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Acronyms

IRM	IDA Immediate Response Mechanism
AfDB	African Development Bank
AMC	Asset Management Company
APOC	African Program for Onchocerciasis Control
BRICS	Brazil, Russia, India, China, South Africa
C10	Committee of Ten
CCFP	Critical Commodities Finance Program
CODE	Committee on Development Effectiveness
COGAM	Committee on Governance and Administrative Matters
CSO	Civil Society Organization
CTF	Clean Technology Fund
D&I	Diversity and Inclusion
DRF	Debt Reduction Facility
DTCs	Developing and Transition Countries
EDs	Executive Directors
ESIP	Eskom Sector Investment project
GTFP	Global Trade Finance Program
FCS	Fragile and Conflict State
GMR	Global monitoring Report
GTLP	Global Trade Liquidity Program
GWFP	Global Warehouse Finance Program
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
INT	Integrity Vice Presidency
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MITOSATH	Mission to Save the Helpless
NGO	Non Governmental Organization
NHI	National Health insurance
NOF	Nationality of Focus
NTDs	Neglected Tropical Diseases of Poverty
P4R	Program for Results
TSC	Trade and Supply Chain Products
VSP	Voice Secondment Program
WHO	World Health Organization
WBG	World Bank Group

Office of the Executive Director

Angola, Nigeria, South Africa Constituency

Renosi Mokate
Executive Director
South Africa

Mansur Muhtar
Alternate Executive Director
Nigeria

Larai Shuaibu
Senior Advisor
Nigeria

Vuyelwa Vumendlini-Schalk
Senior Advisor
South Africa

Aliyu Ahmed
Advisor
Nigeria

Domingos Pedro
Advisor
Angola

Kurt Morais
Advisor
South Africa

Patricia Jean Smith
Sr. Executive Assistant
South Africa

Nkem Okorie
Program Assistant
Nigeria

Foreword by the Executive Director

I am happy to present the FY 2012 Annual Report of the Angola, Nigeria and South Africa Constituency, to Governors. The report covers key activities of the World Bank Group during the fiscal year ending June 30, 2012 and is being presented to Governors at the occasion of the 2012 Annual Meetings of the Board of Governors of the International Monetary Fund and the World Bank Group, taking place from October 12 through October 14, in Tokyo, Japan.

During FY 2012 overall performance of the World Bank Group was satisfactory, despite the challenges of operating within a constrained fiscal environment. In terms of lending, IBRD/IDA commitments reached $35 billion as at June 30, 2012 with $31 billion disbursements; both significantly above pre-crisis levels. The declining trend of development outcomes, at the end of projects over the past few years, has been of concern to Management. Hence, great attention was focused on monitoring and improving development outcomes. In addition, various steps have been taken towards improving operational delivery, financial performance, human resource management and institutional support, for enhanced service delivery and stronger results, on the ground.

The 2012 Annual Report provides Governors with an overview of World Bank operations in FY2012. The Report also covers some key World Bank Group Strategies, policies and programs. Of special interest, is the New Instrument to Advance Development Effectiveness: the Program-for-Results (P-for-R) financing instrument approved by the Board in January, 2012, broadening the menu of Bank's instruments available to its clients. Key messages of the 2012 Global Monitoring Report on Food Prices, Nutrition and the Millennium Development Goals are reflected upon in this report, with a mixed message. The report also provides some insight on the 2013 World Development Report which focuses on the issue of Jobs creation, an issue of concern in many countries, and expected to be the main topic of Ministers' deliberations, during the Development Committee meeting, in October, 2012. Ministers will also be updated, through a background paper, on the on-going efforts to further integrate and mainstream gender into the work of the World Bank Group. These are indeed important areas of focus for member countries of our constituency and developing countries in general, in view of their immediate and long term impact on sustained growth and development.

During FY 2012, the World Bank Group extended support to our member countries through the various financing and advisory instruments of its different arms, as indicated in the report. Resources, however, continue to be limited.

Finally, the report highlights some selected administrative matters for information of Governors. These include the participation of the Constituency in a number of statutory meetings of the Constituency and those of the Bretton Woods Institutions during the course of FY 2012; and also, changes in management positions at the World Bank, including the process for the selection of a new President for the World Bank Group.

I hope that Governors will find this report a useful input towards their deliberations at the 2012 Annual Meetings in Tokyo, Japan and beyond.

As my tenure will end shortly after the 2012 Annual meetings, I would like to use this opportunity, on behalf of myself and the entire Team in the Constituency Office, to express my sincere appreciation to Governors for their steadfast support to the Team and especially to me, during the past two years. It has been a great privilege for me to have had the opportunity to serve as the first Executive Director of this important constituency.

I wish to extend to Governors in advance, fruitful deliberations at the 2012 Annual meetings, holding in Tokyo, Japan.

Sincerely,

Renosi Mokate

Executive Director for Angola, Nigeria and South Africa
October, 2012

Executive Summary

The World Bank Group Operations remained stable in FY12. Despite the decrease in commitments during this period, demand remained strong and substantially above pre-crisis levels. As at June 30, 2012, IBRD/IDA commitments reached $35 billion and $31 billion in disbursements. For IBRD, the commitments stood at $20.6 billion. IDA commitments for FY 12 stood at $14.7 billion compared to $16.3 billion committed in the preceding year. IFC's total commitments stood at $20.4 billion as at end of FY12. For MIGA, total guarantee issuance was $2.7 billion compared to $2.1 billion in FY11.

A number of World Bank Strategies were updated or reviewed in FY12. The updated **Infrastructure strategy** is an umbrella strategy that is meant to tie and underpin the sector strategies sectors. The updated **Governance and Corruption Strategy which rests on six pillars,** focuses on an approach that enables the Bank to deliver on its development mandate with greater effectiveness, while ensuring that countries are able to put in place institutions and systems that can become the foundations of sustainable growth. The **World Bank's Social Protection & Labour Strategy for 2012-2022** builds on the achievements, as well as the lessons, from practice and evidence over the last decade. The new **WBG Environment Strategy** – 2011 which rests on three strategic pillars, attempts to respond to the call of making growth more sustainable by laying out a vision for a "Green, Clean and Resilient World for All."

The IFC Road Map 13-15 is stepped up to ensure its commitment to poverty reduction, as IFC seeks to maintain the target of 45 – 50 percent of investment projects in IDA countries within this plan period.
Policies, programs and instruments are being oriented towards delivering stronger results, under varied conditions. The **IDA Immediate Response Mechanism** is in place to accelerate the disbursement of funds to help IDA countries address immediate post-crisis financing needs. The **Program-for-Results,** an innovative new financing instrument, places direct emphasis on development outcomes by linking the disbursement of funds directly to the delivery of results. The **Debt Reduction Facility for IDA-only Countries** is extended for another five years, until the end of July, 2017 in order to help heavily indebted poor countries continue to reduce their external commercial debt. The **World Bank Business Modernization** which was endorsed by Governors in 2010 is on course as there is clearly a greater commitment towards achieving results, and strengthening accountability. With the growing development needs of clients, greater attention is being focused on innovative approaches, including in **Leveraging the Private Sector for Development.** The WBG would continue to support client country governments in strengthening their capacity for public policy and regulation in an increasingly sophisticated and dynamic private sector environment, while assisting the private sector in its evolving role as appropriate. As part of the on-going efforts to strengthen development outcomes, the framework for a new **Partnership for Social Accountability** was approved by Executive Directors in June 2012. The initiative is aimed at strengthening the role that CSOs can play within the context of a social accountability framework, in advancing economic and social development.

The **2012 Global Monitoring Report** on *Food Prices, Nutrition and the Millennium Development Goals* is timely given that in 2011, international food prices spiked for the second time in three years, raising concerns about a repeat of the 2008 food price crisis, and with the attendant consequences on the poor. High food prices and malnutrition are preventing millions of people from escaping poverty, impacting on child and maternal mortality MDGs, which are lagging. The GMR highlights the need to help developing countries deal with the harmful effects of higher and more volatile food prices. It also outlines short and long-term policy responses, emphasizing the need for a tailored multi-sectoral approach to mitigate the adverse effects of food crisis and malnutrition on MDGs.

Recent global events have created a sense of urgency in relation to jobs. What these events highlight is that jobs are at the centre of development through their contribution to three major transformations: living standards, productivity gains and social cohesion. Accordingly, the World Bank Flagship publication – the **World Development Report**, focuses on the subject of Jobs for 2013. The World Development Report team at the World Bank has made progress with the draft report, which will seek to assess the contribution that jobs make to the three major transformations, in a way that encompasses wage employment, self-employment and farming. The WDR 2013 will be launched in October 2012 ahead of the IMF/WB Annual Meetings and will be discussed by Ministers at the 2012 Development Committee meeting.

In terms of **Constituency projects and programs,** as of March 31, 2012 the Angolan portfolio comprised five (5) active investment projects, representing a total net commitment of U$ 461.5 million. There are currently 28 projects in the Nigerian portfolio with a cumulative total net commitment of US$ 4.350 billion as at May 21, 2012. For South Africa, the US$3.75 billion Eskom Sector Investment Project (ESIP) remains the major IBRD operation, of which, a total of US$879 million has been disbursed to date.

As part of the resolutions of the **Constituency meeting that took place on September 22, 2011**, the **First Ministerial Forum of the Constituency** was hosted by South Africa, from March 22-24, 2012 in Pretoria, with Infrastructure Financing and Jobs, comprising the main themes of discussion. **This year's IMF/World Bank Spring Meetings** took place from April 20-21, 2012 in Washington D.C. where the key topics of discussion included: the Global Monitoring Report 2012; Social Protection and Safety Nets; WBG Modernization; Leveraging the Private Sector for Development; and Environmentally Sustainable Development (Rio+20). **The second meeting of the Constituency was held on May 29, 2012, in Arusha, Tanzania.**

Incremental but systematic progress had been recorded on **diversity and inclusion** targets. However, the departure of a number of sub-Saharan African nationals from senior management positions in recent times has further depleted the ranks of this group in an already diminished position. Concerted efforts are required to increase the diversity profile of the managerial cadre, as a means of enhancing Part II representation.

For FY12 and beyond, the cost of the **Voice Secondment Program** has been restored to the pre-FY10 level of $1.3m and a Preventive Measure for Defaulting Agencies, is now in place.

The Board of Executive Directors launched the process for the selection of a new President on February 17, 2012, thereby putting into use for the first time, the process for selection of the President, which was approved in 2011 and which emphasized the importance of a merit-based and transparent process.

FY 2012 has witnessed a huge number of **changes in Senior Management positions across the World Bank Group,** including two SSA nationals: Mrs. Ngozi Okonjo-Iweala, as Managing Director and Mrs. Obiageli Ezekwesili, as Africa Region Vice President. In addition, Mr. Robert B. Zoellick decided he will not seek reappointment at the end of his term which expires on June 30, 2012

WORLD BANK GROUP OPERATIONS

CHAPTER 1

World Bank Group Operations

1.1 Overview

Demand remained strong and substantially above pre-crisis levels. As at June 30, 2012, IBRD/IDA commitments were $35 billion, with $31 billion in disbursements. IFC's total commitments stood at $20.4 billion. For MIGA, total guarantee issuance was $2.7 billion. As at end of June 2012, Net Administrative Expenses for the Bank stood at approximately $1.82 billion. The Bank's workforce stood at over 11,500, at the end of June 2012, with 54% as Regional staff.

1.2 IBRD Operations

As at end of June 2012, IBRD commitments stood at $20.6 billion. This signifies a 22.8% decrease in commitments compared to $26.7 billion of FY11. Cumulative disbursements stood at $19.8 billion reflecting an amount that is 9.6% below that of FY11. Countries with highest IBRD commitments in FY12 include Indonesia, Brazil (with over $3.2 billion each).

1.3 IDA Operations

As at end of June 2012, IDA commitments stood at $14.7 billion. This indicates a 9.8% decrease in commitment compared to$16.3 billion in FY11.The share of investment lending for the first nine months of FY2012 and FY 2011 was 79%. Total disbursements for IDA in FY12 were $11.1 billion compared to $10.3 billion in FY11. This signifies a 7.8% increase over FY11 disbursements. Countries with highest IDA commitments in FY12 include India (with well over $2.5 billion) followed by countries like Vietnam, Pakistan, and Nigeria with around $1 billion.

