covering developed and developing countries alike — that limits carbon emissions, with effect from 2020. This agreement is supposed to address a wide range of issues like mitigation, adaptation, finance, technology, measurement, transparency, monitoring, verification and capacity building. World Bank management views this as a historic decision.
- Agreement was reached on the design of the Green Climate Fund, though financing was

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not agreed. The Green Climate Fund Board is now in the process of being selected. The interim Secretariat will be managed by UNFCCC and GEF. The World Bank was invited, and received endorsement from the Board, to be the interim trustee of the Fund.

The Office continues to monitor progress made on the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). The project is part of the broader agenda on disaster risk management and climate change adaptation in the Pacific region. It provides Pacific Island countries (PICs) with disaster risk assessment tools to help them better understand and assess their exposure to natural disasters and at the same time identify a range of financial options to improve their capacity to access incremental financial resources in case of natural disasters. The techniques will also assist governments in disaster risk modeling and profiling which in turn will help draw up disaster risk reduction measures. In moving forward on the Financing Initiative, the Office will work close with the Bank and the authorities to ensure the catastrophic risk insurance pilot programme meet its objectives

Oceans

On 24 February 2012, former World Bank Group President Robert B. Zoellick announced in Singapore a new global partnership that aims to address issues affecting oceans by bringing together science, advocacy, government, international institutions, and the private sector to advance goals for healthier, productive oceans worldwide. The Global Partnership for Oceans (GPO) is a diverse coalition of stakeholders representing public, private, and civil society interests with a common goal: to restore global ocean health so that ocean ecosystems can make a greater and more sustainable contribution to the global economy.

There has been a positive response to the GPO from island and coastal governments, private sector actors, civil society organizations, donor nations, UN agencies, and academics. Several constituency member countries have aligned themselves with the GPO and its goals. The partners have emphasised that work in this area should support rather than duplicate existing efforts, and should focus on the “implementation gap” in meeting existing commitments. The World Bank is now working with many of these partners to create more concrete avenues for coordinated action.

One of the items being considered under the GPO is a Pacific regional IDA initiative, to support implementation of regional oceans management and build on recent advances made by Pacific Island countries. The Bank’s regional approach would be an opportunity for member countries to access a greater level of IDA financing than they would be eligible for individually.

Given that the oceans management is crucial for many members of the constituency, the constituency office remains closely engaged with management, the Board and country authorities as the policy discussion evolves.

Small States

Since the last Small States Forum meeting at the 2011 Annual Meetings in Washington, the Office has

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placed great emphasis on the issues raised by members and has continued to work closely with management and staff on how best the Bank can assist members address some of these issues. On the Bank's side, it tailors its assistance to help small states assess the social and structural sources of vulnerability, address underlying policy and institutional weaknesses, and respond to and manage shocks by drawing on an array of financial products, knowledge and learning services it provides.

World Bank commitments of \$619 million in FY12 more than tripled compared to pre-crisis levels. Although there is room for further progress yet, the World Bank has become more agile and flexible in responding to small states' evolving needs and has contributed to the considerable success achieved by small states in several areas. An example of this engagement in the Pacific is the Samoa Post Tsunami Reconstruction Project, which has already made substantial progress in restoring and improving the road network that provides access to areas affected by the tsunami, key coastal corridors, and relocation sites. As a result, economic activity and access to social services have recovered considerably. Seawalls and coastal road reconstruction have broad-reaching benefits for the 130,000 inhabitants of the main island of Upolu, helping revive tourism and improve livelihoods in areas affected by the tsunami.

Our office will continue its advocacy of Small States issues in the year ahead.

Gender

Following on from the 2012 WDR on Gender in Development, this office has joined with other Board offices to continue pushing for an increased gender focus throughout the Bank Group's operations. This remains an ongoing challenge at the project level.

Among the recent developments of interest to the constituency are:

- The release of a new data portal enabling open access to the gender equality data gathered and used by the World Bank Group: <http://datatopics.worldbank.org/gender/>
- The release of a companion volume to the 2012 WDR, *Towards Gender Equality in East Asia and the Pacific*, with a focus on the outcomes and issues faced by our constituency members: <http://siteresources.worldbank.org/EASTASIAPACIFICEXT/Resources/226300-1339798342386/eap-gender-overview.pdf>

IFC has also been active in developing an increased focus on gender, for example in terms of access to finance issues. Looking forward, we anticipate that the 2012 Annual Meetings will include the launch of WINvest, a World Bank Group global partnership initiative with the private sector aimed at improving working conditions and employment opportunities for women, and in doing so increase business performance.

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WDR 2013 – Jobs

Throughout the year, the office played an active role in engaging the Bank staff team working on the 2013 World Development Report on Jobs. That team commenced work on this report in June 2011, and has since engaged the Executive Board on three occasions through formal presentations and discussions, firstly, on the report's broad concepts, then on the report's likely key messages and findings and finally, on a draft of the report itself. At each stage, as well as on a number of other occasions between these engagements, the office has met with the WDR team to monitor their progress, better understand the approach that they have adopted to their task, engage them on policy discussions relevant to the report and to participate in seminars and other meetings on issues related to jobs. A key theme of the office's input to the team has been the need for the report to stress the importance of sound and sustainable policy settings that will provide a business environment conducive to economic growth and hence job creation. We are satisfied that this message will feature prominently in the final report. To illustrate the challenges that different countries face in stimulating job creation and the range of possible policy responses that might be appropriate given diverse country circumstances, the report will discuss eight different types of economies (e.g., one with an ageing demographic, or large youth population, or large rural population etc.). A companion volume to the report will contain case studies of each of these different types of economies. Of particular interest to our constituency is that the case studies will include one on Papua New Guinea, where the job challenges faced by a resource-rich country are analysed, as well as a case study of the particular challenges affecting small island countries. The World development Report 2013 on Jobs, along with the companion volume of case studies, a jobs database and background papers, will be released in Tokyo in October 2012 in conjunction with the Bank/Fund Annual Meetings.

