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)

DC2010-0014
September 30, 2010

WORLD BANK GROUP REFORM: AN UPDATE

Attached for the October 9, 2010, Development Committee Meeting is a background document entitled "World Bank Group Reform: An Update," prepared by the staff of the World Bank.

* * *

Table of Contents

Abbreviations and Acronyms

AMC	Asset Management Company
BETFs	Bank-Executed Trust Funds
CAO	Compliance Advisor Ombudsman (IFC)
CAS	Country Assistance Strategy
CD	Country Directors
CEC	Chief Economists Council
CFO	Chief Financial Officer
COPs	Communities of Practice
CRO	Chief Risk Officers
DC	Development Committee
CRW	Crisis Response Window
CSOs	Civil Society Organizations
DPLs	Development Policy Loans
DPOs	Development Policy Operations
DTC	Developing and Transition Countries
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
FCS	Fragile and Conflict Affected States
FIF	Financial Intermediary Funds
FPD	Financial and Private Sector Development Vice Presidency
JMAP	Joint Management Action Plan on Bank-Fund Collaboration
JSDF	Japan Social Development Fund
GAC	Governance and Anti-Corruption Strategy
GAFSP	Global Agriculture and Food Security Program
GCI	General Capital Increase
GET	Global Expert Teams
GFRP	Global Food (Crisis) Response Facility
HRS	Human Resource Services
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
ICF	Infrastructure Crises Facility
IFC	International Finance Corporation
IFIs	International Financial Institutions
IL	Investment Lending
IMT	Information Management and Technology
INFRA	Infrastructure Recovery and Assets Platform
INT	Integrity Vice-Presidency
IRS	Internal Reforms Strategy
IT	Information Technology
KLC	Knowledge and Learning Council
KM	Knowledge Management
MD	Managing Director

MDGs	Millennium Development Goals
MDTFs	Multi-Donor Trust Funds
MLT	Matrix Leadership Team
MICs	Middle-Income Countries
MIGA	Multilateral Investment Guarantee Agency
MLT	Matrix Leadership Team
MSMEs	Micro Small and Medium Sized Enterprises
NCPIC	National Currency Paid-in Capital
NOF	Nationalities of Focus
OKSP	Operations and Knowledge Systems Program
OPCS	Operations Policy and Country Services
ORAF	Operational Risk Assessment Framework
PCD	Post Crisis Directions
PPP	Public Private Partnerships
RBL	Results Based Lending Instrument
RETFs	Recipient Executed Trust Funds
SCI	Selective Capital Increase
SCOOP	Social Collaboration Platform
SMEs	Small and Medium Sized Enterprises
TFs	Trust Funds
ToR	Terms of Reference
VP	Vice President
WBG	World Bank Group
WBI	World Bank Institute
WDR	World Development Report

Update to Governors

Executive Summary

INTRODUCTION

i. In April 2010, Governors were presented with a package of actions and reforms to modernize the World Bank Group (WBG) building on the experience and learning from its crisis response. Taken together, this package aims to create a new WBG that is strategically focused where the WBG can add most value; has 21st century governance; remains financially strong; and is more responsive, innovative, flexible, and accountable.

ii. This paper takes stock of progress over the last half year to implement the various pillars of the WBG's governor-endorsed modernization effort: implementation of the WBG's "Post-Crisis Directions"; measures to enhance the financial capacity of the IBRD and IFC; stock taking of efforts to implement the voice and participation reforms adopted in Spring 2010; and implementation of the World Bank Group internal reform agenda designed to enhance the delivery of customized, quality global knowledge and financial services in real time to the full range of clients. The paper concludes with a discussion of next steps and priorities.

iii. Implementation of various measures presented in the package is a longer term process, and requires careful sequencing and coordination that take into account institutional resources while continuing to deliver results to clients. The initial phase has focused mainly on internal reforms, including the establishment of new institutional structures and frameworks as platforms for facilitating modernization and monitoring further progress.

Post-Crisis Directions (PCD)

iv. In April 2010, the WBG outlined its vision for tackling the challenges in the wake of the global economic and financial crisis. Despite the short time since its adoption, the PCD has already had an impact on the orientation of the WBG. This section describes many of the particularly notable examples of impact in the five areas identified as the key priorities for WBG policy: (i) targeting the poor and vulnerable; (ii) creating opportunities for growth; (iii) promoting global collective action; (iv) strengthening governance; and (v) managing risk and preparing for crisis. Among them, it is worth highlighting the following:

- Increasing the funding and reach of the Bank's results-based programs by more than US$600 million over 2011-15 to scale up essential health services and nutritional interventions, combining better supply through the strengthening of health systems with boosting demand for these services;

- Increase in IDA support for education over 2010-15 by an additional $750 million, with a focus on countries not on track to reach the education MDGs, especially in Sub-Saharan Africa and South Asia. The additional resources will be used to support innovative interventions that improve the access to good quality schools for underserved populations and address the barriers to demand for those services;

- Operational changes to improve the effectiveness of WBG's support to fragile and conflict-affected states;

- Scaling up of support for agriculture through implementation of the Agriculture Action Plan, with 39 new projects have been approved since May 2010 amounting to $3.3 billion in new IDA/IBRD support. To improve multilateralism in support for the agriculture sector, the Global Agriculture and Food Security Program (GAFSP) has been established. IFC has also scaled up its investments in the agribusiness sector, providing nearly $2 billion in FY10 to boost agricultural production, increase liquidity in supply chains, improve logistics and distribution, and increase access to credit for small farmers.

- Continued scaling up of support for infrastructure through the Infrastructure Recovery and Assets Platform (INFRA) with a particular focus on supporting efforts to use infrastructure investment to advance the green agenda;

- Increasing the focus on gender issues in the context of this year's IDA 16 replenishment discussions and through the 2012 World Development Report which will be on the topic of Gender Equality and Development;

- Continued implementation of the Joint Management Action Plan on Bank-Fund Collaboration, with all Bank teams now required to meet at least annually with their Fund counterparts to coordinate work programs, and the establishment of a joint Task Force on Information Sharing to report by the end of the year on how to improve the flow of information between the Bank and the Fund;

- Increased efforts in international fora like the G-20 to raise awareness of and help mainstream developing countries' challenges;

- Further mainstreaming of the Bank's Governance and Anti-Corruption (GAC) work, with the establishment of a GAC Council comprised of Regional, Network, and other relevant Vice Presidents that meets monthly and is chaired on a rotating basis by each Managing Director. In addition, to mainstream transparency, participation and independent monitoring across WBG operations, clearer ex ante understandings are being developed between INT, the regions and collaborative clients on what to do when fraud and corruption issues arise. A new Operational Risk Assessment Framework (ORAF) was put in place in July 2010 to rate the risk of fraud and corruption for all new investment lending projects;

- Supporting a more integrated approach to helping natural-resources rich countries enhance their preparedness for economic shocks and periods of slow growth; and

- Increased IFC initiatives to help private enterprises in the developing world navigate unprecedented market conditions. Together with partner governments and international finance institutions, support for these initiatives totaled more than $11 billion in FY10, including over $6 billion for IFC's own account, $2 billion in direct support from partner governments and IFIs through IFC, and $3 billion in parallel financing arrangements

v. The new vision represents a reinvigorated effort to help countries achieve the MDGs, including through an increased focus on managing for results and a significant shift towards "Open

Development," with greater emphasis on accountability and on putting the tools, data, and research of the Bank in the hands of clients and partners to help maximize development solutions.[1]

Financial Capacity Update

vi. In April 2010, the Development Committee endorsed separate packages to enhance IBRD's and IFC's financial capacity:

- *General and Selective Capital Increases*: Resolutions regarding the IBRD General Capital Increase and the IBRD and IFC Selective Capital Increases were issued in mid July for consideration by Governors. As of September 13, 2010, IBRD had received votes from 100 members representing about 53 percent of the total voting power; IFC had received votes from 94 members representing about 45 percent of the total voting power. The closing date for voting is March 31, 2011.

- *Reform of IBRD loan maturity terms:* In June 2010, the Executive Board approved restoration of IBRD loan maturity limits to their pre-2008 level while offering borrowers the option to extend average maturity by paying a premium.

- *Releasing existing national currency paid-in capital (NCPIC):* As of September 1, 2010, release of $562 million of NCPIC had been agreed by shareholders. Informal agreement had been reached on the release of close to an additional $550 million, with promising progress on another $440 million.