1.4 IBRD/IDA Trust Funds

As at the end of June 2012, donor contributions to IBRD/IDA Trust Funds, increased by 14% to $4.4 billion. Most of the contributions went to the Afghanistan Reconstruction Fund, the Carbon funds and the Education for All Fast Track Initiative. As at the end of FY12, the number of active trust funds decreased to 720 compared to 748 at the end of FY11.

1.5 IFC Operations

IFC's total commitments as at end of June 2012 were $20.4 billion, comprising $15.5 billion for its own account in 576 projects, of which $5.9 billion in 283 projects were in IDA countries. By end of FY12 IFC had mobilized a total of $4.9 billion through its various vehicles. IFC's

Advisory Services portfolio as at end of FY12 totaled $893.9 million compared to $822.4 million in FY11.

1.6 MIGA Operations

As at June 30, 2012, MIGA's gross portfolio level increased with a focus on portfolio diversification and priority sector development. Total guarantee issuance for the year was $2.7 billion compared to $2.1 billion in FY11. As at end of June 2012, gross and net portfolio exposures, were $10.3 billion and $6.3 billion respectively, compared to $9.1 billion and $5.2 billion in FY11.

Source: IBRD, IFC, MIGA Reports

CHAPTER 2

Update on Selected World Bank Group Strategies

2.1 World Bank Group Infrastructure Strategy Update - FY12-15

Infrastructure is critical to delivering growth, reducing poverty and addressing broader development goals. Aspirations for growth are fuelling the expansion of infrastructure networks across countries and the more systematic development challenges of today's world – from social stability, to rapid urbanization, climate change, technological changes and globalised issues such as food and energy crises – call for more complex and interconnected infrastructure solutions.

Availability and reliability of infrastructure services are critical to private sector growth and competition on domestic and international markets. Recent work shows that a 10% increase in infrastructure development contributes to 1% economic growth in the long-term. In Sub-Sahara African, infrastructure development has contributed about half of the recent acceleration in growth.

For the WBG, infrastructure is at the core of its mandate of growth, poverty reduction and broader development. In FY10, the Post-crisis Directions paper identified support for infrastructure as the Group's strategic priority with regard to creating opportunities for growth and targeting the poor and vulnerable. Infrastructure spills over into many sectors, including urban development, environment, trade, private and financial sector development and education.

On November 30, 2011, the Committee on Development Effectiveness (CODE), met to discuss the WBG's Infrastructure Strategy update for FY12-15. The strategy is an umbrella strategy that ties together the sector strategies of individual sectors – transport, water, ICT and energy. It validates and strengthens individual sector strategies by highlighting their connections. It aligns with many of the principles on infrastructure reaffirmed at the G20 Summit in Cannes in 2011 and concurs with the importance of infrastructure for growth and job creation in developing countries; leveraging resources for infrastructure projects, including from the private sector, in an increasingly fiscally constrained environment of developed and developing countries, scaling up of regional projects; and establishing new mechanisms to unlock the public and private sector financing in LICs.

The Infrastructure strategy rests upon the following three pillars:

- Pillar 1: The WBG will continue to represent the core of the Group's engagement in infrastructure, through sector-based projects in support of the access and growth agenda.
- Pillar 2: The WBG will support client demand for addressing the more complex, second-generation infrastructure issues. This will be achieved through broadening the range of interlocutors interested in contributing to the solution, including middle-income countries, traditional and non-traditional donors, responsible businesses, and local actors. Transformational projects are designed to optimize co-benefits across infrastructure

sectors, between infrastructure and the environment, social development and heighten spatial benefits.

- Pillar 3: The WBG will leverage its capital by bringing more private sector financing into infrastructure. The IFC will ramp up its infrastructure business, MIGA will scale up its guarantee support and the Bank will reinforce its upstream activities on the enabling environment in order to attract the private sector.

To achieve maximum impact, the WBG's Infrastructure Strategy, and the various sector and regional strategies should all be well aligned**.** The three pillars were supported, as they are aligned with the priorities of African Governors, reiterated in their 2011 Memorandum to the President of the WBG, where they called for extra and urgent support for "transformational infrastructure".

The umbrella strategy recognizes that lack of basic infrastructure remains a challenge for LICs and some MICs. The emphasis on identifying different forms of engagement that will enable the Bank to constructively and effectively meet the demands of client countries, given its capital resources constraints and the complexity of the issues being addressed is equally appropriate. Nonetheless, there is a need for concerted efforts to be deployed in this area, to ensure that the Bank provides the required level of support, both in knowledge-sharing and leveraging required resources.

Both the public and private sectors, respectively, have key roles to play in the development of infrastructure. In this regard, the Strategy's proposal to scale up and deliver more efficiently on the PPP agenda, not only as a mechanism to increase financing, but also as a way of increasing the technical know-how that relates to infrastructure projects, is vital going forward.

Although the Strategy aims at enhancing regional impact, in some instances it falls short of proposing the appropriate tools to deliver at that level. Indeed, the WBG's traditional country-based approach limits the capacity of the institution to have extensive regional impact in parts of the world like Sub-Saharan Africa. Therefore, a more forceful engagement of the Bank at the regional level - through increased collaboration with regional institutions for example - could significantly facilitate the implementation of the FY12-15 strategy.

2.2 Strengthening Governance and Tackling Corruption: Updated Strategy

As part of the efforts to keep pace with changes that have occurred since the last Governance and Anticorruption Strategy was adopted in 2007, the World Bank is updating its strategy, focusing on adopting an approach that both enables it to deliver on its development mandate with greater effectiveness, while ensuring that countries are able to put in place institutions and systems that can become the foundations of sustainable growth. In this regard, the Executive Directors discussed the updated strategy at a meeting on March 27, 2012.

The Updated Strategy rests on six pillars:

- **Scaling Up and Systematizing Success:** Building on positive signals from integrating governance dimension across country strategies, sector strategies and operational portfolios, the Bank will continue its effort to mainstream governance and anticorruption elements in all its activities**.**

- **Supporting Country Institutions:** The updated Strategy recognizes that systems and processes within countries are the key drivers of development**.** The Bank will, therefore, work on building capable, transparent and accountable country institutions and, wherever feasible and appropriate, will use country systems. To this end, the Bank will put in place revised approaches to work in the public sector, procurement, judicial reform and the private and financial sector, in alignment with the country's own approach.

- **Focusing on Results:** Considering that a more rigorous framework to measure results is essential to ensure that the Bank efforts are helping achieve development outcomes, tools will be developed to measure improvements in project design, outputs from Bank-supported initiatives, and country-level governance institutions. Mindful of this complex task, especially indicators to measure country institutional quality, the Bank will actively seek partners for this work.

- **Managing Risks:** The Bank will aim more effectively to manage, rather than avoid, the risks inherent in working in a diversity of country contexts**,** including fragile and conflict affected states. The Bank will continue, via INT, to work on fraud and corruption and other safeguard measures, maintain its policy of zero tolerance, and remain committed to the highest fiduciary standards in all its work.

- **Improving Global Governance:** The Bank will expand its work on improving global governance by embedding governance dimensions into global programs**.** The Bank will leverage synergies between its work at the global, country and sector levels to protect global commons, the integrity of transnational flows of money or guarding against illegal trade in natural resources.

- **Organizing for Delivery:** The Updated Strategy will require changes in the systems and processes of the Bank, strengthening training programs for staff, establishing clear accountabilities that align resources with priorities, and integrating oversight and reporting into regular management.

While there was broad consensus among the board members that this updated strategy is expected to contribute to the effectiveness of Bank's mandate, fine-tuning the way it does business going forward, is essential. The Bank was encouraged to engage with country members at an early stage, involving and incentivizing them to set up their own time-bound strategies to improve governance.

2.3 World Bank's Social Protection & Labour Strategy 2012-2022

Social protection and labour programs and policies help individuals and societies to build resilience to risks and shocks. They also promote opportunities through building human capital, assets and improving access to jobs, and by freeing families to make productive investments because of their greater sense of security.

At a macroeconomic level, well-functioning social protection programs have been shown to be central to growth-promoting reforms. Extensive analysis shows that well-designed, well-targeted social protection and labour programs can affordably help households manage risk in the face of shocks; improve nutrition, health, and education outcomes for children; create access to better jobs; empower girls and women; and promote greater equity and opportunities for all.

For the World Bank, supporting social protection and labour in client countries is central to its mission of poverty reduction through sustainable and inclusive growth. The World Bank's Social Protection and Labour Strategy 2012 to 2022, which was discussed by Executive Directors at the CODE meeting of October 7, 2011 and March 14, 2012, lays out ways to deepen World Bank involvement, capacity, knowledge and impact in social protection and labour. The goals, strategic direction and engagement principles of the strategy, are as follows:

- The overarching goals are to help improve resilience, equity, and opportunity for people in both low- and middle-income countries.
- The strategic direction is to help developing countries migrate from fragmented approaches to more harmonized systems for social protection and labour.
- The engagement principles for working with clients are to be country-tailored and evidence-based in operations and knowledge work; and collaborative across a range of sectors and actors.

The strategy emphasizes that social protection and labour interventions should be flexible to adapt to a variety of country contexts with different social, economic, political, and institutional characteristics. The strategy recognizes that there is no "one size fits all' approach. Accordingly, it calls for improving evidence, building capacity, and sharing knowledge across countries to facilitate appropriate informed reforms.

This Social Protection and Labour Strategy builds on the achievements, as well as the lessons, from practice and evidence over the last decade. It is also positioned to meet new challenges, including:

- Bringing a stronger focus on solutions, underscoring the need to build a coherent portfolio of social protection and labour programs.
- Emphasizing a commitment to extend social protection and labour programs to the poorest countries and for the poorest people, who are the least integrated yet have the largest need.
- Stressing the central role of jobs as the pathway to opportunity, and laying out the agenda for both operations and partnerships.
- Highlighting the central importance of appropriate knowledge in social protection and labour practice, building on past experience. It particularly stresses the need to foster a

global South-South conversation about what works and how, in social protection and labour.

The main objective of this strategy is to guide the World Bank's social protection and labour practice in helping countries move from fragmented approaches, to harmonized systems. It has a particular focus on making these systems more inclusive of the vulnerable and more attuned to building people's capacities and improving the productivity of their work and able to respond better to crises and shocks. The strategy also emphasizes responses to three critical global gaps in social protection and labour today: (i) exclusion, where existing programs fail to reach key vulnerable groups; (ii) poor links to opportunities, where programs and systems do not always connect people to productive potential; and (iii) inflexibility, where programs are unable to accommodate the newly vulnerable, due to systemic shocks. Under the new strategy, the World Bank's priorities will include: (a) strengthening client capacity for performance monitoring within and across social protection and labour programs through maximizing the availability and use of existing datasets; (b) generating new, comparable, and accessible data on social protection and labour programs; and (c) making information on social protection and labour widely available as part of the World Bank's Open Data initiative.

The strategy was broadly supported by members and non-members of the Board's CODE. The importance of moving beyond "protection" to "inclusion" was stressed, which makes sound economic sense and should be ingrained as the core work of the institution. The strategy's focus on reducing fragmentation of programs and moving towards systems, with the emphasis on capacity building for systems, strengthening statistics, and enhancing countries' ability to provide an appropriate crisis response mechanism was strongly supported. There was also support for the strategy's cross-cutting aspects, which creates solid ground for an enhanced and coherent Bank engagement built on lessons learned from experience.

However, more still needs to be done on how to operationalise the strategy, particularly with respect to sustainably expanding its coverage and mainstreaming it in the Bank. The difficult political economy issues around social protection and labour matters were acknowledged and members underlined the importance of the Bank's role in its dialogue with governments and policymakers, in order to share evidence and experience and support countries in placing social protection and labour issues at the forefront of their development agendas.

2.4 The World Bank Group Environment Strategy - 2011

In the last two decades, the world has made tremendous progress in reducing poverty, but significantly less in managing the environment sustainably. Problems like pollution, overexploitation of fish stocks, biodiversity loss, overuse of water and land increasingly threaten countries' development efforts. The immediate and long-term consequences of climate change – from a warmer planet to more acid oceans – further threatens progress on poverty reduction and development, narrowing options and increasing the urgency of interventions that address climate-related risks to development.