The Future of IDA

In November 2012, IDA Deputies will meet in Cote d'Ivoire for the IDA 16 Mid-Term Review. Central to the meetings will be discussions on the work of the IDA Working Group process, and IDA's overall progress in achieving its results.

The four IDA 16 Working Groups plan to present their final report at the November IDA Mid-Term Review Meeting. The Fragile and Conflict-Affected Countries, Inclusive Growth, IDA's Long-Term Sustainability and the Result and Effectiveness Working Group each gave updated report on their work to the Governors and Bank Management at the April 2012 Spring Meetings, and intend to hold similar engagements in the margins of the Tokyo Annual Meetings.

The IDA 16 Mid-Term review will be a key meeting as member countries develop their views for future IDA 17 negotiations. Looking ahead, since a Pacific Island member country (Samoa) represented this constituency during the IDA16 negotiations, it is anticipated that an Asian member country (Cambodia) will represent the constituency during IDA17 negotiations.

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More broadly, this office has become increasingly engaged in discussions on the strategic challenges facing IDA over the longer term. These include questions of IDA's future role within the development community; questions of eligibility and terms of IDA; and issues of IDA's effectiveness in challenging contexts such as fragile states (including the limited degree of flexibility under current rules).

These questions will need to be worked through by capitals and IDA deputies over an appropriate time horizon, and at this stage there is no firm process in place to achieve this. This office is working informally with other advisors and Board offices to share information and experiences on IDA issues of concern, including the particular interests of the constituency (e.g. the issues facing small island IDA recipients). While these are strictly informal discussions, and care is being taken not to intrude on the formal processes (e.g. IDA deputies), this office will provide information updates to capitals as appropriate.

BANK POLICY AND OPERATIONAL ISSUES

Human Resource reforms

The Bank has been implementing a range of human resource reforms to further modernise its global workforce architecture. The Bank's HR team has been evaluating the overall compensation and benefits schemes. In FY12, changes to the compensation methodology were introduced to ensure market-competitiveness, a greater emphasis on performance, tighter governance and financial sustainability; country office medical coverage and benefits were aligned more closely to that of Washington-based staff; greater incentives for mobility have been provided to professional-level locally-recruited staff to better meet client needs. To close the "revolving door" of retirees and to increase the incentive to plan for orderly succession, the Bank introduced a one year cooling off period that will apply to all new retirees immediately following retirement from 1 July 2012. The Bank has also embarked on a collective effort with managers, staff, and the Staff Association to build a stronger culture of performance and accountability. These reforms in human resource management will continue to be a priority going forward.

Our office has closely engaged in the series of ongoing human resource reforms. We emphasised the need to preserve the WBG's competitiveness in the labor market and ensure the Bank's ability to attract and retain a diverse pool of top talent including from emerging economies such as Korea. We also encouraged management to strengthen Bank's performance management system through greater differentiation in rewarding high performing staff as well as addressing poor performers. We emphasised the need to promote diversity and urge Management to address the issues surrounding the recruitment of severely underrepresented nationalities.

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Procurement Policy Review

The World Bank is conducting a thorough review of its procurement policies and procedures, following discussions with the Board in February 2012.

While the Bank's procurement policies and procedures have evolved over time to address international developments and changes in the way the Bank does its business, there has been no review from first principles since the Bank's founding. The Bank is often held up as a benchmark for public procurement but changes and additions over time mean the Bank's policies and procedures are seen by borrowers and staff as complex and time-consuming.

The aim of the review is to "position the Bank's procurement policies and procedures in the context of the Bank's modernisation agenda and its multi-faceted international commitments".

A key change that will be investigated as part of the review is the move from a one size fits all approach, to better reflect the market conditions and needs of a diverse set of borrowers. The suggestion is that this would be principally be achieved by differentiating by risk and capacity. While this is a sensible approach, this office has also pressed the review team to account for the important impacts of scale on appropriate procurement approaches, for example in our small island member countries. We would not want a risk-based approach to translate into the assumption that small size or thin capacity automatically leads to high risk.

The review includes a period of consultation with government authorities, civil society organizations and interested businesses, including consultation missions to Australia and Korea and an online survey. Further details are available online:

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,contentMDK:23226925~pagePK:84271~piPK:84287~theSitePK:84266,00.html>

Social Protection and Labor Strategy 2012-2022

Building on experience over the last decade, and emerging global needs, the Bank released a new Social Protection and Labor Strategy 2012-2022. A core goal of the World Bank's new Social Protection and Labor Strategy is to increase the number of people who are covered by effective social protection and labor programs worldwide. The Strategy expands the focus of the Bank's work to incorporate risk reduction, poverty alleviation and growth promotion. With an overarching goal of improving resilience, equity and opportunity, the strategy is designed to help low-income and middle-income countries move from fragmented approaches to more harmonized social protection and labor systems, making them more productive and more inclusive – of the very poor, disabled, people working in the informal sector, and in many cases, women -- and strengthening the focus on knowledge and results.

Our office closely engaged in the preparation of the WB's Social Protection and Labor Strategy. We welcomed the emphasis on social assistance systems over social safety net strategies, as the former provides for all those afflicted by poverty not just those who fall back in to poverty. This approach will

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be critical to have an impact in LICs and fragile states. We also encouraged the Bank as it moved towards improving social protection systems to incorporate wider definitions of systems and institutions which extend for example to “traditional” or “informal” systems of social assistance/protection that are common throughout the Pacific but also East Asia. We also encouraged the Bank to strengthen the integration of disability into the Social Protection and Labor strategy.

Environment Strategy

The Bank’s new Environment Strategy, covering all WBG institutions, lays out a vision for a “clean, green and resilient world for all”. “Green” refers to a world in which natural resources are conserved and sustainably managed to improve livelihoods and ensure food security, one in which ecosystems are healthy and increase the economic returns from the activities they support. “Clean” refers to a low-pollution, low-carbon world in which cleaner air, water and oceans enable people to lead healthy, productive lives, where cleaner production standards spur innovation. “Resilient” means being prepared for shocks and adapting effectively to climate change, where countries are better prepared for more frequent natural disasters, more volatile weather patterns, and the long-term consequences of climate change.