- *Integrated Year-end Financial Discussions:* To further strengthen IBRD's financial model, the annual Executive Board discussions on budget, pricing and net income allocation were synchronized for the first time, with discussions of all three taking place in late June.

- *Hybrid Capital:* To further strengthen IFC's financial capacity, IFC is in discussions with the rating agencies to confirm the features of a hybrid capital issue that will be structured to achieve a high economic capital credit. The issue would be subscribed to by a limited group of shareholders on a voluntary basis.

Voice and Participation Reforms

vii. The Development Committee also endorsed in April 2010 a package of voice reforms for the Bank and the IFC:

- Executive Directors' reports, together with resolutions for Governors' approval, were sent to Governors on July 21, 2010 with closing date for voting of March 31, 2011. The IBRD resolutions will be approved on receipt of favorable votes of at least 75 percent of IBRD total shareholding. The IFC resolution will be approved on receipt of at least 85 percent of IFC total shareholding.

- Governors' resolutions include that Bank and IFC shareholding will be reviewed every five years starting in 2015.

- As approved in the first phase of voice reforms, the countries in the two Sub-Saharan Africa constituencies will be represented by three Executive Directors to be elected at the 2010 Regular Election.

[1] "Unfinished Business: Mobilizing New Efforts to Achieve the 2015 Millennium Development Goals," September 2010, The World Bank

Internal Reform Agenda

viii. The vision for the internal reform agenda presented to the Development Committee in April 2010 is a WBG dedicated to results that excels at delivering customized, quality global knowledge and financial services in real time to the full range of client segments. This requires a Bank Group that is locally responsive and globally connected, equally effective in serving country clients, delivering global public goods, and partnering with external stakeholders.

ix. The internal reform program is broadly on track although challenges remain. Since April, progress has continued on each aspect of the reforms, including putting in place a comprehensive governance structure to bring cohesion and support implementation, providing dedicated budget resources and, at IFC, rolling out a number of reforms that have been identified through IFC 2013.

x. Governance structure to facilitate reforms

- Establishment at the Bank of the Knowledge and Learning Council, Matrix Leadership Team, and Internal Reform Secretariat to ensure integration and coordination of reforms, establish clear accountability for implementation, and facilitate coordination and oversight across the various interlocking reform components.

- Ongoing leadership and oversight of IFC 2013, led by the Management Team through Committees on People & Leadership, Knowledge, Clients and Corporate Risk. The IFC 2013 effort continues to be coordinated by a Change Management Office reporting through the Operational VPs to the IFC Management Team.

xi. Modernizing WBG's services

- The risk-based approach for investment lending projects (IL), effective as of July 1, 2010, improves the Bank's ability to make decisions balancing risks and results and focuses resources on higher risk operations.

- Modernization of knowledge services has been initiated on the three main pillars of the strategy: delivering the best expertise to clients; enhancing the impact of the knowledge portfolio; and improving the Bank's global connector role. A technical stream has been established and Global Expert teams launched to improve internal mobility of top talent. The Knowledge and Learning Council has also launched specific initiatives to strengthen linkages with external knowledge centers.

- At IFC, continuation of the business process improvement efforts and the rollout of risk-based processing of transactions begun in July 2009, led by IFC's Investment Process Unit.

xii. Enhancing service delivery mechanisms

- Initiation of a program to improve matrix management including mainstreaming Global Expert Teams, designing a pilot global technical practice, tackling span of control issues for sector managers and improving cross-support.

- Continued decentralization to IDA countries, particularly in Africa. At the same time, management is also developing a corporate decentralization framework that will provide further decentralization in the medium term.

- For IFC, launch of a new Industry structure and an Operational Center in Istanbul with more processing and decision-making capacity in the field. Global and Regional Industry Departments established to work together to ensure global industry knowledge is preserved and strengthened.

xiii. *Enabling IT, HR and budget systems*

- Launching a new operations portal in July enables a coherent workflow and document base in support of the IL reform. To enhance knowledge flow, over 6,000 staff have been connected via SCOOP (an open-source, social collaboration platform).

- Revitalization of the technical stream, development of a new staff learning strategy, and establishment of a corporate approach for developing the Bank's present and future managerial cadre and changes in IFC performance management framework.

- Review of elements of the compensation framework, including comparatio adjustment, Country Office compensation, and the Market Premium program

- IFC introduced a new Performance Framework and Performance Management Cycle, and has introduced new development targets in six priority areas that together with other objectives are cascaded throughout the organization.

xiv. Transparency, Accountability and Results

- Launching an Access to Information Policy, based on the US and Indian Freedom of Information policies to strengthen accountability and results.

- Launching an Open Data initiative, providing over 2,000 development indicators for more than 200 economies to the public free of charge to help maximize development solutions.

- Strengthening results measurement tools: such as the introduction and use of core sector indicators to report on results at corporate level; and piloting a Geo-mapping initiative.

Next Steps

xv. The Bank intends to report regularly to Governors on the PCD's implementation. The approval of resolutions on Voice and Financial Capacity are pending approval from the Governors. IFC will review progress on IFC 2013 with the Board on a regular basis. With respect to the internal reform agenda, three sets of issues will require continued attention from Management and guidance from the Board: (i) *proper sequencing and prioritization of actions*, especially the development and implementation of Results Based lending and strengthening of technical practices; (ii) *managing the pace of reforms* within available resources, while ensuring continued service delivery, without major disruptions; and (iii) *maintaining clear directions and enhanced communication* by learning from pilots and new reform initiatives across the WBG, while incorporating the views of clients in shaping and adjusting the reform process over time.

WORLD BANK GROUP REFORM: AN UPDATE

1. Reflecting a desire to sustain and enhance its effectiveness in the midst of a changing world, the World Bank Group (WBG) set out a package of actions and reforms in April 2010 aimed at modernizing its institutional strategy, structure and operations**.** This package—which was endorsed by the Development Committee at Spring 2010 meeting[2]—sought to ensure that the WBG remained strategically focused where it could add the most value, had a governance framework appropriate for the 21st century, was financially strong, and continued to be responsive, innovative, flexible and accountable to its clients and shareholders. This paper takes stock of progress over the last half year to implement the various pillars of the WBG's modernization effort.

2. The first section reviews the implementation of the WBG's "Post-Crisis Directions" (PCD), the framework of policy priorities for tackling the challenges of an increasingly globalized economy. The second section reports on the package of measures endorsed by the Development Committee to enhance the financial capacity of the IBRD and IFC, including capital increases, reform of loan maturity terms, and ongoing budget discipline. This is followed by a stock taking of efforts to implement the voice and participation reforms adopted in Spring 2010 to enhance the participation of developing and transition countries (DTCs) in the governance of the WBG. The remainder of the paper elaborates on progress to date in implementing WBG Management's internal reform agenda designed to enhance the delivery of customized, quality global knowledge and financial services in real time to the full range of clients. The paper concludes with a discussion of next steps and priorities over the coming period and highlights the issues that will require careful attention going forward such as, sequencing and prioritizing reforms, managing the pace of reforms, and strengthening communications.

I. PROGRESS IN IMPLEMENTING THE WBG'S POST-CRISIS DIRECTIONS

3. **In April 2010, the WBG outlined its vision for tackling the challenges in the wake of the global economic and financial crisis**.[3] The strategy set out five strategic priorities to guide the achievement of the Bank Group's overarching goal of overcoming poverty:

- Targeting the poor and vulnerable;
- Creating opportunities for growth;
- Promoting global collective action;
- Strengthening governance; and
- Managing risk and preparing for crisis.

[2] The package of actions and reforms was described in a series of papers presented to the Development Committee, an overview of which is contained in "Synthesis Paper: New World, New World Bank Group", DC2010-0002/1, April 25, 2010.
[3] New World, New world Bank Group: (1) Post Crisis Directions, April 2010, http://siteresources.worldbank.org/DEVCOMMINT/Documentation/22553954/DC2010-0003(E)PostCrisis.pdf

4. **Six months on, WBG takes stock of efforts to align its activities and strategies to the Post-Crisis Directions (PCD).** Given the short time since its adoption, some of what can be reported now reflects initiatives and developments that are largely in the nature of inputs. Nevertheless, the PCD has already had impact on the orientation of the WBG in a number of important areas. Moreover, indicative estimates contained in the *Medium Term Strategy and Finance Paper*[4] show that work program budgets and operational deliverables have been aligned to the PCD to the extent possible. Further incremental realignment will take place as necessary taking into account an overall flat budget as well as global economic demands which will further increase budgetary pressure and demanding more selectivity and allocative efficiency going forward.