The new WBG Environment Strategy attempts to respond to the call of making growth more sustainable by laying out a vision for a: "Green, Clean and Resilient World for All." The strategy understands the environment not as a separate concern but a core development category that is inextricably linked to building equitable and sustainable economic growth. Therefore, it recognizes that all economies, particularly developing economies still need to grow, but in a sustainable manner, so that income-producing opportunities are not pursued in ways that limits or closes off opportunities for future generations.

To translate this vision to action, the WBG is drawing on lessons learnt from the past 10 years of working with clients and development partners. Key among these lessons is that environmental degradation, or over-exploitation of a critical resource, hampers a country's economic progress. Another key lesson is that partnerships are essential in a fiscally constrained world faced with so many environmental challenges.

The following are the three strategic pillars underlying the WBG's environmental agenda.

- Green: A world in which natural resources are conserved and sustainably managed to improve livelihoods and ensure food security. Ecosystems are healthy and increase the economic returns from the activities they support and growth strategies are focused on overall wealth, rather than GDP.
- Clean: Low-pollution, low-carbon world in which cleaner air, water and oceans enable people to lead healthy, productive lives. Cleaner production standards spur innovation and good policies and institutions encourage industries to innovate and develop around clean technologies, providing jobs, offering the potential of export-led growth and contributing to sustainable economic development.
- Resilient: Preparedness for shocks and adapting effectively to climate change. In a resilient world, countries are better prepared for more frequent natural disasters, more volatile weather patterns, and long-term consequences of climate change. Resilience is dynamic and requires a focus on capacity building, innovation, knowledge management and confronting problems while finding solutions.

Across all three agendas – Green, Clean and Resilient – the goal of the strategy is to mobilize additional sources of finance for green growth, biodiversity conservation, low-pollution and low carbon initiatives, and investments to build resilience to climate shocks.

The focus under the Green Agenda will be to place value on natural assets within systems of national accounts. The WBG will examine ways that the Green, Clean and Resilient agendas can contribute to countries' economic growth.

The Clean agenda will recognize the pressure on clean water, clean air and productive land. The WBG will work with clients facing increasing pollution of air, water and soil, to foster a South-South exchange on best practice for managing pollution. It will also seek partnerships with the private sector to work on cleaner production and sustainable supply chains for industries and work across sectors to improve energy efficiency, encourage a shift to renewable energies, find climate-smart agricultural solutions, and build cleaner and lower-carbon cities.

Through the Resilience Agenda, the WBG will continue to work with partners in the disaster risk management area and with the private sector to help countries reduce their vulnerability to climate risks. It will continue to examine innovative approaches to increasing climate finance focused on adaptation.

This strategy recognizes that the role of the WBG is to accelerate solutions by building and exchanging knowledge, using demonstration effect, and by mobilizing and leveraging financing.

The strategy was strongly supported by CODE members and non-members. The WBG's wide approach, broad consultation and timing of the strategy after the COP17 in Durban and preparations to the Rio+20 Summit, was welcomed. In addition, the WBG has prepared a Green Growth Report that will be presented at the Rio+20 conference taking place in June 2012. The preliminary report does an excellent job at approaching green growth from a pragmatic point of view, concentrating on the practical ways to achieve Green Growth, through amongst others fixing market failures, internalizing externalities, redesigning production functions, improving governance and influencing behaviours. The report also defines Green Growth as economic growth that is environmentally sustainable, i.e. efficient, clean and resilient, and focuses on what is required in the next 5-10 years to avoid irreversible environmental damage, in line with this strategy.

The proposed strategy does strike the right balance between ambition and pragmatism, but there is a need to articulate more clearly and in specific terms, priority areas and results indicators; and to adopt a flexible implementation approach that is adaptive to country circumstances. The WBG efforts to advance green house gas (GHG) accounting for investment projects and overall private sector participation in greener growth initiatives is welcome. The strategy's emphasis on South-South learning also found strong support, although there is a need to strengthen the language in support of small islands and fragile states, regional capacity building, and the need for resource efficiency. Finally, the strategy needs to be mainstreamed within the Bank operations and aligned with individual sector strategies, for the Bank to be able to measure its environmental impact.

2.5 IFC Roadmap FY13 – 15

Following the significant economic and political uncertainty in the world today, the World Bank Group, like other International Financial Institutions (IFIs) initially forecasted a further slowdown in real GDP growth in 2012, both globally and for most developing regions, with a gradual recovery starting in 2013. Progress in addressing poverty and other long-term development challenges, such as rising inequality, food security, access to infrastructure, and climate change will also be affected in such uncertain circumstances.

Accordingly, the IFC Road Map 13-15 was fashioned to among others, retain its emphasis on IFC's long-term strategic objectives, and ensure commitment to poverty reduction while providing an effective and a focused counter-cyclical crisis response to client needs in the context of current capital projections. IFC's key corporate goals within this road map are a

greater emphasis on development impact and financial sustainability along with selectivity based on IFC's additionality.

As a critical driver of economic growth, the private sector is responsible for about 90 % of employment in the developing world. This sector is a provider of income, jobs, goods and services that improves people's lives and provides them with the opportunity to overcome poverty. Demand for IFC's services continues to increase as the role of the private sector in developing countries grows, and IFC continues to strengthen its capabilities and innovate its product offerings. The current difficult market environment as well as substantial risks will require readiness to respond to evolving client needs.

IFC's investment business projections for FY13-15 include the following key elements:

- Long-term finance (LTF), which includes the traditional long-tenor products of equity and long-term debt, as well as some supply chain products such as the Global Warehouse Finance Program (GWFP). Equity is expected to increase to an average 27 percent of LTF over the plan period in line with IFC's equity strategy.

- Trade and Supply Chain Products (TSC), such as the Global Trade Finance Program (GTFP), the crisis-related Critical Commodities Finance Program (CCFP) and the Global Trade Liquidity Program (GTLP). IFC expects to request an increase in the GTFP product ceiling in FY13, at which time it will also present preliminary GTFP results. TSC is expected to grow from $5billion in FY11 to $7.5 - $8 billion in FY15. CCFP and GTLP commitments are expected to occur primarily in FY12 and FY13.

- Mobilization as currently projected - through IFC's Syndicated Lending Program, Asset Management Company (AMC) and the GTLP and CCFP - will remain between $6 billion and $7 billion throughout the FY13-15 plan period, a savings of IFC's $5 billion capital on IFC's own account.

It is noteworthy that within this road map, IFC's five long-term Strategic Focus Areas remain unchanged from the prior years, except for the explicit inclusion of water and gender as important crosscutting themes. These five strategic areas are: frontier markets – (IDA countries, Fragile Situations, and frontier regions in non-IDA countries); climate change and environmental and social sustainability; infrastructure, health, education, and the food supply chain; financial markets; and Long-term client relationships with firms in developing countries,

IFC will maintain the target of 45 – 50 percent of investment projects in IDA countries within this plan period. It will also set a climate change target, with at least 20 percent of its annual long-term finance and at least 10 percent of its annual Trade and Supply Chain to be committed to climate-friendly projects by FY15. As part of its important catalytic role, IFC will continue to increase impact through mobilization and partnerships.

A major downturn could potentially jeopardize IFC's capital position, affecting its crisis response capacity. IFC will therefore optimize its responses, focusing on where it could achieve the greatest impact. IFC plans to inform the Board, should this significant downside scenario occur and there is a need for additional budgetary resources to support its portfolio management or counter-cyclical activities. In this regard, IFC will explore the possibility of hybrid capital.

However, preliminary assessment by the IFC in April 2012 indicates that the situation has changed based on the realization of large capital gains this year that its capital position appears to be more robust. In addition, the global situation has stabilized somewhat and the imperative of the hybrid capital previously contemplated has now diminished.

IFC intends to propose a real administrative budget increase of around 1 % as part of the FY 13 Business and budget Plan to fund any possible increase in cost during the plan period.

Source: World Bank/IFC Intranet

CHAPTER 3

Update on Selected World Bank Group Programs and Policies

3.1 IDA Immediate Response Mechanism

World Bank Group crisis response policies and procedures continue to evolve. In 2007, the Crisis Response Window was put in place to enable the Bank to move more rapidly and flexibly in providing support to countries during emergency situations.

In order to address existing challenges regarding IDA's capacity to respond in the immediate aftermath of a crisis or emergency, the World Bank Executive Directors, on December 8, 2011, approved a new mechanism, IDA Immediate Response Mechanism (IRM), to accelerate the disbursement of funds to help IDA countries address immediate post-crisis financing needs. The IRM allows IDA countries to cumulatively access up to 5 percent of their undisbursed IDA investment project balances rapidly, following an emergency or crisis, during the IDA 16 period. Small states and countries with small undisbursed balances will be able to access up to US$5 million of their undisbursed balances, even if this represented a higher than 5 percent level.

The IRM complements longer-term emergency response tools available to IDA countries, offering them financial support within weeks, rather than months, of an emergency, provided the country meets the eligibility criteria. The inclusion of contingent emergency response components in selected existing and/or future investment projects will facilitate the rapid disbursement of funds.

In the case of crises, such as natural disasters and economic shocks, IDA would provide immediate financing in support of recovery efforts, such as the activation or scaling up of safety nets to mitigate the impact on vulnerable groups, repair or restoration of basic physical assets, protection of critical development spending such as on health and education, and the creation of programs to jump-start economic activity. The IRM will also provide an additional platform for a dialogue with IDA clients on crisis prevention and response planning, and disaster risk mitigation. Countries will be able to access a portion of undisbursed balances in their investment project portfolios, up to a total of US$2.2 billion IDA resources.

Borrower participation in the IRM process is optional. The IRM would facilitate fast disbursement of funds by ensuring detailed implementation arrangements are agreed with borrowers pre-crisis. Bank staff will work with interested borrowers to identify suitable projects, and to put in place arrangements that would allow for the rapid drawdown of funds from these projects. The level of financing available under the IRM and the 5 percent country limit would be reviewed, and if needed adjusted, for IDA 17 and future replenishment periods in light of the

level of IDA total undisbursed balances, liquidity and the replenishment's commitment authority.
Source: WB Intranet

3.2 A New Instrument to advance Development Effectiveness: Program-for-Results

On January 24, 2012, the Board of Executive Directors approved Program-for-Results (P4R), an innovative new financing instrument that places direct emphasis on development outcomes by linking the disbursement of funds directly to the delivery of defined, verifiable results. The P4R works directly with the institutions and systems of the government's program to which Bank financing support is provided and, when appropriate, seeks to strengthen those institutions' governance and their capacities and systems over time.

With this instrument, IBRD now has three complementary lending instruments to offer member countries. The development policy lending (policy support), the investment lending (project support) and the new P4R lending (program support). Through P4R, the Bank will work with member countries to improve the design and implementation of their development programs and increase accountability. Key features of the proposed P4R include the following:

- Finances and helps strengthen development programs with clearly defined results.
- Disburses upon achievement of program-specific results and performance indicators.
- Focuses on strengthening the institutional governance, capacity, and systems essential to ensuring achievement of results and sustainability.
- Provides assurance that financing is used appropriately and that the environmental and social impacts of the program are adequately addressed.
- Supports programs in different sectors. However, it will not be used for projects with large procurement packages with significant upfront risks.

There is a lending cap of 5% on P4R operations in the first two years, following which it will be reviewed, in order to incorporate lessons learned within that period. FY2012 commitments under this new lending instrument totaled $300 million, which were approved for Morocco and Nepal.

Source: WB Intranet

3.3 Debt Reduction Facility for IDA-only Countries: Progress Update and Extension

On April 12, 2012, the Board of Executive Directors of the World Bank's International Development Association (IDA) approved the extension of the Debt Reduction Facility (DRF), for another five years, until the end of July, 2017 in order to help heavily indebted poor countries continue to reduce their external commercial debt.

The Debt Reduction Facility (DRF), for IDA-only Countries, was established in July 1989, with the objective of helping reforming heavily indebted poor countries (HIPCs) reduce their commercial external debt as part of a comprehensive debt resolution program. The DRF provides

support to eligible countries through grants to finance the preparation and implementation of external commercial debt buyback operations.

The importance of this facility cannot be overemphasized, as it currently provides highly indebted low income countries, several of which are also emerging from conflict, an important means to deal with commercial debt overhang issues. With an estimated contribution of US$10.27 billion to the reduction of external commercial debt obligations in beneficiary countries, the DRF has since its inception in 1989, supported 25 external commercial debt reduction operations in 21 IDA-only countries. The DRF-supported buyback operations have been financed with contributions from IBRD net income (35 percent), grant contributions from donors (33 percent), and beneficiary governments' own resources (32 percent).