The goal of the strategy is to mobilise innovative sources of finance for green growth, biodiversity conservation, low-pollution and low carbon initiatives, and investments to build resilience to climate shocks. It will remain a high priority at the WBG to support policy reforms, institution strengthening and capacity building across all three areas.

Our office also closely engaged in the preparation of the Environment Strategy. We commended the positive step of bringing disaster risk reduction into its scope. Given the interests of the constituency, we pushed for a stronger focus on small island states and for the strategy to more adequately address potential changes in global migration trends resulting from natural disasters or the impacts of climate change.

Program for Results (P4R)

On 24 January 2012, the Executive Board approved a new financing instrument, Program for Results (P4R), the first new Bank instrument in 30 years. The new results-based instrument delivers on the Bank’s IDA16 commitments and marks a significant step in implementing the aid effectiveness agenda. P4R aims to help clients improve the design, implementation and monitoring of results-based development programs and strengthen partnerships between governments and other development partners. P4R has a particular emphasis on building institutional capacity and strengthening country systems.

Over the last two years of its development, our office has actively pushed for an instrument that strikes an appropriate balance between guarding against fiduciary risk and demonstrating greater flexibility and responsiveness with an emphasis on real results. Our office has also called for sufficient resources to be provided to countries with the weakest capacity to benefit fully from the new instrument.

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On 28 June 2012, the Executive Board approved the first two P4R operations, the Nepal – Bridges Improvement and Maintenance Program and the Morocco – National Initiative for Human Development 2 Program. Our office will continue to monitor the implementation of P4R and advocate for programmes which allow P4R to reach its full potential.

Changes in Senior Management

Dr. Jim Yong Kim was selected as President of the WBG by the Executive Directors on 16 April 2012. He replaces Mr. Robert B. Zoellick who ended his five year term in June 2012. Dr. Kim's term in office will commence on 1 July 2012. The Executive Directors, management and staff look forward to working with the new WBG President in making a real difference to global poverty in the medium to long term.

DEVELOPMENT EFFECTIVENESS AND RESULTS

A Continued Focus on Results

Ensuring the WBG is delivering results through its support for client countries is a key objective for the office. This agenda continues to be raised regularly in Board and Committee meetings. An important aspect of this work has been advocating for the development of a Corporate Scorecard to allow discussion between management and the Board on what the Bank is setting out to achieve and whether it is achieving it.

This process culminated in the public release of the first Corporate Scorecard and Results Annual Report for 2011 (in September 2011). The Scorecard provides a snapshot of the overall performance of the Bank across four tiers - the broader development context (Tier I), Bank supported results in client countries (Tier II), operations and services management (Tier III), and organisational management and modernization (Tier IV). In addition, the World Bank has developed an electronic version of its Corporate Scorecard which provides users with access to indicators and data disaggregated by regions and countries for selected indicators. The online Scorecard also includes definitions, sources, and links to supplemental information and other relevant resources. The current indicators are aligned with data availability, which will increase as the ability to report on results expands. See <http://corporatescorecard.worldbank.org/>

FUNDING DEVELOPMENTS

This office was comfortable with the World Bank Group's reported finances for FY12. IBRD and IFC reported positive allocable incomes and fulfilled their projected transfers to IDA; IDA itself improved its funding position due to early contributions by donors; and MIGA reported a record year in terms of volume of activities.

Bank resources remain under significant pressure, however, and these pressures may well increase given the continued high level of lending volumes; the persistent low-interest and low-income

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investment environment; the increasing level of risk associated with IBRD's and IFC's portfolios; and the IBRD's constrained capital position. The Board's Audit Committee will discuss and monitor these issues through FY13.

IBRD Finances

The difficult market environment has affected the IBRD financial position, with a reported net loss of \$676 million, down from significant net income in FY11 (\$930 million). This result was largely driven by mark-to-market movements in portfolio value: declining yield curves led to large net unrealized losses in the borrowing portfolio partially offset by net unrealised gains in the asset/liability management portfolio.

However, allocable income – which is derived from net income by backing out non-relevant impacts such as certain mark-to-market adjustments – remained positive at \$998 million. This figure includes the one-off proceeds (\$225 million) from liquidating the Long-Term Income Portfolio (LTIP), as its investment strategy was considered out-of-date. On this basis, the Board has recommended that Governors approve a \$608 million transfer to IDA, while adding \$390 million to the General Reserve.

IBRD's new loan commitments totaled \$20.6 billion in FY2012, below the historical high in FY2010 of \$44 billion but well above the average pre-crisis levels of around \$15 billion annually.

A decline in risk quality in the loan portfolio led to \$189 million in provisioning in FY12, in comparison to a release of \$45 million in FY11.

A higher average loan balance and more loans carrying the higher 2010 loan pricing, leading to increased loan interest income.

In terms of the balance sheet, FY12 saw increases in the net investment portfolio, outstanding loans, and borrowings. Usable capital increased by \$915 million, largely due to increased member subscriptions through the General Capital and Special Capital Increases. However, retained earnings were reduced due to the reported net loss of \$676 million.

The increase in the loan portfolio and other exposures led to a decrease in the equity-to-loan ratio from 28.59 percent in year-end FY11 to 26.98 percent. This remains above the target bound of 23 percent, but the downward trend is of concern if it persists.

A drop in discount rates has led to an increase in the Bank's pension benefit obligation (PBO) of \$2,158 million. Management has commented that due to its long term funding strategy and expectations regarding long-term returns on pension plan assets, IBRD does not foresee issues with satisfying its pension obligations.

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IDA Finances

IDA increased its funding position in the FY12, with donor and IBRD/IFC transfer inflows totaling \$9.8 billion. Grant and credit disbursements for the year totaled \$8 billion. Unlike IBRD, IDA saw a substantial increase in its investment income (\$1 billion in FY12 relative to \$305 million in FY11). This was due to unrealised mark-to-market gains that are a side-effect of IDA's longer-duration investment strategy, which is designed primarily for cash matching purposes.

