

Angola, Nigeria, South Africa Constituency

Annual Report 2015

October 2015



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Executive Director

The World Bank



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Office of the Executive Director

Angola, Nigeria, South Africa Constituency



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FOREWARD BY THE EXECUTIVE DIRECTOR



I am pleased to present the FY2015 Annual Report for the Angola, Nigeria and South Africa Constituency at the World Bank.

The Annual Report is in line with the request from Governors at the last ministerial meeting in Washington DC, USA to maintain the production of the Annual Report and a shorter version at Spring Meeting with only periodic Reports to the capitals based on the activities at the Board. The Report provides an overview of the World Bank Group operations and activities during FY 2015, ending June 30 2015. It contains summaries and highlights of recent major events; updates of World Bank Group strategies and policies; like the newly approved procurement policy, and implications of the recent plunge in oil prices, topical issues relating to the post 2015 agenda and the MDBs respond to it, among several others. Other issues captured in this report include the 2015 projects and programs, as well as progress reports on some Bank activities. The report also presents the status of our countries' portfolios and programs with the World Bank Group; as well as highlights of some administrative matters and events. I trust that Governors will find the report useful and look forward to very fruitful deliberations at the Annual Meetings.

Lastly, I would like to thank the Governors for their continued support to the Constituency Office. I would also like to thank Dr. Mansur Muhtar, my immediate predecessor and Mr. Kurt Joseph Morais, Senior Advisor for their service to this Constituency. I would also like to use this opportunity to welcome the new Alternate Executive Director- Ms. Bongi Kunene and Cleo Rose-Innes to the Constituency. My profound appreciation and thanks goes to the entire team in the Constituency for their continuing hard work, dedication, support and cooperation to the service of the Constituency.

Sincerely,

Ana Dias Lourenço

Executive Director for Angola, Nigeria and South Africa

October, 2015

EXECUTIVE SUMMARY

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with the effects of the 2008/09 global financial crisis while emerging markets are less dynamic than in the recent past. In 2014, global growth was lower than initially expected, continuing a pattern of disappointing outturns over several years, with a marginal increase to 2.6 percent, from the 2.5 percent in 2013.

GDP growth in SSA improved to an average of 4.6 percent in 2014, up from 4.2 percent in 2013, but weaker than the average of 6.4 percent during 2002-08. In contrast to oil exporters, the oil price plunge has provided cyclical support to real incomes in oil importing countries. Looking ahead, with the recent forecast downgrades in Nigeria and Angola due to low persistent oil prices, and South Africa due to ongoing difficulty in overcoming electricity problems, SSA is projected to contract its GDP growth to 4.2 percent on average in 2015 and starting recovery in 2016-17.

For IBRD, lending commitments increased in FY15, relative to a year earlier by 26%, the largest annual increase in 15 years (excluding the global financial crisis years of FY09-10). Annual commitments averaged \$13.5 billion in the 3 years preceding global financial crisis, peaked in FY10 at \$44.2 billion and is now bottoming out at \$15.2 billion in FY13 to reach \$23.5 billion in FY15. In case of IFC, total commitments were \$17.6 billion compared with \$15.1 billion in FY14, an increase of 17%, of which \$10.5 billion is from its own account and \$7.1 billion through core mobilization. While MIGA issued guarantees for a total of \$2.8 billion in support of 40 projects, which resulted in cumulative exposures of \$36 billion, since MIGA's inception in 1988.

In line with the institutional reforms, a number of strategies were developed, updated or reviewed in FY 15 to guide the WBG's work. For instance the FY16 -18 planning followed a new strategic process initiated in FY14, the W process. Improvements were noted along with challenges relating to the transitional state in which several regional offices and the Global Practices (GPs) still operates. For FY16 – 18, the World Bank (WB) is seeking to build a strong link with the SDG agenda, the Financing for Development processes and outcomes, and the 2015 United Nations Climate Change Conference (COP21).

On the part of the IFC, the FY16-18 IFC Strategy and Business Outlook paper focused on the medium-term strategic and business outlook for IFC seen within the context of a longer-term vision for what IFC wants to achieve and how it wants to operate. IFC's overall strategy within the low momentum in global growth which is expected to continue in the medium term is to continue to focus on contributing to the WBG strategy and goals.

The MIGA's FY15-17 strategy focuses on optimizing the opportunities presented by its expanded product line (PRI and non-honoring products) and its broader client base. Priorities for FY15 were supporting investments in IDA Countries; investments in fragile and conflict affected countries; investments in middle income countries; and innovative projects – advance the broad goals of sustainable development. MIGA's new business in FY15 is estimated at \$3.3 billion, slightly below the target of \$3.4 billion in the FY15-17 Strategy.

Following the extensive work done by the change management team, the World Bank, launched its new operating model on July 1, 2014. The model was designed to support the World Bank Group (WBG) Strategy adopted by the Development Committee in 2013. Despite early implementation challenges, the new model appear to be stabilizing and producing improvements in the WBG's ability to provide development solutions and high quality services to clients

With respect to the Program-for-Results (PforR) instrument introduced in January 2012, Management carried out an initial review of experience with the new instrument after two years of implementation. The review found that the PforR instrument has been successfully rolled out across a broad range of countries and sectors, policy requirements have been met, and implementation for all but one of the approved operations is broadly on track. Based on this initial success, the Board lifted the cap. With a *proviso* that Management will revert to the Board when the anticipated three year average demand *exceeds 15 percent of total IBRD/IDA commitments*.

The scorecards continue to be updated annually to incorporate new indicators in areas where such were hard to conceptualize in the first round. For the IFC, defining better indicators that captures its contribution to the group goals and priorities remains challenging.

The World Bank is set to commence the implementation of the new Procurement Framework following the approval of the proposed policy by the Board of Executive Directors. The new Procurement Policy will be applicable in Investment Project Financing and Other Operational Procurement Matters. The New Procurement Framework becomes operational on July 01, 2015 and runs side-by-side the old model.

The third phase of consultations on a revised (second) draft of the proposed Environmental and Social Framework is set to commence in November 2015. This phase will focus on implementing the framework in borrowing countries and on issues that require further attention. An indicative list of issues to be discussed during Phase 3 consultations based on the outstanding issues raised by the Directors will form the basis of the third phase consultation. Thirty countries will be consulted in this round, of which ten are in Africa. Nigeria and South Africa are on the list of countries slated to be visited. The World Bank team led by a Vice President met with Africa Caucus in Luanda, Angola to present the update on safeguard policies and give the Governors a heads up ahead of the consultation.

On the issue of the Post-2015 Agenda the Board of Executive Directors of the World Bank gave management broad support for Bank's main areas of support for the 2030 Agenda's. The WBG has committed to partnering closely with governments, the United Nations, the IMF and other MDBs and with the whole range of development partners to further the 2030 Agenda. The document will be presented to Governors at the Development Committee Meeting of October 10, 2015 in Lima, Peru.

As part of the efforts to explore all funding sources for the ambitious Post-2015 Agenda, the Executive Board held series of informal engagements with the Bank Management on IDA Reform to update Directors on the on-going conversations and progress related to the work on the Future of IDA. At these events, Directors stressed the need for robust concessional support for the poorest countries, as IDA remains the main instrument for pursuing the WBG goals and SDGs in the

poorest countries. The discussions also explored various financing strategies in particular the proposed use of the IDA equity and the non-concessional window also referred to as IDA-plus.

To monitor progress in implementing the WBG goals and the SDGs, accurate, reliable and updated data at a country level is an essential imperative. Accordingly, the Development Committee lunch discussion on “Investing in Evidence” is an attempt to elevate the data collection agenda to the desired level and solve this problem.

On the issue of illicit flows, considerable momentum has been generated by the Mbeki report on the harmful effect of Illicit Financial Flows (IFF) on the economies of African countries. The World Bank is working on a strategy paper by mid FY16. The World Bank will also organize a high level event in Lima, Peru with various stakeholders as part of its plan to chart the way forward on this issue.

The sharp decline in oil prices in the second half of 2014, brought to an end a four-year period of stability around \$105 per barrel and signaled an end to a price “supercycle”. Oil prices are expected to remain low in 2015 and rise only marginally in 2016. This decline in oil prices no doubt present a significant window of opportunity to reform energy taxes and fuel subsidies, which are substantial in several developing countries, and reinvigorate reforms to diversify oil-reliant economies.

With regard to diversity and inclusion agenda, delivery and monitoring of D&I targets along with other HR targets remained a priority at the board level throughout FY15. Overall, the hiring of SSA/CR candidates at senior level send positive messages and was welcomed by African Governors. However, there was no improvement in diversity index for the group in FY15. Two of the countries in our constituency namely: Angola and Nigeria have been included in the list of *Potential 2015 Regional Nationalities of Focus (NOF)*.

This Annual Report also provided overview of the flagship reports, namely the GMR and the WDR. With regard to the 2015 Global Monitoring Report (GMR): Global Development Goals in an Era of Demographic Change sets the stage for transition from the Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs), taking stock of the world achievements since 2000, the lessons learned by the international community, and linking the prospects of attaining the new goals in the context of the world demographic change.

While the 2016 World Development Report finds that the digital revolution has fallen short of expectations in generating the broader benefits typically associated with technology-higher growth, more jobs and better public service delivery. The Report thus analyzes how to make digital technologies a more effective force for development.

On the country portfolio of member countries, Angola has a total net commitment of \$876 million on its IBRD/IDA portfolio as at June 2015. While Nigeria’s portfolio has an overall value of \$7.7bn commitments under IBRD/IDA during the same period and South Africa has US\$3.75 billion committed under IBRD on its main project the Eskom Power Project.

Based on guidance by Executive Directors to discuss the 2015 Shareholding Review, Corporate Secretariat of the Bank revised the 2015 Shareholding Review paper with options approach and detailed analysis with a credible roadmap, and key deliverables with commitments. The Report as revised is to be presented to Governors in Lima. During the Annual Meetings in Lima, Governors would be required to take note of this review, and to agree and commit both to the Shareholding principles and the Roadmap for future work.

The selection process for the 12th Cohort of the Voice Secondment program scheduled to commence in January 2016 has been concluded and the names of successful nominees published. None of the three nominees from EDS 25 Constituency made the list.

In continuation of the reform process, the restructuring of the organization continued through FY15. Three significant structural changes were the re-devolution of Human Resource Unit, appointment of three new Vice Presidents responsible for Global Practices, and reorganization in the IFC.

As part of the ongoing effort to foster cooperation, the World Bank has stepped up its collaboration with the United Nations (UN) and other Multilateral Development Banks (MDBs). This was demonstrated in the run up to Financing for Development Conference in Addis Ababa, Ethiopia in July 2015 and the post 2015 Sustainable Development Goals (SDGs) Conference in New York in September 2015.

On 25 February, 2015, the constituency office met a delegation of visiting South African Engineers/CEOs delegation for an hour's interactive session. The delegation visited the World Bank and the IFC to learn more about the institutions, projects financed by the Bank Group in the region, policies, standards and processes for procurement of technical services.

CHAPTER I

GLOBAL ECONOMIC DEVELOPMENTS

1.1 Overview

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with the effects of the 2008/09 global financial crisis while emerging markets are less dynamic than in the recent past. In 2014, global growth was lower than initially expected, continuing a pattern of disappointing outturns over several years, with a marginal increase to 2.6 percent, from the 2.5 percent in 2013.

Looking ahead, global growth is expected to rise moderately to 2.8 percent in 2015 and, on average about 3.2 percent through 2017, supported by gradual recovery in high income countries, low oil prices, and receding domestic headwinds in developing countries.

1.2 High Income Countries

In 2014, Growth in high income countries has picked up to 1.8 percent, from 1.4 percent in 2013, and is expected to hit 2.0 percent in 2015 and 2.3 percent, on average, in 2016-17. The expected growth pick up reflects the recovery in the Euro area, continued robust activity in the United States and increased traction from Japan's monetary, fiscal, and structural policy efforts.

In the United States, activity stalled at the start of the year, partly as a result of cold winter, disruptions to port activity and sharp cutbacks in capital expenditure in the oil and gas industry, but these factors are expected to dissipate, resulting in a rebound activity later in 2015.

In Euro area, recovery has progressed more rapidly than expected since late 2014, supported by a weakening euro, declining oil prices, record low interest rates, and an improvement in bank supply conditions. Euro area growth is now projected to reach 1.5 percent this year, increasing to 1.7 percent in 2016-17.

Activity in Japan started picking up in late 2014 and was robust in the first quarter of 2015. A series of fiscal stimulus measures, combined with Bank of Japan accommodative policy, cost savings by firms and households, product and labor market reforms should boost activity and confidence throughout 2015. Growth is expected to average 1.1 percent this year, before accelerating to 1.7 percent in 2016.

1.3 Developing Countries

While China is undergoing a carefully managed slowdown with the main challenge in shifting from investment to consumption led growth, disappointing growth in other developing countries in 2014 reflected weak external demand, domestic policy tightening, political uncertainties and supply-side constraints.

Deteriorating terms of trade and falling commodity prices dampened growth in commodity exporters such as Russia, Venezuela and Angola. Policy uncertainty, social and labor tensions combined with slow progress in structural reforms, dented confidence and contributed to slowdown in Brazil, Argentina, South Africa, Thailand, Venezuela, India and Mexico. Fiscal and monetary policy tightening to contain credit growth or inflation and improve fiscal positions have adversely impacted activity in Brazil, the Philippines, Turkey, Ghana and Zambia.

As the domestic headwinds that held back growth in 2014 ease and recovery strengthens in developed countries, growth is expected to gradually accelerate beyond 2015.

1.4 Sub-Saharan Africa

GDP growth in SSA improved to an average of 4.6 percent in 2014, up from 4.2 percent in 2013, but weaker than the average of 6.4 percent during 2002-08. GDP slowed markedly in South Africa, constrained by strikes in the mining sector and electricity shortages. Low oil prices have considerably reduced growth in commodity-exporting countries like Nigeria and Angola, where softening oil sectors have also slowed activity in non-oil sectors.

In contrast to oil exporters, the oil price plunge has provided cyclical support to real incomes in oil importing countries, with lower inflation and improved current account in the first quarter of 2015. With exception of the countries heavily affected by Ebola crisis, growth was strong in many low income countries, including Cote D'Ivoire, Senegal, Kenya, Mozambique, Ethiopia and Tanzania, driven by infrastructure and mining investment, consumer spending and agriculture.

Looking ahead, with the recent forecast downgrades in Nigeria and Angola due to low persistent oil prices, and South Africa due to ongoing difficulty in overcoming electricity problems, SSA is projected to contract its GDP growth to 4.2 percent on average in 2015 and starting recovery in 2016-17.

CHAPTER II

WORLD BANK GROUP OPERATIONS

2.1 Overview

At the end of FY15, the World Bank Group commitment volume to client countries totaled \$ 62.9 billion, an increase of 7% over FY14. This overall increase was driven by a 26% increase in IBRD's commitments and a 17% increase in IFC, partially offset by a 15% decrease in IDA's commitments, and a 10% decrease in MIGA's gross issuance.

2.2 IBRD Operations

Lending commitments increased to \$23.5 billion in FY15, relative to last representing 26% increase, the largest annual increase in 15 years (excluding the global financial crisis years of FY09-10). Annual commitments averaged \$13.5 billion in the 3 years preceding global financial crisis, peaked in FY10 at \$44.2 billion, and have now started to increase since bottoming out at \$15.2 billion in FY13 to reach in FY15.

By regions, commitments for the Europe and Central Asia (ECA) were 29%, followed by Latin America and the Caribbean (LAC) with 25%, while Africa region continues by far to be the least beneficiary from IBRD resources with only 5% of commitments. Disbursement rate follows basically the same pattern. With regard to individual countries, India, China, Colombia, Egypt and Ukraine had the biggest 5 volume of commitments in FY15, around 35% of total IBRD's commitments (see tables 1, 2 & 3)

Table 1: Commitments by Region

In millions of US dollars

For the fiscal year ended June 30	2015	% of total	2014	% of total
Africa	\$ 1,209	5%	\$ 420	2%
East Asia and Pacific	4,539	19	4,181	23
Europe and Central Asia	6,879	29	4,729	26
Latin America and the Caribbean	5,709	24	4,609	25
Middle East and North Africa	3,294	14	2,588	14
South Asia	2,098	0	2,077	11
Total	<u>\$23,528</u>	<u>100%</u>	<u>\$18,604</u>	<u>100%</u>

Table 2: Gross Disbursements by Region

In millions of US Dollars

For the Fiscal year ended June 30,	2015	% of total	2014	% of total
Africa	\$ 816	4%	\$ 335	2%
East Asia and Central Asia	3,595	19	3,397	18
Europe and Central Asia	5,829	31	6,536	35
Latin America and the Caribbean	5,726	30	5,662	30
Middle East and North Africa	1,779	9	1,666	9
South Asia	1,266	7	1,165	6
Total	<u>\$19,012</u>	<u>100%</u>	<u>\$18,761</u>	<u>100%</u>

Table 3: Top 10 Commitments to member Countries

In millions of US Dollars

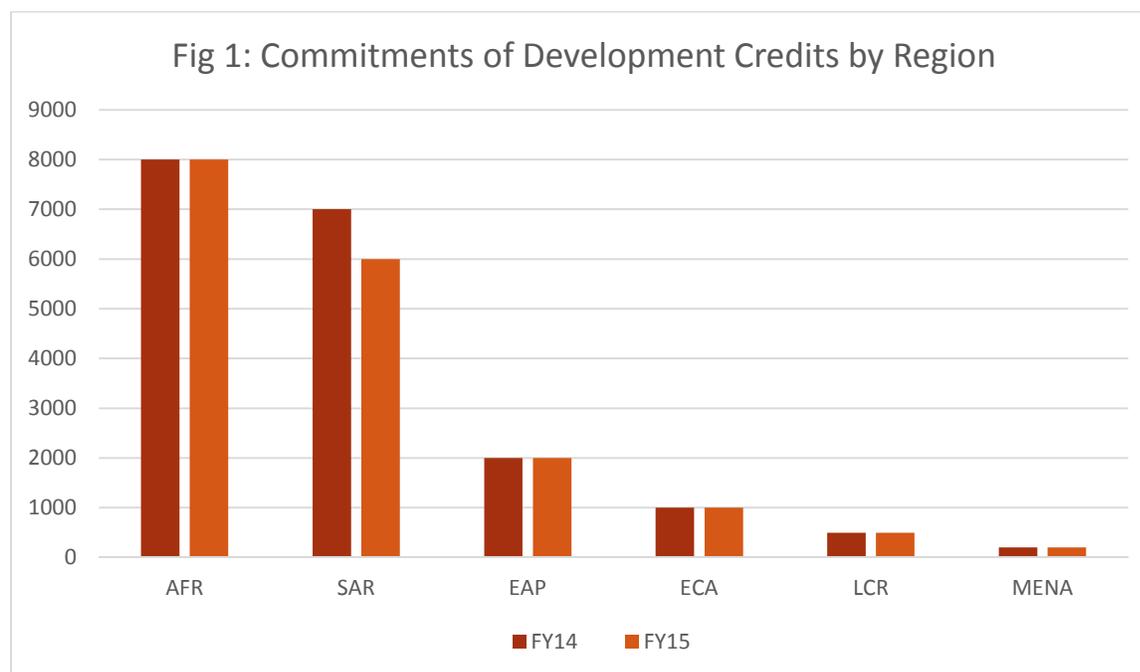
For the fiscal year ended June 30,	2015	% of total	2014	% of total	
India	\$ 2,098	9%	Brazil	\$ 2,019	11%
China	1,822	8	India	1,975	11
Colombia	1,400	6	China	1,615	9
Egypt, Republic of Arab	1,400	6	Ukraine	1,382	7
Ukraine	1,345	6	Romania	1,374	7
Argentina	1,337	6	Philippines	1,279	7
Turkey	1,150	5	Morocco	1,096	6
Morocco	1,055	4	Indonesia	1,072	6
Indonesia	1,000	4	Colombia	870	5
Poland	966	4	Tunisia	426	2
Other	9,955	42	Other	5,496	30
	<u>\$23,528</u>	<u>100%</u>	Total	<u>\$16,604</u>	<u>100%</u>

By lending categories, Investment Project Financing (IPF) continues to be the most used instrument. In FY 15 commitments, IPF amounted to \$15.8 billion (67% of the total), compared to \$10.1 billion in FY14. Development Policy Financing (DPF) accounted for \$6.8 billion (29% of the total), compared with \$8.0 billion in FY14. Program for Results (P4R), the last IBRD instrument introduced in FY12, totaled \$0.9 billion (4% of total) compared to \$0.5 billion in the previous year.

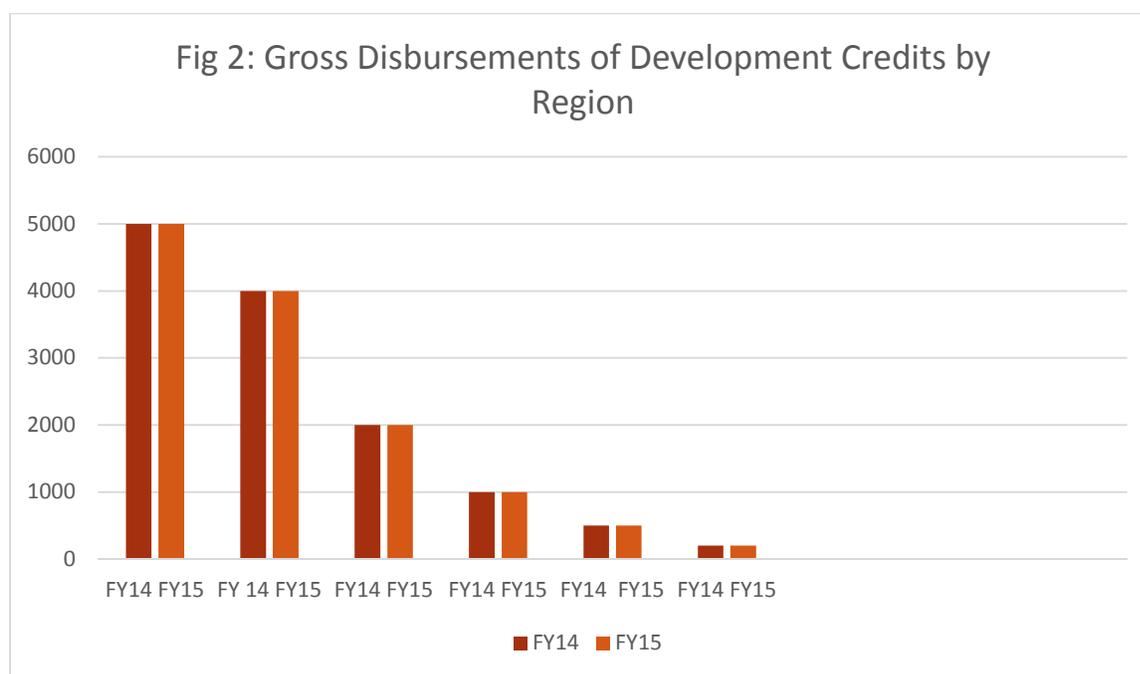
2.3 IDA Operations

As at end of June 2015, IDA commitments stood at \$19 billion, a decrease of 4.4% compared to \$22.2 billion in FY14. Commitments of development credits were \$15.9 billion, a decrease of \$2.6 billion over the previous year.