In 2004 the DRF was explicitly linked to the HIPC Initiative. Since then the DRF has promoted greater creditor participation and an equitable burden sharing among creditors in the delivery of debt relief. It has also helped reduce the threat of litigation by non-concessional creditors against HIPC countries by contributing to the settlement of commercial creditors' claims.

The remarkable achievements notwithstanding, more remains to be done as up to 24 highly indebted low income countries are yet to benefit from the DRF. Hence most Executive Directors, including our chair, support the continuation of the facility. They have also requested that the facility be further strengthened and reinforced to allow it to play a much stronger role in achieving its intended goals. Executive Directors have called for the DRF to be more proactive in its approach to country cases and respond to countries' demand in the swiftest fashion, to encourage its use in debt reduction operations. Periodic reporting on the status of implementation will continue to be provided to the Board.

3.4 World Bank Business Modernization: An Update

Following Governors' endorsement of a comprehensive reform agenda for the World Bank Group (WBG), in 2010, several steps have been taken by the Management and Board to modernize the Bank's business, to make its products and services, organization, as well as systems and processes more results focused, open, and accountable to shareholders, partners and citizens. The aim is to enable the Bank to serve its clients more quickly, effectively, and efficiently, and with greater flexibility.

At the Spring Meetings of the IMF/World Bank, in April, 2012, an update was provided to Governors, on the progress to date, in the form of a background paper for the Development Committee meeting. The paper highlighted important milestones that have been reached over the past two years, including some of the lessons learned so far, and the next steps.

In terms of general progress and achievements, there has clearly been a greater commitment to achieving results. The Bank's capacity to measure, report on, and learn from results, has been expanded. Efforts are also under way to simplify and harmonize processes across the institution, in order to speed up decision-making, reduce bureaucracy, and strengthen accountability. Furthermore, initiatives have been intensified to promote knowledge sharing and track and

monitor its quality. With regards to HR management, efforts are on-going, to assign much clearer responsibility and accountability for decision-making, to help mitigate risk-aversion. There is also an emphasis on attracting and motivating a world-class group of diverse and talented staff that matches the Bank's business needs. Beyond progress in increasing internal mobility and reaching gender parity in the senior management team, the next priorities are to further review the compensation and benefits package, revamp performance and talent management systems and continually expand the diversity of staff.

Some specific outputs of the business modernization, to date, include the following:

- The first comprehensive World Bank Results Report was released at the 2011 Annual meetings, as part of the efforts to aggregate the findings of the new measurement systems to report on results.
- Results focus of lending instruments is also being strengthened, with the introduction of a new financing instrument - the Program-for-Results referred to as P4R - approved by the Board in January 2012, formally linking disbursements to the achievement of results.
- The decentralization exercise received a boost through the piloting of two Hubs, located in Nairobi and Singapore, to increase field presence of Bank in fragile and conflict states (FCS) and Middle Income Countries (MICs), respectively.
- A landmark Access to Information Policy and the Open Data Initiative were launched, thus opening up the Bank as a leader in transparency.
- A new Corporate Scorecard was also initiated, as part of the efforts to make the Bank more accountable to shareholders and other stakeholders.

The following constitute the FY13 Priorities, going forward, and Management will report back on them at the 2013 Spring Meetings:

- Make a step change in simplification, quality assurance, and accountability, including developing options to reduce overlaps and duplication in the Bank's structural organization;
- Develop quality and impact indicators for knowledge and improve governance and management of the knowledge portfolio;
- Take the results agenda to the next level, in particular, by building in client and beneficiary feedback;
- Adopt a package of measures to scale up Bank work in FCS;
- Make attention to gender, part of the Bank's DNA – including from conceptualization through M & E – and incorporate gender indicators in M & E frameworks;
- Tackle HR reforms, in particular with the introduction of a new approach to performance and talent management, benefits and compensation, and global mobility; and
- Begin to deepen synergies and collaboration across the Bank Group.

It is noteworthy that the modernization agenda is an on-going process, which will continue to evolve with the changing needs of clients, the dictates of the global arena, and the lessons being

learned along the way. Overall, progress is being made on various fronts. A lot more however remains to be done. In particular:

- More needs to be done to further simplify and harmonize Bank's processes and procedures. Attention should be focused on simplifying the layers of approvals that make the approval process slow and bureaucratic, and which sometimes affects project development, approval, commitments and disbursements;
- The South-South cooperation angle, as regional solutions, still needs to be sharpened and given more prominence;
- Feed-back mechanisms from clients/beneficiaries need to be strengthened to enable the Bank to adequately tailor on-going reforms to meet their needs and respond quickly to changing conditions on the ground; and
- Greater risk-taking appetite is gradually being encouraged, while simultaneously, attention to governance and anti-corruption is stronger. A healthy balance needs to be maintained between the two, keeping in mind the Bank's mandate for poverty reduction and the need to remain constructively engaged with clients, especially under difficult circumstances.

3.5 WBG Innovations in Leveraging the Private Sector for Development

The environment in which the World Bank Group functions has evolved in recent years, and the Institution is changing as a result. The private sector is decidedly accepted as a critical driver of - and partner with Governments in - economic development. Private capital flows dominate available resources, and trade represents an increasing share of economic activity. In realization of this, the WBG under this strategy is expected to tap into the private sector as the veritable engine of growth and development as well as the instrument of generating employment and creating wealth for the people. This will lay the foundation of poverty alleviation for the citizens of developing countries.

In this regard, the WBG would continue to support client country governments in strengthening their capacity for public policy and regulation in an increasingly sophisticated and dynamic private sector environment, while assisting the private sector in its evolving role as appropriate. The main thrusts of the intervention of the World Bank group are reflected in the following five main areas:

- **Innovative Approaches and Leveraging Private Sector**: Under this strategy the World Bank Group will encourage investment in infrastructure services through more private financing and support for infrastructure projects, particularly in low income countries. This will take the form of supporting improvements in regulatory frameworks, sector market structures, enabling environments for investment, as well as direct financing of *Public-Private Partnerships (PPPs)* project/programs. The Strategy specifically calls for increasing joint World Bank-IFC-MIGA collaboration, and raising the volume of PPP financing.
- **Value Chain Approach:** The WBG would engage the private sector in its support for food security along every step of the value chain by leveling the playing field for small

businesses—engendering women in business, and playing the role of the private sector's catalyst and financier so that it can reach the poor when providing basic health, education, infrastructure and financial services. The Bank Group will continue to encourage *Financial Inclusion* through a range of investment, advisory, treasury activities, and partnerships including support for the *G-20 Global Partnership for Financial Inclusion*. This is in response to the recognition that programs which link the poor people in commercially sustainable ways to the private sector have shown considerable promise.

- **Global development challenges**: The World Bank Group is now at the forefront of designing and managing initiatives to address *global development challenges*, such as combating the effects of climate change, and fighting communicable diseases. These initiatives have brought together diverse external actors, as well as units from across the WBG, and they have demonstrated that cooperation among traditional and new development partners can catalyze more benefits along with a constructive sharing of responsibilities.

- **Corporate Integrity and Strategic Value Addition**: The WBG engages with companies to encourage sound corporate governance standards, as well as reputable, ethical and transparent operations. IFC also works with firms to help maximize their positive impact through environmental and social performance standards, as well as community engagement, sustainable practices, effective philanthropy, and inclusive business operations. This is *Strategic Value Addition*. Work is also underway to build on leadership in sustainability, particularly by strengthening the capacity of clients through investment and advisory collaboration.

- **Risk management instruments**: The WBG has developed a number of *risk management instruments* to assist governments and private sector institutions to better manage their future risks. These instruments include; partial risk and credit guarantees, other risk transfer products and catastrophe risk financing solutions, currency and interest rate hedges and swaps, and commodity hedges. This is in realization that a lot is required in removing the bottlenecks to sustained private sector investment in *Fragile and Conflict Situations (FCS)*, in line with WDR 2011 on "Conflict, Security and Development". In the new business model, IFC would commit increased volumes of direct support to IDA countries and fragile and conflict affected states (FCS) and the business model has a strong recognition for the role of women to ensure growth, job creation and poverty alleviation.

While there is existing commitment to build on the above themes, partnerships within the WBG and with other development institutions will be critical to expanding impact of these interventions over time. Innovative sources of funds for both investments and advisory services are expected to grow in importance for the Group. Lastly, an increased focus on results and measurement, to demonstrate impact and to focus activities on the most successful approaches, will be central to the WBG private sector efforts.

Source: World Bank Intranet

3.6 The WBG Program to control River Blindness and other Neglected Tropical Diseases of Poverty (NTDs) in Africa through Community Health Systems

The African Program for Onchocerciasis [River Blindness] Control (APOC) Team in the World Bank organized a three day event from February 27, 2012 to March 2, 2012 in Washington DC. The Bank team honored retired General Theophilus Yakubu Danjuma, Chairman of the Nigerian Presidential Advisory Council and the Grand Patron of "The Mission to Save the Helpless" (MITOSATH) in recognition of the grant of US$ 1 million to the APOC/NTD Program. MITOSATH is one of the most active NGOs contributing to the control of river blindness in Nigeria.

While most traditional donor agencies contribute to the APOC Program, a new development is the strong ownership and commitment by African Governments and an emerging trend of support from African Philanthropists, like General Danjuma. The Federal Government of Nigeria also contributed US$ 5 million to the APOC Trust Fund. It is hoped that this would be an example for funding by other African philanthropies and African private sector donors.

The African Program for Onchocerciasis Control, more commonly known as the river blindness program is an African program, managed by the WHO Secretariat in Ouagadougou, Burkina Faso. The program is supported by a Trust Fund, managed by World Bank to which more than 20 major donors contribute. The World Bank, as the Fiscal Agent of the APOC Programme has disbursed over 1 billion US dollars for this programme. Together, WHO and the World Bank have been playing these roles for more than 30 years. Since 1994, Merck and Co in a landmark decision agreed to donate the treatment for river blindness - Mectizan - "as much as is needed for as long as it is needed". Today the program benefits 19 countries, whose Health Ministers make up the Board of APOC.

The APOC has been a highly successful health program in Africa, reaching over a billion people, and recording major success in eliminating river blindness across over 30 participating countries. Seventy five million people are treated every year. Blinding onchocerciasis has been virtually eliminated from the continent, and in some areas - transmission has ceased and treatment has been stopped. The APOC Board recently expanded the program beyond 2015 to target for elimination also, the other six neglected tropical diseases of poverty (NTDs) still affecting the poorest and most remote populations in Africa, using APOC's innovative community health systems delivery mechanism. This new proposal received wide support from Senior Bank management, and a renewed interest and effort to support the new Africa NTD Program for the period 2015 – 2025.

Given, the success of the of the Onchocerciasis Control Program and the strong commitments of other partners to the program, the Bank agreed to work with partners to support the final elimination of river blindness by extending support to the Trust Fund to 2025. This would involve helping the countries to use the same health systems to control or eliminate other six neglected tropical diseases in Africa. The World Bank Executive Board endorsed this proposal in March 2012.

Source: World Bank Intranet. Picture: courtesy AK DEY PRODUCTION

3.7 Global Partnership for Social Accountability

The World Bank Board of Executive Directors on June 12, 2012, reviewed and approved the operational details of the new Global Partnership for Social Accountability (GPSA) which was earlier discussed in April, 2012. The GPSA is a new mechanism to scale up and support social accountability by beneficiary groups and CSOs in developing countries. The initiative is aimed at strengthening the role that CSOs can play as part of the social accountability framework in advancing economic, and social development.

The Bank plans to invest $20 million in seed money to create the Partnership and will work with other partners to raise additional funds. In addition to investing in projects to boost social accountability, the Partnership will also focus on exchanging knowledge of best practice.

The scope of the GPSA is global. Over twenty potential partners (including foundations, think tanks, governments and bilateral organizations) provided input to its design, along with more than 1,300 representatives of civil society organizations from 60 countries, who have participated in consultations on the proposed Partnership.