The most recent IDA replenishment, IDA16, became effective in December 2011, and IDA benefited from several IDA16 donors contributing ahead of schedule. In the last quarter of FY12, four additional Instruments of Contribution (IoCs) were received, reducing the number of outstanding IoCs to seven. As of 30 June 2012, \$27.5 billion in IDA16 funds were made available – or just over half of IDA16's total commitment authority of \$51.4 billion – and a total of \$14 billion was actually committed.

Within the constituency, a total of 11 new IDA-funded projects were committed during FY12, to a total value of nearly \$60 million. See Annex 1 for a complete summary of IDA-financial projects within the constituency.

IFC Finances

IFC's investment programme delivers development impact through total commitments to clients, which comprises commitments for IFC's own account as well as mobilisation from third parties. A key result of its investment client survey confirms IFC as a preferred choice by its clients given its ability to access additional sources of finance for its clients. In FY12, total commitments of IFC reached \$20.3 billion an increase of 9 percent compared to the previous financial year's total of \$18.6 billion. Of the \$20.3 billion, \$15.4 billion (\$12.1 billion for FY11) and \$4.8 billion (\$6.4 billion in FY11) represent IFC total commitments and Core Mobilisation respectively.

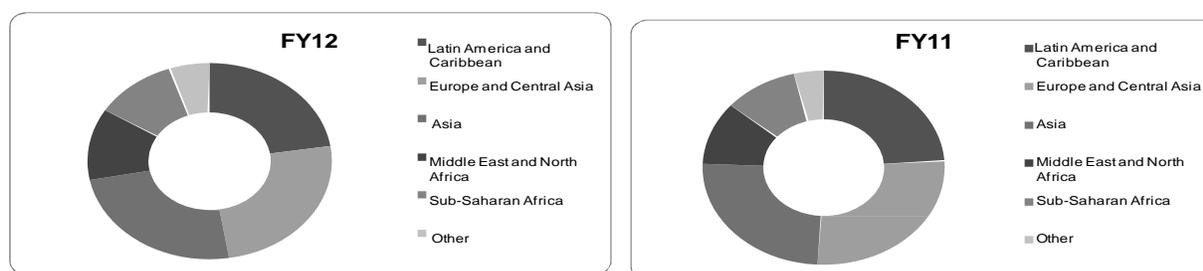
At the end of FY12, IFC has disbursed \$7.9 billion from its own account compared to \$6.7 billion in FY11. Total disbursements for FY12 comprise of loans to the amount of \$5.6 billion (\$4.5 billion in FY11), equity investments of \$1.81 billion (\$1.84 billion in FY11) and debt securities to the value of \$520 billion (\$312 billion in FY11).

IFC's total disbursed investment portfolio (a non-US GAAP performance measure) was \$30.7 billion at June 30, 2012 (\$28.7 billion in FY11), comprising of disbursed loan portfolio of \$21.0 billion (\$19.8 billion in FY11), the disbursed equity portfolio of \$7.5 billion (\$6.7 billion in FY11), and the disbursed debt security portfolio of \$2.1 billion which is the same amount compared to FY11.

The following charts show the distribution of the disbursed investment portfolio by geographical region and industry sector as of June 30, 2012, and June 30, 2011:

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DISTRIBUTION BY REGION



IFC Advisory Services

The Advisory Services (AS) is an increasingly important tool for IFC to deliver its development mandate. Management has introduced wide-ranging reforms since 2006 to strengthen the impact and effectiveness of the AS business. At the end of FY12, the AS Portfolio totaled \$894 million compared to \$822 million as of June 30, 2011. The AS programme grew to \$197 million in FY12, an increase of 8 percent compared to the previous year. Growth in AS were evident in South Asia (increase by 27 percent), Sub-Sahara Africa (increase by 21 percent) and Middle East and North Africa (increase by 11 percent).

The strategic priority areas with significant growth in these regions include agribusiness and food sector (more than doubled to \$25 million), infrastructure sector (increase by 28 percent to \$26 million), Fragile and Conflict-affected States (increase by 21 percent to \$31 million), IDA (increase by 15 percent to \$122 million) and Climate Change (increase by 14 percent to \$30 million).

The breakdown of the Advisory Services Portfolio at year end for FY12 and the previous FY11 by Business Line is summarised as in the table below:

	Active portfolio as of June 30, 2012 (US\$ million)	Active portfolio as of June 30, 2011 (US\$ million)
Access to Finance Investment	296	293
Climate	226	204
Public-Private Partnerships	106	91
Sustainable Business Advisory	266	234

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MIGA

MIGA's performance in FY12 has been outstanding. During this period, the Agency has more than doubled its operating income from \$5.9 million in FY11 to \$15 million and been pushing for higher FDI into developing countries with new products, processes and procedures.

The Agency also accomplished considerable progress on its commitment to promote growth of its business with a focus on development impact. The expansion of MIGA's capacity through the amendments to its Convention and Operational Regulations, combined with the administrative budget increase received in FY12, helped the Agency allocate more resources to consolidate the Asia hub, establish a hub in Europe, and ramp up innovation and business development efforts including through outreach to Africa and MENA. This was done while fulfilling a focus on its operational priority areas of investments in IDA countries, investments in conflict-affected environments, investments in complex projects, and South-South investments.

MIGA's efforts over the past years at strengthening new business development are yielding strong results. The Agency issued guarantees of nearly \$2.4 billion, an increase of 14 percent over the volume of guarantees issued in FY11, and 44 percent higher than the average of \$1.7 billion over the FY09-FY11 period, in support of 51 projects. Over half of the projects MIGA supported address at least one strategic priority area, accounting for 65.6 percent of new business volume and 54.9 percent of total projects supported in FY12.