In terms of regional focus, Africa and South Asia together accounted for 86% of the FY15 commitments (Fig 1).



Gross disbursements of development credits during FY15 reached \$10.8 billion, a decrease of \$ 0.3 billion from FY14. In terms of regional focus, Africa and South Asia together accounted for 81% of total FY15 gross disbursements (Fig 2)



The top ten commitments of development credits to member countries in FY15 are listed in (table 4), with the largest commitment made to Bangladesh, followed by India, Ethiopia and Pakistan.

Table 4: Commitments of Development Credits and Grants to Member Countries

In millions of US dollars or as otherwise indicated

Member	Development Credits	FY15% of total	FY14% of total	Members	Development Grants	FY15 % of total	FY14% of total
Bangladesh	\$ 1,024	12	10	D.R. Congo	\$ 319	13	13
India	1,687	11	17	Mozambique	196	8	3
Ethiopia	1,395	9	9	Yemen	193	8	7
Pakistan	1,351	8	9	Burkina Faso	191	8	4
Kenya	1,105	7	3	Liberia	177	7	0
Nigeria	975	6	9	Guinea	159	7	1
Tanzania	883	6	4	Sierra Leone	156	6	2
Vietnam	784	5	7	Malawi	108	4	0
Myanmar	700	4	2	Niger	94	4	4
Uganda	590	4	3	Chad	90	4	1
Other	4,554	28	27	Other	735	31	65
Total	\$16,948	100	100	Total	\$2,418	100	100

The FY15 commitments of \$19.9 billion is the largest amount of commitments made in the first year of all IDA replenishments.

2.4 IFC Operations

In FY15, IFC total commitments were \$17.6 billion, compared with \$15.1 billion in FY14, an increase of 17%, of which \$10.5 billion is from its own account and \$7.1 billion through core mobilization. The Corporation's total disbursed investment portfolio was \$36.4 billion, a slight decrease of 0.5% over the same period in FY14, with \$23.2 billion in loan portfolio, \$10.6 billion

in equity portfolio, and \$2.6 billion in debt security portfolio. From total commitments, 47% were programs in IDA countries.

The IFC Advisory Services Portfolio as of June 30, 2015 totaled \$1.2 billion, slightly above the \$1.1 billion of FY14, with strong focus in strategic priority areas of IDA (65%) and FCS (20%). By region, the program expenditures has prioritized Sub Saharan Africa, with 27%, and East Asia and Pacific, with 19% of total expenditures. By sector,

IFC Advisory Services continues to focus primarily in Financial Sector, with 32%, and investment climate, with 50% of total expenditures.

2.5 MIGA Operations

During FY15, MIGA issued guarantees for a total of \$2.8 billion in support of 40 projects, which resulted in cumulative exposures of \$36 billion, since MIGA's inception in 1988. Of the total new issuance, 60% of projects were in priority areas, of which 17 are in support of IDA-eligible countries, 6 in FCS, and another 6 considered as innovative, covering SOEs and private-public blend financing.

Europe and Central Asia accounts for more than half of FY15 new issuances, and remains the region with the highest concentration of MIGA's guarantees, followed by Sab Saharan Africa and by Latin America and the Caribbean as indicated in Table 5 below.

Table 5: Regional Distribution of Gross and net Exposure (\$M)

	Gross			Net			% of total net Exposure		
	FY15	FY14	FY13	FY15	FY14	FY13	FY15	FY14	FY13
Sub Saharan Africa	3,000	3,154	2,777	1,832	1,800	1,628	23.8	26.6	25.4
East Asia and Pacific	1,014	973	822	503	408	483	6.5	5.7	7.5
South Asia	795	795	799	484	474	471	6.3	6.7	7.3
Europe & Central Asia	5,086	5,252	4,408	2,547	2,875	2,583	38.2	40.4	40.3
Latin America & the Caribbean	1,869	1,413	1,069	1,422	930	673	18.4	13.1	10.5
Middle East & North Africa	776	822	883	520	536	572	6.8	7.5	8.9
Total	\$12,538	\$12,409	\$10,758	7,708	7,313	6,410	100	100	100

As of December 2014, MIGA's gross exposure to Sub-Saharan Africa totaled \$3 billion (24% of the portfolio), with most of the business concentrated in Infrastructure (mainly power sector) which accounted for two thirds of the total exposure. For FY 15 MIGA committed to 13 projects in SSA representing 28 % of the total volume, and covering agribusiness, manufacturing services, telecom and power sector.

Source: World Bank, IFC/MIGA Reports

CHAPTER III

SELECTED WORLD BANK GROUP PROGRAMS AND POLICIES

3.1 World Bank/IDA FY 16-18 Strategy & Business Outlook

In line with the institutional reforms, the FY16 -18 planning followed a new strategic process initiated in FY14, the W process. The process aimed at aligning strategic reorientation and budgeting process, splits the process into steps that seeks to ensure that budget follows priority setting process. Budget allocation challenges experienced this year and corrected in the latter part of the year relates to the transitional state in which several regional offices and the Global Practices (GPs) still operated.

The strategy and business outlook is premised on 4 building blocks, strategic context, strategic work program directions, financial sustainability, and business planning. For FY16 – 8, the World Bank (WB) is seeking to build a strong link with the SDG agenda, the Financing for Development processes and outcomes, and the 2015 United Nations Climate Change Conference, COP21.

Overall, the World Bank acknowledges challenges posed by low momentum in global growth which is expected to continue in the medium term, and the impact this will have in the attainment of the WBG goals and targets set for 2030. This constrained global economic trajectory¹ is expected to lead to further tightening of the financial conditions leading to moderation in capital flows to developing countries. In response to this challenging environment, the WB has decided to focus on scaling up services and building financial strength including financial products for public and private sectors, knowledge services, and investment risk mitigation.

Operationally, the Bank prioritized strong delivery with emphasis on IDA, increased focus on poverty and shared prosperity, strengthening of the operating model and strengthening of diagnosis and joint implementation² plans, and improvements to internal processes to enhance knowledge exchange, align trust funds to bank priorities, improve selectivity of areas of engagement, shift the budget to favor client engagements (currently Country engagements get 53% of the budget, 14% goes to global engagements and 33% to program and practice management), and maintain efficiencies initiated through the expenditure review process.

Among the interventions prioritized were accelerating work in IDA countries and prioritizing transformational programs, expand work in MICs mainly through knowledge services and support

¹ The WBG goal is to reduce poverty (number of people living on or under \$1.25 a day) to 3% by 2030, and shared prosperity (average real per capita income of the bottom 40%). Scenarios presented in the January 2015 edition of the Global economic Prospect suggest that developing countries would need per capita growth of at least 4% between 2015 and 2030 to achieve the 3% poverty goals.

² As part of the one World Bank Group, the four agencies, World Bank (IBRD and IDA), IFC and MIGA are encouraged to cooperate closely in the field and have Joint Implementation Plans (JIP). The model emphasizing joint programs is proving to be challenging at times, more lessons will emerge in the FY16-18 implementation phase.

to countries with a growing demand for IBRD. Other priorities are: responding to crisis and meeting commitments of CCSA, enhancing program selectivity and program collaboration, and enhancing client focus and the efficiency of the advisory services. Similarly, the Bank is expected to scale down and be strategic on global partnerships, reform the grant making facilities namely: CGIAR (Consultative Group for International Agriculture Research) and SPF (State and Peace Building Fund) to the Bank's work and improve accountability.

On financial sustainability, the CFO's message is that the Bank's financial outlook in the near term is constrained, a steadily improving trajectory is expected beyond FY16 and that for now, no action is required on the part of shareholders. A call was made for detailed analysis on the Bank's capacity and financial outlook.

The long term capital outlook is marked by considerable uncertainty due to sensitivity of income, and the persisting low interest rate environment. Allocable net income for FY15 is expected to range between \$650 and \$750 million (lower than the \$750million projected in FY14³). The instituted "margins for maneuver" measures are expected to increase the revenue from loan spread and increase lending capacity. At the same time, expenditure reviews are expected to start yielding some savings- \$106 million in FY16, \$93 million in FY17, and \$45 million in FY18. Despite these measures, overall income was expected to remain constrained even with respect to meeting IDA 17 replenishment.

SDR 33.5 billion (an equivalent of \$50.5 billion) is available for IDA recipient countries, and as of February 2015 SDR 5.3 billion have been released and are available for commitment. IDA anticipates playing a critical role in the post-2015 agenda, and asserts that this will require adaptive actions and building on its comparative advantages. A process to review development results, long term vision and financial sustainability, and governance and reform of the IDA replenishment process, has been set-up and will inform future directions.

External funds makes up a 1/3 on the Bank's activities funding. The package includes trust funds (TF⁴) and reimbursable arrangements with client countries including Reimbursable Advisory Services (RAS) and Reserves Advisory Management Program (RAMP). Focus in the FY16– 18 will be placed on improving alignment, transparency and integration of external funds into business planning processes, and ensuring financial sustainability. Added attention will put on expanding reimbursable advisory services as well.

While Board members expressed support for the strategy there were still concerns that despite the threat posed by low growth to the Bank goals, there is still no better understanding on how to deliver growth or certainty on interventions most effective in improving the lives of the bottom 40%. The Bank was also urged to continue to improve its support to MICs beyond RAS. The

³ Divergence from early estimates is mainly \$60 million markdown in IBRD holding in Alpe Adria, change in loan-loss provisions, significant move in mark to market value of IBRD's liquid assets, and admin expense split between IAD and IBRD

⁴ TFs include Recipient Executed Trust Funds (RETF), Bank Executed Trust Funds (BETF), Financial Intermediary Funds (FIFs)

prioritization of IDA over reserves in the allocation of net allocable income was scrutinized, as to whether it is the best way to strengthen the Bank and even support IDA countries and as an area of concern given the lower level of reserves. The need for clarity on how the implementation of safeguards and procurement policies will be financed were also emphasized.

3.2 IFC Strategy and Business Outlook FY 16-18 Growing for Impact

The FY16-18 IFC *Strategy and Business Outlook* paper focused on the medium-term strategic and business outlook for IFC seen within the context of a longer-term vision for what IFC wants to achieve and how it wants to operate.

This is one of the key engagements in the annual World Bank Group (WBG) strategic planning, budget and performance review (W) process build on conclusions of the strategic phase of the planning process, and provide a platform for institution-specific Management teams and the Board.

IFC's overall strategy within the low momentum in global growth which is expected to continue in the medium term is to continue to focus on contributing to the WBG strategy and goals. Within this context, IFC's selectivity will be guided by opportunities that enable it to integrate impact and financial sustainability, and where it can foster economic growth while responding to client demand and addressing priorities emerging from the Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs).

IFC will explore emerging opportunities and frontiers where it can engage for greater impact in addition to growth in established priority areas, including an even stronger focus on Fragile and Conflict Situations and maintaining its IDA targets. Sub-Saharan Africa, South Asia, and Middle East and North Africa are still key regions given poverty levels and particular challenges. In Middle Income Countries, where 70% of the global extreme poor reside, IFC will remain highly selective in its engagement. Work in sectors such as infrastructure, agribusiness, financial markets, health and education continues to be important, and will benefit from increasing collaboration across the WBG, including through new platforms such as the Global Infrastructure Facility, which will help to advance the public-private partnerships (PPP) agenda. In addition, jobs (where the private sector has a critical role to play), climate (where IFC is uniquely positioned to help clients address causes and effects of climate change, including through programmatic initiatives and collaboration across the WBG), and gender, continue to be important cross-cutting strategic themes.

IFC's growth is critical to maximize its contribution to reaching the goals, especially in light challenging external context, increasing risk aversion, and retrenchment by other IFIs from emerging markets – business as usual will not be enough. The macro environment of slower projected growth and rising inequality, and the changing financial landscape, increase the need and opportunities for IFC. With global growth being below expectations, IFC recognizes that the world in which it operates requires an urgent response from the private sector. As the largest global development finance institution focused on the private sector, IFC can provide leadership, connect supply of financing sources with demand and opportunities for investments, play a role in de-risking emerging markets and stimulating growth through demonstration effects, and leverage lessons of experience while diversifying risk IFC is not pursuing growth for growth's sake, but

overall growth for both greater impact and financial sustainability. Although scale is important, volume is an outcome and not a driving factor.

Managing IFC's capital adequacy is crucial to the fulfilment of IFC's mission. IFC needs to hold sufficient capital to protect against unexpected losses and maintain its triple-A rating. IFC's approach to capital measurement and management is broadly aligned with global regulatory standards (the "Basel Accord") and with the methodologies of the rating agencies. However, IFC has to constantly keep abreast of changes of methodology and to identify any potential threat to its triple-A rating.

For FY 15, IFC is on track to generate gross expenditure review savings at or above the planned level for FY15. In the first half of FY15, IFC has re-invested all of these savings in its operations while still managing to decrease expenses. However, IFC may request a modest nominal budget increase in FY16, which includes consideration for inflation. This increase will support strong program growth and enable prudent portfolio management in a time of great market uncertainty.

For the IFC, there are two major challenges to achievement of the WBG goals: weak, below-trend growth and rising inequality. IFC together with the whole WBG and its development partners, will need to: (i) offer growth solutions, in particular to allow untapped human potential, which exists everywhere, to be realized; and (ii) help to open up technological frontiers for all. In order to fulfill its mission and make a lasting and significant impact on achieving the goals, while also trying to maximize its current capacity, IFC will need to grow and shape its capabilities in human and financial capital as well as its more intangible convening power and influence. IFC will need to grow key elements of its capacity:

- Intellectual capacity – strategic staffing which meets current gaps as well as anticipating emerging
- New needs; and thought leadership to support growth of the private sector.
- Leverage capacity – working with clients and partners, and developing new relationships and ways to mobilize resources for development.
- Financial capacity – generating sufficient returns on investments and managing financial resources effectively to allow for capital growth. These efforts need to start now, as they will take time. IFC will refine its ideas about this longer-term outlook and strategy for IFC over the next few months – this is an ongoing process IFC expects to undertake and will look to engage with the Board.

Operationally, IFC continue to battle with mechanisms to better measure and report the impact of their work in line with the new WBG goals.

Source: World Bank, IFC/MIGA Reports

3.3 MIGA's Three Years Business Plan (FY15 – FY17)

The MIGA's FY15-17 strategy focuses on optimizing the opportunities presented by its expanded product line (PRI and non-honoring products) and its broader client base (equity investors, lenders such as banks and capital market investors). Priorities for FY15 were supporting investments in

IDA Countries; investments in fragile and conflict affected countries; investments in middle income countries; and innovative projects – advance the broad goals of sustainable development.

MIGA’s new business in FY15 is estimated at \$3.3 billion, slightly below the target of \$3.4 billion in the FY15-17 Strategy. This represents a 4% increase in business volume compared to the previous fiscal year, and mark positive progress in expanding its coverage FCS, IDA-eligible countries, and innovative projects.

Leading sectors supported include infrastructure, energy and extractive industries. These are in-line with a trend that began in FY12. The largest share of projects is in the Europe and Central Asia (ECA) region, where 18 projects support investments in the financial, manufacturing, transportation, and power sectors. In Sub-Saharan Africa (SSA). MIGA has approximately 13 projects representing 28%, eight projects in the Latin America and the Caribbean (LAC) region representing 17% (up from only 8% in FY14), and three projects in MENA region.

Claims-wise, MIGA paid two claims in FY15. One claim was paid in the amount of \$4.7 million for coverage provided in Mali and the other for \$0.3 million for coverage in the Central African Republic. Both of these claims relate to losses caused by war and civil disturbance events. The West Bank and Gaza Trust Fund administered by MIGA also paid a claim in FY15 for \$0.95 million, again, under war and civil disturbance coverage. MIGA has recently received two new claims this fiscal year and the claims determination process for these is underway. Adequate reserves have been established for these matters.

Overall, the Agency continues to benefit from the non-honoring of financial obligation (NHFO) guarantee, or credit enhancement product line, which has attracted significant interest from private lenders, governments, and investors. For FY16 MIGA has a budget of US\$55.5 million. Other developments expected are increased cooperation with IFC, field expansion with staff mix increasingly shifting towards local recruitment, and the opening of an office/hub in Africa.

3.4 World Bank Group Net Income Allocation

IBRD

On August 6, 2015, Executive Directors approved the IBRD financial statements for FY15, alongside the allocable net income of \$686 million, as follows:

- Addition to Reserves..... \$ 36 million
- Transfer to IDA..... \$ 650 million

The \$686 million allocable income is \$11 million higher than the estimate provided in the June paper, which reflected year-to-date actual income as of third quarter and estimates for the remainder of the year. The difference was largely due to a \$10 million reduction in loan loss provision.

The Executive Directors have considered what action to take, with respect to FY15 net income and have made recommendations to the Board of Governors. The Executive Directors have

concluded that the interests of the IBRD and its members would best be served by the aforesaid income allocation.

IFC

The Corporation's FY15 net income is \$445 million and the income available for designations, which is used for calculating the maximum amount IFC can designate in any given year, is \$1,327 million.

Based on the Board-approved principles and sliding-scale formula, the maximum amount for designations was \$344 million, approved by the Board of Directors on August 6, 2015, as follows:

- Grant transfers to IDA for the IDA17 replenishment..... \$330 million
- Advisory Services (FMTAAS).....\$ 14 million

Unlike FY14, IFC is not designating any amount as retained earnings to strengthen its capital. The Corporation expects to have discussions in the coming months about possible changes in the way it can best support IDA countries beyond IDA 17, to which it has already committed to designate \$1 billion over the three-year period. The discussions would likely cover topics such as: how IFC can most efficiently leverage its capital for development impact in IDA countries; how can IFC play a larger role to support the WBG twin goals and the SDGs; and the implications that such an expanded role would have for IFC's capital position. Similar to IBRD, the above-mentioned designations are expected to be approved by the Board of Governors, during the Annual Meetings in Lima, Peru.

BANK REFORMS: UPDATES

3.5 The World Bank Group Change Process

The WBG's change agenda was initiated in 2013, and aimed at implementing the new strategy approved by Governors in October 2013. Being an ongoing process, it consists of four areas of transformation: people, delivery model, finance, and leadership and culture.

With respect to people, Key priorities for Human Resources reforms included allocation of staff across the new structure, performance management, strategic staffing, institutional practices and career management. Staff mapping was completed and soon followed by strategic staffing reviews for IG&A, a new framework for staff mobility and staff career development was launched, a and a contract architecture review to consolidate a range of staff contracts, enhance equity and build staff stability was adopted. On Performance and Accountability, a performance management framework was emplaced, the WBG core competencies and the leadership process assessment process for managers were finalized and the strategic staffing process in operational unit was started based on VPU strategic priorities. On the Country Engagement Model, the Country Partnership Framework (CPF) and the Systematic Country Diagnostic (SCD) went into effect in July 1, 2014. The new Procurement Framework, designed to maximize the value for money on

Bank projects, was approved by the Board end July 2015. On Organizational Design, all milestones have been achieved, including the first wave of incentives measures for collaboration, knowledge and results in GPs/CCSAs, concluded in June 2015. With regard to Process Simplification, series of reforms are underway on the Trust Fund approach, the Analytic and Advisory Services (AAA), the Country Performance and Institutional Assessment (CPIA) and further streamline of Investment Project Financing (IPF). Development in this regard are ongoing. The New Environmental and Social Standards Framework (ESF) was discussed at CODE and will be subjected to further clients' consultations based on a template encapsulating outstanding issues/concerns from EDs. Additional information on the ESF are discussed in Chapter..... Finally, a new Operations Risk Management Framework called Systematic Operations Risk Rating Tool (SORT) was launched replacing ORAF and it became operational effective July 2015.

The third leg of the change process is the Expenditure Review, aimed at reducing the WBG's cost base of at least \$400 million from FY15 to FY18 through efficiency measures, savings generated (\$74 million from IBRD/IDA and \$31 million from IFC, in FY15) are providing flexibility to the budget. With regard to Finance and Revenues, the increased lending capacity measures and changes to IBRD loan terms approved in February 2014 are already impacting the Bank's activity. The IBRD financing for FY15 is estimated to be about \$23.5 billion – a record from a non-crisis year, and IDA funding about \$19 billion – again, a record for a first year of IDA funding cycle. Yet, the near-term income picture remains constrained and capital adequacy is projected to come under strain after FY17. It is expected that the ongoing discussions under the 2015 Shareholding Review will address these concerns. A broader discussion on institutional financing is also reflected in the financing for development agenda discussion including the “billions to trillions” approach, in shareholding review discussions, and IDA reform discussions.

The final leg of the reform process is Leadership and Culture: After concluding the appointment process of the GPs/CCSAs leadership team in May 2014, a set of workshops and other learning activities on culture and values, leadership programs, as well as innovation challenge activities, were facilitated. The latter is part of the Recognition Program, designed to publicly recognize and reward staff for the collaboration, innovation and smart risk-taking that leads to results. The outcome of the change process led to the new WBG operating model which is discussed hereunder.

3.6 The new WBG Operating Model

Following the extensive work done by the change management team, the World Bank, launched its new operating model on July 1, 2014. The model was designed to support the World Bank Group (WBG) Strategy adopted by the Development Committee in 2013. Despite early implementation challenges, the new model is now stabilizing and producing improvements in the WBG's ability to provide development solutions and high quality services to clients. The WBG strategy identifies three pillars to support developing countries to achieve the poverty and

prosperity goals in a sustainable manner: delivering development solutions for clients; serving clients as “One WBG”; and leveraging the resources and expertise of partnerships.

The new model is centered on a global matrix of client-facing Regional units, Global Practices (GPs) that bring together technical staff working across all regions, and global Cross-Cutting Solutions Areas (CCSAs). The operating model is designed to step up the WBG’s ability to share solutions globally, enrich global knowledge based on country work, and better integrate country, regional and global engagements – to better serve clients with integrated solutions and high quality services. The new model aligns WBG-supported country programs with the challenges critical to meeting the goals in each country. By adopting a “development solutions” approach, the new model also encourages multi-sectoral solutions and collaboration, so that good practices and lessons from what is working in one country or region can be shared rapidly with others. It draws on the critical value proposition of the WBG, combining deep technical and practical implementation knowledge with financing and global convening powers tailored to the local context. It also harnesses the power of the WBG institutions, offering clients solutions that combine World Bank support to the public sector with IFC and MIGA support to the private sector.