Selected Key Deliverables and Known Indicative Net Admin Budget Increases Supporting PCD Priorities

Strategic Priority	Selected Trends in Key Deliverables	Known Indicative budget increase for FY11 (per annum $FY10)	Comments
Targeting the poor & vulnerable / Creating Opportunities for Growth	- IDA 16 replenishment expected to be strong - IBRD lending to remain steady at $15b from FY12 onwards - RETFs support increasing	- $14m for Regional Units for sustained crisis response. - BETFs should continue to grow for low income clients - Past budget increases sustained	- Specifics on lending and future budget needs remain unknown. Applications of Selectivity Framework will determine costs and specific actions
Promote Global Collective Action	- Increased FIF support for health - Support from IDA 16 - Partnerships scaling up	- Past Budget increases reinforced by external fund growth	- PCD Selectivity Framework provides assessment mechanism
Strengthen Governance	- Mainstreaming of GAC on-going - Efforts to improve Institutional Integrity gearing up	- $2m supporting Strengthened Governance in addition to past budget increases	
Prepare for Crisis	- Number of facilities and mechanisms that support rapid response expanded	- Part of $14m for regions stated above building on increases to Regional Budgets last year	

Source: Medium Term Strategy and Finance Paper, April 2010, SecM2010-0168

1. Targeting the poor and vulnerable

5. **The WBG continues to implement the various initiatives described in the PCD intended to improve the targeting of efforts to assist the poor and vulnerable.** These include work to promote microfinance, SMEs, labor-intensive manufacturing, and agricultural productivity and increased attention to the needs of fragile and conflict-affected states (FCS). Of particular note are recent efforts to support social safety net systems both at times of crisis and in periods of growth. Bank lending in this area reached over $5.6 billion in 58 countries during FY09-10, five times the level of the pre-crisis period (FY06-08). In the last six month alone, over $1.2 billion was provided for 34 projects in 29 countries. The total commitment includes almost $850 million for development policy operations (DPOs), 69 percent of which was lent on IBRD terms. Alongside DPLs, there is a growing emphasis on system-wide projects.

[4] April 1, 2010, SecM2010-0168

6. **IFC plays an important role in implementing the PCD by working with the private sector in IDA-eligible countries.** IFC has ramped up its efforts in IDA-eligible countries through investments, advisory services, resource mobilization, including via the Asset Management Company[5], treasury products, and transfers to IDA replenishments, with engagements totaling over $13.5 billion in FY09 and FY10. In FY10, IFC's support totaled $8.2 billion, of which $7.5 billion was in form of investments and mobilization in 255 projects across 58 countries.

7. **The Bank's *Rapid Social Response* (RSR) Program has taken root**, mobilizing resources in the RSR Multi-donor Trust Fund (contributed by Russia and Norway) and the RSR-Catalytic Fund (contributed by DfID) to empower low-income countries (LICs) to become more crisis-resilient by facilitating knowledge transfer from successful safety net programs. Japan Social Development Fund (JSDF) Emergency Window, a companion program of RSR and GFRP, has provided additional resources for community-level interventions. RSR Trust Funds and JSDF-EW are currently supporting 69 interventions mostly in LICs. To encourage greater South-South knowledge sharing in improved targeting of assistance to the poor, the RSR helped finance the "Making Public Works Work" learning forum in June 2010 which was attended by practitioners and policy makers from more than 40 countries.

8. **The importance of improving the targeting of the poor and vulnerable has been further underlined by the need to achieve the MDGs by the 2015 deadline.** Recent assessments are that even before the global economic crisis, progress in achieving some MDGs (e.g., for child and maternal mortality, primary school completion, hunger, and sanitation) was lagging.[6] Consistent with the PCD, the Bank is reinvigorating its efforts to help countries achieve the MDGs, including through an increased focus on managing for results.[7] This will include the greater use of results-frameworks in country assistance strategies and continued improvement in results measurement systems. Plans are also underway to increasing the effectiveness of its funding for *health* by linking lending directly to results. Efforts will focus on 35 countries, particularly in Sub-Saharan Africa and South and East Asia, facing challenges in achieving MDGs due to high fertility and poor child and maternal nutrition and health status. The Bank plans to increase the funding and reach of its results-based programs by more than US$600 million over 2011-15 to scale up essential health services and nutritional interventions, combining better supply through the strengthening of health systems with boosting demand for these services. With respect to *education*, from 2010-15, IDA support will increase by an additional $750 million, with a focus on countries not on track to reach the education MDGs, especially in Sub-Saharan Africa and South Asia. The additional resources will be used to support innovative interventions that improve the access to good quality schools for underserved populations and address the barriers to demand for those services.

9. **Programs and policies addressing the particular challenges faced by women and girls remain central to the successful implementation of the PCD vision.** The Bank is endeavoring to more fully mainstream gender considerations into all of the PCD pillars. There

[5] IFC Asset Management Company, LLC, is a wholly-owned subsidiary of IFC created in early 2009 to mobilize and manage third party funds for emerging markets investments in furtherance of IFC's development mission.

[6] *Global Monitoring Report*, 2010, The World Bank, http://go.worldbank.org/8NMBGII280

[7] "Unfinished Business: Mobilizing New Efforts to Achieve the 2015 Millennium Development Goals," September 2010, The World Bank. http://go.worldbank.org/1L2ZGCTW80

have been a number of important developments in this direction over the last six months, including the decision to make Gender Equality and Development the subject of the 2012 World Development Report (WDR) and the inclusion of gender as a special theme for discussion in the context of the IDA 16 replenishment. Work is now underway to put in place a transition plan for when the current Gender Action Plan expires at the end of this year.

10. **To improve the effectiveness of Bank efforts to assist fragile and conflict-affected states, a number of administrative changes are being made**. Work is underway to establish a decentralized FCS hub in Nairobi, with a "Director-level" head and Bank management intends to appoint a director for Sudan. In the context of ongoing IDA 16 discussions, the Bank has committed to push forward a number of actions, including a look at programmatic MDTFs in FCSs and review of the Bank's Operational Policy on Development Cooperation and Conflict (OP2.30) which mandates the integration of sensitivity to conflict in Bank assistance through conflict analysis.

2. Creating Opportunities for Growth

11. The WBG's support for growth centers around addressing a set of critical challenges including the promotion of agriculture and food security, addressing pressing infrastructure needs and harnessing trade opportunities through improved competitiveness.

i) Agriculture

12. **The WBG has been scaling up support for agriculture through implementation of its *Agriculture Action Plan: FY10-12*.** Since May 2010, 39 new projects have been approved amounting to $3.3 billion in new IDA/IBRD support. Over three quarters of this support has been focused on Africa and South and East Asia. The dominant thematic focus has been on raising agricultural productivity growth (70 percent of lending), particularly through irrigation investments to improve drought tolerance and raise yields (30 percent of overall lending), and on linking farmers to markets. The *Agriculture Action Plan* projects an increase in lending from $4.1 billion annually in FY06-08 to between $6.2 billion and $8.3 billion annually over FY10-12. Actual lending in FY10 was close to the low case projection of $6 billion which is still a 50 percent increase in support over previous years' averages.

13. **IFC has also scaled up its investments in the agribusiness sector**, providing nearly $2 billion in FY10 to boost agricultural production, increase liquidity in supply chains, improve logistics and distribution, and increase access to credit for small farmers. One third of IFC's agribusiness investments were in LICs. Investments in Africa's agribusiness sector rose nearly 70 percent over the previous year and reached a record $270 million for projects in primary farming, distribution and storage, grain milling, plantation rehabilitation, and trade finance. IFC direct investments in the agricultural sector during FY10 are expected to provide employment to 57,000 people, including 16,000 women, reaching 620,000 farmers and about 15,000 micro, small, and medium enterprises.