In addition, the Agency fulfilled its commitment to increase the diversification of its project portfolio. In terms of regional diversification, MIGA's projects in Sub-Saharan Africa now account for the largest portion of new business volume at 31.9 percent, over twice the FY11 level of 12 percent. The Agency's sector diversification shows a similar improvement with infrastructure rising to 36.9 percent of new business volume in FY12 compared to 22 percent in FY11, and oil, gas, mining, chemicals, and energy sectors rising to 30.7 percent compared to 9.9 percent in FY11. By mobilising private capital into sectors which have wide developmental impact, such as infrastructure, agribusiness and manufacturing, the Agency not only fulfills its mandate to promote productive foreign direct investment into developing countries, but it also frees up the limited resources of host governments for use in the provision of other services.

On 19 June 2012 our Chair joined other Executive Directors to endorse MIGA's proposed Three-Year Business Plan for FY13-15 and approve FY13 Administrative Budget, which is set at \$49.3 million.

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ANNEXES

ANNEX 1 - CONSTITUENCY COUNTRY DEVELOPMENTS

Bank Group country strategy and operations approved as well as major economic work produced for our constituency developing countries in FY12 are highlighted below.

Country/Document/Project Name	Agency	Amount (\$ million)	Date of Approval
Cambodia			
<p>◆ Prasac Senior Loan. The Project is to provide a senior loan to Prasac MFI Ltd. (“Prasac”/ the “MFI”), a growing MFI in Cambodia, to support them in providing micro finance solutions to over 126,000 small businesses and individuals in Cambodia. The project also aims to support the MFI’s long-term fund raising strategy and also set a positive demonstration impact for other lenders to do the same. The proposed project consists of a senior loan of up to \$5 million with maturity of up to 7 years (grace period of up to 3 years).</p>	IFC	5	6/4/12
Kiribati			
<p>◆ Kiribati Adaptation Program – Phase III will improve the resilience of Kiribati to the impacts of climate change on freshwater supply and coastal infrastructure. The main project outcomes would include: (a) government capacity in asset management and strategic planning in the water and coastal engineering is improved; (b) community fresh water quality and storage capacity is increased; (c) targeted coastal areas are better protected from storm waves and flooding; (d) a pathway for improved governance and sustainable management of groundwater reserves and infrastructure is identified.</p>	IDA/IFC	3.0	3/1/11
Mongolia			
<p>◆ Mongolia Clean Air Project will enable consumers in <i>ger</i> areas to access heating appliances producing less particulate matter emissions and to further develop selected medium-term particulate matter abatement measures in Ulaanbaatar in coordination with development partners. The project has three components: <i>ger</i> area particulate matter mitigation; central Ulaanbaatar particulate matter mitigation; and public awareness raising, program coordination, and project management. Achievement of project objectives will be measured by: coverage of targeted households with eligible stoves; approval by relevant counterparts of principal recommendations and action plans developed by the project for selected medium term abatement measures; and a developed and functioning inter-agency and donor coordination mechanism for air pollution abatement measures.</p>	IDA	15	4/3/12
<p>◆ Improving Primary Education Outcomes for the most vulnerable children in rural Mongolia.</p>	Recipient Executed	2.46	3/22/12
<p>◆ Mongolia Global Partnership for Education Early Childhood Education Project will assist the Government of Mongolia to cope with the surge of total fertility rates by providing access to early childhood education for children in disadvantaged communities. The project objective will be</p>	Specific Investment Loan	10.0	2/13/12

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Country/Document/Project Name	Agency	Amount (\$ million)	Date of Approval
achieved by: (a) increasing the supply of fixed kindergartens in urban and peri-urban areas; (b) creating alternative preschool classes in mobile ger-kindergartens that follow herders in the summer; (c) improving teaching and learning environments, supplying learning materials, furniture, equipment, and toys; and (d) undertaking monitoring and evaluation.			
◆ Improving Disaster Risk Management in Mongolia	Economic Sector Work	2.73	11/17/11
◆ Mongolia Country Partnership Strategy for the Period FY2013-2017. This Country Partnership Strategy lays the foundation for Mongolia's access to IBRD resulting from its increase in GNI per capita, to a level well above the 2010 cut-off mark set for low-income of \$1,005 per capita. Mongolia will continue to benefit from a full IDA allocation under IDA16 (FY12-FY14) as a blend country. In addition to a full IDA allocation for the period of FY12-FY14, Mongolia will gradually start accessing IBRD resources that would be used for investment operations.	IBRD/IDA/ IFC/MIGA	n/a	5/17/12
Papua New Guinea			
◆ Building a More Disaster and Climate Resilient Transport Sector.	Recipient Executed	2.93	11/28/11
◆ Kongo Coffee will be a credit enhancement facility to a local bank, which is expected to be in the form of an unfunded partial credit guarantee. IFC will support (a) the PNG Kina 9 million (\$4.25 million) renewable annual working capital need for Kongo Coffee Limited to purchase parchment from local coffee growers and (b) the PNG Kina 6 million (\$ 2.84 million) long term facility for capacity enhancements, overall technology improvements along with processing capacity expansion.	IFC	7.09	6/27/12
Samoa			
◆ Samoa City Development Strategy Programme. The overall objective of the project is to prepare a city development strategy (CDS) for the greater Apia area with a focus on climate change risks. The strategy will define the strategic development thrusts and options for socio-economic and infrastructural development city-wide. The programme is also intended to strengthen Samoa's urban management institutional framework so it can better create more inclusive, productive, livable and sustainable towns.	IDA	0.24	10/25/11
◆ Samoa Agriculture Competitiveness Enhancement Project will support fruit and vegetable growers and livestock producers to improve their productivity and take greater advantage of market opportunities.	IDA	8.0	3/29/12
◆ Country Assistance Strategy. This is the first individual Country Partnership Strategy prepared for Samoa. The new Strategy focuses on encouraging broad based growth; reducing vulnerability to economic shocks, natural disasters and climate change; and supporting greater global integration to provide opportunities for Samoans.	IDA	n/a	3/29/12
Solomon Islands			
◆ Increasing Resilience to Climate Change and Natural Hazards	Recipient Executed	2.73	5/10/12
Tuvalu			