The institution has implemented a new joint WBG approach to country engagement to further support the achievement of the goals. The starting point is the Systematic Country Diagnostic (SCD), which provides a comprehensive and integrated analysis of growth, poverty, inclusion and sustainability, focusing on constraints to achieving the goals in each country. The new Country Partnership Framework (CPF) draws on findings of the SCD, the country’s own development goals and the WBG’s comparative advantage to articulate a selective program of WBG engagement that will support countries to achieve the goals.

In FY15, the WBG completed 15 SCDs and 6 CPFs were discussed by the Board. According to Management, feedback to date suggests that the SCDs have been seen as useful to engender a deeper debate about key development challenges, and have filled an analytic void in many countries. On the other hand, grounding the CPF in a robust diagnostic, facilitates alignment with the WBG goals, greater selectivity, and a better division of roles across the WBG and other development partners. For Management, early experiences suggests that CPFs are more focused on poverty, shared prosperity and sustainability than the predecessor CAS, while also being shaped by client countries, the WBG’s comparative advantage and the existing portfolio. An IEG assessment scheduled for FY16 will test these perspectives.

Delivery and Outcomes. Management placed a particular emphasis on ensuring that delivery would not slip during the period of change. As a result, FY15 saw record IBRD lending of \$23.5 billion and an IDA lending of \$19 billion, which exceeded all previous levels in the first year of a replenishment period. The IDA Crisis Response Window resources have been exhausted (Ebola crisis and Nepal earthquake) and the resources in the IDA regional window are oversubscribed. The IPF disbursement ratio were 19.9% for IBRD and 22.7% for IDA. The current Advisory

Services and Analytics (ASA) portfolio consists of nearly 4,000 activities and demand for Reimbursable Advisory Services (RAS) is increasing.

Performance measurement. To track results in real time, two management tools were launched to enable rapid assessment and diagnosis of the performance of the new model. These new two models, the Two Minute Feedback Survey and the World Bank Satisfaction Survey, to gather regular feedback from both staff and clients. Data from the surveys is being monitored on an ongoing basis to provide insights to Management about the effectiveness of the new model, and to drive actions to improve delivery, client satisfaction and development outcomes.

While no major changes are anticipated going forward, smaller adjustments will continue to be needed, with focus on enhancing cross-institutional cooperation, efficiencies of the new units, and staff ability to deliver for clients. With the operating model firmly in place, greater attention will be given to enhancing leadership, cooperation across units, knowledge exchange and improved quality of services to clients. Management will also focus on implementing measures in FY16 designed to provide greater stability for staff while trying to ensure that this will be another strong year for delivery to clients.

3.7 Expenditure Review Update

The objective of the Expenditure Review (ER), adopted in December 2013 under the change process at the WBG, is to reduce the WBG's cost base through efficiency measures that also reduce complexity, thereby contributing to IBRD net income and lending capacity, supplementing IDA commitment authority, and increasing the efficiency of the external fund use.

The ER is also expected to contribute to longer term budget discipline by informing the broader strategy and performance review process and more generally to help improve organizational effectiveness.

The target of the ER is a reduction of WBG's annual cost base at \$418 million over 3 years, including a buffer of \$18 million, with end goal of a leaner, more efficient institution and a financially stronger WBG, better positioned to serve its clients.

The ER has been a Bank Group exercise, with each organization contributing. Across the Bank Group, the savings target represents approximately 8% of total spend, of which 9% at IBRD/IDA, 5% at IFC and 3% at MIGA. The savings identification phase was completed in January 2015 and savings have been either clawed back (FY15) or embedded into indicative FY16-18 budget trajectories. In FY15, approximately \$74 million were clawed back from the IBRD/IDA budget, and \$31 million from IFC.

The ER program targeted general and administrative (G&A) costs while seeking to minimize impact on financial and advisory services to clients. Efforts were also made to minimize the impact on staff numbers, estimated to be in the range of \$130 to \$145 million, approximately one-third of the gross savings.

The implementation of savings measures is underway. A monitoring and evaluation framework has been established to track and validate savings, monitor progress against milestones, provide a regular feedback loop to the budget process, collect information for institutional reporting, and support regular and ad hoc analysis of key topics. To date, savings have been recorded in some elements of the board budget and administrative costs. Significant savings were made on travel costs.

3.8 Program for Results: Two Year Review

In January 2012, the World Bank Group introduced a new financing instrument, Program-for-Results (PforR) Financing, to complement the Development Policy Financing (DPF) and Investment Project Financing (IPF) it already provided. The PforR instrument has the following features: (i) finance and support borrowers' programs of expenditures and activities; (ii) disburse against achievement of program results rather than against inputs; (iii) focus on strengthening institutional capacity to implement the program; and (iv) provide assurance that the Bank's financing is used appropriately and that the environmental and social impacts of the program are adequately addressed.

Management committed to carry out an initial review of experience with the new instrument after two years of implementation to: (i) assess the early experience with the design and implementation of PforR operations and challenges faced by borrowers, development partners and Bank staff, and (ii) identify emerging early lessons and recommend any proposed changes that would strengthen the instrument.

Management has had two discussions with the Executive Directors at the CODE on the Two Year Review, one (November 2013) to discuss the scope and methodology of the review, and the other (October 2014) to look at the findings and comments of the Independent External Panels of Experts. In addition, Management consulted further with Executive Directors to arrive at the final recommendation paper that was discussed in April 9, 2015.

Consultations on the preliminary findings of the review were carried out with PforR teams in government, development partners, civil society organizations, the private sector and others stakeholders in the 15 countries that have used the instrument.

The review found that the PforR instrument has been successfully rolled out across a broad range of countries and sectors, policy requirements have been met, and implementation for all but one

of the approved operations is broadly on track. Those who have used the instrument have positive opinions, and findings suggest there is interest in the instrument among those who have not yet used it. The paper concludes that no major changes in the design of the instrument are necessary at this stage but some adjustments and areas of improvements have been identified. The challenges identified included: how best to define and agree on Disbursement Linked Indicators (DLIs), the articulation and application of the Anti-Corruption Guidelines (ACGs), the impact of exclusions in high value contracts, and the heaviness of the instrument

Based on the findings and with a view to respond to the demand by clients, Management proposed to the Executive Directors to agree to a change in the five percent cap on PforR Financing, and come back to the Board if and when the anticipated three year average demand *exceed 15 percent of total IBRD/IDA commitments*. The other proposal was to agree on a limited exception to the high-value procurement exclusion requirement under the PforR.

The Executive Directors broadly agreed with the two proposals, with most of them concurring that the five percent cap is indeed a major constraint to the development of an instrument that is critical to the implementation of the WBG strategy and vital in creating institutional capacity to address the pressing challenges in client countries. Many Directors however, advised Management to move more cautiously and invest in enhanced quality assurance and risk management for PforR given the novelty of the instrument and the fact that it was not yet fully tested. Some Directors have also stressed the need for PforR to reflect changes in the procurement and safeguards frameworks, and touched upon the importance to focus on the outreach and communication to deepen knowledge of the instrument by the various stakeholders. Directors have also urged Management to address the issue of heaviness and high cost in preparing PforR operations, which has restrained its adoption in many countries.

3.9 World Bank Group Corporate Scorecard

The World Bank Group Corporate Scorecard (WBG CSC), first published in April 2014, represent the apex framework for monitoring and reporting contributions to the goals underpinning the WBG Strategy. The WBG CSC aggregates the contributions of all the institutions within the WBG namely: the World Bank (WB), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) towards the organization's goal of reducing poverty and enabling shared prosperity. In 2014, WB and IFC revised their Scorecards while MIGA developed a Scorecard to replace its Key Performance Indicators (KPI), following the same structure and objectives as the WBG CSC. The Scorecards are living documents to be adapted and improved based on experience with Implementation and the evolving external and internal environments.

The group scorecards are structured in three tiers: Tier I: The Goals and Development Context tier focuses on measuring progress made toward poverty reduction, growth rate and growth rate among the bottom 40% ; Tier II: The Results tier measures and reports on progress made in attaining key

sectoral and multi-sectoral results with support from the WBG operations.; and Tier III: The Performance tier captures measures of operational and organizational effectiveness within the bank. In line with the WBG Strategy, indicators in the first two tiers are grouped into three categories: growth, inclusiveness and social aspects, and sustainability/resilience. Scorecard indicators are disaggregated by gender, and fragile, conflict and violence-affected situations (FCV), where feasible.

While tier I and tier II are global in nature, Tier III focuses on the performance of the World Bank. Through a range of indicators in this group, the World Bank is able to assess the extent to which supported projects are seen to have the expected impact, responsiveness to client country needs, the extent to which Bank priorities such as gender, environment/climate, and FCS are prioritized in projects/programs, cost efficiency of the Bank systems and operations, quality of projects designed and supported, staff skills, number of jobs created, and other critical operational areas.

The Scorecards have evolved into accountability and management tools that monitors performance and provide feedback to the Senior Management on WBG's performance toward the goals and Strategy. Since the publication of the WBG/WB Scorecards, relevant indicators have been cascaded to Memoranda of Understanding with Senior Management and from there to relevant business units, to promote accountability and broad ownership. The scorecards continue to be updated annually, to incorporate new indicators in areas where such were hard to conceptualize in the first round. For the IFC, defining better indicators that captures its contribution to the group goals and priorities remains challenging.

3.10 The New Procurement Framework of the World Bank

The World Bank is set to commence the implementation of the new Procurement Framework following the approval of the proposed policy earlier by the Board of Executive Directors. The new Procurement Policy will be applicable in Investment Project Financing and Other Operational Procurement Matters.

Executive Directors expressed broad support for the new Procurement Framework and agreed it will improve effectiveness and efficiency and support client development. They welcome the principle-based approach, the focus on value for money and increased flexibility, and also appreciate the range of modern procurement options that will be available to clients, including with respect to sustainable procurement and Alternative Procurement Arrangements.

The Board supports the risk-based approach that is responsive to client needs and project realities, and welcome the increased support to supervision and contract management; improved accountability; clearer definition of the roles of the Bank and Borrowers; and the establishment of a Bank-wide procurement tracking system.

Directors cautioned about any measures in the new Procurement Framework that could lead to an increased burden on Borrowers or complicate or delay procurements in Bank-financed projects. They emphasized the need to prioritize capacity building particularly in Fragile and Conflict Situations, Small States and IDA countries; and provide adequate funding and support for building

capacity where needed. They encouraged Management to explore opportunities for procurement to be meaningful beyond the project level as part of the broader country engagement conversation.

Directors strongly emphasized that implementation will be key to the success of the new Framework and urged Management to collaborate well in executing the implementation plan to ensure a seamless transition. They stressed that adequate resources, staffing and accountability provisions must be provided to ensure a strong foundation for implementation of the reforms. Many Directors welcomed the enhanced complaints handling mechanisms and others noted the importance of addressing risks around implementation. They encouraged Management to put in place a robust communications approach to raise awareness of the new framework and enhance harmonization among Multilateral Development Banks. Directors expect Management's continuous engagement with the Board and looks forward to its first implementation progress report in January 2016, and annually thereafter.

This reform of the procurement policy of the Bank began in 2012. The Bank has made significant progress with capacity building among staff on the New Procurement Framework. The exercise is to be extended to client countries where necessary as approved by the Board. The New Procurement Framework becomes operational on July 01, 2015 and runs side-by-side the old model. However, where necessary, appropriate migration arrangement and plan will be worked out between the Bank and clients to move to the New Procurement Policy.

3.11 World Bank Environmental and Social Safeguard Policies: Environmental and Social Framework

The proposed new Environmental and Social Framework collapses previous stand-alone safeguard policies into one framework with ten standards. The new ESF will replace current Safeguard policies and seeks to strengthen effectiveness and enhance development outcomes of the World Bank investments⁵. The safeguard standards would form the basis of considerations to be made prior to project implementation to ensure that potentially adverse human, social and environmental consequences are identified and managed.

It also seek to enhance protection for the poor, deepens the WBG commitment to sustainable development, introduce rigorous assessments of social and environmental risks, and seeks to be the most advanced within the international community. These standards are used by the Bank team, management and board to determine whether investments do no harm in respective contexts, and whether they can be supported by the Bank.

Outcomes expected of the framework include: a balanced approach meeting all bank stakeholders' interests; a comprehensive coverage of environmental and social issues including with respect to marginalization; outcomes based approach; and greater clarity regarding responsibilities - borrower requirements among others.

⁵ Para 5, page V. The framework applies to investment project financing

The ten Environmental and Social Standards proposed in the new framework are: (1) Assessment and management of social risks and impacts; (2) Labor and working conditions; (3) Resource Efficiency and pollution prevention; (4) Community health and safety; (5) Land acquisition, restrictions on land use and involuntary resettlement; (6) Biodiversity conservation and sustainable management of living resources, (7) Indigenous people, (8) Cultural heritage, (9) Financial intermediaries; and (10) Information disclosure and stakeholder engagement. Refer to Annex III for a summary of each of the standards.

The first phase of the consultation held from October 2012 through March 2014. This phase was conducted to seek input on the approach the new safeguards policies should take based on the Approach Paper. The second phase of the consultation held from October 2012 to March 2014. This phase focused on the articulation and implementation of the new policy framework. The Bank reached several stakeholders from all regions across the world and received submissions of papers from a wide range of organizations and groups. Consultation included expert focus groups on emerging areas, meetings with CSOs, and dialogue with Indigenous Peoples and other special interest groups.

During this phase, there were wide ranging views among different stakeholders both during consultations and at board committee level. Specifically, the major areas of concern to borrowers which elicited intense debate are human rights, non-discrimination, labor rights, emission estimations and measurement, increased demand for continuous stakeholder consultations, prior and informed consent of indigenous people, land use and resettlement terms, weak commitment to the use of country systems in implementation, and burden to borrowers including capacity and costs. While some Directors indicated that certain aspects of the proposed guidelines were too stringent, others think that the standards do not go far enough.

The third phase of consultations on a revised (second) draft of the proposed Environmental and Social Framework was authorized by CODE on July 1, 2015. This phase will focus on implementing the framework in borrowing countries and on issues that require further attention. An indicative list of issues to be discussed during Phase 3 consultations based on the outstanding issues raised by the Directors will form the basis of the third phase consultation. Thirty countries will be consulted in this round of consultation, of which ten of them are in Africa. With respect to our constituency, Nigeria and South Africa are on the list of countries slated to be visited sometime in November 2015 for this round of consultation. Accordingly, we urge our capitals to fully prepare for this visit.

The World Bank team led by Hartwig Schafer met with Africa Caucus in Luanda, Angola to present the update on safeguard policies. At the Caucus Meeting, a number of Finance Ministers argued against the use of the indigenous people concept and the application of a free and prior informed consent (FPIC). They indicated that the idea of labelling people as “indigenous” is divisive, will exacerbate civil strife and work against social cohesion. Another area of concern is the additional cost to borrowers to implement these standards, which the clients said should not be passed on to them. Given that one of the motivation for the review was to improve efficiencies,

the cost element is expected to remain a sticking point in the discussions. Governors' position on safeguards in Luanda has been consistent with their earlier position at the Africa Caucus meeting in Khartoum, Sudan in August 2014. However, the African Union Commission on Indigenous people strongly contested the Caucus decision and defended the standard on indigenous people⁶.

3.12 The World Bank Group Support for the 2030 Agenda on Sustainable Development

Conversation on the post-2015 sustainable development agenda and goals has progressed with unprecedented coalition and global attention. The World Bank has strategically repositioned to support implementation and lead resource mobilization efforts to reach the scale that would enable the realization of the Sustainable Development Goals (SDGs). The Board of Executive Directors of the World Bank discussed the document outlining the Bank's main areas of support for the 2030 Agenda and gave management broad support for its implementation. The document will be presented to Governors at the Development Committee Meeting of October 10, 2015 in Lima, Peru. Elements of the document and progress towards the SDGs are summarized below.

The World Bank Group goals are aligned with the 2030 Agenda. In 2013, the World Bank Group (WBG) established clear goals to guide its own work: to end extreme poverty globally by 2030, promote shared prosperity in every country, and to do so in ways that sustainably secure the future of the planet and its resources, promote social inclusion, and limit the economic burdens that future generations inherit. These goals are, conceptually and in practice, fully aligned with the SDGs, aiming to do the same: end poverty, promote prosperity and people's well-being while protecting the environment by 2030.

The core strengths and track record of the WBG make it fit-for-purpose to support the 2030 Agenda. While it is understood that none of these strengths is unique to the Bank as a couple of other institutions could offer the full package, there are however some of the key elements that define the comparative strength of the WBG in supporting the SDGs include but not limited to:

- the WBG's long-term country-level engagements are the core of its operational model, and through its elaborate field offices, the Bank has a presence on the ground in almost every country including in fragile and conflict-affected situations. Though the SDGs are global, but the challenges to achieving them are country-specific. The WBG's country-based approach, its country programs which are based on a diagnostic of country-specific development challenges, the country's own development priorities, and the Bank's comparative advantage of a lasting and continuous relationship with its clients as a reliable

⁶ In his letter to the Bank's President, Chairperson of the African Union Commission's Working Group on Indigenous Populations/Communities in Africa, Mr Soyata Maiga, urged the Bank to undertake a revision of the safeguards policy with due consideration of the rights of indigenous peoples in Africa and ensure alignment with international and regional legal frameworks on indigenous peoples including United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP); ensure that the revised safeguard policy contribute to and support the developing legal framework on indigenous peoples in Africa; and also consult all stakeholders including African indigenous peoples and the Commission.

and trusted partner, allows for customized country-specific solutions aligned with national priorities.

- The WBG works across the entire development spectrum, and are able to offer integrated development solutions to the most complex multi-faceted challenges, which is critical, given the interconnectedness of the SDGs.
- with IFC and MIGA, the Bank spans the public-private divide and provides a full menu of services, support and instruments—from appropriately customized global knowledge, analytics and technical assistance, to financing and implementation support, to convening of partnerships, and crowding in contributions from diverse partners, in particular the private sector.
- The WBG provides a platform for coordinated action on regional and global initiatives. Building on its country-level engagements, the Bank can support coordinated action on regional issues such as cross-border trade or trans-boundary water sharing, as well as help to integrate global concerns such as climate change into national programs.

The WBG has committed to partnering closely with governments, the United Nations, the IMF and other MDBs and with the whole range of development partners to further the 2030 Agenda. Building on and learning from its support for the MDGs, the Bank promises to help to: secure financing, deliver development solutions, at the country, regional and global levels, and work with others and help to convene, connect and coordinate. The WBG plans to achieve these by intensifying its efforts on four critical challenges: crisis prevention, preparedness and response; meeting infrastructure needs for growth and service delivery; combating climate change; and improving development data. These challenges are especially salient in the changed global context, and as cross-cutting “prerequisites”, are critical enablers of the broader 2030 Agenda. To achieve desired progress on these particular challenges, the WBG commits to working beyond the country level by connecting and aligning efforts to global initiatives, applying multiple instruments and mobilizing a range of stakeholders.

With its unique country presence and global reach, as well as our focus on financing, knowledge and convening, in the public and private sectors, the WBG is well-placed to work with others to address these challenges. Already, the Bank has taken a number of proactive steps over the last few years to enhance its ability to work towards its own goals and contribute to the 2030 Agenda. The measures are aimed at enhancing the Bank’s operational effectiveness and stretching and leveraging the balance sheets of its institutions. It also reformed its operating model to better serve clients countries. In particular, the reforms have aimed to strengthen the country engagement model, help facilitate the global flow of knowledge to support development solutions, leverage a ‘One World Bank Group’ approach, and strengthen its operational instruments.

The WBG management is of the view that if the Bank’s financial capacity is to keep pace with growing client demand, a number of avenues would need to be considered. In reviewing the opportunities and trade-offs for responding through financial resources to the demands of the SDGs, five closely interrelated areas emerge for consideration including:

- Retaining focus on the poorest countries and sufficient levels of concessional financing through the 18th replenishment of IDA, with a view to best target scarce concessional resources;
- Leveraging IDA's equity to finance additional non-concessional resource flows to countries with the right debt sustainability profile, potentially enhanced by buy-downs of non-concessional loans;
- Ensuring that IBRD's and IFC's capital remain adequate to meet strong demands of developing and emerging economies, with a strong focus on leveraging additional flows;
- Allowing a level of core financing that enables growing climate mitigation and adaptation funding in line with the Copenhagen commitments; and
- Ensuring that the distribution of shareholding continues to support the global legitimacy of the WBG.

3.13 Role of IMF in Supporting the Implementation of the Post-2015 Development

Agenda

The IMF participated in the global debate on the post-2015 agenda at the Financing for Development (FfD) Conference held in July 2015 in Addis Ababa, Ethiopia. Following the adoption of the UN's Addis Ababa Action Agenda and subsequent approval by Heads of State in September 2015 in New York, the IMF articulated policy positions on key FfD issues that fall within its remit and committed to new initiatives that are core to sustainable development.

This paper discusses the implementation of the IMF's new initiatives as endorsed by the Fund's Executive Board. It was presented to the World Bank Executive board at the COW to update them on what the Fund is doing on post 2015 agenda. The paper explains how these initiatives will be operationalized through the IMF's three modes of engagement with its membership namely: (i) policy advice; (ii) capacity building support and (iii) lending.

The paper also examines IMF's role in supporting an enabling global environment for sustainable development. While staying within the Fund's mandate, the initiatives will aim to boost economic resilience in member economies and sustain development in critical ways. Specifically, the following IMF actions aligns very well with key FfD and SDG issues:

- *A strong revenue generating capacity is fundamental for a developing country to sustainably generate financing for its own development.* In this context, the IMF will enhance its capacity building support to boost domestic revenue potential in these countries, and strengthen their voice in the dialogue on international tax issues.
- *Many developing countries need to address large infrastructure gaps to meet their development needs.* Accordingly, the IMF will help by providing policy advice in assessing the macroeconomic aspects of scaling up public infrastructure investment without endangering public debt sustainability, and enhanced capacity building in public institutions deemed critical for successful public investment in infrastructure.
- *As developing countries pursue their development needs as well as integrate with external financial markets, they are likely to encounter greater balance of payments pressures.* The IMF's Executive Board has endorsed a significant increase in access to all its concessional lending facilities, providing developing countries with a wider safety net to finance balance

of payments needs, including from adverse shocks through enhanced access to expanded use of precautionary resources for those in need.

- *It is imperative to ensure that fragile and conflict-affected states (FCS) are not left behind in the development process.* The IMF will provide more effective support to these economies by customized policy advice that is responsive to their special challenges, address better their wide and persistent capacity building needs, and provide greater access to its lending. The IMF will also maintain ***a zero interest rate on lending for low-income countries that are struggling with disasters and conflicts.***
- The IMF will also advance its work on many other areas relevant for sustainable development. These include: deepening its policy advice on aspects of inclusion and environmental sustainability—core SDG objectives that are macro-relevant in many economies—and bring it to its operational work; supporting policy analysis and capacity building to balance financial market deepening with financial stability; and improving data collection and dissemination for better economic decision making.