The World Bank has long acknowledged the important role of civil society and has worked with CSOs for several decades. In 1983, the Bank established the Small Grants Program (later known as the Civil Society Fund, or CSF) to provide direct support to CSOs. In recent years, the CSF has annually supported 350 to 400 CSOs in more than 55 countries. Additional World Bank funding for CSOs, directly and through governmental channels, has also increased steadily over the past decade, totaling an estimated $645 million during FY08-10.

Our chair, along with other African Chairs, recognized the increasingly important role of CSOs in shaping the way and manner in which services are delivered to the people and ultimately, for overall development. In this regard, they welcomed the Bank's initiative to strengthen the role that CSOs can play as part of the social accountability framework in advancing economic, and social development. They emphasized the need to assist CSOs in building capacities, to help them better articulate issues and engage in a more constructive manner. A key challenge highlighted, is how to manage the relationship with governments where the GPSA will operate. The chairs therefore stressed the need for the Bank and the GPSA to operate with consenting and informed governments. If well managed, the proposed framework could help to build the trust between CSOs and governments, for increased and improved delivery of services.

3.8 IDA Commitment Charge for FY2013

Based on current projections of IDA's charge income and administrative expenses, IDA would not require any income from commitment charges on either credits or grants for FY13. Consequently, the Board approved that commitment charge on both IDA credits and grants be kept at zero in FY13.

Going forward, the commitment charge for the next two fiscal years was initially projected to remain at zero, which is consistent with the FY13-15 Medium-Term Business and Finance Paper, discussed by the Board on April 2012. In the meantime, the Board approved the post-retirement contribution reserve Fund (PCRF) to smooth budgetary contributions to the pension plans. The initial build-up phase of the PCRF would increase IDA's share of administrative expenses and therefore impact the commitment charge in case of no change in the IDA's income charge. Accordingly, the IDA commitment charge is subject to revision in FY14 and FY15, based on a variety of parameters including the share of the administrative expenses as well as the pace of commitments and disbursements.

As the World Bank's fund for the poorest countries, IDA lends money on concessional terms, charging no interest on its credits and providing grants to countries at risk of debt distress. IDA's policy is to maintain its service and commitment charges at a level that will cover its allocated administrative expenses. The service charge is fixed at 75 basis point of the disbursed and outstanding balance of the credits provided. The commitment charge, set annually by the Executive Directors prior to the start of each fiscal year, is variable between 0 to 50 basis point of the undisbursed balance of credits. Therefore, the commitment charge is established only in cases where the projected administrative expenses allocated to IDA is higher than its charge income (mainly made up by the service charge), with a view to cover the projected shortfall.

Historically, no commitment charges on credits have been levied to IDA countries by the World Bank since FY09, as IDA generated income has always been sufficient to cover its administrative expenses.

3.9 IBRD Loan Pricing

IBRD semi-annually provides an update of the lending rates and spreads by loan product as set out in the terms of each product. The structure of lending rates and spreads applicable to the IBRD loans outstanding can be broadly grouped into three categories: fixed spreads over a market reference rate, variable spreads over the Reference rate, and currency pool based rates. Fixed rates and variable rates are currently offered under IBRD Flexible Loan (IFL) which consolidated the two previously offered LIBOR products: Variable Spread Loan and Fixed Spread Loan. In addition, there are other LIBOR based products and currency pool based products which were withdrawn from the IBRD menu of new loan commitments but whose terms still govern the rate resetting of some outstanding loans.

On April 5, 2012, the technical component of the fixed spreads over the Reference Rate for IBRD IFLs across all maturity categories was reduced. The decrease was made up of lower projected funding costs for all currencies by 10 basis points for loans with average repayment

maturities of 15 years or less and 5 basis points for loans with average repayment maturities of 15 years or less and up to 18 years. In addition, for euro and yen denominated loans, the projected basis swap adjustment was lowered by 5 basis points compared to the previous level. This change affects all fixed spreads IFLs signed on or after April 6, 2012.

CHAPTER 4

Flagship Reports

4.1 Global Monitoring Report 2012: Food Prices, Nutrition & the Millennium Development Goals

Following its mandate on poverty reduction and as a commitment with the development community, every year the Global Monitoring Report of the World Bank and IMF assess progress across the Millennium Development Goals (MDGs) to understand how much progress the international community has made in delivering basic global needs. These needs include affordable and nutritious food, clean and safe water, access to health and education as well as proper sanitation facilities, all of which are essential and vital for a decent life for all human beings.

The 2012 Global Monitoring Report (GMR) on *Food Prices, Nutrition and the Millennium Development Goals* was both welcomed and timely given that in 2011, international food prices spiked for the second time in three years, raising concerns about a repeat of the 2008 food price crisis, and with the attendant consequences on the poor. Food prices directly affect the indicators of hunger and malnutrition, impacting negatively on health status and education of the poor, especially women and children. Therefore, the report highlights the need to help developing countries deal with the harmful effects of higher and more volatile food prices.

According to the World Bank records, it is estimated that the food price spike of 2011 raised the poverty headcount by 36 million. As the supply response to higher prices takes time to materialize, many poor households, typically net buyers, had their real income reduced, leading to a rise in poverty. The GMR shows that many of them responded to the higher prices by reducing the quality of food, the number of meals per day as well as non-food expenditures (education and health), while seeking assistance from relatives and exploring new informal occupation to increase income.

The report outlined the good message that the world has achieved the first MDG target of halving extreme poverty in 2010 and significant progress on gender equality, increased access to safe drinking water and primary education. However, high food prices and malnutrition are preventing millions of people from escaping poverty impacting on child and maternal mortality MDGs, which are lagging. As a result most countries, especially fragile states and LICs, are unlikely to meet these MDGs by 2015.

The GMR outlines short and long-term policy responses, emphasizing the need for a tailored multi-sectoral approach to mitigate the adverse effects of food crisis and malnutrition on MDGs. In the short term, countries should take measures to alleviate the immediate hardship on the poor and vulnerable through, for example, the use of social safety nets to improve resilience. In the long term, measures should address the main bottlenecks to the functioning of the domestic food

markets and profitability of farmers, with priority attention paid to agricultural reform, research and development, appropriate trade policy interventions and regional integration.

To complement countries' efforts, the Bank is encouraged to mainstream nutrition in its operations, assist developing countries in building strong institutions, systems and capacity. The Bank is also encouraged to update its strategy on agriculture and food security program.

The Bretton Wood Institutions will need to remain vigilant and continue to work with all stakeholders to advance the other MDGs and to learn from the experience and previous crises.

Since the launch of the GMR 2012, in April, the Bank has embarked on a series of activities to widely disseminate the GMR and articulate the way other UN agencies, development partners and NGOs worldwide can assist in operationalizing the recommendations. Within the Bank, the agricultural strategy is being updated, to incorporate among other things, a nutritional component, while the Networks are in the process of integrating agriculture and nutrition issues in their activities, in line with the observations outlined in the GMR 2012.

4.2 World Development Report 2013 on Jobs

The result of recent global events has created a sense of urgency in relation to jobs. What these events highlight is that jobs are at the centre of development through their contribution to three major transformations: living standards, productivity gains and social cohesion, which the World Development Report (WDR) team will use as a point of departure in compiling the report. The WDR team has not circulated a draft report as yet but has made a presentation to Executive Directors (EDs) on the framework of the Report.

The Report will seek to assess the contribution that jobs make to the three major transformations, in a way that encompasses wage employment, self-employment and farming. The team will also focus on the jobs challenges in developing countries, where the salaried relationship is not always prevalent; therefore the Report will cover the informal sector in a comprehensive manner.

The Report poses eight difficult questions, including: growth strategy or jobs strategy: what should countries pursue? Should countries have a targeted investment climate? Skills, jobs and development- is it a linear path? Can entrepreneurship be fostered? What are the obstacles to job reallocation? Can jobs policies contribute to social cohesion? Protecting workers or protecting jobs? Do countries compete for jobs? The EDs discussed and expressed support for the eight difficult questions. They added that while the eight questions may not be exhaustive, with the necessary caveats and context, the questions can help break new ground for employment policies. In this context the WDR team will explore each of the questions further.

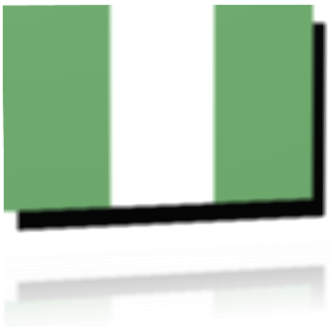
The Report will derive clear policy recommendations, both at the country level as well as internationally. One chapter of the Report will revisit evidence from around the world on labour policies and programs using the proposed analytical framework. The policies and programs to be covered will include labour market regulation, active labour market programs, collective bargaining, and social insurance policies. Going beyond labour policies and programs, the difficult questions are framed so as to guide decision-making on obstacles to job creation lying

outside the labour market. If generalizations are possible, these will be made but in most instances the answers to the difficult questions will not be universal but will vary by context. Further, noting that most jobs are created by the private sector, the team will ensure that this features prominently in the final Report. It will also clearly state that appropriately anchored macroeconomic policies and well-functioning markets are a prerequisite of job creation.

The report will also attempt to distil a typology of challenges based on a country's endowments, demographics and governance. In this regard the team identifies seven types of countries: (i) Agrarian; (ii) Conflict affected; (iii) Urbanizing; (iv) Resource-rich; (v) High Youth Unemployment; (vi) Formalizing; and (vii) Aging. The team acknowledges that a country may have more than one of these traits. The team is undertaking country case studies in seven countries (Bangladesh, Mexico, Mozambique, Papua New Guinea, South Sudan and Ukraine) with each displaying one of the aforementioned traits. Local consultations are being held in all of the seven countries with a range of stakeholders, including policy makers, academics, labour representatives, businesses and civil society. It is the team's intention to disseminate an overview of each of the case studies in conjunction with the dissemination of the Report in the fall 2012, and to consolidate them into a "hands-on" companion volume for practitioners shortly thereafter.

The team will also provide an analytical continuity between this WDR and previous ones, especially on *Conflict* and *Gender*. In both cases what is at stake is an interaction between market and non-market mechanisms around jobs. The importance of female employment, for example, goes beyond bringing earnings to a household when it also affects interactions at the household level, potentially resulting in greater investments in children or reduced domestic violence.

The WDR team is engaged in continuous consultation with a range of stakeholders around the world, it has an Advisory Panel, which includes one prominent representative from each of the regions of the World Bank, as well as three leading world academics. The team has had extensive discussions with numerous international organizations.



CHAPTER 5

Constituency Countries Projects and Programs

5.1 Angola

Strategy with the Bank

While the Country Partnership Strategy (CPS) for the next four years is under preparation, the relationship with the WBG is still based on the Interim Strategy Note (ISN) of April 26, 2007. The document focus on three pillars: (i) strengthening public sector management and government institutional capacity; (ii) supporting the rebuilding of critical infrastructure and improving service delivery for poverty reduction; and (iii) promoting the growth of non-mineral sectors. This transition period is expected to be completed during the course of this financial year, given that discussions around the CPS with the Bank are at the final stage. The strategy is likely to shift the focus from lending to knowledge and partnership, emphasizing the component of institutional and human capacity building.

Meanwhile, given its status as a MIC and the potential move from IDA to IBRD, Angola is exploring other options for the future engagement with the WBG, notably the Reimbursable Technical Assistance (RTA) under the Analytical and Advisory Services (AAA).

Portfolio size and composition

As of June 30, 2012 the Angolan portfolio comprised of five (5) active investment projects, representing a total net commitment of U$ 461.5 million. This number was carried over from FY11 because no new projects have been approved in the course of FY12.Total cumulative disbursements stand at U$ 74 million corresponding to 16% of the total net commitments. The portfolio comprises projects in five sectors: Water 38%, Transport 22%, public Sector and Decentralization 18%, Human Development 15% and Agriculture and Rural Development 7%. The infrastructure sector, (water and transport), represent the largest share of the portfolio, making up 60% of the total envelope (See chart 1 on Portfolio breakdown by sector).

The average age of the portfolio is now 3.5, with the oldest project being EMRP II with 4.8 years. Among the acting projects, EMRP II was restructured and extended to May 31, 2013 and WSIDP, through additional financing, extended to June 30, 2019.