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Country/Document/Project Name	Agency	Amount (\$ million)	Date of Approval
<p>◆ Country Assistance Strategy. <i>This is the first Country Assistance Strategy (CAS) for Tuvalu.</i> This CAS aims to assist Tuvalu in: (a) mitigating the effects of economic isolation; and, (b) building resilience against exogenous shocks. The CAS accompanies Tuvalu’s first IDA investment and initiates the World Bank’s relationship with the country.</p>	IDA	n/a	12/13/2011
<p>◆ Pacific Aviation Investment Program – Tuvalu Aviation Investment Project will improve operational safety and oversight of international air transport infrastructure in Tuvalu so that it meets appropriate international safety standards. The development objectives are to provide safe, secure, and reliable infrastructure for Tuvalu’s airports and operations of the international airports.</p>	IDA	11.85	12/13/2011

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ANNEX 2 - WBG-FINANCED PROJECTS

IDA – INTERNATIONAL DEVELOPMENT ASSOCIATION												
Fiscal Year	2008		2009		2010		2011		2012		Grand Totals	
	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M
Cambodia	4	68.8	1	20.0	1	5	3	68	-	-	9	161.8
Kiribati	-	-	-	-	-	-	1	20	1	3	2	23
Marshall Islands	-	-	-	-	-	-	-	-	-	-	-	-
Micronesia (FS)	-	-	-	-	-	-	-	-	-	-	-	-
Mongolia	3	32.8	2	42.0	3	29.2	3	65.7	5	30.4	17	200.1
Palau	-	-	-	-	-	-	-	-	-	-	-	-
Papua New Guinea	1	17.0	-	-	2	25.5	5	100.7	1	2.9	9	146.1
Samoa	1	3.0	-	-	2	23.0	1	10	2	8.2	6	44.2
Solomon Islands	-	-	-	-	3	6.5	1	3	1	2.7	5	12.2
Tuvalu	-	-	-	-	-	-	-	-	1	11.8	1	11.8
Vanuatu	-	-	-	-	-	-	-	-	-	-	-	-
Total	9	121.6	3	62	11	89.2	14	267.4	11	59.0	49	599.2

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IFC – INTERNATIONAL FINANCE CORPORATION												
Fiscal Year	2008		2009		2010		2011		2012		Grand Totals	
	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M	No of Projects	Total \$ M
Cambodia	-	-	1	2.0	-	-	2	21	1	5	4	28.0
Kiribati	-	-	1	1.7	-	-					1	1.7
Marshall Islands	-	-	-	-	-	-	-	-	-	-	-	-
Micronesia (FS)	-	-	-	-	-	-	-	-	-	-	-	-
Mongolia	1	67.0	-	-	1	5.0	5	119.5	-	-	7	191.5
Palau	-	-	-	-	-	-	-	-	-	-	-	-
Papua New Guinea	-	-	-	-	4	114.0	1	29	1	7.0	6	150.0
Samoa	-	-	1	10.4	-	-	-	-	-	-	1	10.4
Solomon Islands	-	-	-	-	2	134.0	-	-	-	-	2	134.0
Tuvalu	-	-	-	-	-	-	-	-	-	-	-	-
Vanuatu	-	-	-	-	1	4.0	-	-	-	-	1	4.0
Total	1	67.0	3	14.1	8	257.0	8	169.5	2	12.0	22	519.6

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ANNEX 3 - GOVERNORS' RESOLUTIONS

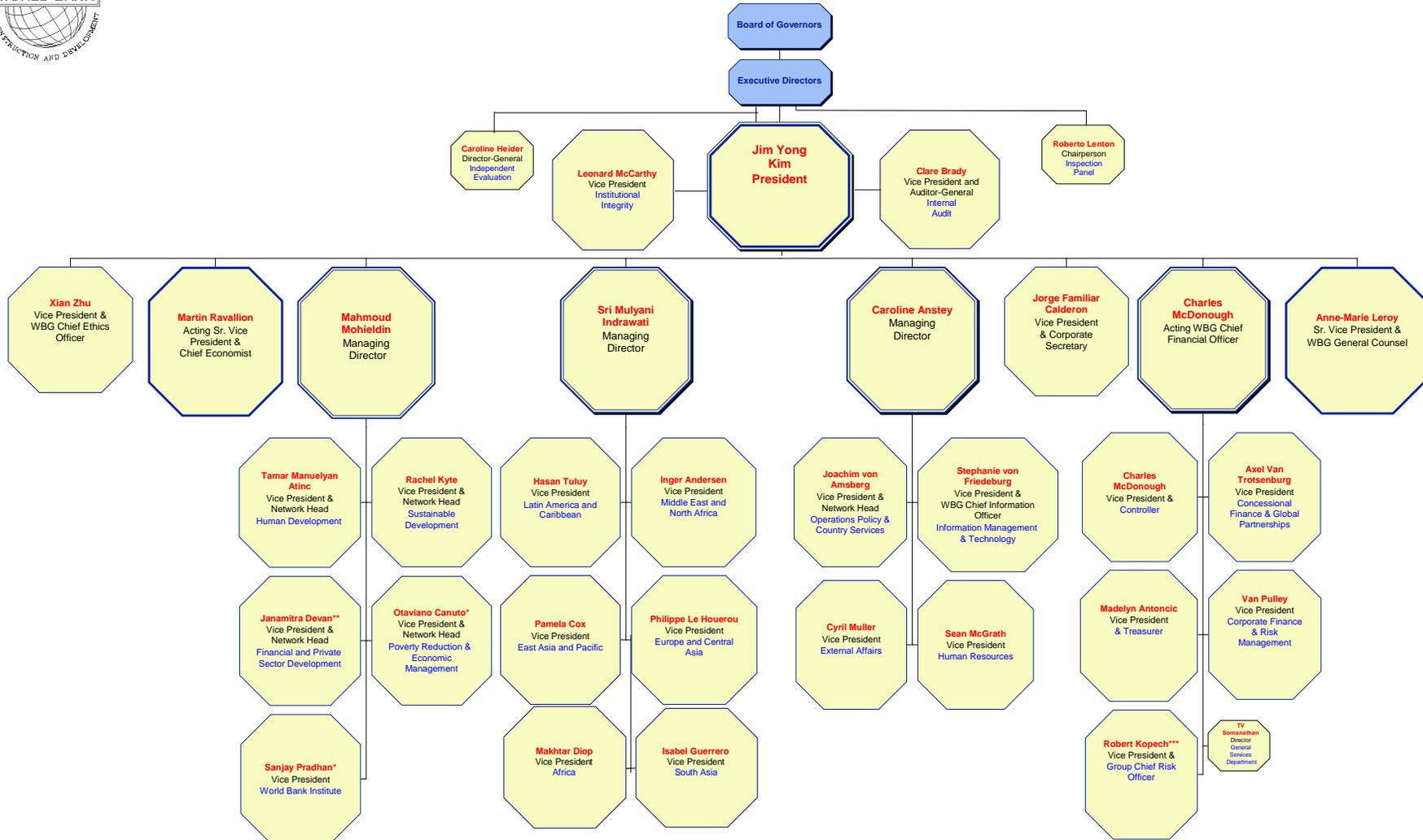
No.	RESOLUTION TITLE	DATE
IBRD		
616	Transfer of IBRD Surplus to the South Sudan Transition Trust Fund	20 July 2011
617	Forthcoming Annual Meetings of the Boards of Governors - Proposed Dates and Venues for the 2013 and 2014 Annual Meetings	13 September 2011
618	Financial Statements, Accountants' Report & Administrative Budget Bank	23 September 2011
619	Allocation of FY11 Net Income	23 September 2011
620	Direct Remuneration of Executive Directors and their Alternates	23 September 2011
621	Membership of South Sudan	5 December 2011
622	Amendment of Board of Governors Resolution No. 294	18 May 2012
623	Transfer from Surplus to Replenish the Trust fund for Gaza and West Bank	24 May 2012
624	2012 Regular Election of Executive Directors	3 August 2012
IDA		
228	Financial Statements, Accountants' Report and Administrative Budget	23 September 2011
229	Membership of South Sudan	5 December 2011
IFC		
253	Membership of Suriname	12 August 2011
254	Financial Statements, Accountants' Report, Administrative Budget and Designations of Retained Earnings	23 September 2011
255	Membership of South Sudan	5 December 2011
256	Amendment to the Articles of Agreement & 2010 Selective Capital Increase	9 March 2012
MIGA		
89	Financial Statements and the Report of the Independent Accountants	23 September 2011
90	Membership of South Sudan	5 December 2011
91	2012 Regular Election of Directors	3 August 2012