Following the global financial crisis, the IMF's resources were more than tripled to about one trillion dollars and its lending framework was further reformed to provide a wider liquidity backstop to member countries seeking this support (for example, the FCL, PLL). This work needs to continue given persistent spillover risks within a highly integrated global economy.

Priorities include:

- Prompt implementation of the 2010 Quota and Governance reforms and completion of the 15th General Quota Review to enhance the IMF's credibility and legitimacy, and strengthen its resource base;
- Engaging on an ongoing basis and strengthening cooperation and coordination with BSAs and RFAs; and
- Continuing to underscore the importance of strengthening and implementing the unfinished global financial regulatory reform agenda. The IMF will also stress the urgency of rigorous national implementation of the global financial regulatory reforms, addressing too-big-too-fail issues, and applying OTC derivatives rules cross border.

The IMF will further enhance its work on two other **systemic areas**: (i) reforms to address and resolve sovereign debt vulnerability; and (ii) provide stronger support on international tax issues to developing economies. Progress in these areas will help boost developing countries' economic resilience and capacity to raise sustainable financing for development.

A major issue worthy of mention with respect to the reforms to redress sovereign debt vulnerability under crisis prevention is the increasing use of *new clauses in sovereign bond contracts*. In October 2014, the IMF Executive Board endorsed key features of enhanced collective action and modified *pari passu* clauses for international sovereign bond contracts that would limit the influence of *holdout creditors* in circumstances where a debt restructuring is needed. Several countries, ranging from emerging markets such as Croatia, Indonesia, and Mexico to low-income countries such as Ethiopia, have recently included clauses consistent with these recommendations in new debt issuances.

On tax issues, as a core part of its work in strengthening revenue systems, the IMF is responding to increased demand for support on international tax issues, especially to address the problem of

illicit financial flows not related to tax evasion, such as money laundering and financial transactions related to criminal activity.

Going forward, a core objective of the recently launched IMF-World Bank joint initiative on taxation will be to increase the voice of developing countries in the international debate on tax rules and cooperation. The first consultation with developing country counterparts on these issues is expected to hold on the margins of the 2015 Bank-Fund Annual Meetings in Lima, building on the precedent set by the joint workshop on tax issues at the April 2015 Spring Meetings. Delegations are advised to attend.

The IMF's post-2015 agenda will be operationalized at a balanced pace, to allow learning from pilots, reinforcing the international effort in these areas including through deeper collaboration with relevant organizations such as the World Bank, gauging the membership's demand for the initiatives, and quantifying the resource needs, prior to the full integration of the initiatives in the IMF's overall activities. Monitoring of progress on the initiatives over the next 1–2 years will be important for assessing how the IMF is responding to the evolving needs of its developing country membership and helping reinforce the international effort in these areas.

This paper was also circulated to Executive Directors of the Bank for COW discussion. During deliberations, Bank Directors were unanimous in stating that while IMF had crucial role to play in the global debate on the post-2015 agenda, it should focus on its core areas of competence on issues that are macro-critical for achieving sustained growth.

3.14 Investing in Evidence

To monitor progress made on the WBG goals, in particular the reduction to 3% of people living under \$1.25 a day, the WBG and its clients need accurate, reliable and updated data at a country level. This enable the Bank to monitor indicators set out in the scorecard, and projects successes and failures, the WBG need updated economic and social data. For this reason, the need to support client countries in the collection of data has been emphasized throughout the reform process, along with the need to improve data sharing.

The lunch discussion on “*Investing in Evidence*” is an effort to elevate the data collection agenda. A case for investing in evidence and better data for the attainment of development outcomes is made. Although several arguments are not fully substantiated, a proposal is being made to treat the development of data as core business of the Bank, and ensure data improvements address country priorities. The WBG is committed to identifying data gaps through SCD and CPF. Initial priorities for data development as identified are as follows:

- Ensure universal civil registration of births, deaths and other vital events
- Improve economic statistics
- Institutionalize a new approach to support household surveys
- Harness new technology and data sources
- Strengthen partnerships
- Build better internal governance and organization

3.15 Financing for Development and the Future of IDA

As part of the financing for development agenda, the WBG led a coalition of MDBs in a reflection and commitment to raising “Billions to Trillions” to finance the ambitious post 2015 agenda. All the three arms of the Bank reflected on what they will do to leverage existing resources and instruments to help increase the required resources. For IDA, the leveraging strategy is intertwined with the agency’s reforms and future

The Executive Board held series of informal engagements with the Bank Management on IDA Reform to update Directors on the on-going conversations and progress related to the work on the Future of IDA. Also, African EDs at the Bank held series of meetings with the Development Finance group led by the Vice President Joachim Von Amsberg to articulate their own position on the way forward. During these engagements, Directors stressed the need for robust concessional support for the poorest countries, as IDA remains the main instrument for pursuing the WBG goals and SDGs in the poorest countries, especially in Africa is projected to still be home to the deeply poor by the year 2030. They also emphasized that business as usual is not enough to end poverty in 2030. Directors made the point that concerted action was required to sustain inclusive economic growth across the poorest countries, as well as to address other challenges of fragility, gender, climate change and disaster risks in the face of complex challenges and constrained ODA flows.

The proposed four strategic directions as presented by the IDA team are: (1) deepening engagement to end poverty in IDA clients by strengthening impact in FCS, ensuring robust access to concessional finance to LICs, and maximizing the use of WBG knowledge as a platform for customized client engagement; (2) Scale up support for building resilience and addressing vulnerability and safeguarding IDA’s capacity to deliver critical support in the event of shocks; (3) tackle poverty pockets in IDA graduating countries and enhance capacity to address vulnerability in IDA allocations; and (4) maximize leveraging and partnership with private sector by optimizing synergies between IBRD-IDA-IFC-MIGA. On the financing options, IDA presented five options. These are: (1) strong replenishment to meet client demand, (2) diversify risk management tools for tailored client solutions, (3) complement IDA with IDA-plus to scale up client support, (5) mobilize private resources for development finance and optimize financial instruments, and (6) review the WBG capacity to serve different client segments.

The second seminar placed IDA strategic propositions within the Financing for Development discourse. Emphasis is on attaining the two goals, SDGs, and the need for intelligent post-2015 development financing that goes beyond filling gaps but unlocks, leverage and catalyze private flows and domestic resources. The proposed policy directions are (1) deepen engagement to end poverty in IDA countries; (2)scale up support for resilience and vulnerability, (3) facilitate access to non-concessional financing for transition countries to tackle unfinished poverty agenda, and (4) maximize leveraging and partnership with private sector.

Overall, the financing strategy acknowledges a constrained IBRD’s capacity in the near term, and proposes the leveraging of IDA’s equity to meet the increasing financing needs and increase impact

of WB investments, and use of non-concessional financing to supplement concessional financing to serve IDA clients and transition countries⁷.

The Executive Directors' discussion also focused mainly on the financing strategies, in particular the proposed use of the IDA equity and the proposed non-concessional window also referred to as IDA-plus. Directors generally welcomed the idea of developing proposals on a pilot basis involving non-concessional lending as this presents an opportunity to expand financing capacity and catalyze private investment to support IDA's evolving client needs in the post -2015 context in the short and medium term. Directors also called for further refinements of options of leveraging IDA's capital as presented to meet long term demand by ensuring that the scale up is consistent with prudent risk management. They see leveraging as an opportunity to address the strong potential demand for non-concessional financing especially for infrastructure and other projects with transformational impact for inclusive and sustainable development.

The IDA team indicated that the options in the proposal as presented, were still work in process and further refinements were expected in the lead up to the upcoming IDA 17 Working Group meetings during the 2015 Annual meetings in Lima, Peru. In line with Directors feedback from the Spring Meetings and subsequent engagements thereafter, the IDA team committed to holding a technical session on Thursday, October 8, 2015 prior to the day-long Working Group meetings on Sunday, October 11, 2015 in Lima, Peru with the hope to culminate in some clarity before IDA18 negotiations. Colleagues in the capital are encouraged to attend to gain first-hand knowledge and insight in to this important subject.

3.16 World Bank Support to Africa in Tackling Illicit Financial Flows

Following an exchange with Bank staff on curbing illicit financial flows and Base Erosion and Profit Shifting (BEPS), the Sub-Saharan African Executive Directors agreed to advance the discussion with the Bank to explore actions that can be pursued in support of Africa and in implementing actions recommended by the AU/ECA High Level Panel on Illicit Financial Flows report led by Former President Thabo Mbeki of South Africa, to curb further outflows from the region.

The exchange helped create awareness and build interest among Sub-Saharan Africa (SSA) chairs on the subject of illicit financial flows, and has led to concerted messaging to the Bank to pay increased attention to this issue especially in the Financing for Development discussion and in other banks operations. Some of the suggestions put forward to the World Bank are:

- Use the Systematic Country Diagnosis (SCD) and the development of Country Partnership Framework (CPF) as opportunity to engage countries and identify tax policy and administration related weakness and possible programs.
- Support regional programs aimed at improving and harmonizing tax regimes
- In partnership with the IMF, strengthen the capacities of countries to supervise financial flows
- Continue with partnerships and analytic work that improves on methods to estimate tax losses and illicit outflows

⁷ For this, options include IDA liquidity used for borrowing, IDA debt issuance in the capital markets, and non-concessional borrowing from partners.

The call for Bank support was reiterated by Governors at the G24, the Africa consultative forum, and the African Caucus leading to reassurance from both the Bank and the Fund that they will do more on advocacy, analytics and technical preparedness to support countries curb illicit outflows. All indications are that the momentum remain strong on both the African Governors and Bank side, and is expected to result in tangible activities in FY16. As part of the next steps, the Bank is working on a strategy paper to be discussed within the Bank. This is expected in mid FY16. The World Bank will also organize a high level event in Lima Peru with various stakeholders as part of its plan to chart the way forward on this issue. All delegation members are advised to attend.

3.17 Understanding the Plunge in Oil Prices

The sharp decline in oil prices in the second half of 2014, brought to an end a four-year period of stability around \$105 per barrel. The decline, which is much larger than that of the non-oil commodity price indices compared to early-2011 peaks, possibly signaled an end to a price “supercycle”. Oil prices are expected to remain low in 2015 and rise only marginally in 2016.

Given the numerous intervening factors, the sources and implications of the sharp decline in oil prices this time around have led to intensive debate. Executive Directors have had series of engagement on this issue and this subject will also form the topic of discussion among Governors at the forthcoming DC Lunch at the spring meetings. The focus of the discussion and the paper revolves around the assessment of the magnitude, drivers, and implications of the recent oil price drop and its implications on both oil producing and exporting countries. Specifically, the following questions would be addressed:

- How does the recent decline in oil prices compare with previous episodes?
- What are the causes of the sharp drop?
- What are the macroeconomic and financial implications of a sustained decline in oil prices?
- What are the main policy implications?

Numerous reasons have been adduced for the decline. These include; technological developments made possible to reduce the intensity of oil consumption and to extract oil from various offshore fields and non-conventional sources; the unwinding of some geopolitical risks that threatened oil production; greater than anticipated supply and less than anticipated demand; OPEC decision to maintain its market share and change its policy objectives from targeting an oil price band to maintaining market share; as well as US Dollar appreciation against major currencies in the second half of 2014 which negatively impacted the price of oil as demand declined in countries that experienced an erosion in the purchasing power of their currencies.

Overall, the immediate macroeconomic implication of the decline in oil prices are many. If sustained, declines tend to generate changes in real income befitting oil-importers and losses hurting oil-exporters. These effects could vary considerably across countries and over time.

If prices remain low, over time, such decline tend to support economic activity and reduce inflationary, external, and fiscal pressures in oil-importing countries. On the other hand, it would affect oil-exporting countries adversely by weakening fiscal and external positions and reducing

economic activity. Low oil prices affect investor sentiment about oil-exporting emerging market economies, and can lead to substantial volatility in financial markets, as already occurred in some countries in the last quarter of 2014. However, Executive Directors all agreed that declining oil prices also present a significant window of opportunity to reform energy taxes and fuel subsidies, which are substantial in several developing countries, and reinvigorate reforms to diversify oil-reliant economies.

It is noteworthy to state here that based on recent decline in prices of other commodities and The benefits accruing to oil importers arising from low prices have moderated somewhat to the extent that the growth projections for oil importing countries have been revised downwards.

HUMAN RESOURCES STRATEGY UPDATE

3.18 Strategic Staffing

Following the request of the Human Resource Committee for the Bank Management to situate its interactions on compensation around a more holistic strategic staffing discussion linked to the organization's priorities and broader financial picture, the Bank came up with strategic staffing.

Broadly, strategic staffing represents the core management process of defining and addressing the people implications of business strategies. It involves assessing the demand for and supply of talent, and developing staffing plans to reconcile gaps or surpluses through appropriate talent strategies. The goal is to ensure that the organization has the right number and mix of skills needed to execute its strategy, and the ability to deploy its staff where and when needed.

The staffing requirements of the World Bank Group (WBG) are multifaceted, ranging from operations roles that most directly impact delivery to clients of financial and knowledge products and services across many specializations, to the various corporate and administrative support functions. For the most part, staff planning and resulting staffing decisions have been devolved to individual Vice Presidential Units (VPUs) with unit managers determining the most cost effective staffing structure to deliver their work program using budgets to serve as the primary mechanism for managing headcounts.

The challenge to date has been insufficient corporate visibility, guidance and management of the aggregate impact of unit-level decisions on the organization's overall workforce profile. This is what strategic staffing seeks to reform, i.e. the way resources are allocated to align with corporate priorities and to strengthen WBG's financial discipline and foundation for the future. The outcome of the this exercise will show staffing flows, including hires, exits and promotion/progression, workforce costs, trends in staffing-related expenses and price-volume issues, etc.

As part of the strategic staffing plan, the Senior Management Team (SMT) of the Bank endorsed the FY16-18 plans for 35 Bank operations and Institutional Governance and Administrations (IG&As). The employment controls were lifted for operational units, as was the case for the IG&A units. The strategic staffing plans called for a 1% net position increase from FY16 and reflect a need to re-skill, maintain the overall global footprint, and focus on clustering of positions. It was noted that the strategic staffing exercise is an opportunity to improve diversity and inclusion, and

the pipeline is expected to be enriched with the establishment of the staffing plans. Management is to carry out quarterly management review reports on the implementation process, and report to the Committee in the Quarterly Business and Risk Review (QBRR).

The HR Committee welcomed the discussion on the strategic staffing and the update on the operational staffing plans. The committee appreciated having management representation from both the IFC and Bank since the focus of the discussion centered on composition and implementation of the staffing plans and the linkages between funding and staffing. Members emphasized the importance of having leadership and ownership from the business side.

Lastly, the Committee members sought additional clarity on the following: linkage between the staffing plans and budget/W process; role of short term consultants; the impact of the implementation of strategic staffing on staff decentralization, mobility and diversity; career management and responsiveness to clients' needs. Members also sought to understand the reason for increased reliance on trust funded positions to execute long term strategic assignments at the WBG, and noted that staffing decisions were based on funding rather than strategy. Management responded that trust fund and Bank Budget (BB) funds need to be aligned with the strategy, as part of the W process, which also underpins staffing plans. Members also agreed on the need for communication to be improved and for more transparency to address the erosion in staff morale and increase credibility of the process. Management took note and promised to incorporate these and revert to the committee.

3.19 Contract Architecture

In FY14 and FY15, the Human Resources unit invested a lot into review of policies to respond to the new organizational structure, expenditure review agenda and program, and the need to enhance efficiency and standardization of practices within the organization and across the three agencies, Bank, IFC and MIIGA. The Human resource reform agenda included mapping of staff to GPs, performance assessment standards, pension reviews, salary progression adjustments, career development, diversity and inclusion, strategic staffing, country office compensation refinements, mobility packages review, and contracts architecture reforms.

The contract architecture reform is a response to calls from both the board and staff to rebalance the workforce to ensure improved employee value proposition linked to the strategic staffing process. The reform was sought to rebalance a workforce skewed towards term contract and increase the number of open appointments, enhance equity among staff by reducing the types of employment contracts to three, address overreliance on and perceived abuse of short term consultants, and in so doing ensure that employment is aligned and responds to business needs and is appropriately budgeted for.

The new architecture proposed a 60/40 open/term contract mix by end FY18, a performance linked process through which term contracts can be converted into open ended contracts, a clearer definition of use for short term contracts, elimination of extended term consultancies and use of these short term contract types for assignments requiring full time staff. Some of the reforms such

as a shift to open mode will be implemented with a lag in the IFC. Overall, the implementation of the reforms are expected to have minimal budget implications to the organization.

The implementation of this reform, which is in FY16, will see a layoff of a collection of consultants or redefinition of terms for many. Coupled with a stricter implementation of G4 visa rules, many of those who served as ETC would have their visas terminated. Anticipated challenges in the coming year relates to the transition management for most, and finding ways of maintaining or enhancing diversity among the HQ consultant cohort.

3.20 Diversity and Inclusion

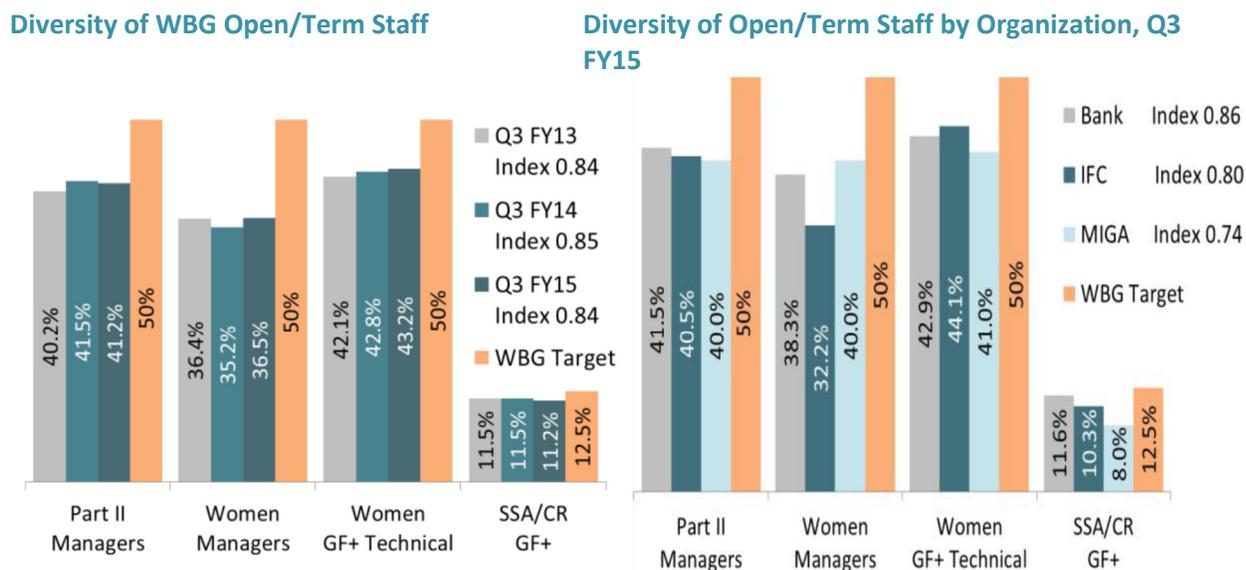
Delivery and monitoring of diversity and inclusion targets along with other HR targets remained a priority at the board level throughout FY15, as part of the institutional performance and monitoring of the institutional reform progress.

The World Bank HR VP tabled at the beginning of the FY15 an update paper on Diversity and Inclusion (D&I). The paper built on previous commitments, reaffirmed the HR agenda on diversity and inclusion, and proposed a broader approach that promote shared responsibility between the HR division and managers. Emphasis was placed on creating an organizational culture that fosters diversity and inclusion, and embedding D&I considerations in recruitment and retention. This development was followed, later in the year, by senior management's signing of diversity and inclusion compact committing themselves not only to diversity targets but to inclusion targets as well.

In effecting the D&I agenda, the Bank implemented a number of advocacy measures to promote diversity and inclusion (including ethnicity, religion, sexual orientation), strengthened the diversity and inclusion desk/unit within HR, enhanced advocacy events through senior management public statements expressing commitment to diversity and inclusion and targeted seminars, and enhanced accountability tools.

The monitoring of performance against set diversity targets on nationality, gender and race remained the focus while inclusion is measured through staff perceptions of their work environment. The four institutional targets on women managers, women in GF-GG position, Part II managers and SSA/CR continue to be monitored along with performance on the Nationalities of Focus, and academic institutions. Performance by Q3 of 2015 indicates a slight decline in WBG managers from Part II and for the GF+ staff and those from SSA/CR while the scores for women managers and women at GF+ level continues to improve. The numbers, albeit low, also show that the decline in SSA/CR staff is primarily in IFC while IBRD continues to improve, and that despite this small overall percentile decline, gains were made at managerial levels. MIGA continues to perform badly in this front and so are some of the divisions within the Bank such as the Climate Change VP (0% on SSA/CR score). Overall, the hiring of SSA/CR candidates at senior level, send

positive messages and was welcomed by African Governors. However, on diversity index for the group, there was no improvement in FY15.



With regard to educational diversity, US institutions dominate across all levels of degrees, followed by UK, India, France, Germany, and Canada to list but a few. The US domination however does not necessarily suggest a clear lack of diversity as there is considerable mix of at individual level marked by acquisition of degrees across countries and variance between nationality and country where the highest degree is attained.

Overall, looking at measures proposed for FY16, there is optimism that performance on diversity scores will improve further. In a context of few vacancy availability, competition between different diversity variables, a perceived moderate employee value proposition, the improvements for SSA are likely to be moderate in FY16.

3.21 Nationality of Focus

Nationalities of Focus was introduced as part of the WBG Diversity and Inclusion (D&I) agenda in the FY07-12 D&I Strategy. At various meetings of the HRC, the Bank Management constantly reaffirms its commitment to keep net staffing flows for regions/nationalities of focus positive, **but without numeric targets**, so as to avoid having a quota system. Progress is to be monitored regularly and reported annually. The primary goal of NOF is to direct part of the recruitment effort to attract staff and increase representation by nationality from a list of countries identified by a combination of voting shares, business volume and IDA contributions. An added benefit of NOF

was to increase outreach to target countries and attract young and mid-career professionals towards development work and challenges, within the WBG and other international organizations. The initial NOF list comprised 22 countries.

On June 1, 2015, Management provided an overview of the experience with Nationalities of Focus (NOF) and declared that overall the NOF strategy has been successful since the launch of the 2007-2012 Diversity and Inclusion Strategy and Action Plan. Management also reported that progress was also recorded on nationalities of focus (17 countries that are under-represented including Austria, Switzerland, Sweden, Brazil), where a net increase of 17 staff was realized through a combination of hires, promotions, conversions, exits, and other staffing actions. This increased the share of NOF nationals in GF+ Open/Term staff to 15.2% from 14.8% in FY14.