14. **Sustainability, increasing pressure on natural resources, and climate change are key challenges for the sector.** IFC has promoted better management practices by participating in sustainability roundtables in a number of industries such as palm oil, soybean, and sugar cane, and by launching a donor-supported Biodiversity and Agricultural Commodities Program. WBG, in consultation with diverse stakeholders, is developing an IFC strategy and World Bank Group Framework for Engagement in the Palm Oil Sector. The framework will outline a set of

principles to guide WBG's future engagement in the palm oil sector with the key goal of maximizing development outcome for the communities and minimizing known adverse social and environmental impacts of the sector.

15. **The WBG has also been working to improve multilateralism in development support for the agriculture sector** both through working jointly with development partners at the country level, and through the establishment of the *Global Agriculture and Food Security Program* (GAFSP) at the global level. The latter was established at the request of the G8/G20 and provides pooled donor grant resources to further scale-up support to country-led agriculture investment plans. The facility also incorporates a private sector window, being managed by IFC, to provide long and short term loans, credit guarantees and equity to local companies and financial intermediaries in support of investments that address core agriculture and food security objectives. In June 2010, five countries (Bangladesh, Haiti, Rwanda, Sierra Leone and Togo) received the first set of grants, totaling $224 million, with more allocations expected in October 2010. While these longer-term agricultural investments are needed to help reverse the global decline in crop yield growth, improve resilience to climate change, and to raise the incomes of poor households, there is often a lagged response to these scaled-up investments. In the interim, lower yield growth and climate change are adding to food price volatility as seen in food price increases in 2008 and in August 2010. As a short-term response to volatility, the Bank has continued to implement projects under the *Global Food Crisis Response Program*.

ii) Infrastructure

16. **The PCD committed the WBG to a range of initiatives and actions on the infrastructure front,** including continuing to implement the *Infrastructure Recovery and Assets Platform* (INFRA) with a particular focus on supporting efforts to use infrastructure investment to advance the green agenda. In FY09 and FY10, the WBG committed more than $50 billion for infrastructure (IBRD/IDA: $43 billion, IFC $6.6 billion, MIGA .5 billion) and is on track to exceed INFRA lending targets in FY11. The green agenda has been advanced primarily through scale up of support to infrastructure projects for renewable energy and energy efficiency, GHG emissions reduction, water quality and efficiency improvements and through *Development Policy Operations* (DPOs) which support advances in environmental policies. WBG financing of renewable energy and energy efficiency projects and programs in developing countries rose 7 percent in the last fiscal year to reach a record $3.6 billion. Total renewable energy and energy efficiency commitments in FY2010 accounted for more than 42 percent of total WBG energy lending. The *Infrastructure Crisis Facility (ICF) Debt Pool and Co-Financing Facilities* have raised more than $4 billion to date and are now operational. The *ICF Debt Pool* has considered total investments of $535 m, of which two investments for $45 m have been signed. Under the ICF Co-Financing Facilities, IFC companies have signed seven deals for $184 m and EIB has confirmed positive interest in some of its infrastructure transactions.

17. **IFC committed $3.6 billion to infrastructure projects in FY10 and mobilized $1.6 billion in financing from third parties for infrastructure clients.** IFC Advisory Services successfully completed ten transactions and signed another 26 mandates in FY10. IFC's *InfraVentures*, established in 2008 to combine the provision of early-stage seed capital with global industry expertise to develop private or PPP infrastructure projects, has built up a portfolio of projects across eight countries. MIGA provided $500 million in guarantees in FY10 in support of infrastructure contracts worth approximately $386 billion.

18. **Pursuing the twin PCD objectives of supporting sustainable development and poverty reduction in developing countries while facilitating global action and interaction among all countries**, the WBG has continued to expand its climate change related work and collaborative partnerships with developing country governments and other stakeholders. Studies to help countries identify opportunities for transitioning to low carbon economies helped pave the way for recently approved operations in Brazil, China, India, Indonesia, Mexico and South Africa. A regional study entitled, *Winds of Change: East Asia's Sustainable Energy Future* shows how countries in East Asia can minimize greenhouse gas emissions without threatening their growth.

iii) Trade

19. **Consultations on a new Trade Strategy were launched at roughly the same time the PCD was formally adopted**. The new strategy builds on the PCD, focusing on how best to help developing countries create opportunities for the poor and sustainably grow their economies. It is proposed that the new WBG trade strategy focus on five main pillars: (1) trade competitiveness; (2) trade finance; (3) trade facilitation and logistics; (4) trade cooperation; and (5) trade data, indicators, and information systems. These are the main areas identified in the PCD paper to facilitate the integration of developing countries into global and regional markets. The paper resonates closely with the call in the PCD paper for improving trade incentive regimes, promoting trade competitiveness, and strengthening trade facilitation and logistics programs.

20. **Consultations with stakeholders–including member governments, private sector bodies, CSOs, academia, international organizations, and donor agencies–are near completion**. Stakeholders have broadly endorsed the proposed pillars, and the consultations have generated a wealth of input and views that will be reflected in the strategy. A draft strategy paper is expected to be ready in October 2010 and will be posted for public comment before being revised for consideration by the World Bank Board. The final strategy document is expected to be completed in the near future and implemented over the next coming years.

3. Promoting global collective action

21. **Drawing on its global reach and convening power, the WBG is actively seeking out opportunities to enhance complementarity with international partners**. Some of the more recent efforts in the social sectors are described above. In agriculture, the Global Agriculture and Food Security Program (GAFSP) was recently launched by the World Bank at the request of external partners, who oversee its governance. On climate change, the climate investments funds are perhaps the best example of global partnerships and Bank leadership on cooperative models. In addition, Bank teams are continuing to work closely with countries and international organizations in the lead up to Cancun.

22. **As development efforts focus on overcoming poverty and improving the lives for the poorest and most vulnerable, the need for leadership to reduce fragmentation and promote aid effectiveness becomes even more evident**. Given the rapid expansion in the size and number of WBG-administered trust funds, the Bank committed to consolidate and improve their alignment with Bank strategies and processes. Currently, work is proceeding on how best to integrate TFs and Bank budgets. Going forward the WBG intends to encourage country-level consolidation with multi-donor TFs around CAS implementation areas/pillars rather than many, narrowly-focused single-donor TFs. Improvement of alignment with Bank strategies and

processes is a multi faceted endeavor; the current ongoing efforts of note include integrating trust funded financing in CASs and mainstreaming TF processes with Bank operational processes.

23. **The PCD envisaged the WBG providing leadership by continuing to represent the perspectives and interests of developing countries in international fora**, thereby helping to bridge the gap between the perceptions and interests of countries at different stages of development. Particular note was made of World Bank efforts in the context of its role in the G20. In recent months, the Bank has continued to raise awareness of challenges faced by developing countries in the wake of the global economic crisis. Most recently, we have been working closely with the Korean Chair of the G20 to provide input and guidance into efforts to establish a G20 Working Group on Development Issues.

24. **An important part of the WBG's strategy for promoting cooperative models is its efforts to improve coordination with other IFIs**. Of particular importance is the relationship with the IMF. Earlier this year, Executive Boards of both the Bank and the Fund discussed the *Review of Implementation of the Joint Management Action Plan* (JMAP)[8] and endorsed Bank and Fund managements' next steps in the strategy to improve collaboration between the two staffs. Considerable progress has been made since that time. All country teams are now required to meet with their Bretton Woods counterparts to discuss and coordinate forward-looking work programs. The Human Resources departments of both institutions are working on strategies for removing impediments to greater mobility between the institutions to more systematically take the quality of collaboration into account in managerial performance assessments. Finally, a Task Force on Information Sharing has been created and is actively working on recommendations to improve the timely flow of information between the staffs of both institutions.

25. **In addition, in the private sector development, collaboration among IFIs has been increasing through the IFI Cooperation Program, where IFC has provided leadership in overall structuring of the program as well as in specific working groups such as on corporate integrity and governance, E&S and M&E.** Other collaboration examples include the joint crisis initiatives, and a Master Cooperation Agreement which frames co-financing arrangements with other development institutions. Given the enormity of the development challenges and the private sector's increasing role, this collaboration is expected to increase, with IFC continuing to play a leadership role.

4. Strengthening governance

26. **The PCD recognized that effective government will be critical in the post crisis era**, particularly the role that committed, credible, and capable government can play by providing a supportive environment through sound governance and institutions. In order to improve governance, the Bank's governance and anti-corruption (GAC) strategy is helping integrate (or mainstream) governance, transparency, accountability, and anti-corruption elements across country strategies and Bank Group operations in the various sectors where the WBG works. The GAC Strategy is being implemented at the country, project and global levels. Mainstreaming at the sector level is implicit in the country and project-level work.