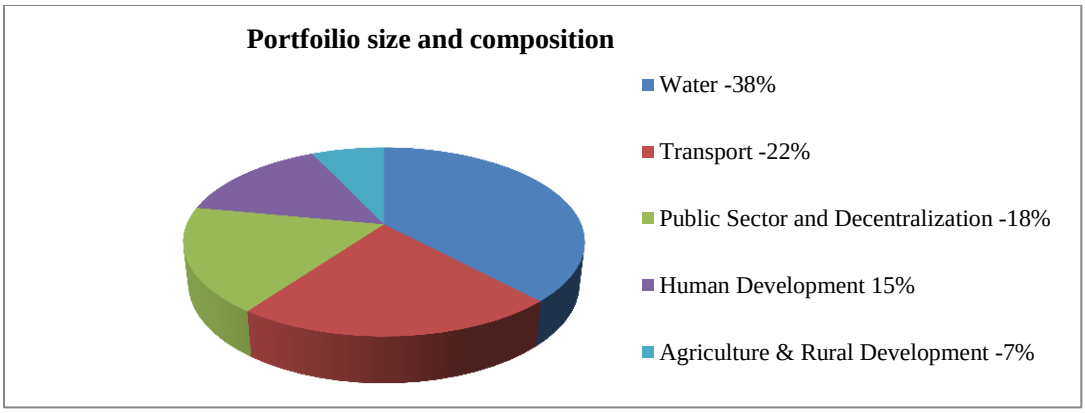


Chart 1: Angola – Portfolio Breakdown by Sector

Projects in pipeline

To date only one project, Learning for All, in the amount of US$75 million, is expected to be approved in the coming months. The project addresses the issue of quality of education in the primary level throughout the country and will likely go to the Board along with the incoming CPS.

5.2 Nigeria

Strategy with the Bank

The existing Country Partnership Strategy (CPS) (2010-2013) focuses on three themes to transform and diversify Nigeria's economy: (i) improving governance; (ii) maintaining non-oil growth; and (iii) promoting human development. Following discussions with the Nigerian authorities, it has been agreed that the focus of the next CPS should be on Infrastructure, Energy and Agriculture across the whole value chain. Emphasis should also be placed on promoting Public Private Partnership (PPP) and knowledge exchange.

Portfolio Size and Composition

There are currently 26 projects in the Nigerian portfolio with cumulative total net commitments of US$ 4,747.7 billion as at June 30, 2012. Cumulatively, the sum of US $ 1,350.5 billion has been disbursed representing 29 % of total commitments to date, while the sum of US$ 3,368.6 billion remains undisbursed.

The portfolio comprises projects in five main areas namely: FPD, Human Development (health, education, HIV/AIDS) Sustainable Development (water, roads, energy, transport and agriculture), Mineral, and poverty reduction and economic management economic sectors.

There are nineteen projects with 2012 closing dates. Issues surrounding six projects which were approved by the Executive Board need to be resolved urgently so as to kick-start the projects that have remained moribund from the time of their approval up to this moment.

Effectiveness Dates – There are five projects awaiting effectiveness. The list of projects and their board approval dates are indicated in Table 1.

Serial No	Project	Board Approval Date
1	Growth and Employment in States	March 17, 2011
2	States Health Program Investment Credit	October 11, 2011
3	State Employment and Expenditure for results	June 29, 2010
4	Public Sector Governance reform & Development Project	June 29, 2010
5	Electricity & Gas Improvement Project (NEGIP)	June 16, 2009

Table 1: Nigeria - List of Projects Awaiting Effectiveness

The issues surrounding the effectiveness of these projects need to be addressed urgently in view of the very huge resources gap in Nigeria.

Sector Breakdown of Portfolio – (i) Financial & Private Sector Development- 7%; (ii) Human Development (health, education, HIV/AIDS) 25%; (iii) Sustainable Development (water, roads, energy transport and agriculture) 55%; (iv) Mineral 3%; and (v) Poverty Reduction and Economic Management 10% (shown below).

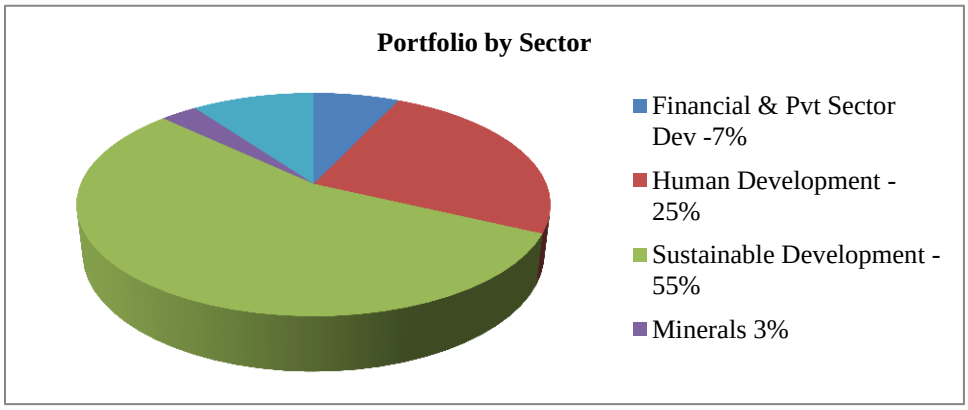


Chart 2: Nigeria – Portfolio Breakdown by Sector

Pipeline Projects: There are seven projects currently in the pipeline spanning the following sectors: Agriculture; Education; Health; and Rural Roads.

International Finance Corporation

The cumulative commitments on all IFC projects stood at US$ 1, 105.8 million as at June 30, 2012. The IFC program spans three main industry groupings and twelve sectors namely: Financial Markets; Manufacturing, Agribusiness and Services and Infrastructure and Natural

Resources (see Table. below). The cumulative disbursements during the same period stood at US$ 1,274 million. There are nine projects in the pipeline across six sectors.

Portfolio Size and Composition by Sectors

IFC Committed Portfolio in Nigeria by Industry Group as of June 30, 2012, $m

Industry Group	**$m**
Financial Markets	736.9
Manufacturing, Agribusiness & Services	183.7
Infrastructure & Natural Resources	185.2
Total	**1,105.8**

Table 2: Industry Grouping of IFC Portfolio in Nigeria

Focus for Future Investments

- IFC intends to continue to support the on-going economic reform priorities in Nigeria, with particular focus on: power/infrastructure, agriculture, housing, and SME development. These will be done in collaboration with IDA.
- Housing/mortgage finance to receive a new boost, following the successful Housing Finance Workshop held in May 2012, and invitation to IDA and IFC to present at the workshop, IFC intends to follow-up with a joint support program with IDA.
- The major hurdles on Naira Bonds have been cleared by the Federal Ministry of Finance, Central Bank of Nigeria and Security and Exchange Commission and Pension Commission. What remains now is the appropriate timing of the bond issue to ensure maximum development impact.

5.3 South Africa

Strategy with the Bank

The current CPS period (2008-2012) has seen a significant evolution of the Bank's relationship in South Africa. The 2008 CPS recognized that there was little prospect of South Africa borrowing, thus proposing a demand-driven program of knowledge services, building on some of the deeper working relationships that the Bank had built up over time in areas such as urban development, macro-economic analysis, the financial sector, rural development, environment and bio-diversity, and the education sector. The Bank country office has, in last year, witnessed a growing demand for the Bank's knowledge services. In addition, South Africa approached the Bank for a US$3.75 billion loan to Eskom, the State-owned electricity utility. Also during the CPS, the first agreement for Reimbursable Technical Assistance was concluded. These changes were codified in the CPS Progress Report, which was discussed by the Board at the same time as the Eskom Project.

Portfolio size and composition

The US$3.75 billion Eskom Sector Investment Project (ESIP) approved by the Board in April, 2010 was the first major IBRD operation for post-apartheid South Africa. A total of US$879 million has been disbursed to date. A 12-month delay in the implementation of the Medupi power plant has contributed to slower disbursement than originally estimated.

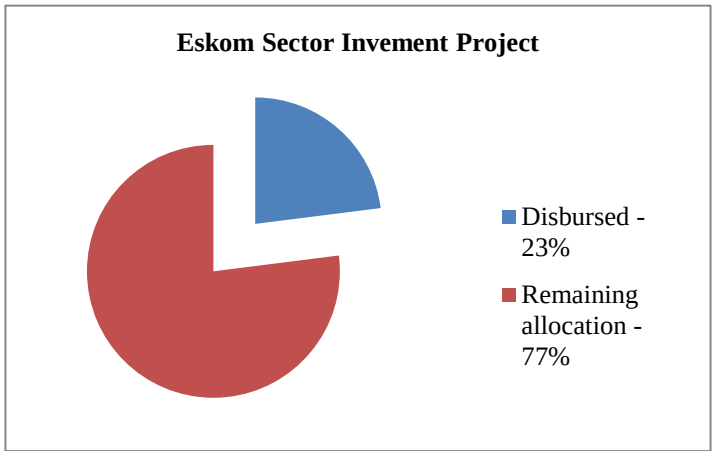


Chart 3: South Africa – Disbursement Profile for Eskom Project

Technical Assistance

Consistent with the knowledge focus of the CPS, the Bank is engaged in a significant number of analytical work and advisory services in the areas of economic analysis, urban development, environment, energy, health, water, transport, land reform, disaster risk management, gender, monitoring and evaluation and regional integration.


NIGERIA
ANGOLA

CHAPTER 6

Recent Meetings

6.1 First Ministerial Forum of the Constituency

As part of the resolutions of the Constituency meeting that took place in September 2011, at the margins of the WB/ IMF Annual Meetings, a ministerial forum was arranged. The Ministerial Forum was designed as a platform for Governors to discuss issues of mutual interest beyond World Bank and IMF related matters and share knowledge and experience on areas where each country has comparative advantage. The first meeting which was hosted by South Africa, took place from March 22-24, 2012 in Pretoria.

The Ministerial Forum was structured into three: an inaugural Ministerial Working Dinner, where the three Governors of the Constituency (Angola, Nigeria and South Africa) discussed the current status of the Global Economy and how the respective countries are dealing with it; a constituency extra-ordinary meeting; and a deliberation on topics of mutual interest, which were pre-selected by the office of the Executive Director. The two topics for discussion were (i) infrastructure financing and (ii) jobs, with particular reference to youth unemployment.

At the **inaugural dinner**, the lead discussant, Dr. Mthuli Ncube, gave a presentation that touched on the global economy in general, Africa's landscape and the impact of the crisis on Angola, Nigeria and South Africa and how the three countries dealt with the crisis. The main message was that although there seemed to be a "small" double dip recession, caused by Euro-zone uncertainty in 2011, the impact on Africa was less severe than the first downturn in 2008/2009. Countries such as Angola, Nigeria and South Africa, which are commodity exporters, do however face different structural challenges.

The **Constituency meeting** dealt with most of the constituency related matters, which will be further deliberated upon at the next constituency meeting that will be held on the margins of the African Development Bank meetings, in Arusha Tanzania. The main focus was however the 2012 Spring Meetings.

At the **knowledge exchange forum**, the discussants, Dr. Andrew Ali and Mr. Thierry Tanoh, highlighted key issues and challenges faced by private sector developers and financiers of infrastructure assets across various sectors in Africa. However, there are a number of key success factors in evaluating private infrastructure financing across Africa, although more still needs to be done.

On the jobs topic, the discussants, Dr John Page and Dr Altman, highlighted the challenges that Africa is facing with regard to employment creation, as a result of the lack of structural changes in the economies. However, it is noteworthy to know that countries were embarking on programs that can provide some immediate relief from the lack of jobs, especially for the youth.

The problem common to most countries is the high degree of informality, and although microenterprises are an important component of a growing economy, in most cases, they do not increase the value added to production or employment, but they do however improve family's standard of living.

To conclude the Ministerial Forum, two site visits were arranged, to showcase the infrastructure investment in South Africa and how the PPP model has worked in delivering some key infrastructure investment in South Africa. The Eskom Megawatt Park (the state energy utility) and the Gautrain Operations Centre (rapid rail system between Johannesburg, Pretoria and the OR Tambo International Airport) were visited.

6.2 World Bank / International Monetary Fund Spring Meetings 2012

This year's Spring Meetings took place from April 20-21, 2012 in Washington D.C. The South African delegation was led by Minister Pravin Gordan (Minister of Finance); the Nigeria delegation by Minister Ngozi Okonjo-Iweala (Coordinating Minister of the Economy and Minister of Finance); and the Angolan delegation by Mr. Jose Carlos Neto (Director in the Ministry of Planning). Nigeria represented the Constituency at the Development Committee (DC) and South Africa represented the Constituency at the International Monetary Fund Committee (IMFC), in line with the constituency arrangements.