Management highlighted that though three countries graduated from the list of NOFs, there has been little progress in others. In this regard, Management sought the Committee's support to consider two proposals to help improve certain considerations on diversity, keeping in mind that SSA/CR is a corporate priority, limited recruiting opportunities at the WBG, and the need for broader diversity. Management cited the IFC's success in approaching the NOF through focusing its efforts on a smaller set of countries. Following the IFCs example, Management proposes to focus the list of nationalities to one or two countries to be rotated every two years, or to select one country per region every two years. Management reassured the Committee that a more targeted recruitment will not negatively impact other countries in the current NOF list. Management requested the Committee's assistance and support to sharpen the focus on the issue, recognizing that there are fewer jobs offered today, and resources are scarce to maintain a broad recruitment program to a large NOF list.

3. The HR Committee welcomed the discussion on the NOF in the context of diversity and inclusion, agreeing that all nationalities and cultures need to be represented at the WBG, and that efforts be made to ensure the organization is inclusive at all levels. They requested for more detailed analyses of the issue and lessons learned from past practice, and urged Management to revisit its approach from a broader perspective for their consideration, including ensuring differentiated approaches for different countries while taking due cognizance of the sensitive nature of the topic. They called for additional deliberations on: the principles to be achieved; countries to be selected and how; targets envisioned; and how countries are rotated. We will be following the discussions on this subject closely and how it will impact on our countries when the issue comes up for discussion after the Lima meetings.

Source: World Bank Intranet

CHAPTER IV

WORLD BANK FLAGSHIP REPORTS

4.1 Global Monitoring Report 2015: Global Development Goals in an Era of Demographic Change

The 2015 Global Monitoring Report (GMR): Global Development Goals in an Era of Demographic Change sets the stage for transition from the Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs), taking stock of the world achievements since 2000, the lessons learned by the international community, and linking the prospects of attaining the new goals in the context of the world demographic change.

The Report highlights that since 2000 and despite the global financial crisis, economic growth was generally strong and robust, and about 1 billion people rose out of extreme poverty. The world met the global MDG1 target of halving the proportion of the population living in extreme poverty in 2010. The poverty rate fell from 36.5% in 1990 to 13.7% in 2011. The prevalence of malnutrition among children under age five dropped from 28% in 1990 to 17% in 2013. Between 2000 and 2012 the increase in primary school enrollment in developing countries rose from 835 to 90%. Almost two thirds of countries have reached the target of promoting gender equality and empowerment of women. The number of children who die before their fifth birthday fell from 13 million in 1990 to just over 6 million in 2013. Maternal mortality has declined by nearly two-fifths since 2000. The incidence of AIDS, malaria and tuberculosis has fallen sharply in recent decades. The MDG targets on access to safe drinking water and sanitation, and reducing the number of slum dwellers, have been reached. Overall, the MDGs played an important role in galvanizing the global development community, and that experience will help drive the progress toward the achievement of the SDGs by 2030.

The GMR stresses however that despite solid development gains, progress has been uneven and significant work remains. Extreme poverty still remains unacceptably high, with a projection of 700 million people living with less than \$1.90 a day – the updated international extreme poverty line. Most of these population live in South Asia and SSA, with the latter projected to host a concentration of poor in 2030.

The new extreme poverty line - \$1.90 a day – used in GMR to analyze the incidence of global poverty, reflects the updated purchasing-power-parity prices for 2011, based on the average value of poverty lines from 15 of the poorest economies in the world¹. The PPP measures, which is updated from time to time, ensures comparability of the cost of living across countries and has implications for both the value of the global poverty line and the estimated number of people below this line. In this context, the latest estimate for 2012 based on 2011 PPP suggests that around 900 million people lived in extreme poverty, 24 million lower compared to the estimates of the same year, based on 2005 PPP. According to the new data projections, global poverty in 2015 may have

reached 700 million, implying that the world may have attained a single digit poverty rate of 9.9 percent

For the large unfinished agenda, the Report stands out 3 key challenges: the depth of remaining poverty, the unevenness in shared prosperity, and the persistent disparities in non-income dimensions of development. First, policy formulation needs to focus more directly on the deeply poor, with easy-to-communicate measures, introducing the new concept of person-equivalent measures of poverty. Second, the eradication of poverty in all its forms requires steady growth as a key driver to boost the incomes of the bottom 40 percent of the population. Third, unequal progress in non-income dimensions of development requires addressing inequality of opportunities, which transmits poverty across generations and erodes the pace and sustainability of shared prosperity. To meet these challenges, three ingredients are core to the policy agenda: sustaining broad-based growth, investing in human development, and ensuring the poor and the vulnerable against emerging shocks.

The GMR also highlights that the world is at a crossroad for global demographic trends. Global population growth is slowing, with the share of working-age population (15-64 years) falling, while the number of children (below 15 years) will stagnate around two billion in the next decades.

The Report lays out a new typology of demographic change, applied to the 2015 UN population statistics to frame the impact of diverse demographic trends on development. Over 90 percent of poverty is concentrated in pre-and early-dividend countries, marked by high fertility rate, with swelling working-age population that lag in key human development indicators. Over 85 percent of global economic activity and 78 percent of global growth is produced in late-and post-dividend countries, marked with much lower fertility rate and highest share of elderly in the world. The former are the centers of global poverty, comprising lower-income countries in early stages of demographic transition to lower fertility levels and longer life expectancy, making them the focus of the continuing battle against poverty. The latter are the engines of global growth, comprising the developed countries and most of middle-income economies.

The overall message of GMR is that demographic change is not inherently good or bad, but presents opportunities and challenges everywhere. The centers of global poverty need to adopt strategies that accelerate demographic transition, invest in their young and growing population and lay the foundations for sustained growth to capture demographic dividends. The engines of global growth need to address the headwinds arising from shrinking labor forces and adapt their policies and institutions to foster healthy and productive aging. Both can also manage the challenge that arise from demographic imbalances at the global level, through capital flows, migration, and trade.

At the Committee of the Whole meeting held on September 15, 2015, Executive Directors welcomed the special theme on demographic change as they found it timely as the world is at a crossroads for global demographic trends. They noted the policy recommendations and the opportunities and challenges that demographic trends bring to global development. They called for greater partnership with the UN and other MDBs on the means of implementing and monitoring

the SDGs, and noted the GMR can be an important common platform for this. Finally, Directors looked forward to further guidance from the Ministers in the context of the Development Committee discussions.

4.2 World Development Report 2016: Digital Dividends

The 2016 World Development Report entitled Digital Dividends examines the impact of digital technologies as a tool for more effective force for development revolution. The Report finds that the digital revolution has fallen short of expectations in generating the broader benefits typically associated with technology—higher growth, more jobs and better public service delivery. The Report thus analyzes how to make digital technologies a more effective force for development.

The WDR 2016 reviews the available evidence and presents new analysis of the impact of digital connectivity in three areas: (i) Has it benefited businesses and promoted growth? (ii) Has it improved people's access to economic opportunities? and (iii) has it helped governments improve service delivery? The Report identifies the channels through which these objectives could be achieved, examines the development impact of digital technologies and explores policy options. It suggests that the digital development agenda needs to stand on two pillars: closing the digital divide by making the internet universal and affordable; and strengthening the analog foundations that enable firms, workers and governments to better leverage digital technologies.

The highlights of the main findings of the report are as follows:

- a) **Digital technologies can promote inclusion, efficiency and innovation which** have benefits for the economy. Some examples include: E-government in India helps in expanding public services to poor and marginalized populations; expansion of online trading platform facilitate doing business such as Alibaba in China, and promotion of significant innovation as demonstrated by the mobile money revolution, which started in Kenya and has since spread to several countries.
- b) **Digital technologies have spread rapidly, but digital dividends have not. While in some cases** digital technologies have boosted growth, expanded opportunities and improved service delivery. These are often isolated and limited cases that do not add up to a broad-based development impact. Thus the full transformative potential of digital technologies remains largely unrealized.
- c) **Internet brings significant benefits, it also carries risks.** The existing WDR 2016 presents a more balanced picture of benefits and risks compared to the existing literature. It encourages policymakers in developing countries to seize the opportunities as well as manage the risks from these technologies. Specifically, it points to three risks: divergence, inequality and control. For instance in the absence of a competitive business environment, which encourages digital adoption, the unconnected firms will fall further behind their peers, increasing productivity differentials within and across countries. Also, increasing automation of routine tasks, even in white collar jobs could worsen the polarization of labor markets, with many mid-level workers being pushed into lower paying jobs. Many governments have deployed digital technologies to support service delivery. However, in

the absence of strong institutions, governments may use these technologies predominantly for greater control of their citizens, rather than to empower them.

d). **The WDR 2016 shows that while the digital revolution is forging ahead, the other factors important for development—which the report referred to as **its analog complements are not keeping pace.**** Maximizing digital dividends and mitigating risk require better understanding of how technology interacts with these other factors important for development. Specifically, the WDR 2016 focuses on three complements, corresponding to the three risks: business regulations, skills development and accountable institutions. Investing in these analog complements is essential to increasing digital dividends and ensuring they are shared and sustained.

The main implication of this report for policy is that sectoral policies to bridge the digital divide based on market competition, private sector participation and light-touch regulations have lowered prices and raised access to mobile phones surprisingly quickly. Achieving universal and affordable access to the internet—a necessity in the emerging digital economy—has been more difficult with almost 4 billion people who remain unconnected. The WDR 2016 proposes a roadmap to make the internet universal and affordable. It is based on applying these principles along the internet value chain, from the first, while efforts are underway to integrate the lessons of the WDR 2016 in the work program of the ICT GP, the main task is to build close working relationships with other GPs and CCSAs, in particular those that work on analog complements.

This WDR was discussed extensively at the Board of Executive Directors. The EDs generally welcomed the Report and noted that advancements in digital technologies have transformed both developed and developing economies alike, bringing down costs of doing business in the private sector, improving service delivery in the public sector, and as economies grew, more jobs have been created. They however noted that in some cases the evidence of impact presented are still anecdotal, and evidence-based research in a number of cases are still few. Accordingly, we should nuance the interpretation of the results and evidence coming therefrom.

Directors also noted investments in the infrastructure for mobile phones and internet can be a huge cost and beyond the capacity of private entrepreneurs, particularly in numerous developing countries. The small size of their domestic markets also raises their unit costs and reduces potential profits. Accordingly, Directors sought clarity on how these countries could be assisted to afford such investment and reap the digital dividends. Where the private sector is not strong, government would be expected to play a greater role and meet the cost of the infrastructure, especially access to reliable and affordable energy. Directors also discussed the potential impact on jobs, labor markets and modern skills needed and the potential impact of digital technologies and expressed concern that the potential “risk that rapid technological change could end up increasing inequality and leaving many behind” and that the jobs held by the bottom 40 percent could be disproportionately impacted.

Other questions and issues raised by Directors include how the WBG will assist countries to do the following:

- eliminate multiplicity of digital identities which is becoming increasingly problematic in countries seeking to embrace the digital revolution to ensure maximum impact.

- Emplace safeguards measures to protect digital identities/data so as to preserve any identified gains.
- implement its digital agenda across countries without being in conflict with national laws and regulations?
- help countries enhance their cybersecurity framework on one hand and promote universal access on the other hand?
- Ensure that that most dividends of digital technologies do not accrue exclusively to young educated people, especially men, in cities of developed economies at the expense those the poor rural women, especially in LICs.

The management has taken the suggestions on board and will incorporate these in the final report.

Source: World Bank Intranet

CHAPTER V

CONSTITUENCY COUNTRIES' PROJECTS AND PROGRAMS

5.1 Angola

Strategy with the World Bank Group

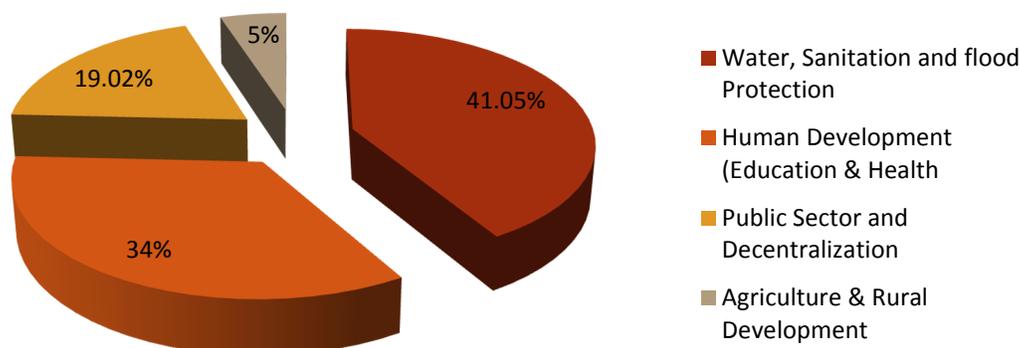
The joint IBRD/IDA/IFC/MIGA Country Partnership Strategy (CPS) for the Republic of Angola for FY14-FY16, designed to support Angola's transition to a full-fledged Middle-Income Country was approved in September 2013. The CPS is aligned with Angola's National Development Plan (2013-2017) and the Strategy to Combat Poverty (2010-2015). The strategy is anchored on the strategic pillars of: (i) economic diversification, (ii) enhancement of service delivery and social protection, and (iii) improvement of capacity to shocks and resilience.

Portfolio size and composition

As of June 2015, the Angolan portfolio comprised five (5) IDA investments projects, (1) one Fiscal Management Programmatic Development Policy Facility (DPF), the very first IBRD project since Angola graduated to IBRD on July 1, 2014, representing a total net commitment of \$876 million. In addition, Angola has benefitted from an IBRD Policy Based Guarantee of \$250 million, and one MIGA guarantee of up to Euro 470 million for the Hydropower Cambambe Project. Total cumulative disbursement stands currently at \$181.5 million, corresponding to 20.7% of the total net commitments.

The IDA portfolio comprises projects in the following areas: 1 project in Water, Sanitation and Flood Protection 41.5%, 2 projects in Human development (Education and Health) 34%, 1 project in Public Sector and Decentralization 19.2%, and 1 project in Agriculture and Rural Development 5%.

Portfolio Size and Composition



Projects in Pipeline

Following the approval of the DPF, Angola has approached IBRD for a second institutional support to the water sector, and an investment loan to benefit smallholder farmers. MIGA is finalizing a Swap guarantee for Cambambe project, while also working on Lauca Hydropower project, Bitá and Quilonga water projects, all of them expected to be discussed during FY16. Angola is also considering other instruments of assistance, including Knowledge-based services and other types of guarantees, aimed at helping the country improve social indicators, and address its developmental agenda.

5.2 Nigeria

Strategy with the World Bank Group

The new Country Partnership Strategy (CPS) for Nigeria covers the period 2014-2017 and aims to support the implementation of the Government's Vision 20:2020 and to support the Transformation Agenda's goal of laying the foundation for socially and regionally inclusive economic growth. The CPS was prepared in the context of the World Bank Group's renewed commitment to the twin goals. The new CPS builds on the achievements and lessons learnt from the implementation of the 2010-2013 program. The CPS organizes the Bank's interventions around three strategic clusters namely:

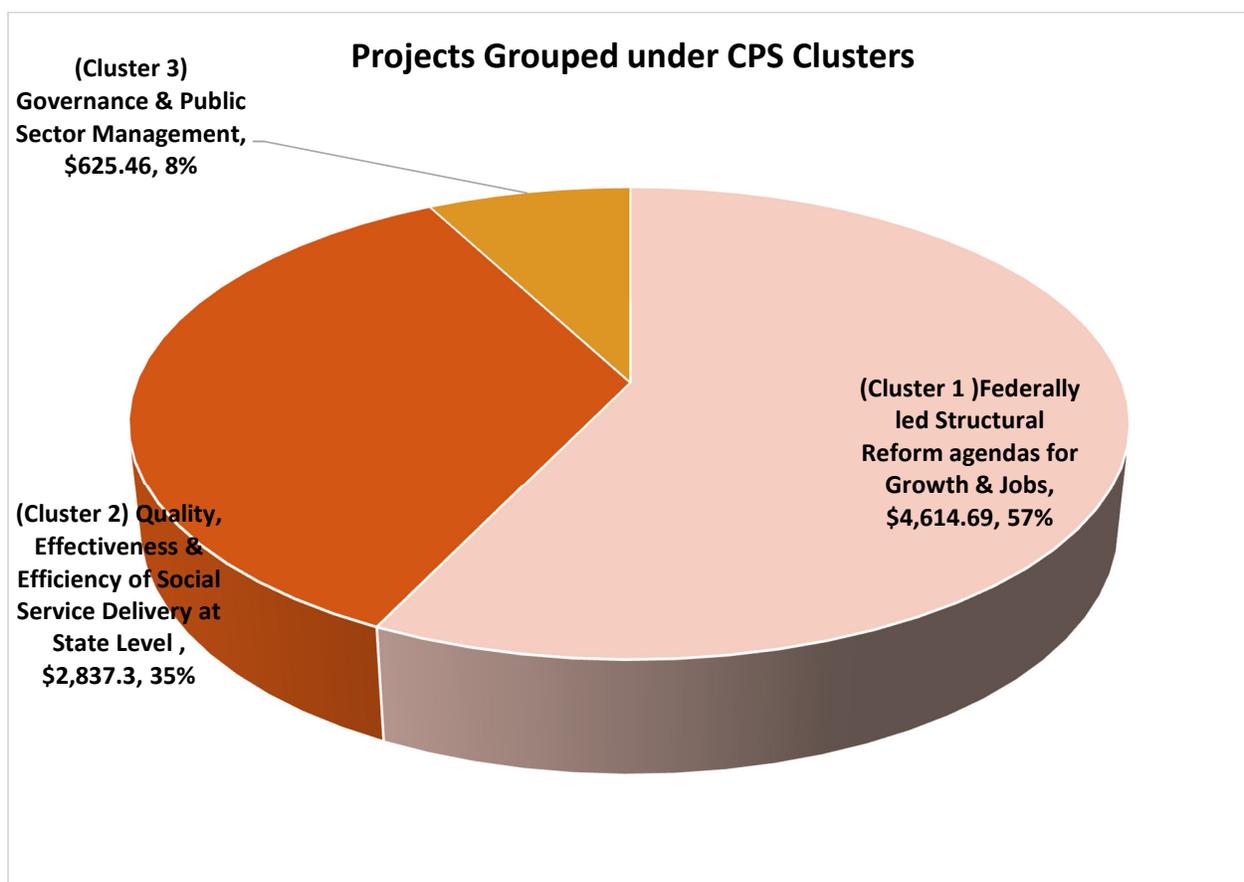
The federally-led structural reform agendas for growth and jobs: the agenda seeks to foster diversified growth and job creation by addressing two key constraints: power and

access to finance; it targets agriculture as one of key drivers of economy, holding a strong promise of improving livelihoods in rural areas.

The Quality and Efficiency of Social Service Delivery at State Level: the CPS program will focus on developing more effective systems for social delivery (social protection programs, education, health, and water services delivery) to help address inequities in income and opportunities.

Governance and Public Sector Management: the CPS aims at strengthening public finance management and public investment management. It is hoped that savings gained from improved public sector efficiency will help efforts to promote inclusive growth. The CPS integrates gender, equity and conflict sensitivity as essential elements of governance.

Nigeria Portfolio by CPS Clusters



* Chart adapted from AFCW2 Report- World Bank

Portfolio Size and Composition

The Bank's Portfolio in Nigeria - FY16

As at end June 2015, the Bank has committed a total IDA amount of \$6.4bn and IBRD of \$895m. In addition, the Portfolio equally has five GEF/GPE projects amounting to \$191m, Regional Integration projects of \$250m giving an overall value of \$7.7bn. Furthermore the Portfolio benefits from the support of 62 active Trust Funds amounting to \$228m.

Figure 2 below provides the distribution of the Portfolio by Global Practices. The current distribution clearly confirms the Bank's efforts to align its support to Government's priority areas of Agriculture, Health, Energy, Social Protection, Water, Transport, as well as Finance and Markets.

Portfolio Quality and Performance

Nigeria portfolio has a strong alignment with the Country Development Goals. Portfolio quality has continued to improve in the last few years. Better project management including commitments to standards, quality of delivery, more efficient collaboration between staff and clients, improved supervision and continuous monitoring and evaluation are responsible for this upward swing. In spite of this, the Portfolio faces challenges such as slow implementation hampering efforts to accelerate the delivery of results on the ground, problems of inadequate capacity and weak fiduciary compliance etc. However, efforts remain ongoing to address these issues including regular Country Portfolio Performance Reviews, In-depth Financial Management Reviews, and Frequent Capacity Building Initiatives etc.

Pipeline Projects (IDA, IBRD, GEF)

The pipeline projects are: \$100m; Second Agriculture Sector DPO \$100m; Staple Crops Processing Zones Support project \$100m; Electricity Transmission Project \$350m; Social Protection Project \$500m; Second Nigeria Power Sector Guarantee Project \$300m; and State Employment and Expenditure for Results Project \$100m. See full list in Annex II.

Following the meeting with the Nigerian authorities, the WBG team developed an emergency response action plan that has been discussed with the Nigerian Presidency. The immediate plan includes a Rapid Damage and Needs Assessment (RDNA) to be conducted jointly with the UN and EU, and preparation of two complementary and multi-sector intervention programs. The RDNA scoping mission is already in Nigeria and is to be joined shortly by EU and UN representatives. The proposed two intervention programs will focus on the issue of displacement affected communities (IDPs and host communities) and the restoration of basic services and infrastructure in safe areas within the conflict affected states to be confirmed government.