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

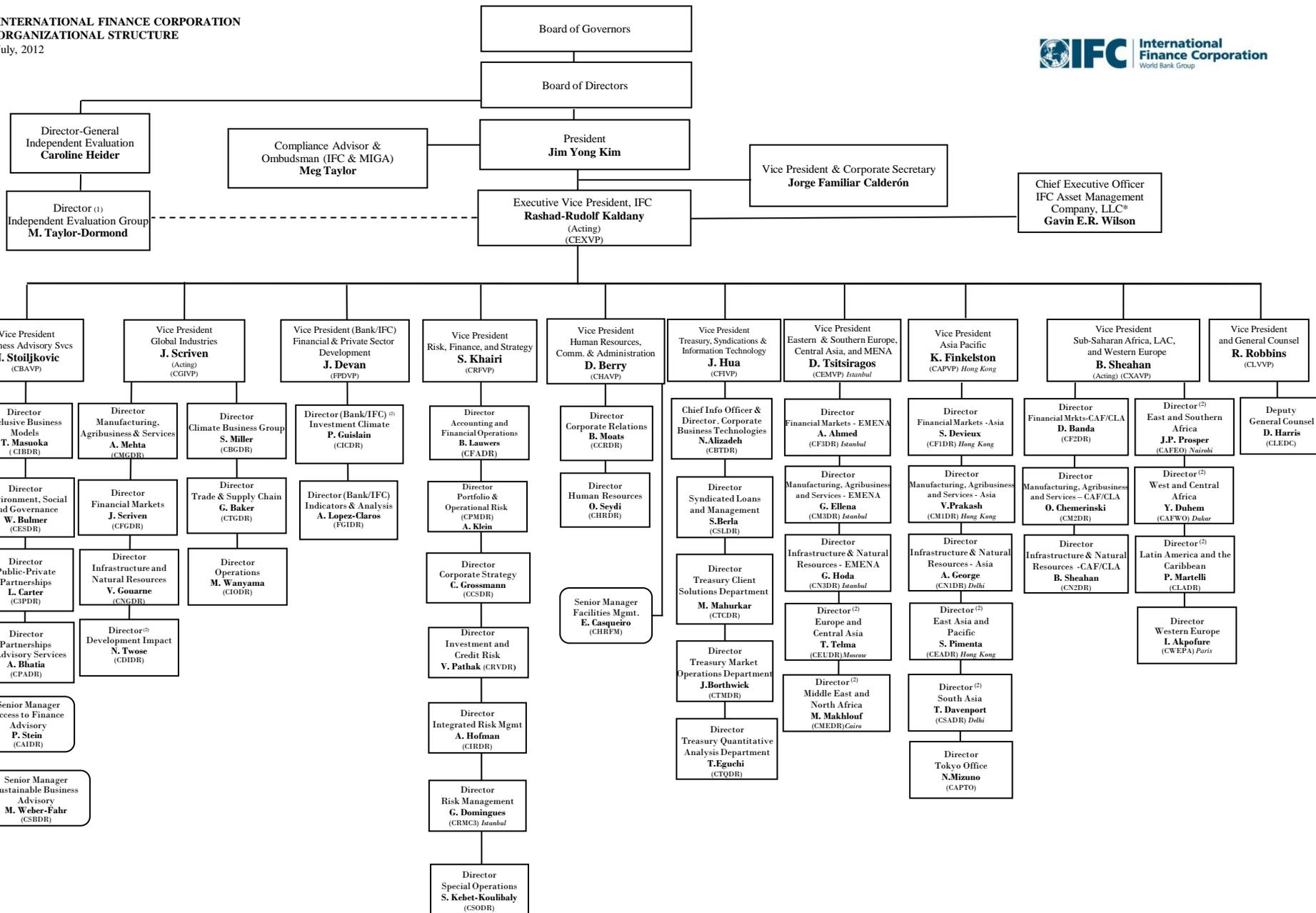
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ANNEX 5 - CONSULTATIONS WITH CONSTITUENTS