[8] "Implementation of the Joint Management Action Plan on Bank-Fund Collaboration", March 2010, http://siteresources.worldbank.org/EXTPREMNET/Resources/JMAP.pdf

Significant progress has been made along several fronts:

- *Oversight and management of the agenda has been institutionalized* through a GAC Council comprised of Regional, Network, and other relevant Vice Presidents that meets monthly, and is chaired on a rotating basis by each of the Managing Directors.

- *Each of the regions has set up organizational mechanisms to mainstream GAC* in regional operations, including through regional-wide GAC learning programs.

- *Communities of Practice have been launched in various areas*–Human Development, Infrastructure, Political Economy, Demand for Good Governance, GAC in Projects, Public Sector Institutions and Communications–that promote knowledge and learning related to GAC in the respective networks and regions. A web-based internal knowledge and learning platform with resources developed by these COPs was launched in May 2010 (http://gac).

- *The GAC agenda has fostered the design and implementation of three sets of tools to support decision making and responsible risk taking by governments and donors*: (i) Strengthening accountability through multi-stakeholder engagement tools (e.g., participatory reforms, independent monitoring), public sector capacity improvement tools (e.g., financial management and procurement reforms), and fiduciary tools to further protect development resources; (ii) Supporting informed decision making and responsible risk taking (e.g., governance and political economy diagnostic tools); and iii) tools to prevent and mitigate integrity risks based on lessons learnt from INT's investigative results.

27. **Many country assistance programs have integrated GAC considerations, including across sectors.** Albania, Indonesia, Mongolia, and Zambia are among the countries where Bank teams took early measures to make governance central to country programs, resulting in assistance and reforms that were more relevant to the country context. Country work in countries such as Afghanistan, Albania, Burkina Faso, Cambodia, DRC, Mongolia, Nepal, and Zambia is being expanded with funds from the *Governance Partnership Facility*, a multi-donor fund with contributions from the United Kingdom, the Netherlands, and Norway that has fully allocated its $65 million to 17 country and operational teams to mainstream GAC. Some country teams focusing on governance met in Capetown in September to exchange lessons learned.

28. **IFC provides important contributions to governance through its efforts at the intersection of public and private sector activities**, e.g. through its work on public-private partnership (PPP) models and privatization, the setting of industry standards in environmental and social activities, promotion of good corporate governance, improving investment climates, work to promote the use of the Extractive Industries Transparency Initiative, and work to prevent corporate corruption and money laundering.

29. **Efforts will continue to mainstream transparency, participation and independent monitoring across WBG operations, prioritizing delivering development results and measuring performance.** In the near term, the WBG will strengthen collaboration with its Integrity Vice-Presidency (INT) to address the recommendations of the Independent Advisory Board. Clearer *ex ante* understandings between INT, the regions and collaborative clients are being developed on what to do when fraud and corruption issues arise. The new *Operational Risk Assessment Framework* (ORAF) was put in place in July 2010 to rate the risk of fraud and corruption for all new investment lending projects. Staffing of the Prevention in IFC is close to

completion and INT is drawing on its extensive database to develop lessons on how best to prevent fraud and corruption in Bank projects.

5. Managing risks and preparing for crisis

30. **The PCD seeks to assist developing countries—especially LICs—enhance their ability to manage the risks associated with closer integration into a global environment.** Beyond the WBG's existing arsenal of insurance instruments and crisis initiatives, the PCD called for the Bank to develop new and innovative mechanisms and instruments to help countries manage volatility, including in the development of global approaches to disaster and post-conflict needs assessments. Much of this work is embodied in recent efforts to assist countries to improve the targeting of their social safety nets (discussed above) and the work of the *Rapid Social Response* (RSR) Program to empower LICs to become more crisis-resilient by facilitating knowledge transfer from successful safety net programs and by leveraging Bank as well as donor resources.

31. **In order to complement IFC's approach to helping clients overcome a variety of challenges, at the onset of the financial crisis, IFC launched a targeted set of initiatives to help private enterprises in the developing world navigate unprecedented market conditions.** Together with partner governments and international finance institutions, support for the initiatives totaled more than $11 billion in FY10, including over $6 billion for IFC's own account, $2 billion in direct support from partner governments and IFIs through IFC, and $3 billion in parallel financing arrangements. They include trade initiatives, with the Global Trade Finance Program issuing $3.46 billion in guarantees and the Global Trade Liquidity Program financing more than $6 billion of trade volume; the Microfinance Enhancement Facility, launched with German KfW, which has raised over $440 million, and disbursed $93 million in FY10; the Infrastructure Crisis Facility, which has committed $100 million to projects in four countries; and an advisory services access to finance initiative, which is expected to raise $40 million over three years.

32. **Work is also underway to take a more integrated approach to supporting the ability of natural-resources rich countries to manage their resources** in good times and thereby enhance their preparedness for economic shocks and periods of slow growth. This new business line will seek to draw on expertise on the macroeconomic, fiscal, political economy and governance-related aspects of resource management.

33. **At a "macro" level, efforts to make permanent the $1.65 billion pilot Crisis Response Window (CRW) continue** in the context of IDA16 replenishment discussions to facilitate ensure that scarce concessional resources are targeted to those LICs which are the most severely impacted by exogenous shocks.

II. FINANCIAL CAPACITY UPDATE

34. **At the 2010 Spring Meetings, the Development Committee endorsed a package of measures to enhance IBRD's financial capacity**, including through both general and selective capital increases, reform of loan maturity terms, release of national currency paid-in capital and ongoing budget discipline. For IFC, the Committee endorsed a selective capital increase of $200 million and reconfirmed its commitment to ensuring that IFC had the resources necessary for its

continued growth, including consideration of a long-term hybrid instrument by shareholders (subject to a Board review of terms and conditions), and earnings retention. All of the elements endorsed by the Committee are now either implemented or in progress.

General and Selective Capital Increases

35. **Resolutions for consideration by Governors regarding the IBRD general capital increase and the IBRD and IFC selective capital increases were issued on July 2010**. The closing date for voting, initially set for September 10, 2010, was extended to March 31, 2011 to accommodate countries requiring legislative approval for voting. On the receipt of 75 percent of favorable votes, the IBRD resolutions will be approved. For IFC, the resolutions will be approved when favorable votes will have been received from 60 percent of Governors, representing at least eighty-five percent of the total voting power. As of September 13, 2010, IBRD had received votes from 100 members representing about 53percent of the total voting power; IFC had received votes from 94 members representing about 45 percent of the total voting power.

Reform of IBRD loan maturity terms

36. **In late June 2010, the Executive Board approved restoration of IBRD loan maturity limits to their pre-2008 level** while offering borrowers the option to extend average maturity by paying a premium. Beginning July 1, 2010, new loans now pay a premium of ten basis points for average maturities greater than twelve years and up to fifteen years, and twenty basis points for average maturities greater than fifteen years up to a maximum of eighteen years.

Releasing existing national currency paid-in capital (NCPIC)

37. **The Bank has been working intensively with shareholders holding unreleased NCPIC** to release as much as possible as soon as possible. Discussions have been initiated with almost every shareholder with unusable NCPIC. As of September 1, 2010, release of $562 million of NCPIC had been agreed by shareholders. Informal agreement had been reached on the release of close to an additional $550 million, with promising progress on another $440 million.

Issuing Hybrid Capital for IFC

38. **The Development Committee authorized IFC to consider issuing a long-term hybrid instrument for shareholders, subject to the Board review of terms and conditions.** IFC is in discussions with credit rating agencies to confirm the features of a hybrid capital instrument which will be subscribed to by a limited group of shareholders on a voluntary basis. The size of the issue is expected to be $500 million. In order to qualify as economic capital and to have a high capital credit, the structure of the hybrid is likely to be a long-term, subordinated note with non-cumulative coupons (interest rate linked to US Treasury rates) and redemptions contingent on IFC's capital adequacy requirements and subject to the Board's review. IFC will start the discussions with potential subscribers to this proposed hybrid instrument in late 2010.