Figure 1

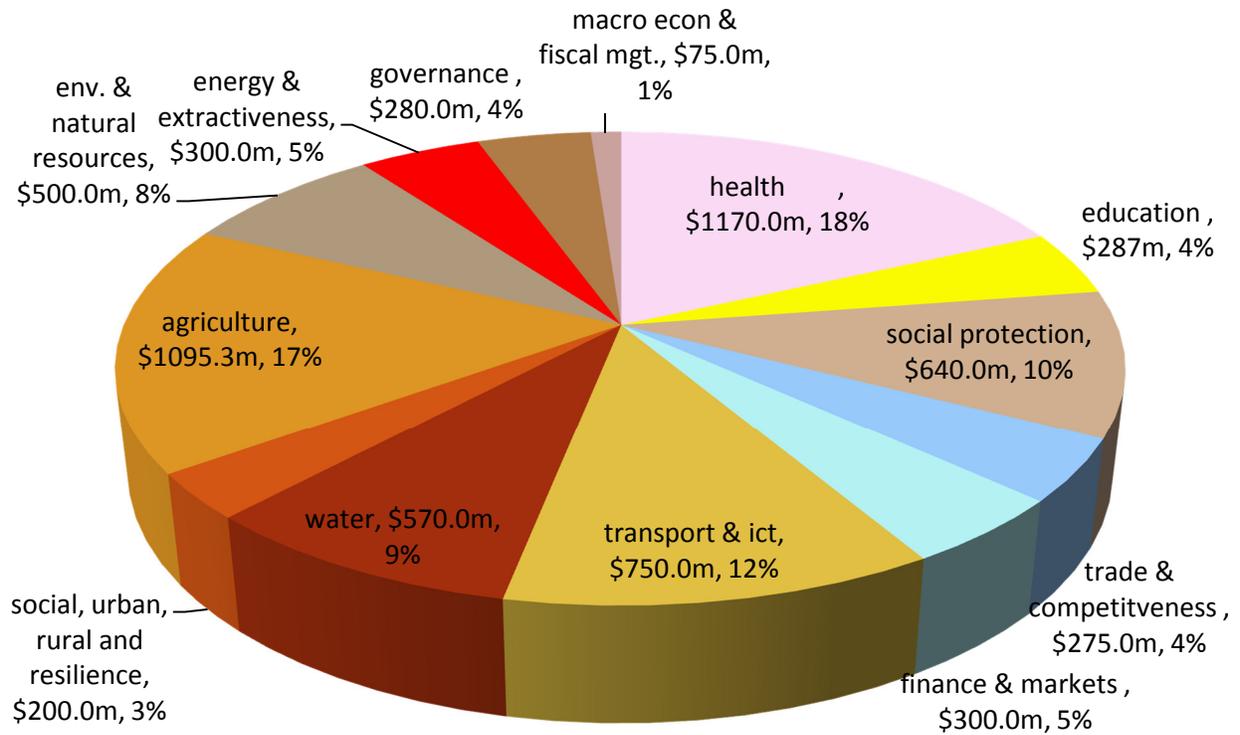


Chart adapted from AFCW2 Report- World Bank

5.3 South Africa

CPS

The South Africa (SA) - WB 2014 – 2017 CPS identifies three areas of focus (the 3 pillars) namely: (1) reducing inequality, (2) promoting investment, and (3) strengthening investments. The CPS also highlights that the knowledge hub will be the primary vehicle for delivering development solutions, and that support to the regional integration agenda will be a key part of the CPS. Also, financing of knowledge services will come from the Bank's internal resources.

Portfolio Size and Composition

The World Bank lending program in South Africa comprises one core operation funded through the International Bank for Reconstruction, namely Eskom Investment Support Project (US\$3.75 billion). This project has been extended to enable provision of institutional support to ESKOM and broader support in the reform of the sector. This type 2 restructuring extends the Project for 4 more years, to 2019. Other two significant operations in the country are the *Isimangaliso Wetland Park project*, supported through a US\$9 million Global Environment Facility grants, and Eskom Renewables Support closing in 2016.

Other programs and partnerships underway, structured as advisory and analytics (ASA) and reimbursable advisory services (RAS), are Debt and risk management program, Pension investment advisory, Financial sector development and reform program, Support to the Department of Land Reform and Rural Development, Cities support program, Cross-border TB project, and Policy dialogue with the Department of Education.

IFC

On the IFC front, no new country projects were concluded in the FY15. There were however at least five new investments involving SA financial institutions investing in the region. The January 2015 report shows 11 sizeable active investments and sectors include manufacturing, financial services, agriculture/agribusiness, health, and energy. In the financial sector, IFC's key investment theme is extending support to SMEs and broadening financial inclusion, as well as supporting energy efficiency and sustainability through advisory support. In infrastructure, IFC focus on renewable energy (particularly solar and wind) and advisory support in Public Private Partnerships (PPP) for the power sector.

MIGA

MIGA continues to engage with the SOEs and with the private sector in South Africa have been working on finalizing some guarantees, one of which was completed in FY15.

Others

In the pipeline, South Africa and the bank have numerous ASAs and investment loan operation-the Land Bank Financial intermediation Loan expected to go to the board when the country is ready. Other programs and partnerships underway include:

- Debt management
- Support to the GEPF/PIC– Pension Investment Advisory.
- Financial Sector Development and Reform Program:
- Reimbursable Advisory services (RAS) to the Department of Land Reform and Rural Development.
- The knowledge Hub currently include. Initiatives facilitated by the Bank and packaged as Knowledge Hub currently include the cross-border TB project and a policy dialogue with the Department of Education.

IDA and Trust Funds Contributions

For IDA 17, South Africa has committed SDR 19.89 million (R272.00 million), a 0.09% share of the total IDA donor contributions, and continue to participate in IDA Deputies.

On the Trust Funds side, SA contributes to approximately 10 Trust Funds most of which are multi-donor trust funds. These include the GEF (Global Environment Facility), International Finance Facility for Immunization, The Global Fund to Fight Aids, Tuberculosis, And Malaria, and The Cities Alliance Multi Donor Trust Fund. In addition, South Africa has at least three dedicated trust funds (FIFs) with the WB.

Source: World Bank Client Connection / Country Management Units (CMU), Africa Region,

CHAPTER VI

RECENT MEETINGS

6.1 2015 Spring Meetings

The 2015 Spring Meetings of the International Monetary Fund/World Bank Group held from April 17-18, 2015 in Washington, D.C. The different delegations of the Constituency to the Spring Meeting were headed as follows: Angola – Mr. Armando Manuel (Minister of Finance); Nigeria – Dr. (Mrs.) Ngozi Okonjo-Iweala (Coordinating Minister for the Economy and Minister of Finance); and South Africa – Nhlanhla Nene (Minister of Finance). South Africa represented the Constituency at the Development Committee, while Nigeria represented Africa Group I Constituency at the Fund at the International Monetary and Financial Committee (IMFC) in line with the existing constituency arrangements. The Angolan Minister- Mr. Manuel, the current Chair of the Africa Caucus, chaired the Africa Consultative Group (ACG) meetings which held separately with Madame Christine Lagarde, Managing Director, IMF and Dr. Jim Yong Kim, President of the World Bank.

The DC Meeting was preceded by a meeting of G24 Ministers on April 16, 2015. In addition, the BRICS Finance Ministers and the G-20 Finance Ministers meetings were attended by South Africa by virtue of their membership of these groups. Several other bilateral meetings held with different delegations.

The highpoint of the Spring Meeting was the Ninety-first meeting of the Development Committee (DC) which held on Saturday, April 18, 2015. At the DC meeting, members noted the criticality of 2015 as a year that the international community will set the development vision and agenda for the next 15 years. The Committee looked forward to the third Conference on Financing for Development in Addis Ababa in July, as one of the key steps in determining the framework for financing the Post-2015 development agenda, including the Sustainable Development Goals (SDGs).

The Committee acknowledged that the WBG's goals of ending extreme poverty and boosting shared prosperity, set in the broader context of social, economic and environmental sustainability, are fully in line with the SDGs, but added that achieving the SDGs requires a transformational vision that builds on lessons from the MDGs and combines all potential sources of financing, including more effective and catalytic use of ODA, particularly for the poorest; strengthening domestic resource mobilization, sound public financial management, and addressing the challenge of illicit finance; promoting private finance and investment; and coordinating action on global issues. The Committee among other several issues mandated the WBG and the IMF to continue to work in partnership with governments, the UN, multilateral institutions, bilateral agencies, civil society and the private sector, as well as with the new development institutions, within their respective mandates to further these agenda.

Finally, the Committee noted the progress made so far by the Board of Executive Directors of the Bank on the 2015 Shareholding Review. The Committee restated the great importance it attaches

to the regular reviews, in line with agreed principles. Governors looked forward to further work by the Board on the 2015 Review and commit to its completion by the time of the Annual Meetings in Lima, Peru in October.

6.2 African Consultative Group Meeting 2015

The 2015 African Consultative Group (ACG) Meeting held in Washington, DC, USA on April 19, 2015 and was chaired by Honorable Armando Manuel, Minister of Finance of Angola. The ACG is a subset of the African Caucus which holds during the Spring Meetings to discuss progress in addressing issues raised in the governors' memorandum transmitted to the BWIs during the previous Annual Meetings. This year, the main issues *inter alia* was to assess progress on the Bank side on the Ebola pandemic, IDA reform, regional infrastructure investments, debt arrears, and diversity and inclusion.

On Ebola, the Chair thanked the WBG's efforts and the new pledge of \$650 million announced in the first quarter of 2015, which brought the institutions total financing and recovery activities to \$1.6 billion. This effort was complemented by technical support in designing the post-Ebola recovery plans for the affected countries including the strengthening of their public health systems.

On IDA, the Chair noted the process of reviewing the Non-Concessional Borrowing Policy in line with the IMF Debt Limit approved in December 2014. He also welcomed the options that are being explored to increase the financing window for Low Income Countries and urged the Bank to expedite the process of creditworthiness for more IDA countries, while giving access to IBRD resources to all those already accessing the international markets. With regard to infrastructure investments, which are critical for Africa's sustained growth, the Chair reiterated the continent's support for the establishment of Global Infrastructure Facility (GIF), encouraging the Bank and partners to work in a manner to meet the expectations created in terms of scale and impact.

Given the importance of the post-2015 development goals, and the MDGs huge unfinished agenda, Governors emphasized the need for the WBG to use its convening power to galvanize commitment at international level to assist African countries in raising domestic resources and to restrict, stem and reverse the tide of cross-border illicit financial flows from developing countries. The Chair asked the WBG President to use its leadership and personal commitment to address the recurrent problem of debt arrears for Somalia, Sudan and Zimbabwe, allowing these countries to gain full access to debt relief. Finally, the Chair touched upon diversity and inclusion, hoping that the newly signed diversity compact by the Senior Management, with specific targets and actions, coupled with other measures including the establishment of an advisory panel on diversity and inclusion, would give added impetus to meet the targets set to make the WBG a more diverse and inclusive institution.

The WBG President, in response, elaborated on the Bank's plans to help fight Ebola and help countries to strengthen their health systems and get ready for any future pandemic. With regard to IDA reform, the President implored African Governors to support to the proposed efforts to leverage IDA's \$120 billion equity. The President expressed confidence that GIF will help dramatically expand financing for infrastructure, indicating that many of the projects in the first round will be in Africa. He renewed his personal commitment in meeting the diversity targets. On debt relief, the President expressed the Bank's support to Sudan, Somalia and Zimbabwe's problems and promised to take another look at the situation



Source: World Bank Photolab

CONSTITUENCY MEETINGS





Source: World Bank, Angola, Nigeria and South Africa Constituency Office

CHAPTER VII

OTHER INITIATIVES AND ADMINISTRATIVE MATTERS

7.1 2015 Shareholders Review of the World Bank

The Committee on Governance and Executive Directors' Administrative Matters (COGAM) held several informal meetings to discuss the 2015 Shareholding Review--Shareholding Principles and Issues for a Dynamic Formula. The purpose of the meetings was to seek feedback from Executive Directors on the principles underpinning and elements of a dynamic formula for any future shareholding realignment. This is in line with the Governors' agreement at the 2010 Development Committee meeting to the effect that periodic IBRD and IFC Shareholding Reviews will hold every five years, beginning in 2015. Periodic Shareholding Reviews were seen as a way to maintain dynamism and to reflect global economic changes in IBRD and IFC shareholding. Governors' guidance on shareholding reviews included three issues to be addressed and distinguished review from a shareholding realignment. In each review, the Board of Governors would: review the weight of all members in the world economy; review contributions to the WBG development mission; and assess progress towards equitable voting power between developed and developing member countries.

Several questions were raised at COGAM on how equitable voting power should be interpreted and on Developing and Transition Countries (DTC) groupings. Also, concerns were raised by EDs on the need to protect the smallest and the poorest countries within or outside the formula and to ensure non-dilution of DTCs. There were also divergent views on the following:

- The right blend (i.e. Market Exchange Rate (MER) / Purchasing Power Parity (PPP) for measuring GDP over a period with suggestions ranging from 60/40; 50/50; and 40/60).
- Recognition of borrower contributions to interest rate payments,
- Recognition of Trust Funds in the formula, especially since it constituted a third of the Bank's Administrative Budget;

In considering the elements of dynamic formula, EDs specifically noted that 2010 building block approach could not be replicated, since it was created to produce a specific outcome at that time. Instead, the "Istanbul" principles provided a good basis for future discussion. Most chairs supported the creation of a dynamic formula and urged that it be generally applicable, robust, simple, transparent, easy to implement and should be able to capture economic trends and reflect the role and obligations of all shareholders. It should be based on high-quality data and should produce results broadly acceptable to members. Based on guidance by Chairs, Corpsec revised the 2015 Shareholding Review paper with options approach and detailed analysis with a credible roadmap, and key deliverables with commitments. The Report as revised is to be presented to Governors in Lima.

During the Annual Meetings in Lima, Governors would be required to take note of this review, and to agree and commit both to the Shareholding principles and the Roadmap for future work which includes the following elements;

- Work by Executive Directors on a medium to long term vision of WBG and its role in the international financial architecture, taking account of FfD, climate finance, emerging development landscape, and ideas for IDA reform and other innovations and facilities, to report to the 2016 Annual Meetings with an interim report in the Spring;
- Work by Executive Directors to develop a dynamic formula based on the formula guidance set out in this report, aiming to conclude *the 2015 shareholding review* by the 2016 Annual Meetings with an interim report in the Spring;
- Consideration during 2017 a realignment of IBRD and IFC shareholding through an SCI and conclusion of *the 2015 shareholding review* in 2017 in line with the principles to be agreed at Lima including the allocation of any unallocated shares remaining from the 2010 exercise; aiming to reach decision by Annual Meetings
- Consideration during 2017 of the whether to increase in the capital of IBRD and IFC aiming to reach a decision by the Annual Meetings.

Overall, Executive Directors stressed the critical importance of wider work and reforms to strengthen client engagement by focusing on poverty and prosperity goals; as well as representation and responsiveness. In particular, Directors attach great importance to the Diversity and Inclusion agenda and the delivery of the targets that Management has set.

7.2 The Voice Secondment Program Update (September 2015)

The Voice Secondment Program (VSP) started as a five-year pilot program approved by the Executive Directors (EDs) of the World Bank in April 2004. It aims to improve the capacity of Developing and Transition Countries (DTC) in dealing with the Bank. The VSP has contributed to this effort by involving clients in Bank operations directly through participant assignments; and indirectly by increasing the Developing and Transition Countries' (DTCs) dialogue with the Bank, namely, Executive Directors and Bank's operational teams. In this way, the VSP has also contributed to the Bank's operational and development effectiveness. The VSP specifically contributes to south-south cooperation and the knowledge agenda.

According to a recent independent assessment of the Program, it was adjudged to have achieved its goals during its second five-year term of 2010 – 2014. The analysis revealed that so far, the VSP has succeeded in achieving its overall objectives. The Program is rated as highly satisfactory in its second term of five years in meeting its goals of upgrading Secondees' knowledge and skills to interact with the Bank. It also succeeded in encouraging informed dialogue and information exchange among a majority of focal agencies and EDs and operational staff, when alumni are engaged in their countries' interface with the Bank. The VSP has also met its targeted retention rate of alumni interacting with the Bank. The program has equally demonstrated relative success in enhancing the quality of benefiting constituents' contributions to policy and other discussions of the WBG Executive Board compared to the period before the program.

A call for nominations for the 12th Cohort of the program scheduled to commence in January 2016 closed on Friday, May 15, 2015. The selection process has been concluded and the names of

successful nominees published. None of the three nominees from EDS 25 Constituency made the list. This is so because all three countries in the Constituency are recent beneficiaries of the program. Greater focus was on first time applicants and countries with least frequencies in participation. A total of 17 Secondees from 17 DTCs will participate in the 12 Cohort of the program.

7.3 Status of the IBRD 2010 Subscriptions in EDS 25

All the three countries in the constituency met the deadline of March 16, 2015, for either requesting for extension for subscription or actual subscription to the IBRD Special Capital Increase (SCI) or General Capital Increase (GCI). The next vital **deadline** for **Angola** is **March 16, 2016** to complete the process of full subscription for the IBRD SCI and payment for the GCI.

7.4 Changes in Senior Management Post at the World Bank Group

The restructuring of the organization continued through FY15. Three significant structural changes were the re-devolution of Human Resource Unit, appointment of three new Vice Presidents responsible for Global Practices, and reorganization in the IFC.

The devolution of HR unit was mainly the undoing of the Bank/IFC HR merger implemented in FY14. The re-separation follows a realization that the merging did not work well. It allows for the IFC to take responsibility over its HR matters.

Two new vice-president positions were created and accordingly the Vice Presidents to be in charge of Global Practices were appointed, increasing the GP vice presidents to three. This development replaces the FY14 transitional arrangement of one GP vice Presidency held by two co-Vice-Presidents. The three vice presidents are each responsible for clusters of GPs and they are the immediate managers of GP senior directors. Preceding these additions was the creation of a new senior vice president position responsible for operations and reporting to the Managing Director. The senior VP oversees operations and regions and GPs. The changes affirms an increase in the size of the Bank's senior management team. In addition to the creation of new posts, there has been numerous exits and new entrants at the Bank SMT level. Refer to Annex A for more details.

In IFC, the restructuring created new clusters and management portfolios and the shifting of staff. The restructuring also resulted in staffing decline in some small central departments, and grew only in the Treasury & Syndications VPU.

Refer to Annexes IV-VI for updated organograms and Global Practices/ Cross Cutting Solution Areas (GP/CCSA) structure.

CHAPTER VIII

OTHER EVENTS

8.1 The World Bank Group and the United Nations Collaborates on Post 2015 SDGs

Ahead of the Financing for Development Conference in Addis in July and towards the post 2015 Sustainable Development Goals (SDGs) proposed Conference in New York in September, this year, the World Bank has stepped up its collaboration with the United Nations (UN) and other Multilateral Development Banks (MDBs). In furtherance of this collaboration the UN Secretary General Ban Ki-Moon and representatives of MDBs shall be participating in the Development Committee (DC) meeting of the World Bank during the 2015 Spring Meetings. At the DC meeting, Governors will be discussing the paper titled “**From Billions to Trillions**” – a focus on the sustainable financing of the SDGs. The World Bank President has continued to show strong interest in the SDGs processes and the implications for poverty reduction and boosting shared prosperity.

Internal evaluation report by the Independent Evaluation Group (IEG) of the WBG praised the management of the Bank for the very strong response in many areas of the Millennium Development Government (MDGs) through its strategies and focused approach towards poverty reduction. As noted in the IEG’s report, the WBG’s country-based model was crucial for translating the MDGs into country programs; and for building strategic partnerships at different levels to support the MDGs. As preparations for the launch of sustainable development goals intensifies, the WBG has been playing the lead role of facilitating collaboration among the MDBs and the IMF for a comprehensive response by these important development agents to the post 2015 agenda.

Executive Directors have participated in a number of meetings with UN Under-Secretary General for Economic and Social Affairs and other UN Officials in New York and Washington DC, facilitated by the Office of the Corporate Vice President and the President’s Special Envoy to the UN. The purpose of the meetings has been to forge better understanding and collaboration between development policy makers and practitioners. The reports of the intergovernmental Committee of experts on sustainable development financing; and the open working group on sustainable development goals have been among the areas of consultations with Executive Directors. The discussions have also paid attention to the domestic resource mobilization. Part of these conversations enabled the framing of the Secretary General’s Synthesis Report to the UN General Assembly. This level of collaboration is expected to continue even beyond the Addis FFD. Executive Directors are broadly supportive of the process so far and of the WBG’s leadership initiatives. Collaboration has been hugely beneficial and it is expected to continue in to the next phase of the implementation of the ambitious post 2015 SDG agenda.

8.2 Visit of South African CEOs to WBG

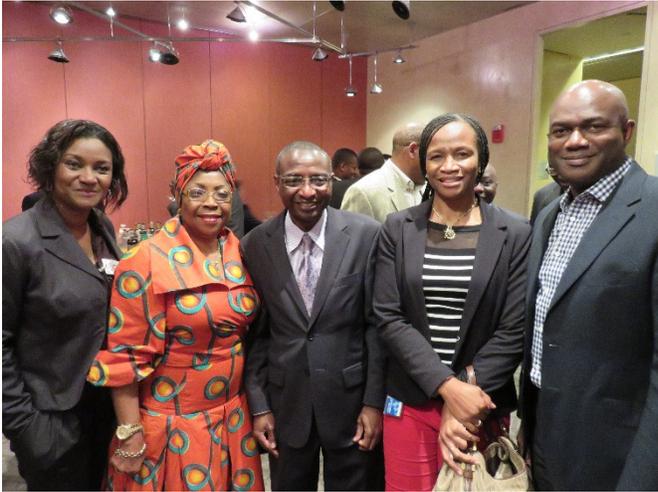
On 25 February, 2015 the constituency office met a delegation of visiting South African Engineers/CEOs delegation for an hour's interactive session. The delegation visited the World Bank and the IFC to learn more about the institutions, projects financed by the Bank Group in the region, and policies, standards and processes for procurement of technical services.

The discussion with at the Constituency office facilitated inter alia the understanding of the role of the Office both within the Bank group as a vital interlocutor with the capitals. Christopher Mark Browne, World Bank's chief procurement officer also participated in the meeting providing insight on procurement policy reform. The CEOs had an opportunity to relay their experiences and concerns with regard to bidding for projects in the region, and learnt more about the proposed reforms.

The exchange was helpful in highlighting, for the Constituency team, policy decisions that should be scrutinized to enable participation of African enterprises in the Bank supported development and investment projects in the region.



FAREWELLS





MANSUR MUHTAR'S FAREWELL



KURT MORAIS'S FAREWELL

ANNEXES

ANNEX I: Up-Coming Meetings

UP-COMING MEETINGS

MEETING	DATES	VENUE
IMF/WBG Annual Meeting	October 9-11, 2015	Lima, Peru
Consultation with South Africa	October 26-27, 2015	Pretoria, South Africa
Consultation with Nigeria	November 2015	Abuja, Nigeria
Ministerial Dialogue, Nigeria	November 2015	Abuja, Nigeria
Consultation with Angola	TBD ... 2015	Luanda, Angola
IDA 17 Mid-Term Review (MTR)	November 17, 2015	Senegal, Dakar

ANNEX II

Nigeria Pipeline Projects:

Figure 2

Lending Pipeline for FY16					
Project ID	Project	Commitments (\$M)			
		Total	IBRD	IDA	Bank Approval
P147398	Second Agriculture Sector Development Policy Operation	100		100	12/10/15
P148616	Staple Crop Processing Zones Support Project	100		100	12/10/15
P146330	Electricity Transmission Project	350	350		1/28/16
P151488	Social Protection Project	500		500	2/12/16
P155000	Second Nigeria Power Sector Guarantees Project	305	305		4/28/16
	FY16 Total	1355	655	700	
Recipient Executed Activities					
Project ID	Project	TTL	Amount (\$)	Agreement Signing	Comments (if any)
P133071	State Employment and Expenditure for Results Project	Atul B. Deshpande	100	7/31/14	
			100		

Source: World Bank, Nigeria CMU Africa Region.