The topics for the 2012 Spring Meetings were as follows:

- Global Monitoring Report 2012 (Food Prices, Nutrition and the MDGs);
- WBG Modernization Agenda (Investment lending, Decentralization, Matrix System);
- Social Protection and Safety Nets (Poorest and Vulnerable);
- Leveraging the Private Sector (PPP); and
- Environmentally Sustainable Development (Rio+20);

The topics discussed in the DC meeting were the Social Protection and Safety Nets; and the WBG Innovation in Leveraging the Private Sector for Development. The 2012 Global Monitoring Report and the WBG Business Modernization formed part of the background documents for the DC meeting. The Environmentally Sustainable Development Paper was discussed during the Bali Dialogue.

In summary, the 2012 Global Monitoring Report (GMR) focused on food prices and nutrition status, and their effect on several MDGs in the short and long term, reviewing the policy response as well as outlining future prospects. The WBG Modernization Agenda reported on progress achieved against the resolution of the 2010 Spring Meetings to make the Bank more responsive, agile and client centric. The Social Protection and Safety Nets paper demonstrated the benefits that can be derived from having safety nets in times of crises, and also how they can promote inclusive, responsive and productive social protection systems, where there are gaps. The Leveraging the Private Sector Paper showed how the WBG can leverage and support the private sector, both directly and indirectly, from upstream assistance in the creation of healthy investment climates, regulations and market structures, through innovative products and approaches in the areas of Public-Private Partnerships, amongst others, to support growth. The Environmentally Sustainable Development discussion laid out the road to the Rio+20

Conference that is scheduled to take place in June 2012, and the role of the Bank in that regard. This includes the Green Growth Report that the Bank will present at the Conference.

In addition to the formal WB meetings, the G24 met, of which Nigeria and South Africa are members. Other meetings such as the BRICS Finance Ministers, C10, Common Wealth and G20 Finance Ministers were also held and well attended. The delegations also met with the WB Staff on their country-specific matters.

The WB/IMF Annual Meetings will take place in Tokyo, Japan, from Oct 12-14, 2012.

6.3 Constituency Meetings in 2012

In accordance with the guiding principles, the Constituency, two meetings of the Constituency were held. The first, on the margins of the IMF/WB Annual Meetings in Washington D.C., U.S.A. on September 22, 2011 and the second, on the margins of the Annual Meeting of the African Development Bank in Arusha, Tanzania, on May 29, 2012.

Meeting of September 22, 2011 – Washington D.C: The Angolan delegation was led by the Secretary of State of Treasury Manuel Neto da Costa; the Nigerian delegation by the Coordinating Minister of the Economy and Minister of Finance Ngozi Okonjo-Iweala; and the South African delegation by the Minister of Finance Pravin Gordhan.

The main topics discussed included: (i) staffing of the Constituency Office; (ii) priorities of the countries vis-à-vis the World Bank; and (iii) the engagement of Governors outside the AfDB and IMF/WB annual meetings.

Meeting of May 29, 2012 - Arusha: The Angolan delegation was led by the Deputy Minister of Planning, Mr. Gualberto Lima Campos; the Nigerian delegation by the Coordinating Minister of the Economy and Minister of Finance, Mrs. Ngozi Okonjo-Iweala; and the South African delegation by the Minister of Finance, Mr. Pravin Gordhan.

The staffing of the Constituency Office and South-South cooperation were among the main topics on the agenda.

CHAPTER 7

Administrative Matters

7.1 Voice Secondment Program (VSP): An Update

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. The VSP completed its first phase (pilot phase) in July 2009.

On completion of the pilot phase, the Committee on Governance and Administrative Matters of the Board (COGAM) reviewed the program results and impact of the pilot phase in December 2009 and endorsed a five-year extension based on positive results of the pilot period this was subsequently approved by the Board. The program is now in its eighth year of implementation.

VSP Funding Status

The initial funding arrangement for the VSP provides that the program be funded from the IBRD administrative budget (60%) and the Partnership for Capacity Building in Africa Trust Fund (PACT- TF) (40%) for the initial five-year pilot period. The PACT- TF fully disbursed and completed in FY10 yielding a 40% funding gap for the program funding.

Between FY 05 and FY 08, different funding arrangements were put in place to fund the VSP but the funding gap remains as COGAM did not endorse donor funding, and instead, provided guidance that the program should be funded only from the IBRD administrative budget for the endorsed five-year extension. The funding gap for VSP persisted until COGAM lifted the existing ban on accessing trust funding by opening up the funding options to all potential trust funds in May 2011.This was subsequently approved by the Board in July 2011.

For FY12 and beyond, the cost of the VSP has been restored to the pre-FY10 level of $1.3m. In future, the budget will be approved by senior management separately from the Human Resources

Vice Presidency's (HRS) base budget as part of the annual budget process, effectively ring-fencing the budget and protecting it from intra-VPU prioritization and trade-offs.

A Preventive Measure for Defaulting Agencies

The VSP mandates a two-year service requirement, in the sending agency, post-VSP assignment at the Bank. Increasingly, there are reported cases of alumni default and member governments not complying with the two year post service requirement stipulated in the MOU signed with the Bank. Reasons for default differ significantly. Some alumni default to pursue advanced studies and others are either terminated by their agency or leave service entirely.

Should the attrition/service deference trend continue to increase, the returns on the Bank's investment are likely to diminish quite rapidly and jeopardize the program's validity. While the ratios remain relatively low with an increasing trend, the opportunity cost for the Bank and the client countries expected to benefit from the program, as well as risks for defaulting, are significantly higher. Additionally, donors and other stakeholders call and emphasis on program results and impact would become more stringent.

The Bank reviewed this problem and approved that a default-prevention measure be put in place. Accordingly all countries defaulting on the two-year service requirement post-VSP assignment will henceforth be debarred from participating in the program for the next five (5) years. The intent of this preventive measure is to serve as a deterrent, increase awareness, draw attention to post-assignment service requirements and, eventually, to positively enhance program results.

Source: World Bank Intranet

7.2 Diversity and Inclusion: Update

In 1998, the World Bank became the first IFI to institute a racial equality programs. Rather than track race, the Bank tracks staff *diversity* as mandated by its *Article of Agreement* which calls for recruiting on as wide a geographical basis as possible. The Board has identified indicators and set targets. Beyond diversity, there is institutional emphasis on *inclusion*. Inclusion is about creating an environment where diversity is valued and recognized, i.e. how the diverse workforce is effectively managed in meeting that goal. In an inclusive environment, each person is recognized and developed, and their talents are regularly tapped in to and appropriately deployed. Management teams of all Vice-Presidencies are required to sign a *D& I compact* and senior management vets all annual strategy.

Initially, the goal was to boost the number of staff from developing countries (Part II countries). But overtime, numerous demographics have been added. These include: gender parity among managers; Nationality of Focus (NOFs) - to increase the voice and participation of countries with significant share holdings but with low representation in the workforce - ; Sub-Saharan Africa / Caribbean Region (SSA/CR), countries with low or no staff on board. Other new data points such as education, language diversity and sub-nationality were subsequently added. The Sub-nationality factor is aimed at tracking the diversity in Country Offices and diversity among US staff with a view to increasing the numbers of US minorities in the system.

The target for SSA/CR for all GF+ staff was set at 12.5%, while the managerial target of gender parity, the GF-GG gender target was set at a range of 45-50%. On disability, the Bank continues to make its policies and facilities more accessible to people with disabilities, and to provide awareness training to staff, but no specific target is set for this group as this is left for staff to disclose and indicate the nature of the disability suffered to warrant action in this regard.

In recent times, incremental but systematic progress has been recorded on diversity and inclusion targets. However, due to reported decline in recruitment of Part II nationals, particularly, to senior management positions, concerted efforts are required to increase the diversity profile of the managerial cadre, for Part II representation. Also, of particular concern is the departure of a number of SSA nationals from senior management positions in recent times thus further depleting the ranks of this group in an already diminished field. To redress this situation, it is necessary to develop a strong pipeline of young professionals and sector managers, as well as embark on periodic hires of mid-career professionals to fill vacant posts. Furthermore, special outreach activities/programs are required to attract other talents from SSA/CR and other countries with low staff representation.

With regard to Gender parity in management, considerable progress had been made under the strong leadership of President Bob Zoellick. For instance, at the levels of the President's appointments (GJGK), female representation increased from 32% in FY08 to 44% in FY10, and 3 of the 4 last VP appointments were female. All three General Counsels of the WBG - for IBRD, MIGA, and IFC - are women. However, challenges remain: the need to build a strong pipeline of future women managers internally from the junior professional ranks; structural issues surrounding incentives for women managers; and issues surrounding work-life balance, particularly with respect to overseas assignments.

On the diversity of academic backgrounds, available data show that the academic background of Bank Group staff has become diverse in terms of the number of academic institutions, the location of institutions and the variety of academic disciplines in which staff earn degrees. However, an overriding concern remains the issue of concentration of degrees from a few countries. To redress this, management would need to continue to expand the pool of institutions from which staff is recruited.

With regard to Nationality of Focus, outreach activities were conducted to some NOF countries, but these did not fully address the problem. Currently, there are 22 countries that are NOFs and this list is subject to review at periodic intervals, based on strategic criteria, which include shareholding and salient business imperatives. The WBG intends to continue to undertake

activities aimed at attracting NOF staff from this list by identifying potential recruits and generating a talent pool of potential NOF candidates.

Going forward, there is a need for consistent signals from the World Bank leadership on positive D&I results and the imperative and expectation from management and staff to keep the momentum going by implementing the D&I Compacts. The Compacts as composed list goals, actions, and metrics on D& I Compacts are posted on the intranet for all to review and help monitor. The essence is to strengthen managerial accountability for D&I targets. Quarterly progress reports are also sent to the Office of Diversity programs.

Source: thE – Junction/World Bank Intranet

7.3 Selection of the World Bank President

As part of its on-going work on reforms to the WBG's internal governance structures to improve governance and accountability, the Board of Executive Directors, in 2011, approved the process for the selection of the President, which emphasized the importance of an open, merit-based and transparent process. They agreed that candidates should meet the following criteria:

- ✓ a proven track record of leadership;
- ✓ experience of managing large organizations with international exposure, and a familiarity with the public sector;
- ✓ the ability to articulate a clear vision of the World Bank Group's development mission;
- ✓ a firm commitment to and appreciation for multilateral cooperation; and,
- ✓ effective and diplomatic communication skills, impartiality and objectivity in the performance of the responsibilities of the position.

Picture courtesy: The Economist

Accordingly, following the decision by Mr. Robert B. Zoellick not to seek reappointment at the end of his term which expires on June 30, 2012, the Board of Executive Directors launched the process for the selection of a new President on February 17, 2012, based on the agreed principle of an open, merit-based and transparent process.

At the close of the nomination process, a short-list of three candidates from three member countries of the Bank emerged and the three candidates were subsequently interviewed in April, 2012. The candidates included: our very own **Dr. Ngozi Okonjo-Iweala**, a Nigerian national and Coordinating Minister of the Economy and Minister of Finance, Nigeria; **Dr. José Antonio Ocampo**, a Colombian national and Professor at Columbia University, New York; and **Dr. Jim Yong Kim**, a US national and President of Dartmouth College, New Hampshire. Executive Directors selected Jim Yong Kim on April 16, 2012. The appointment will become effective on July 1, 2012.

The process itself was epoch-making, being the first time the top position at the World Bank was being contested for, alongside the United States. The competition was keen, as Africa was able to field one of the very best, in the person of Dr. Okonjo-Iweala, thus, giving the entire process, a whole new dimension.

7.4 Changes in Senior Management Positions at the World Bank

FY 2012 witness several changes in top management positions in the World Bang Group. At the top of the list, is the position of the World Bank President. On February President, Robert B. Zoellick, in February, 2012, informed the Executive Board of the Bank, that he would not seek reappointment at the end of his tenure which expires on June 30, 2012. Accordingly, the Executive Directors launched the process for the selection of a new President, as indicated in the preceding paragraphs. At the end of the process, Dr. Jim Yong Kim, a US national was selected, to take over the mantle of World Bank Group President, with effect from July 1, 2012.