Ongoing budget discipline

39. **The WBG has delivered a substantially increased work program in FY10 in response to the global crisis** (including a new record level for IBRD loan commitments), robust growth in demand for analytical products, expanded activities supporting global public goods and partnerships, and internal reform activities. This was achieved within the approved net administrative budget framework for FY10. In the coming years, management anticipates demands on the work program to rise further. Management is committed to deliver this expanding work program while containing spending through the flat budget framework. This continued commitment to cost discipline reinforce past cost savings measures that allowed the Bank to maintain one of the slower growing net administrative budgets among international financial institutions since 1999.

Integrated Year-end Financial Discussions

40. **To further strengthen IBRD's financial model, the Executive Board's annual discussions of budget, pricing and net income allocation were synchronized for the first time**, with all three taking place in late June. Consistent with the commitments made at the Spring Meetings,[9] the pricing discussion included a review of principles linking loan pricing to lending-related cost coverage, as well as a consideration of expected losses. Management plans to further refine these principles in line with Executive Board guidance, and will work to facilitate consensus on principles that would inform the FY11 pricing review in June 2011. Regarding net income allocation principles, the net income discussions included principles that were consistent the above commitments. For IFC, FY end discussions regarding net income allocation incorporated IFC's principles-based financial distribution policy, which is consistent with ensuring sufficient resources for IFC's continued financial sustainability through earnings retention.

III. VOICE AND PARTICIPATION REFORM

41. **At its meeting in April 2010, the Development Committee endorsed a package of voice reforms for the Bank and the IFC**[10], building on the first phase of voice and participation reform approved by the Board of Governors in January 2009. Resolutions were sent to Governors for approval in July 2010. The closing date for voting, initially set for September 10, 2010, was extended to March 31, 2011 to enable Governors who were not able to cast their votes earlier to do so. The voting process provides that, if at any time prior to March 31st, Governors exercising the required voting majority cast votes in favor of any of the resolutions, the resolution shall be deemed to have been adopted on that date. However, Governors may still cast their votes until the terminal date of voting and have their vote recorded in the final tally. The IBRD resolutions will be approved on receipt of favorable votes of at least 75 percent of total IBRD shareholding. The IFC resolution will be approved on receipt of at least 85 percent of total IFC shareholding.

42. **Voice reform will increase the voting power of developing and transition countries (DTC) in IBRD by 3.13 percentage points**, bringing it to 47.19 percent. This represents a total shift of 4.59 percentage points to DTCs since 2008 (including the first phase of voice and participation reform). The 2010 realignment includes a selective capital increase of $27.8 billion with paid-in capital of $1.6 billion. The IFC voice reform includes an increase in basic votes and a selective capital increase of $200 million, representing a total shift of 6.07 percentage points to DTCs, bringing DTC voting power to 39.48 percent and moving towards a broad and flexible

[9] See "Synthesis Paper: New World, New World Bank Group", DC2010-0002/1, April 25, 2010
[10] These were set out in *World Bank Group Voice Reform: Enhancing Voice and Participation of Developing and Transition Countries in 2010 and Beyond* (DC2010-0006)

alignment with IBRD shareholding. In addition, in line with the first phase of voice reforms, countries in the two current Sub-Saharan Africa constituencies will be represented by three Executive Directors to be elected at the 2010 Regular Election this fall.

43. **The Governors' resolutions require that Bank and IFC shareholding will be reviewed every five years starting 2015**. While it is envisioned that such reviews will take place regularly, shareholding realignment will not necessarily be required with each review, but only when shareholders decide that the results warrant adjustment. For the shareholding review in 2015, a work program and a roadmap will be established to arrive at a benchmark for a dynamic formula reflecting the principles agreed at the 2009 Annual Meetings in Istanbul, moving over time towards equitable voting power and protecting the voting power of the smallest poor countries.

44. **IFC voice reform provides an opportunity for shareholders to balance voting power adjustments in IBRD and IFC**, while achieving voting power adjustments and reinforcing IFC's financial capacity. The IFC proposal involves increasing IFC Basic Votes to 5.55 percent of total votes, in line with what was done for IBRD in the Phase I Voice Reform. The percentage of total voting power that is represented by aggregate Basic Votes would be fixed at 5.55 percent and would not change when the number of subscribed shares of the Corporation's capital stock are increased or decreased, or when the number of the Corporation members increases or decreases. The IFC voice reform contemplates issuance and subscription of $200 million shares, comprising $70 million existing but unallocated shares and $130 million newly created shares. Additional capital subscriptions for an amount of $130 million would require issuance of 130,000 new shares and an increase in the authorized capital stock of the IFC by $130 million.

45. As of September 13, 2010, IBRD had received votes from 100 members representing about 53percent of the total voting power; IFC had received votes from 94 members representing about 45 percent of the total voting power.

IV. The Internal Reform Agenda: Recent Developments and Progress

46. **The vision for the internal reform agenda is a WBG dedicated to results**[11]--that excels at delivering customized, quality global knowledge and financial services in real time to the full range of client segments: poor countries, fragile and small states, middle income and emerging countries, the private sector and other stakeholders. This requires a Bank Group that is locally responsive and globally connected, equally effective in serving country clients, delivering global public goods, and partnering with external stakeholders.

47. **The internal reforms strive to increase the operational effectiveness and accountability of the WBG in meeting the strategic priorities under the Post-Crisis Directions** (discussed in Section I). To achieve this, the core reform forms a closely inter-linked and mutually-reinforcing package that reaches across the entire organization to maximize synergies and offer clients a wide range of results-based development solutions in order to:

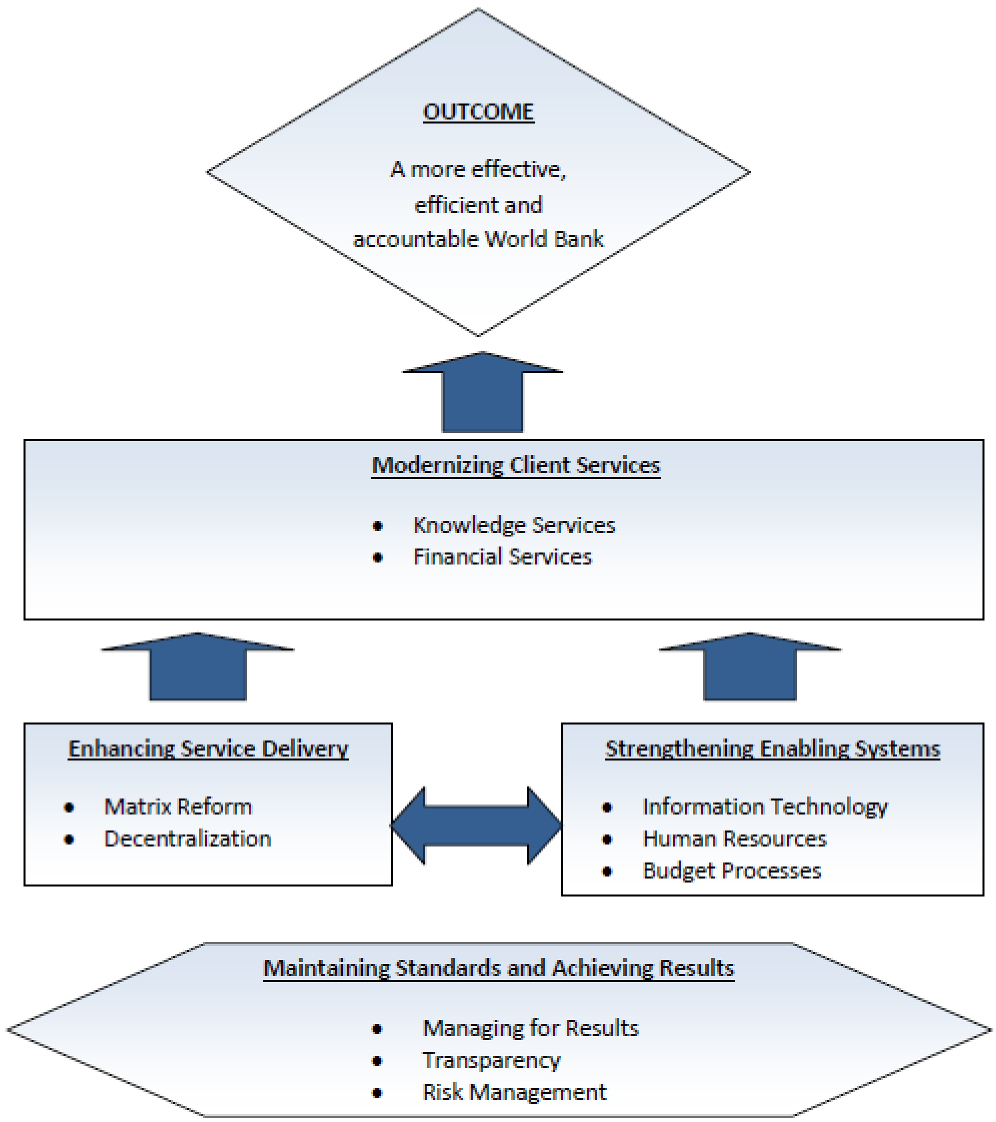
[11] Development Committee (DC) paper: *New World, New World Bank Group: (II) The Internal Reform Agenda*, April 20, 2010