ANNEX III

Environmental and Social Standards (ESS)

In summary, aspects emphasized in the new Environmental and Social Standards (ESS) are as follows:

New and strong principles including respect for human rights and non-discrimination on the basis of gender identity and expression (SOGIE), disability, migrant, and sexual orientation. The principles of inclusion, empowering citizens, universal declaration of human rights, and other values such as individual dignity, transparency, accountability are emphasized in the vision and` across other standards. Human rights and climate change are addressed as a *crosscutting issues*.

ESS1- assessment and Management of Environmental and social Risks and Impacts. The overarching standard- applies to all projects – introduces a clearer and actionable risk management system. Obliges borrowers to commit to human rights principles and non-discrimination, make social and environmental and climate considerations and address all identifiable risks.

ESS2: Labor and working conditions

International Labor Organization (ILO) informed and include requirements relating to freedom of association, collective bargaining, non-discrimination, and explicit prohibition of child labor. The standard is extended to include Occupational Health and Safety. The principles are extended to project contractors, primary suppliers (and sub -contractors), and workers involved community labor.

ESS3: Resource Efficiency and Pollution Prevention and Management

Requires borrowers to quantify project related green-house gases (GHG) and consider options to reduce project related pollutants. It sets a standard for efficient management of resources- water, energy, and other raw materials. Reference is made to short and long lived pollutants, a need to estimate project’s impact on climate including impact caused by tilting of land, and may insist on water management plans set for some projects

ESS4: Community Health Safety

Address design and safety aspects of infrastructure (such as safe dams), equipment, services and hazardous material, and requirements on the use of security personnel. Requires borrowers to also address possible exposure to disease – communicable and non-communicable, consequences of project activities, and emergencies through contingency planning. Emergency planning is expected to be reviewed continuously and includes include response to extreme weather conditions and events.

ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Applies to land and other shared resources – marine, aquatic, forest. Prohibits forced evictions, introduces requirements for a single resettlement instrument, addresses the right of different people including those without legal right of the land they occupy, and opportunity for the resettled people to share in the benefits of the projects (resettlement as a development opportunity), and insist that compensation must be paid before displacement. Full costs of resettlement be included in project costs and borrower is prohibited from commencing with project until all settlements have been finalized.

ESS6: Biodiversity, Conservation, and Sustainable Management of Living Natural Resources

Replaces the old ‘Natural Habitats’ and ‘Forests’ safeguards. Establishes an approach to biodiversity protection and sustainable use of living resources (incl biomass, agriculture, forestry and fisheries). Requires borrowers to address loss in habitats, degradation, invasive alien species, and others. Ecosystems concept introduced; biodiversity offsets will only be considered as last resort.

ESS7: Indigenous People

Applies when indigenous people are present and have attachment to project area. Requires borrowers to take measures to protect indigenous people in isolation, prohibits forced evictions and sets out a criteria for identifying indigenous people. Introduces Free, Prior and Informed Consent (FPIC), recognizes pastoralists as indigenous people and includes provisions for group and voluntary isolation.

The standard apply in all countries despite objections from some countries on the basis that it may exacerbate civil strife, instead suggests the use of waiver where ESS7 is inadvisable. FPIC of the indigenous people has to be ascertained by the World Bank.

ESS8: Cultural Heritage

Broaden the definition of cultural heritage to include tangible and intangible heritage. Intangible aspects includes practices, representations, knowledge traditions, beliefs and other non-material. Requires the project to adopt chance find procedure together with other approaches for protection of cultural heritage.

ESS9: Financial Intermediaries

Requires financial intermediaries (FI) to put in place environmental and social procedures commensurate with the FI and impacts associated with projects and potential subprojects. FI expected to monitor FI sub-projects risks.

ESS10: Information Disclosure and Stakeholder Engagement

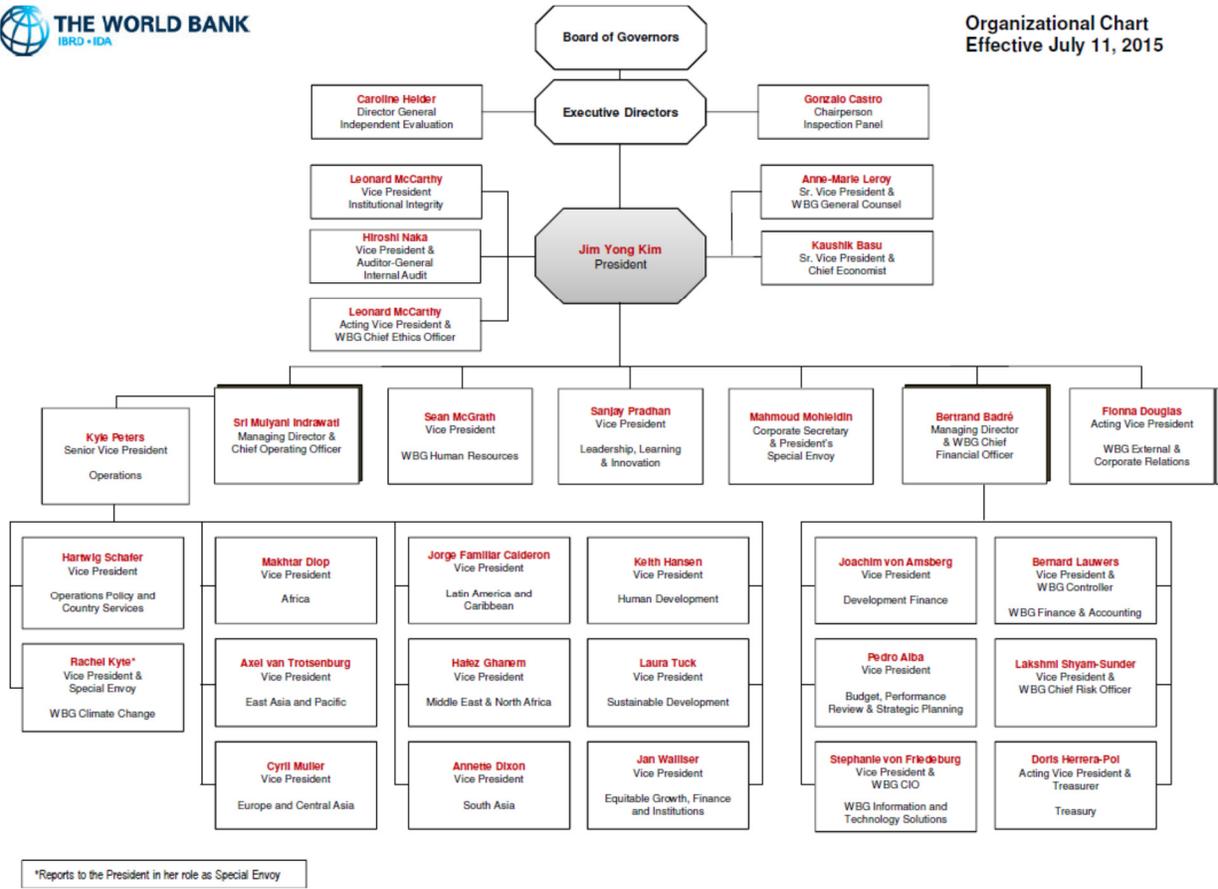
Requires increased and ongoing engagement with stakeholders: ongoing dialogue between borrowers and stakeholders. Requires borrowers to inform stakeholders of all changes that may impact them and set up a grievance mechanism, objectives of the consultations – assess stakeholder’s interests, maintain records of engagements, retain an independent third party specialist for stakeholder identification and analysis for significant risk.

Source: World Bank Intranet

ANNEX IV



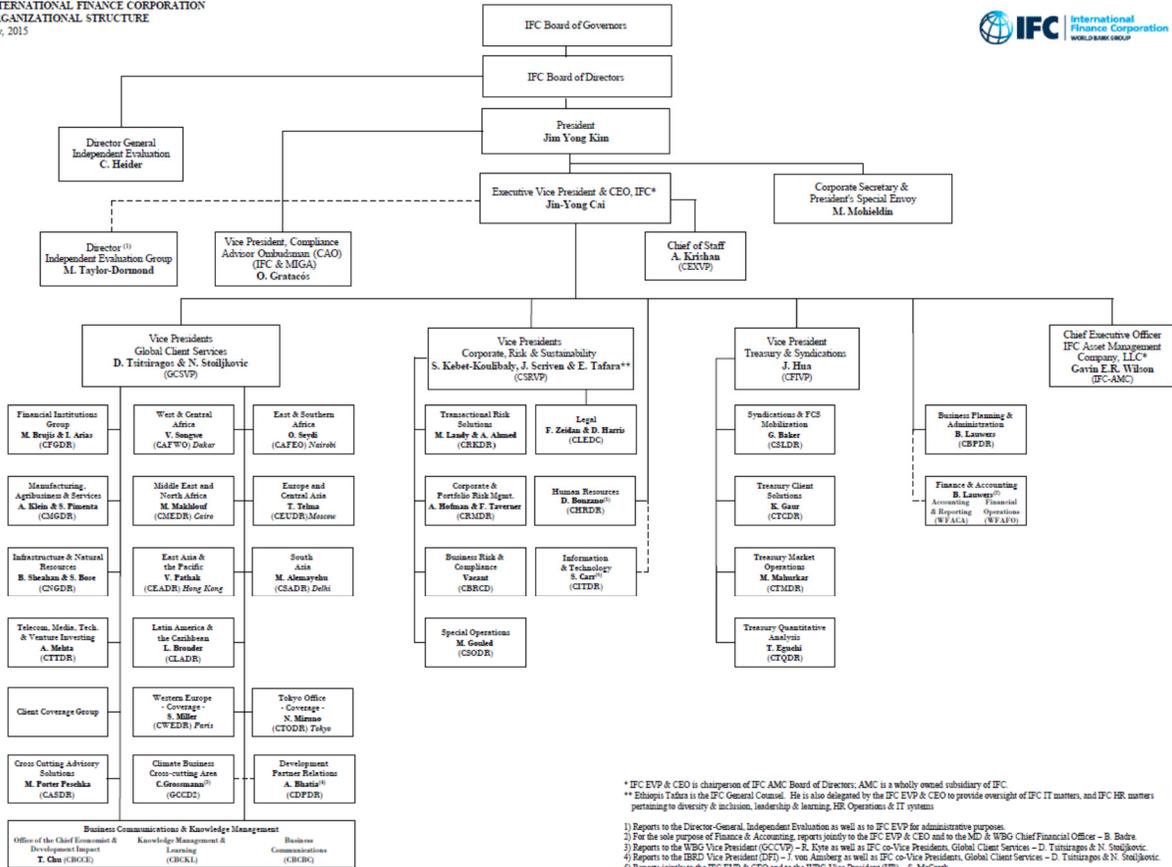
Organizational Chart
Effective July 11, 2015



Source: World Bank Intranet

ANNEX V

INTERNATIONAL FINANCE CORPORATION
ORGANIZATIONAL STRUCTURE
July, 2015



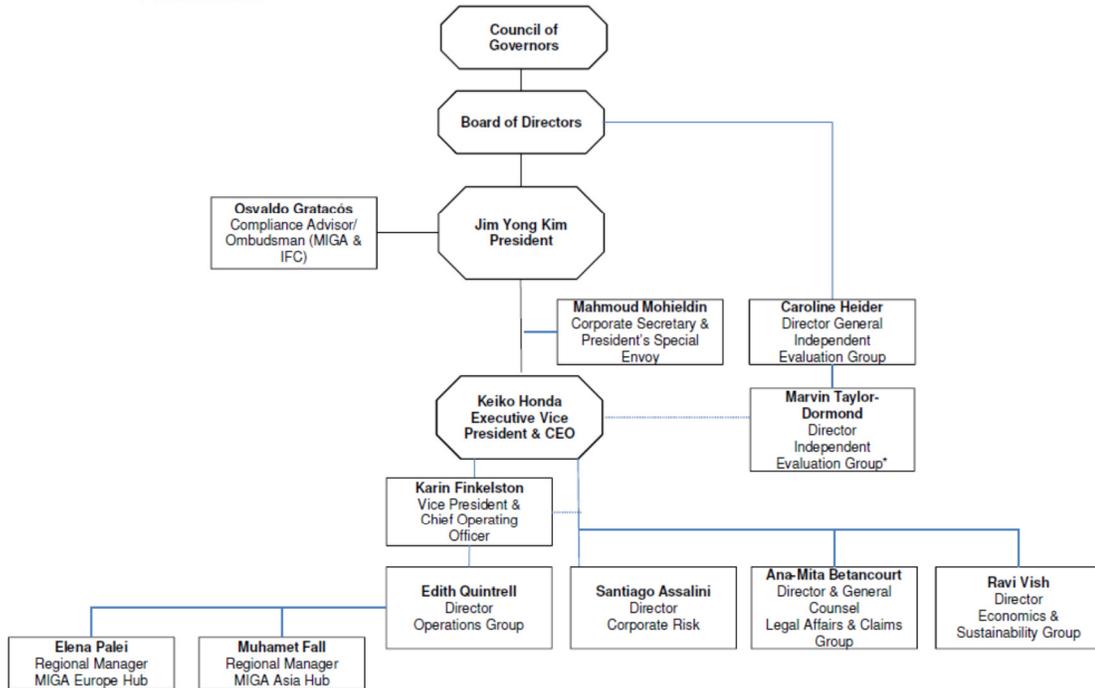
* IFC EVP & CEO is chairperson of IFC AMC. Board of Directors; AMC is a wholly owned subsidiary of IFC.
 ** Ethiopia Tafara is the IFC General Counsel. He is also delegated by the IFC EVP & CEO to provide oversight of IFC IT matters, and IFC HR matters pertaining to diversity & inclusion, leadership & learning, HR Operations & IT systems.
 1) Reports to the Director-General, Independent Evaluation as well as to IFC EVP for administrative purposes.
 2) For the sole purpose of Finance & Accounting, reports jointly to the IFC EVP & CEO and to the IFC & WBG Chief Financial Officer - B. Baker.
 3) Reports to the WBG Vice President (CFO) - R. Korte as well as IFC co-Vice President, Global Client Services - D. Tsitourgos & N. Stojiljkovic.
 4) Reports to the IFC EVP & CEO as well as IFC co-Vice President, Global Client Services - D. Tsitourgos & N. Stojiljkovic.
 5) Reports jointly to the IFC EVP & CEO and to the WBG Vice President (FP) - S. McGrath.
 6) Reports to the WBG Vice President & Chief Information Officer (ITS) - S. von Friedberg as well as to the IFC EVP & CEO.

Source: World Bank Intranet

ANNEX VI



Organizational Chart Effective July 1, 2015



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

Source: World Bank Intranet

ANNEX VII

The organization: Global Practices, CCSAs and region

Global Practices

Equitable Growth, Finance and Institutions

- Finance & Markets
- Governance
- Macroeconomics & Fiscal Management
- Poverty & Equity
- Trade & Competitiveness

Human Development

- Education
- Health, Nutrition & Population
- Social Protection & Labor

Sustainable Development

- Agriculture
- Energy & Extractives
- Environment & Natural Resources
- Social, Urban, Rural & Resilience
- Transport & ICT
- Water

Cross Cutting Solution Areas

- Climate Change
- Fragility, Conflict & Violence
- Gender
- Jobs
- Public-Private Partnerships

Regions

- Africa
- East Asia & Pacific
- Europe & Central Asia
- Latin America & Caribbean
- Middle East & North Africa
- South Asia

ANNEX IX



IMMEDIATE RELEASE

DEVELOPMENT COMMITTEE

JOINT MINISTERIAL COMMITTEE
OF THE BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES
1818 H Street, N.W., Washington, D.C. 20433 Telephone: (202) 458-2980, Fax: (202) 522-1618

Washington, DC April 18, 2015

The Development Committee met today, April 18, 2015 in Washington, D.C.

2. The global economy is growing slightly faster than in 2014, although growth rates vary widely among countries. We remain vigilant to the risks from potential financial market volatility, movements in exchange rates and oil and other commodity prices, and sluggish global trade. While some middle-income countries (MICs) are experiencing easing of growth, low-income countries, as a group, continue to record good growth rates. We call on the World Bank Group (WBG) and the International Monetary Fund (IMF) to support countries' efforts to spur inclusive growth and job creation and build resilience to adverse shocks, in order to reduce poverty, and enhance shared prosperity in a sustainable manner, and protect hard-won gains in these areas.

3. In aggregate, cheaper oil and commodities will result in a significant real income shift from oil exporters to oil importers, with a net positive effect on growth in developing countries. This creates challenges for policy makers in oil exporting countries, but also provides a favorable environment for subsidy and tax reforms for more inclusive and sustainable growth. We urge the WBG and the IMF to help countries hit hard by falling export receipts, tax revenues, or remittances, and to advise on energy pricing and the use of clean energy.

4. In this critical year, the international community will set the development vision and agenda for the next 15 years. We look forward to the Third Conference on Financing for Development in Addis Ababa in July, as one of the key steps in determining the framework for financing the Post-2015 development agenda, including the Sustainable Development Goals (SDGs). We commend the WBG, the IMF and the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank and Inter-American Development Bank for their close cooperation on this agenda. We also welcome the special participation of the Secretary-General and high level officials of the United Nations, and the Heads of the Multilateral Development Banks at this Development Committee meeting. We encourage the WBG to ensure the technical robustness of the goals and targets and to strengthen countries' data capacity, to enable development and to monitor progress towards the WBG's goals and the SDGs.

5. The WBG's goals of ending extreme poverty and boosting shared prosperity, set in the broader context of social, economic and environmental sustainability, are fully in line with the SDGs. Achieving the SDGs requires a transformational vision that builds on lessons from the MDGs and combines all potential sources of financing, including more effective and catalytic use of ODA, particularly for the poorest; strengthening domestic resource mobilization, sound public financial management, and addressing the challenge of illicit finance; promoting private finance and investment; and coordinating action on global issues. We expect the WBG and the IMF to continue to work in partnership with governments, the UN, multilateral institutions, bilateral agencies, civil society and the private sector, as well as with the new development institutions, within their respective mandates.

6. We welcome efforts to deepen local financial markets and improve the policy and regulatory environments to address risk, and catalyze investment from traditional and non-traditional, institutional and other public and private investment sources and the development of innovative solutions to global challenges. IFC and MIGA have a distinct and critical role in engaging the private sector to implement this ambitious agenda.

7. We urge the WBG to enhance its support for sustainable infrastructure development and financing, an enabling environment to mobilize private long-term finance for commercially-viable projects, and strengthening public and private partnerships, including through the recently approved Global Infrastructure Facility (GIF).

8. IDA and IFC's rapid response, in coordination with other partners, was critical to contain and mitigate the Ebola outbreak and we encourage the WBG to continue to support the affected countries in the recovery. Looking ahead, we encourage the WBG to explore, in coordination with other international actors, the potential of a Pandemic Financing Facility to mobilize and leverage public and private resources, including insurance mechanisms, to help countries receive rapid funding in the face of an outbreak based on strong preparedness plans. We commend the IMF for its support to Ebola-affected countries and for creating the Catastrophe Containment and Relief Trust. We welcome the approach of the Global Financing Facility in Support of Every Woman Every Child to be launched in Addis Ababa. We also note the importance of addressing hunger and malnutrition.

9. Enhancing and accelerating gender equality is central to a comprehensive vision of sustainable development. We look forward to the renewed gender strategy later this year and its implementation in the context of the one WBG approach.

10. Achieving the SDGs will also require countries to deal with the challenges and consequences of climate change and natural disasters. We commend the WBG commitment to mainstream low-carbon development and Disaster Risk Management while maintaining focus on its poverty eradication mandate. We encourage the WBG to further enhance its efforts and financing to contribute to the success of the 21st Conference of the Parties of the UNFCCC in Paris. We take note of the WBG and IMF work on appropriate market-based solutions and energy policy reforms.

11. We encourage the WBG to continue to implement its new strategy and complete the associated reforms, including the Expenditure Review, in order to effectively deliver knowledge and financing to its clients. We also welcome the ongoing consultations on the proposed World Bank Environmental and Social Framework and the new Procurement Framework. We emphasize the importance of effectively implementing the new frameworks with sufficient resources, building country capacity, and protecting communities and the environment.

12. We ask the WBG to continue to monitor carefully the quality of its portfolio, to strengthen collaboration across the Group focusing on development results, to promote South-South cooperation and to provide

effective support to fragile situations, small states, and regional cooperation. We emphasize the importance of the WBG and IMF in providing significant support, where feasible, for countries in turmoil in the Middle East and North Africa and in other regions. We also urge the WBG to enhance its engagement with MICs to help them end extreme poverty and boost shared prosperity in a sustainable manner. We look forward to the exploration of different options to generate additional IDA financing capacity, while focusing on the poorest countries.

13. We take note of the progress made by the Board so far on the 2015 Shareholding Review. We attach great importance to these regular reviews,¹ in line with agreed principles. We look forward to further work by the Board on the 2015 Review and commit to its completion by the time of the Annual Meetings in October.

14. The next meeting of the Development Committee is scheduled for October 10, 2015 in Lima, Peru.

¹ In 2010 Governors agreed to conduct periodic IBRD and IFC Shareholding Reviews, every five years, beginning in 2015, noting that: “In each review, the Board of Governors would review the weight of all members in the world economy; review contributions to the WBG development mission; and assess progress towards equitable voting power between developed and developing members. While reviews would take place regularly, shareholding realignment would not necessarily be required with each review, but only when shareholders, through the Board of Governors, decided that the results warranted adjustment.”(DC2010-0006, April 19, 2010)

ANNEX X



DEVELOPMENT COMMITTEE

(Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund
On the Transfer of Real Resources to Developing Countries)

NINETY-FIRST MEETING WASHINGTON, D.C. – APRIL 18, 2015 DC/S/2015-0030 April
18, 2015

**Statement by
Mr. Nhlanhla Musa Nene
Minister of Finance
South Africa**

On behalf of the Constituency of Angola, Nigeria and South Africa

91st Meeting of the Development Committee

**April 18, 2015
Washington, D.C.**

Global Economy

We meet amid a global context that is challenging. Recovery remains fragile and slow-moving. High income countries continue to be constrained by the negative after effects of the previous economic and financial crises. While growth in the US has improved significantly, Euro area activity has been weaker than anticipated and emerging markets less dynamic than in the recent past. Over the medium term, we expect moderate global growth - gradual recovery in high income countries and receding domestic headwinds in developing countries. With respect to commodity exporting developing countries, we expect some deteriorating terms of trade as falling commodity prices constitute a dampener to the growth momentum.