With regards to the out-going President, the Executive Directors, in a joint release "..… expressed their deep appreciation to President Zoellick for his leadership of the World Bank Group and its very significant accomplishments during his tenure, including: an agile, decisive, and effective response to the food and financial crises; increased support for disaster recovery, fragile states, gender equality, and climate change adaptation and mitigation through the launch of the Climate Investment Funds; renewed focus on private sector development, including the creation of the International Finance Corporation's Asset Management Company; changes in the shareholding structure to enhance the voice and representation of developing and transition countries; the first general capital increase in over twenty years; and two record replenishments of the International Development Association (IDA), the Bank Group's concessional window".

It will be recalled that Mr. Zoellick took over the Presidency of the World Bank Group in 2007.

During FY12, other Management position changes which occurred, including those in the pipeline, are as follows:

- August 15, 2011, Ngozi Okonjo-Iweala, retired as Managing Director of IBRD
- September 19, 2011, Caroline Anstey, was appointed as Managing Director of IBRD
- March 28, 2012, Vincenzo La Via, retired as Chief Financial Officer (CFO) of IBRD
- May 5, 2012, Obiageli Ezekwesili, retired as Vice President, Africa Region
- May 5, 2012, Makhtar Diop, was appointed Vice President, Africa Region
- June 1, 2012, Justin Lin, will retire as Senior Vice President & Chief Economist
- June 30, 2012, Lars Thunell, will retire as Executive Vice President of IFC
- June 30, 2012, Thierry Tanoh, will retire as Vice President, SSA, LAC & W. Europe, IFC

Source: WB Intranet

APPROVED OPERATIONS FOR CONSTITUENCY COUNTRIES

JULY 1, 2011 – JUNE 30, 2012

ANGOLA - No IFC transactions during this period

NIGERIA

Project Name	Amount US$M	Approval Date	Product Line / Sector	
Bel Impex	7.5	5/3/2012	Agribusiness & Forestry	IFC
Advans Nigeria	3.56	12/27/2011	Financial Markets	IFC
Custodian	12.5	12/19/2011	Financial Markets	IFC
IHS Nigeria-RI	10	11/29/2011	Telecom & IT	IFC
Persianas Group	87	5/17/2012	Consumer & Social Services	IFC
State Employment and Expenditure Project	200	3/06/2012	Multisectoral	IDA
Edo State DPO	75	3/29/2012	Multisectoral	IDA
Erosion and Watershed Management Project	500	5/08/2012	Multisectoral	IDA

SOUTH AFRICA

Project Name	Amount US$M	Approval Date	Product Line / Sector	
SASFIN CRM	0.15	5/3/2012	Financial Markets	IFC
SASFIN EE	7.7	4/16/2012	Financial Markets	IFC
Sasfin PCG	35	4/16/2012	Financial Markets	IFC
Finsch	25	3/14/2012	Oil, Gas & Mining	IFC

ANNEX 2: Up-Coming Meetings

UP-COMING MEETINGS

MEETING	DATES	VENUE
African Caucus	August 1 – 2, 2012	Kinshasa, DRC
WB/IMF Annual Meetings	October 11 – 12, 2012	Tokyo, Japan
IDA Mid-Term Review Meeting	November 13 – 15, 2012	Abidjan, Cote d'Ivoire

ANNEX 3: Development Committee Communiqué – September 2011

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 September 24, 2011

1. The Development Committee met today, September 24, 2011, in Washington DC.

2. We note with concern the turbulence in global financial markets and widespread fiscal strains, which put at risk the robustness and sustainability of global economic recovery. Volatile commodity prices and pressures on food security are critical challenges. We are alert to the possible global impacts of these issues, particularly for the poor. While developing countries have been the main contributors to recent global economic growth, the economic crisis has reduced their capacity to withstand further shocks. We commit to do everything within our means to support strong, sustainable, balanced and inclusive growth in all our member countries. We reaffirm the need to work cooperatively to meet our development commitments to achieve the Millennium Development Goals by 2015 and to support the poor in developing and emerging countries through this period of instability, as well as in the long term. We commend the G20 for anchoring development in its agenda.

3. Jobs are vital in translating growth into lasting poverty reduction and broad-based economic opportunities. We reiterate our commitment to job creation, especially by supporting the expansion of a vibrant private sector. In this connection, we recognize the important role IFC and MIGA play in poorer countries and in challenging markets. We welcome and encourage the cooperation of the World Bank Group (WBG) with member governments and other partners, such as the G20, the International Labor Organization and the International Monetary Fund (IMF), to pursue a comprehensive approach to job creation for women and men. We look forward to discussing the next World Development Report (WDR) on jobs.

4. The WBG must continue to help member countries build resilience and respond to crises. To do this effectively, the WBG must remain prepared with human, knowledge and financial capacity. We welcome the WBG's enhanced focus on innovative approaches to support countries in the Middle East and North Africa region to address the social and economic consequences of their current transition. We call on the WBG to scale up support and strengthen collaboration with all relevant stakeholders, in particular other Multilateral Development Banks.

5. We are saddened by the scale of human tragedy caused by the drought and famine in the Horn of Africa. We welcome the WBG's $1.88 billion contribution to tackling the crisis and its underlying causes, including $250 million from the recently created IDA Crisis Response Window, as well as the steps the IMF is taking to provide additional concessional financing. An emergency of this magnitude needs swift, coordinated and effective international action to save as many lives and livelihoods as possible. We also need to build national capacity and resilience to speed recovery, reduce the risk of future disasters and create longer-term solutions. We must put agriculture and food security at the top of our development priorities. To do this, we need to harness the creativity and resources of the private sector. We call for continued innovation to tackle longer-term challenges, including climate change and infrastructure investment.

6. We strongly welcome the WBG's *World Development Report on Gender Equality and Development* and its clear message that equality between women and men is smart economics and an essential ingredient in poverty reduction. We agree that the WDR has important lessons globally and that gender equality requires specific action from governments, the private sector and development partners. To this end, we endorse the recommendations for the WBG set out in the accompanying implications note and look forward to reviewing its implementation in a year.

We urge the WBG to integrate further equality between women and men into its operations and reporting, working within its mandate and respecting national values and norms.

7. We welcome progress the WBG has made in institutional reform to meet new challenges.

Greater transparency through the Open Data, Open Knowledge, Open Solutions Initiative and improved accountability via the new Corporate Scorecard will contribute to a more efficient and effective WBG. We call on the WBG to continue to promote staff diversity. We urge the WBG to maintain the momentum on its modernization agenda and look forward to discussing further progress at our next meeting.

8. We welcome the addition of the 25th Chair to the WBG Boards and look forward to a proposal in the spring to align the Development Committee with the new structure.

9. We thank Mr. Ahmed bin Mohammed Al Khalifa for his valuable leadership and guidance as Chairman of the Committee during the past two years.

10. The Development Committee's next meeting is scheduled for April 21, 2012, in

Washington DC.

Annex 4: Development Committee Communiqué – April 2012

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 21, 2012

1. The Development Committee met today, 21 April 2012, in Washington DC.

2. The global economic outlook remains challenging. Policy adjustments and improved economic activity have reduced the threat of a sharp global slowdown. Growth in emerging and developing economies continues to be relatively strong, but poor countries still need support. Implementing policies and structural reforms to promote poverty reduction and inclusive growth must continue.

3. The likely achievement of the Millennium Development Goal (MDG) to halve global poverty by 2015 is welcome news, but we remain vigilant and continue to work with all stakeholders to advance the other MDGs and to learn from experience. We call on the World Bank Group (WBG) and the International Monetary Fund (IMF) to support the implementation of the New Deal for Engagement in Fragile States. We call on the WBG to develop more innovative and stronger partnerships with middle income countries. Providing knowledge and financing for global public goods will also remain key. We welcome steps being taken by the IMF to implement the agreed funding package for the Poverty Reduction and Growth Trust, which should enable it to meet likely demand for the IMF's concessional support through 2014.

4. Higher, more volatile food prices threaten poverty reduction and other lagging MDGs, especially reducing hunger and child and maternal mortality. Food insecurity and malnutrition have devastating effects, especially on women and children. The *Global Monitoring Report: Food Prices, Nutrition and the MDGs* is timely and builds on our discussion last spring and the G20 conclusions at Cannes. We call on the WBG to continue to pursue multi-sectoral solutions to food insecurity and malnutrition through instruments such as the Global Agriculture and Food Security Program.

5. Social protection makes sound development sense. Social safety nets bolstered poor people's resilience to the last financial crisis and are also an important component of longer-term poverty reduction when they are well-targeted, affordable, gender sensitive and sustainable. The WBG has increased support for social safety nets, including conditional cash transfers, public works, and school feeding. We welcome the report *Safety Nets Work: During Crisis and Prosperity,* with its focus on improving the design and efficiency of existing social safety net programs and building new ones where needed, particularly in low income countries. We urge the WBG to promote south-south learning and to allocate sufficient resources to this work, continuing to collaborate with relevant institutions such as the IMF, the regional development banks and the International Labor Organization.

6. A vibrant private sector is crucial for growth, jobs and poverty reduction. We therefore welcome the report on the *WBG's Innovations in Leveraging the Private Sector for Development.* Building on its mandate of poverty reduction, the WBG is uniquely placed to innovate and advise clients about how to harness the private sector for development and to promote an enabling environment. The IFC has effectively supported development through the private sector and grown its investment portfolio and advisory services, and innovative products such as local currency and short term finance, while maintaining its focus on IDA countries and frontier markets. MIGA has also expanded its guarantee portfolio. We ask management to prepare a group-wide approach that assesses the implications for priorities and use of resources, and optimizes synergies between IBRD, IDA, IFC and MIGA to enhance responsiveness to clients and provide integrated solutions.

7. We are encouraged by progress on the modernization agenda, designed to improve the Bank's effectiveness and efficiency to deliver more and better results. Cultural and organizational change will be needed and we fully support management in bringing this about. The *Update on the Bank's Business Modernization: Results, Openness and Accountability* indicates a clear way forward. Critical areas for reform include human resources and knowledge building and sharing. Promoting staff diversity is vital to enhance operational effectiveness and attract motivated talent. The Corporate Scorecard is beginning to drive a results culture through the organization. Building on recent World Development Reports, the incorporation of gender equality and greater focus on fragile and conflict affected situations (FCS) will incentivize improved WBG performance. The momentum behind modernization must be maintained, and we look forward to a progress report next spring and to an updated Corporate Scorecard this autumn. Modernization, innovation, and greater creativity in the use of capital will achieve a more efficient WBG and contribute to its long term financial sustainability.

8. The Ministerial Dialogue on Sustainable Development, with the participation of the United Nations Secretary General Ban Ki-moon, sent an important signal about the need for global partnership to advance this demanding agenda. We look forward to continued discussion about inclusive, green growth in the context of poverty reduction and sustainable development, natural capital accounting and oceans, feeding into the Rio + 20 and G20 processes.

9. We express our profound appreciation and gratitude to Robert B. Zoellick for his leadership of the WBG over the last five years. He has positioned the WBG at the forefront of effective and timely responses to food and financial crises and natural disasters, as well as reinvigorating delivery of longer-term poverty reduction and tangible results. He has championed gender equality, better performance in FCS, adaptation to climate change, and renewed attention to agriculture and infrastructure. Under his leadership, the Bank secured the first capital increase in over twenty years and two unprecedented IDA replenishments, and launched a host of private sector initiatives, such as the IFC's Asset Management Company. He has helped transform the WBG, making it more open, transparent, accountable and ready for a new era of "modernized multilateralism". Reflecting this change, Mr. Zoellick has overseen the rise in the voting share of developing countries to 47%, to be followed by a further review of voice by 2015.

10. We congratulate Dr. Jim Yong Kim on his selection as President of the WBG and commit to working in close partnership with him. We thank Dr. Ngozi Okonjo-Iweala and Dr. José Antonio Ocampo for their candidacies and for sharing their valuable ideas for the WBG.

11. We welcome Mr. Marek Belka as the new Chair of the Development Committee and look forward to working with him. We also note with satisfaction the proposed revision of the Development Committee's membership to reflect the addition of a third chair for Sub-Saharan Africa in the WBG's Board.

12. The Development Committee's next meeting is scheduled for 13 October 2012, in Tokyo.