	Annual Meetings Washington, DC	Spring Meeting DC	Country Visits FY12 (Dates)	ADB Annual Meetings Manila, Philippines	Visit UN Rep./ Embassy Officials
Australia	x	x	Aug 2011 Dec 2011 Feb 2012	x	
Cambodia	x		Nov 2011 Jan 2012		
Kiribati	x		Dec 2011 Jun 2012	x	
Korea	x	x	Oct 2011 Nov 2011 Jan 2012 Feb 2012 May 2012 Jun 2012		
Marshall Islands	x			x	
Micronesia (FS)	Did not attend			x	
Mongolia	x	x	Oct 2011 Mar 2012		
New Zealand	x	x	Sep 2011 Dec 2011 Mar 2012 Apr 2012	x	x
Palau	Did not attend x			x	
Papua New Guinea		x	Nov 2011 Feb 2012		
Samoa	x		Mar 2012	x	
Solomon Islands	x			x	
Tuvalu				x	
Vanuatu	x		Mar 2012	x	

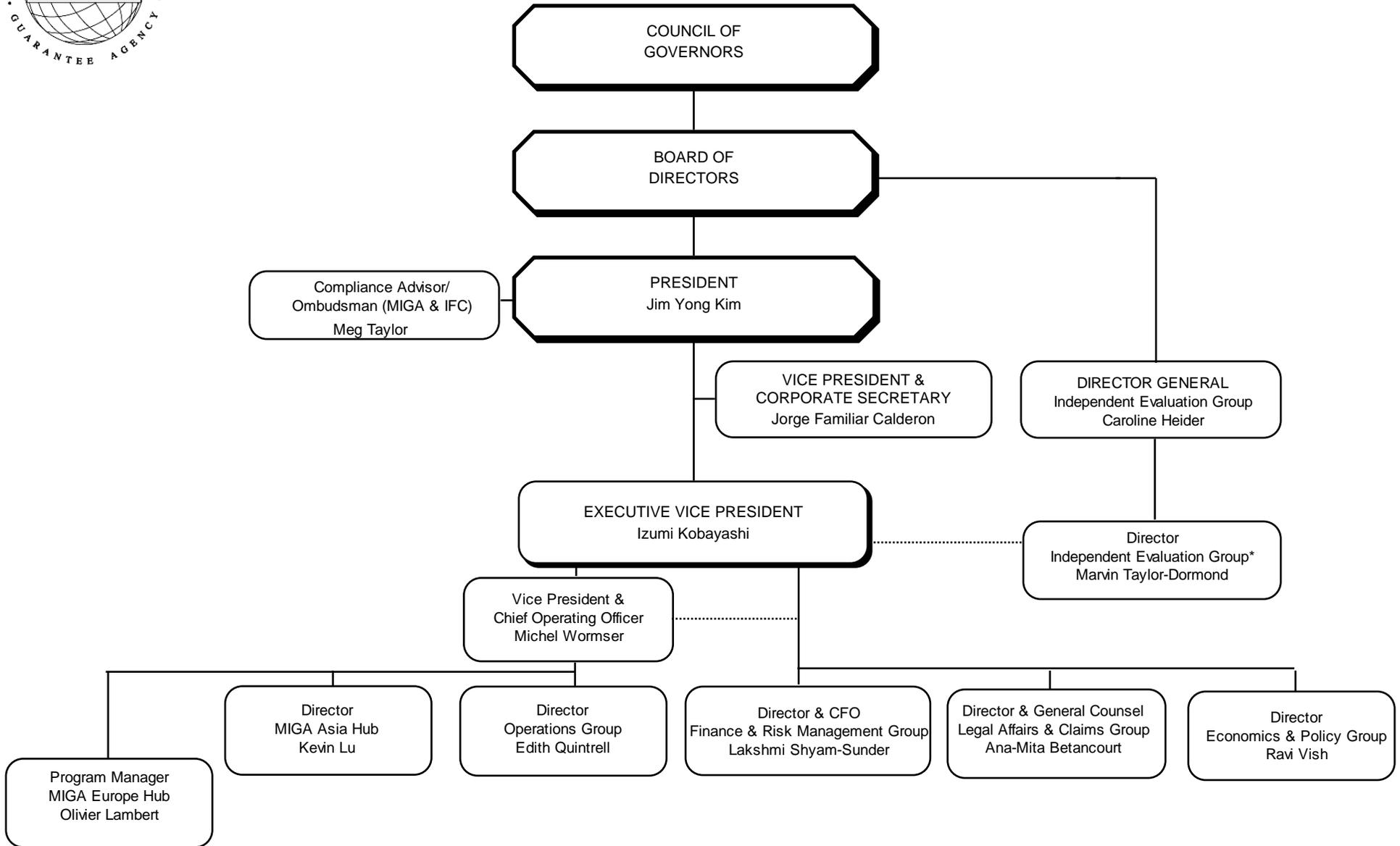


* Dotted line to Sr. Vice President & Chief Economist
 ** Reports to IFC Executive Vice President on IFC Business
 ***Dotted line to the President



1) Reports to the Director-General, Independent Evaluation; to the EVP for administrative purposes
 2) Dotted reporting line to Vice President, Business Advisory Services on advisory business activities
 3) Dotted reporting line to Operational Vice Presidents
 * EVP is chairperson of IFC AMC Board of Directors; AMC is a wholly owned subsidiary of IFC

**ORGANIZATION CHART OF THE MULTILATERAL INVESTMENT GUARANTEE AGENCY
EFFECTIVE JULY 1, 2012**



* Reports operationally to IEG (Independent Evaluation Group) and administratively to EVP (MIGA)