Sub-Saharan Africa's growth continues at a considerable rate, projected at 4.9 percent in 2015 and 5.2 percent in 2016. We expect growth in Nigeria to moderate from 6.3 percent in 2014 to 4.8 percent in 2015, the South African economy is expected to grow at around 2 percent and GDP growth in Angola is expected to increase to 6.6 percent. However, downside risks remain, including fiscal constraints due to lower commodity prices – oil for Angola and Nigeria and non-oil commodities for South Africa. In addition, our three economies have unique domestic factors that constrain our growth potential. Our governments are putting in place measures to mitigate the impact of lower oil prices, to diversify economic structure and to increase the level of shared growth. These downside risks need to be managed carefully as they potentially pose considerable risks to the achievement of the twin goals.

Plunge in oil prices

The recent plunge in oil prices from mid-2014 was attributable to an interplay of several factors, including unexpected demand weakness in some major economies; boost in supply from various offshore fields and non-conventional sources; as well as the landmark decision of the OPEC to maintain current production levels despite rising outputs from non-OPEC members. Given the considerable uncertainty about the impact of lower prices on future oil supply, the current low prices is a source of concern to oil producing countries in SADC. Current lower oil and commodities' prices and the impact on terms of trade and real income have invariably tampered the medium term growth forecasts and presents a more subdued outlook. South Africa as an oil importing country has had a small windfall from the lower oil prices which contributed to lower inflation and allowed government the opportunity to increase fuel taxes.

Our responses have been country specific, ranging from spending cuts, tax increases, tightening of monetary policy rates and introduction of greater flexibility in foreign exchange management. The capacity to respond to potential crises is limited in view of the depleted buffers. However, every effort is being made to ensure that fiscal adjustment is achieved without endangering the delivery of critical public services and boosting inclusive growth. In this regard, we appreciate the efforts of the WBG in assisting our countries to withstand the impact of these shocks. We also call on the WBG to further assist in the on-going efforts to reform energy taxes and fuel subsidies regimes in our countries', as well as reinvigorate reforms to further diversify the economies.

Sustainable Development Goals

This year, the world will converge to adopt Sustainable Development Goals with targets seeking to emphasize the focus on ending poverty and promoting sustainable development. Following the declaration of the Millennium Development Goals (MDGs) in 2000, countries have made significant progress towards attaining development outcomes albeit in varied degrees. Disparities in growth rates and patterns across regions accounted for these variations. As we transit to the Sustainable Development Goals, there is a need to pay special attention to supporting measures that will making them more impactful. In this regard, we support the Bank's plans and on-going work to improve country capacity for data collection.

The African Union's **Agenda 2063** adopted in January 2015 encapsulates the main aspirations of Africa to be *'a prosperous continent based on inclusive growth and sustainable development, with integrated and well governed economies based on democracy and rule of law'* in the next fifty years. Agenda 2063, which aligns well with the SDGs, will henceforth be the basis of national development planning in the continent. We urge the Bank Group to use this common agenda as a basis for contextualizing its support to our countries.

Financing for Development

There is no doubt that financing needs for poverty eradication and sustainable development remain substantial. Equally important is the need for the mobilization of all forms of resources to finance sustainable development. Against this backdrop, we welcome the collective efforts of the World Bank Group and other Multilateral Development Banks and the International Monetary Fund to find new sources while improving leveraging of resources in support of member countries towards financing the ambitious Sustainable Development Goals (SDGs).

As we prepare for the Financing for Development Conference in Addis Ababa in July 2015, we must remind ourselves that achieving the SDGs will require a more strategic development finance mechanism that both unlocks and leverages all flows, including ODA, public and private; domestic and international flows, among others. In this regard, we acknowledge and commend the United Kingdom for meeting 0.7 per cent of GNI ODA commitment and legislating same to into law. We call on other advanced economies to meet their ODA commitments. We acknowledge the role of domestic resource mobilization as an important

source of development financing; the scope for improving tax revenues particularly in developing countries; the need for efficiency of public expenditures to enhance inclusive growth; and a congenial environment created by appropriate social policies and strategies aimed at improving the delivery of basic services to the population.

Illicit Financial Flows

African leaders have committed to put in place necessary measures and reforms to curb the leakages, following the launch of the report of the AU/ECA High Level Panel on Illicit Financial Flows (IFFs) from Africa led by Former President Mbeki of South Africa. We are pleased with the momentum built by the G20 and OECD on transparency and Base Erosion and Profit Shifting (BEPS) and look forward to continued cooperation on this important issue. While acknowledging the significant revenue gains from BEPS related reforms, we believe illicit financial flows should also be treated as one of the *emerging*

global issues that need to be addressed through better coordination of regulatory policies across countries. We call on the IMF to continue to support national tax administration and fiscal policy management and for the World Bank Group to mainstream the agenda within its operations, and in governance and financial sector programmes. MDBs must accept the critical role of creatively working closely and strategically in a collaborative manner with developing countries to enhance public sector capacity and facilitate transparency in commercial deals in the extractive sector which accounts for the bulk of illicit flows. Accordingly, we call for a concerted international action and in particular on the WBG to be more responsive with specific initiatives to work collaboratively with all relevant partners to tackle this scourge.

World Bank Reforms

We note the progress reported on the implementation of the organizational changes and reforms within the WBG. In particular, we also note the outcome of the expenditure review and the projected savings, the attempts at protection of clients' services and to minimize the impact on staff as enunciated. We urge that close attention be paid to implementation with necessary adjustments made where possible to ensure optimal outcomes.

Future of IDA.

We welcome and support the on-going efforts to use IDA resources creatively to 'unlock, leverage and catalyze private flows and domestic resources to fund the needs of developing countries. This is vital if we must reach the other remaining extremely poor; the bulk of who are projected to live in Sub-Saharan Africa, FCS and IDA-eligible countries by 2030. However, in all these arrangements, it is vital to keep IDA funding modalities simple and to continue to maintain the concessionality of the core IDA, guard against substitution risks by ensuring additionality of resources. It is equally vital to ensure that allocation to the poorest countries are not negatively impacted or diminished in any way. We also reiterate our call for IBRD lending to IDA countries to enable them finance huge transformational projects.

Infrastructure financing

We welcome the launch of the Global Infrastructure Facility (GIF) to help prepare attractive investments for large infrastructure projects. We acknowledge the role of various partners and look forward to the successful piloting of the model and continuous lesson generation to ease the infrastructure financing bottlenecks in developing countries.

ANNEX XI

IMMEDIATE RELEASE

DEVELOPMENT COMMITTEE JOINT MINISTERIAL COMMITTEE OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND ON THE TRANSFER OF REAL
RESOURCES TO DEVELOPING COUNTRIES 1818 H Street, N.W., Washington, D.C. 20433 Telephone: (202)
458-2980 Fax: (202) 522-1618

Washington, DC October 11, 2014

1. The Development Committee met today, October 11, 2014, in Washington, D.C.
2. The global economy remains on a cautious watch and is subject to considerable downside risks. Shared prosperity will require inclusive economic growth, job creation, and a sustained multilateral effort to empower the poorest and most vulnerable. We encourage the World Bank Group (WBG) and the International Monetary Fund (IMF) to work together with member countries to implement bold policies to boost growth and to build resilience.
3. We are pleased that this year's Global Monitoring Report (GMR) tracks, for the first time, the progress made in pursuit of the WBG's goals of ending extreme poverty and boosting shared prosperity in a sustainable manner, while continuing to report on the status of the Millennium Development Goals (MDGs). The GMR's coverage of inequality between the bottom 40 percent and the rest of the population, including high-income countries, provided a strong basis for our discussion of shared prosperity.
4. We welcome the discussion on promoting shared prosperity and the WBG's role in supporting investment in human capital, improved access to markets, structural reforms, financial inclusion, infrastructure, improved tax and transfer systems, including social safety nets, and addressing climate change. We underline the importance of policies and institutions to promote an enabling environment for the development of the private sector, which is critical for investment, job creation, and inclusive and sustained economic growth. We call on the WBG to support countries to prioritize and implement tailored policies in these areas, to track results and impacts, and to build statistical capacity. We welcome the IMF's commitment to provide support in its areas of special expertise, including the design of tax policies and fiscal reforms.
5. Inclusiveness is at the core of shared prosperity. We stress the importance of continuing the WBG's focus on gender. We encourage the WBG to deepen gender integration across its operations and to focus more clearly on implementation and impact. We look forward to the WBG's updated Gender Equality and Development Strategy, as well as future updates.

Source: World Bank Intranet

6. IDA countries have recorded strong growth since 2000 and have shown impressive resilience during the global economic crisis. However, a fifth of IDA countries have not recorded per capita output growth since then and are vulnerable to adverse shocks, including to natural disasters, epidemics, and economic and financial sector vulnerabilities that can quickly reverse the progress achieved. We ask that the IMF and the WBG continue to monitor economic risks and vulnerabilities.

7. We commend the WBG for its leadership and quick response to the Ebola crisis. We welcome the WBG and IMF's rapid mobilization of emergency funding to support treatment and containment. We are encouraged by the joint effort of the international community in West Africa and underscore the importance of providing additional and ongoing coordinated support on the ground for the World Health Organization's Ebola response Road Map. Beyond the human tragedy, economic losses in these countries are devastating. Swift and coordinated action and financial support are critical to contain and mitigate both direct and long-term economic impacts of the crisis, and build capacity to effectively deal with epidemics.

8. We call for targeted actions and support for countries in turmoil and transition in the Middle East and North Africa and in other regions. We emphasize the importance of the WBG and IMF providing adequate support to these countries. We encourage both institutions to continue to focus on immediate needs and help set the groundwork for expanded engagement when more stable circumstances allow for it.

9. Fragile and Conflict Situations need a distinctive focus and assistance adapted to their specific challenges. We call for stronger commitment to achieve concrete, measurable impact, while working to better understand the drivers of conflict. Small island states remain vulnerable to economic shocks and natural disaster risks, necessitating support adapted to their unique needs. We encourage the WBG to further promote and support increased private investment opportunities in these countries.

10. We commend the WBG for integrating climate change and disaster risk management into country planning, strategies, and financing. We ask the WBG to continue working on climate change, consistent with the United Nations Framework Convention on Climate Change, and to contribute to the success of the November Conference of the Parties in Lima, Peru.

11. Investment in infrastructure, including energy, is crucial to sustaining economic growth and ensuring shared prosperity. We encourage the WBG to continue its operational and advisory support to improve infrastructure. Funding for the Global Infrastructure Facility (GIF) is a welcome step to launch a platform that will facilitate the mobilization of private capital for infrastructure projects. We are hopeful that the GIF will soon acquire the required scale and ambition. We look forward to increased cooperation to build a pipeline of commercially, ready-to-finance viable projects. We call on the WBG and IMF to support countries to deliver efficient, reliable, affordable, and sustainable energy, including through the Sustainable Energy for All Initiative.

12. We congratulate the WBG for delivering increased lending, investment, mobilization of resources, including private sector investment, and advice this past fiscal year, while undergoing a fundamental internal change process. We expect an important shift in the way the WBG operates to deliver more efficient support to client countries, drawing on partnerships, integrated regional approaches, and knowledge sharing, including South-South cooperation, responding to client needs and reacting quickly to unexpected shocks. We will monitor the implementation of the change process and expect better

lending quality with increased development impact. We welcome the WBG's reiterated commitment to diversity and inclusion, which is crucial to its institutional goals. We encourage the WBG to make progress in achieving the agreed diversity targets as quickly as possible.

13. The UN-led post-2015 Development Agenda provides an opportunity to build a model of development that is more inclusive and sustainable. We urge the WBG and the IMF to support the international efforts to reach agreement on the post-2015 development goals. We note the particular significance of the Third International Conference on Financing for Development in Addis Ababa in July 2015. We expect IDA-17 to be critical for accelerating progress on the MDGs, and the WBG, in general, for successful implementation of the new development agenda.

14. We remain committed to the completion of the 2010 WBG shareholding realignment and urge all members who are yet to subscribe to their allocated IBRD and IFC shares to do so. We remain fully committed to concluding the next shareholding review in 2015.

15. The next meeting of the Development Committee is scheduled to take place on April 18, 2015, in Washington, DC.

Source: World Bank Intranet

ANNEX XII

Statement by

**Mr. Nhlanhla M. Nene
Minister of Finance
South Africa**

**On behalf of the Constituency of Angola, Nigeria and South Africa
90th Meeting of the Development Committee
October 11, 2014 Washington, D.C.**

Global Economy

We are concerned about the prevailing uncertainty in the global economy, with growth prospects being marred by downside risks. These risks are not just reflective of cyclical weaknesses but point to structural limitations that need to be addressed, in both advanced economies (AEs) and emerging markets and developing countries (EMDCs). We are particularly concerned that the low growth being experienced may become the “new normal”. The robust growth experienced in the last two decades in Africa, spurred by high commodity prices, improved governance and enhanced macroeconomic management, among others, contributed to a significant increase in the per capita income of many countries on the continent. Sustained growth and economic progress on the continent is however challenged by a number of factors, including the direction and divergence of monetary policy in and between high-income countries, exacerbation of geopolitical tension, a slowdown in growth of large systemically important emerging market economies, stagnation in the high-income countries and health concerns, specifically the outbreak of Ebola.

At the outset, we would like to acknowledge the important role the World Bank Group (WBG) is playing in partnership with the World Health Organization, the United Nations, International Monetary Fund (IMF) and African Development Bank, among others, in containing and eliminating the Ebola virus. We echo the sentiments of President Kim, where he noted recently that the pandemic brought to the fore the ‘deadly cost’ of unequal access to basic health services and the consequences of the failure to fix this problem. Much more needs to be done to contain and eradicate this deadly virus, we therefore call on the international community to do more, to avoid further human and economic losses, which in turn threatens to erode the positive gains made to date in the three worst affected countries of Liberia, Guinea and Sierra Leone, with the possibility of wider contagion effects in the rest of the region and beyond. On our part, we will continue to contribute within our means, noting that Nigeria and South Africa have provided support.

Shared Prosperity

The outlook of the global economy is particularly important for the WBG’s twin goals of ending extreme poverty and boosting shared prosperity, endorsed a year ago by the Development Committee (DC). When the DC approved these twin goals, there was optimism with regard to the growth forecast, despite downside risks. The World Bank has however revised the projected global growth downward, four times from June 2013 to date. Growth is central to achieving the twin goals. As we ponder the future of global growth, the DC topic of “Promoting Shared Prosperity in an Unequal World”, gives us an opportunity to

reflect on how to make it more inclusive, by ensuring that the bottom 40% also benefit from the gains of economic growth. Discussion on this topic, we believe, is beneficial to both AEs and EMDCs.

We therefore welcome the timing of this discussion and commend the Bank for its analysis of the key challenges on the issue of shared prosperity, the on-going work and positioning of the WBG to assist client countries, as well as President Kim's leadership role in this regard. We concur with the Bank's main findings on the significance of jobs and the private sector, investing in people and social safety nets and inclusive growth in addressing challenges to promoting shared prosperity. We therefore agree with the Bank that countries face a three-fold agenda of enhancing human capabilities and building assets of the bottom 40%; improving access to markets; and strengthening tax and tax transfer systems. The journey in terms of how countries get to the point of identifying the most appropriate responses is particularly important, since it will vary from one country to another and region to region.

Understanding the dynamics of our particular countries, including the adequacy of data and prioritization of policy choices, as well as the linkages between policies, among others, is critical for the structural transformation of our economies. To this end, we note the reorganization of the Bank's structure, with a focus on becoming a knowledge repository particularly in reflection to what policy choices and interventions work; the new Country Engagement Model (CEM), focusing on providing in depth analyses of the key challenges and opportunities in focusing on the bottom 40% of our respective countries, with the Bank targeting its assistance to where it has a comparative advantage; and enhancing the Bank's lending capacity.

We also welcome the 2014 Global Monitoring Report (GMR), which we find extremely informative in outlining the progress and challenges to achieving the Millennium Development Goals (MDGs). The report is particularly significant because it incorporates the WBG's twin goals in its assessment, as well as monitoring shared prosperity in developed countries, making this year's GMR a truly global report. In addition to noting that the MDGs will not be achieved by 2015, the report is also not optimistic about the future prospects of eradicating extreme poverty by 2030. Achieving the WBG's corporate goals will therefore require a significant shift in growth patterns, including engaging closely with client countries on what needs to be done, the Bank will also need to increase its engagement and partnership with global and regional entities to deliver what is considered a global public good.

Macroeconomic Developments in Low-Income Developing Countries

We note the IMF's recent release of a report on the macroeconomic developments in low-income developing countries (LIDCs). We look forward to further engagement with the WBG and the IMF not only in assisting LIDCs in developing appropriate comprehensive responses to these challenges but also putting in place metrics that assist us in tracking progress.

Gender Progress Report

We note the progress made in the integration of gender equality in the operations of the WBG and we look forward to the revised gender and development strategy.

Diversity of the World Bank Group

The on-going change process not only provides an opportunity for the WBG to make important internal changes regarding the way it does business; it is also an opportunity to entrench diversity and inclusion as a culture of the WBG through matching words with actions. We want to see an organization that is diverse, one that includes gender, regional representation and a range of educational institutions from around the world, at all levels of the WBG. This adds richness to what the Bank has to offer.

We look forward to seeing concrete efforts on this matter by the next meeting of the DC, with further updates on progress on a regular basis.

Source: World Bank Intranet

ANNEX XIII

KHARTOUM II DECLARATION

Having met in Khartoum, The Republic of Sudan, at our 2014 African Caucus, chaired by His Excellency Bader Eldin Mahmoud Abbas Makhtar, Minister of Finance and National Economy, Sudan and Chairman of the African Caucus of Governors of the International Monetary Fund (IMF) and the World Bank Group (WBG);

Mindful that Africa's sustained growth, and poverty reduction and shared prosperity objectives are seriously challenged by the lack of adequate physical infrastructure and infrastructure financing instruments, slow growth in trade and low levels of industrialization, increasing level of urbanization and inadequate job creation;

Grateful for progress achieved so far, and support in fostering the development of transformative regional infrastructure projects in energy and agriculture;

Considering that without security, regional solutions and bold investments in key sectors such as agriculture, energy, transport, health and water, and ending fragility, eradicating extreme poverty, and boosting shared prosperity could be elusive goals;

Dissatisfied that our longstanding concerns on the IMF Quota and Governance Reforms still need to be addressed, that targets set for Africa's representation, as well as recruitment and promotion of African nationals in the BWIs still need to be achieved;

Disappointed by lack of progress by multilateral institutions and other creditors in providing debt relief for the remaining highly indebted African countries such as Sudan, South Sudan, Somalia and Zimbabwe;

Deeply concerned about the recent outbreak of the Ebola virus in some of our countries and the potential of its spread worldwide, the inadequate response to prevention and treatment and the slow pace of global action to prevent this crisis and its devastating impact on peoples' lives and economies; and

Noting with deep concern that the proposed Environmental and Social Safeguards Framework of the World Bank Group has not fully addressed the challenges of the existing Safeguards Policies, which have constrained implementation of critical projects and have provisions that go against national laws and the social fabric of our societies.

WE,
THE AFRICAN GOVERNORS OF THE IMF AND THE WBG,
REITERATE, WITH A SENSE OF URGENCY, OUR CALL

To *the World Bank Group* to:

- (i) Move quickly and effectively at establishing the Global Infrastructure Facility, with a dedicated window for Africa's infrastructure financing;
- (ii) Increase its IBRD enclave lending to IDA countries, to help in structuring large-scale transformational projects with regional impact;
- (iii) Explore, on a demand driven basis, the possibility of using IDA resources for project preparation, to attract a range of alternative financing modalities, including the private sector;
- (iv) Offer the guarantees and leverages needed to attract private sector investments and foster active public-private partnerships (PPPs) and increase IFC's resources under its Special Initiative for Infrastructure and its "Infra Venture" program in Africa;
- (v) Increase IFC and MIGA technical and financial support to African entrepreneurs, in order to develop their capacity to trade and build industries;
- (vi) Increase financial resources and mobilize additional contributions to support the development of water supply and agriculture development through the entire supply chain and support countries to attract investors into affordable renewable energy;
- (vii) Support Africa's transformation agenda by promoting optimal use of the continent's abundant resources through investments in manufacturing and value addition of raw materials;
- (viii) Support countries in their effort to develop a comprehensive plan of action to promote low cost housing programs, drawing from successful experiences elsewhere;
- (ix) Ensure that the revised Environmental and Social Safeguards Framework fully benefits from, among others, consultations with government, respects national laws, takes into account unique country circumstances and addresses concerns around controversial issues, such as, the treatment of indigenous peoples, which as stated in the current and proposed policy is inadequate and divisive; and
- (x) Strengthen collaboration with the African Development Bank (ADB) and other Development Finance Institutions in resource mobilization in support of infrastructure and other development needs.

To *the IMF* to:

- (i) Play a leading role in securing debt relief for the remaining African countries, including Sudan, South Sudan, Somalia and Zimbabwe from donors and other creditors;

- (ii) Take the necessary steps to raise additional resources, including through bilateral contributions and continued non-reimbursement to the General Resources Account (GRA) of administrative expenses of the Poverty Reduction and Growth Trust (PRGT);
- (iii) Support our investment agenda by not setting restrictive debt limits for Low Income Countries under Fund-supported programs. The Debt Limits Policy should be based on country circumstances with a non-intrusive operational framework;
- (iv) Assist in building capacity in national debt management; and
- (v) Enhance Africa's voice and representation at the IMF Executive Board through a third chair for Sub-Saharan Africa; through quota shares that reflect our economic dynamism and underlying vulnerabilities; and through an upward revision of basic votes as part of the Fifteenth General Review of Quotas.

To *the two Bretton Woods Institutions* to:

- (i) Build on diversity initiatives, and take concrete measures to achieve the set diversity objectives for Africans, at all levels of staff, in particular, recruit qualified and deserving Africans to senior managerial positions, and develop a pool of middle-level managers who can later transition, to senior managerial positions.
- (ii) Expand the pool of institutions from which their staff is recruited to include the top Universities and financial institutions in Africa;
- (iii) Given the emergency situation caused by the Ebola outbreak and the devastating impact on the post-conflict reconstruction and socio-economic development efforts in the countries affected, to take, without further delay, the necessary steps to put in place emergency financial support, and technical and policy advice to build more resilient health systems that are better able to cope with such outbreaks, and help in providing the needed fiscal space to adjust to the social and economic shocks associated with the epidemic.
- (iv) Finally but not the least, assist our countries to create the necessary fiscal space to address other drivers of fragility, including refugee spillovers arising from security problems.

In closing, we, African Governors, thank His Excellency Omar Hassan Ahmed ElBashir, President of the Republic of Sudan, the Government, and the People of the Republic of Sudan for the hospitality and facilities they accorded us throughout our stay in Khartoum.

African Caucus

Khartoum, Sudan

September 4, 2014

Source: World Bank, Africa Group 1