a) Modernize the Bank Group's financial and knowledge services, tailoring them to client needs, speeding up delivery, and demonstrating results on the ground;
b) Facilitate responsive and efficient delivery of client services through organizational changes, including improvements to the matrix structure and an enhanced field presence;
c) Promote more efficient delivery of services through changes in policies, information technology infrastructure, and the incentives system;
d) Maintain standards and the results focus through reinforcements to the WBG fiduciary and control mechanisms;
e) Strengthen public accountability and openness to help improve development results and broaden participation in the development process.

48. **The overall objective of these reforms is to transform the WBG into an organization that is more results- driven, open, and responsive**; one that plays a catalytic role in development community to support country-based development priorities and is able to effectively connect global development challenges and country priorities. To achieve this will require:

a) Adopting results-based approaches throughout the WBG, that support harmonization with agreed country based policies and systems;
b) Improving our responsiveness and flexibility on the ground, through increased delegation authority within an agreed corporate risk framework and effective decentralization;
c) Enhancing quality through strategic deployment of senior staff, better sharing of country, regional and global knowledge and experiences, and sharper focus on technical excellence;
d) Increasing external connectivity through stronger linkages with external knowledge centers, especially from developing and emerging countries.

The Internal Reform Agenda



1. Governance Structure

49. The Bank's internal reform agenda is being overseen by senior management, in consultation with the President. Management has put in place a comprehensive institutional structure with responsibility for implementation, coordination and oversight across all reform components:

- *Knowledge and Learning Council* (KLC): By providing oversight of the knowledge and learning strategy, and making decisions on allocation of corporate resources for knowledge and learning, the KLC's goal is to improve the Bank's ability to deliver quality development knowledge to its clients, increase development impact, link country practitioners to global sources of knowledge, and enhance learning opportunities for Bank staff.

- *Matrix Leadership Team* (MLT): The MLT, which has been functioning since early 2010, is accountable for the effective functioning of the Bank's matrix structure. The MLT is responsible for developing appropriate accountability frameworks, revitalizing technical practice management, ensuring staff mobility and knowledge flow, and ensuring integration of global and country programs.

- *Internal Reform Secretariat* (IRS): The IRS ensures coordinated implementation of the internal reform agenda. It monitors progress, advises senior management, and provides regular reporting. The IRS has been operational since July 2010 and supports both the KLC and the MLT, and provides a critical link between them.

- *Chief Economist Council* (CEC)*:* The CEC has been reinvigorated and will regularly review the WBG's knowledge portfolio and suggest ways to strengthen its impact and effectiveness. The CEC will also guide the preparation of the first report on performance in delivering knowledge to WBG clients.

2. Resource Allocation

50. **The Bank's activities and budgets have been aligned with the internal reform agenda.** Identified reform initiatives received $27 million in the new budget (effective July 2010) from internal reallocations within a flat budget environment. The plan also anticipates redeployment of an additional $13 million from set asides through the remainder of FY11 based on anticipated needs and plans, to be coordinated by the IRS and submitted to the MDs/CFO for approval.

FY11 Budget Reallocations to support Internal Reforms[12]

Modernizing Services		$17.5 Mn
Internal Reform Secretariat	$2.5 Mn	
IL roll out and Risk & Reform framework	$4.0 Mn	
Corporate Knowledge priorities	$11.0 Mn	
Enhancing Service Delivery		
Regional decentralization plans	$6.0 Mn	$6.0 Mn
Supporting reform initiatives		$4.0 Mn
IMT strategy	$2.0 Mn	
Access to Information policy	$2.0 Mn	
Identified Priorities Total		$27.5 Mn
Additional set asides for Reform		$13.0 Mn
GRAND TOTAL		$40.5 Mn

[12] *The World Bank's Budget: Trends and Recommendations for FY11* as discussed at a meeting of the Executive Directors on June 22, 2010

51. **The reform agenda is complex and far reaching and has not yet been fully costed.** The possible need for additional resources and the scope for further reallocations will be carefully reviewed as decentralization plans are finalized, and the implementation of the reforms is further refined based on pilot initiatives and new approaches.

3. Recent Developments and Progress

52. **Modernizing client services at the Bank focuses on both financial and knowledge services**. The first phase of investment lending reform (risk-based approach) has been under implementation since July 2010. It involves a major shift of emphasis away from supervision to implementation support. New results-based approaches, including a proposed new financing instrument for results-based lending (RBL), will be the main objective of the second phase of IL reform, together with greater harmonization with country policies and streamlining of the Bank's operational policy framework. RBL has the potential to provide a powerful tool to bring results, knowledge and finance together into cohesive interventions to support country-based programs, as well as greater cohesion of development efforts by the development community, aligned behind agreed country priorities and policies.

53. **Key corporate priorities under the knowledge strategy (presented to the Board in March 2010) have been identified and launched by the KLC.** The strategy is progressing on three pillars: (i) delivering the best expertise to Bank clients; (ii) enhancing the development impact of the Bank's knowledge portfolio; and (iii) strengthening the Bank's global connector role. Internal connectivity will require flexible management of the matrix and will be key to guiding continued decentralization. Working closely with the MLT, progress is being made in strengthening senior staff mobility, mainstreaming global expert teams (GETs) and in piloting Bank-wide global practices while strengthening existing mechanisms for cross-support and cohesive management of sector practices. A new stream of high-level chief technical specialists has also been established, with recruitment under way to double the current level of such positions from 8 to 16. A first recruitment (renewable energy) has already been done. The Bank's work to scale up safety nets is a good example of closely linking results, country-based knowledge and impact evaluation to design new operations. Strengthening global connectivity will be a key focus during FY11, focusing on 3 priorities: (i) launching selected knowledge platforms with major partners; (ii) establishing a high level Bank fellows program; and (iii) strengthening mechanisms to support knowledge exchange and innovation.

54. **Enhancing service delivery entails improving the way the Bank works and is organized by strengthening matrix management and more effective decentralization**. The MLT has already taken decisions on the GETs and technical specialists as mentioned above, and has presented a detailed work program for next year to the MDs that focuses on five priorities: (i) launching pilot global practices (in Finance and Private Sector Development) while strengthening management of all other technical practices; (ii) supporting mobility of top talent through enhanced cross-support among regions and mainstreaming of the GETs; (iii) strengthening accountabilities and streamlining the span of control of sector managers; (iv) strengthening corporate HR management regarding talent management, entry/exit, staff rotation and clustered recruitment; and (v) simplifying corporate reviews and processes.

55. **Progressive decentralization has been a key feature of the Bank over the last 10 years**. Overall 53 percent of regional operational staff and 30 percent of HQ -appointed operational staff are now based in the field, as compared to 37 percent and 16 percent

respectively, in FY00. Similar progress has been made in delegation of authority, with about 30 percent of operational tasks now managed out of Country Offices. The focus on IDA-eligible countries and Africa has continued. In FY10, 61 additional HQ-appointed staff relocated to IDA Country Offices, an increase by 20 percent. As a result of these staffing shifts, the Africa Region is now among the most decentralized, with 65 percent of its staff based in Country Offices. Further, the Africa Region has appointed four additional Country Directors in FY10, all based in Country Offices and its Director for Regional Integration is also based in the field. The Region is currently in the process of establishing a thematic Fragility Hub in Nairobi to house specialized skills that will enhance the services provided by Country Offices in Fragile States. IFC has also significantly decentralized operations as was detailed in the *Board Paper on IFC's Decentralization Experience* (May 2009) and more recently in its FY11-13 Roadmap Paper and its FY11 Budget paper

56. **A corporate decentralization framework that will guide further decentralization in the medium term to long term is being developed** based on business driven plans by Regions and Networks and strengthened support from Administrative Units. This framework will be fully integrated with, and build on, progress in other inter-linked reforms, particularly the Knowledge Strategy and IL Reform, the matrix strengthening and the ongoing HR Reforms. It focuses on supporting the objective of a Bank that is locally responsive and globally connected, serving local clients by linking them to global development solutions and ensuring global programs respond to local needs. This framework will include a much needed refinement in the metrics of success of decentralization and will focus on more effective client service in addition to measuring the number of staff in country offices. In the emerging decentralization framework, the country offices remain the core element of Bank's decentralized presence, these offices will be complemented by carefully planned hub pilots to develop the most effective configurations for the hubs. In the short term, the management will start with two small hub pilots in Africa – one to provide global knowledge and technical support to fragile states and other to provide implementation support to countries in West Africa. Further decentralization in other Regions will be developed within a corporate framework and will be presented to the Board.

57. **Strengthening enabling systems will allow improvements to the Bank's services and organizational structure to have their full impact**. Highlights of HR reforms progress include: revitalization of the technical stream; development of a new staff learning strategy; and establishment of a corporate approach for growing and developing the Bank's managerial cadre (including pipeline development, leadership learning, succession planning and diversity). The next stage of reform will focus on: continued recruitment simplification; review of current Nationalities of Focus (NOF) practice; review of elements of the compensation framework, including comparatio adjustment, Country Office compensation, and the Market Premium program; implementing performance management process reforms; and enhancements to supporting HR policies and systems.

58. **The three-year WBG Information Management & Technology (IMT) Implementation Strategy is a key enabler of the internal reform agenda.** Under the strategy, which was presented to the Board in April 2010, the Bank Operations & Knowledge System Program (OKSP) has started a phased launch of a user- friendly Operations Portal, to support the risk and result-based investment lending process. New platforms developed for document retention/retrieval and search will be ready for implementation in regions starting by the end of October 2010. To encourage new collaborative methods and bridge connectivity with country offices, a new social collaboration platform (SCOOP) has been launched with over 6000 users now registered. A new WBG Dashboard for decision support and a staff records system are already in operation. In support of Access to Information policy all OKSP products, current document repository (IRIS) and public disclosure processes are incorporating new security classification coding.

59. **Budget processes will continue to be upgraded with strong Executive Board oversight and participation**. Highlights of past improvements include enhanced performance reporting, the introduction of Externally Funded Outputs (EFOs), better integration of trust funds into budget discussions, and systems/process modifications to facilitate the Global Expert Teams (GETs) in support of the knowledge agenda. Further proposed reforms will focus on simplifying budget processes and further improvements to better incorporate external funds into the main budget process.

60. **Achieving results will require complementary actions at three levels: new instruments, incentives and metrics**, accompanied by greater delegation of authority to country program management, but with stronger oversight on risk management at the corporate level to ensure a strong accountability framework. Progress has been achieved in strengthening the monitoring and measurement of development results at the corporate level. The proposed results-based lending instrument (RBL) is intended to address critical incentives among clients and staff to reinforce management toward development results. Expansion of the use of core sector indicators from four to seven sectors will be rolled out by the end of FY11, enabling the Bank to capture aggregate results in a wider range of dimensions. An enhanced results framework for IDA was presented to the IDA Deputies in June. Building on this effort, the next step is to prepare a new Bank-wide results report to cover both IDA and IBRD clients by end calendar year 2010. The report will be structured around *an integrated corporate level results and performance framework* that covers both indicators on development results in the countries, and performance indicators on the Bank's operational effectiveness and organizational efficiency (see Annex 1). The work on Corporate Scorecard is now part of this overall effort, and will focus on indicators for the Bank's effectiveness and efficiency. Annex 2 of this paper reports on progress on the results framework for internal reforms; and as outlined in the internal reforms paper, these indicators will be incorporated into the Scorecard.

61. **Increased delegation and flexibility under IL reform will require a strong risk framework**. The Operational Risk Assessment Framework (ORAF) is now being rolled out and allows several dimensions of risk to be addressed across investment projects in a systemic way. Key tools and resources have been developed, and a baseline to assess corruption risks designed. The IDA internal control assessment has also been completed by IEG, with overall positive assessment. As part of this work, the Bank has developed an Integrated Risk Framework, which is being rolled out across all WBG entities, for assessing and monitoring risks Bank-wide culminating in corporate risk reporting to the Board. In addition, the executive search process for the Group Chief Risk Officer (CRO) has been launched. The CRO, reporting to the President, will oversee the existing risk management structure and be supported by a Group Risk Council that will include key members from each of the WBG entities.

62. **Major progress has been achieved in strengthening transparency by positioning the WBG as a leader among development institutions on disclosure, transparency, and open access to knowledge**. The next step will be to make the Bank the champion of open knowledge, providing a platform for connecting development experiences and knowledge from country

clients and centers of knowledge around the world and ensuring close integration of global challenges into country programs. The new Policy on Access to Information became effective on July 1, 2010, and the external Appeals Board has been formed. An Access to Information Committee has been established, comprised of Directors from relevant units in the Bank to provide oversight on the implementation of the new policy, including a first level of appeal. An Information Policy Unit has been set up in the Legal Vice Presidency which serves as the secretariat to the Committee. In the lead-up to the effectiveness date, training and awareness-raising programs (including a mandatory series of training modules for staff) were launched. Outreach to the Bank's clients and development partners was also carried out. Staff Handbooks on both the Access to Information Policy and the revised policy on Information Classification and Control have also been prepared and disseminated. While most publicly available information is found on the Bank's external website, an electronic request form and tracking system has been developed to respond to requests for information not accessible on the web, including information dated before the policy went into effect.

63. **Simultaneously, the Bank also launched an open data platform** which proved highly popular and successful, with data related website traffic now double the pre-reform level. The next steps of this initiative will involve creating new tools for collaboration (apps for development); opening up the social collaboration platform (SCOOP) to external collaboration; geo-referencing Bank projects on interactive maps; expanding global e-learning; and more generally providing a place for sharing experiences and debates on development issues, as highlighted in the knowledge strategy.

4. Progress on IFC 2013

64. IFC has launched its own far-reaching reform program—IFC 2013—in parallel and in close coordination with the Bank's reform agenda. Progress has been made in a number of critical areas over the past six months.[13]

65. **Strengthening Development Impact:** In July 2010, IFC launched a set of Development Goals to guide overall strategy and provide clear and measurable indicators of progress. The Goals include specific targets for expanding access to infrastructure, social and financial services, as well as for support to agriculture and MSMEs. During FY11 progress against the Goals will be monitored closely, with the expectation that from FY12 the Goals will be fully incorporated into performance objectives.

66. **Improve Service Delivery to our Clients***:* September saw the introduction of a new structure for Investment Services, which locates execution in the field under three Industry groupings. In addition, a new Operational Center in Istanbul, which became effective in September, is tasked with piloting a variety of process improvements, including a middle office function, end-to-end team processing and new Regional Operations Committees for Regional project-level decision-making. Director and Manager re-assignments have taken place to adjust to the new organization structure. This work will also be supported at the corporate level by a

[13] IFC has circulated a separate paper with a detailed update of its IFC 2013 initiative for discussion with the Board on September 16th.

new approach on Client Relationship Management and a re-constituted Investment Process Unit which is tasked with finding additional ways to streamline processes and increasing efficiencies.

67. **Strengthening Global Industry Knowledge and Leadership**: As part of the ongoing change initiative, three Global Industry Departments for (i) Manufacturing, Agribusiness and Services; (ii) Infrastructure and Natural Resources; and (iii) Financial Markets, were put in place on September 13th. In addition, two Global Product Groups are being created for IFC's Climate Business and Short-Term Finance. Together, these groups will provide the "global glue" through sector strategies, leadership on global and programmatic projects and initiatives and support to the regions on large, complex and risky projects. Taking lessons from the Bank's experience in decentralization, efforts are underway in these groups to strengthen the transfer of best practices, incentivize global knowledge sharing and global careers and pursue special initiatives in key areas such as Infrastructure Finance, Water and Food Security. These groups will also be responsible for global practice leadership with a mandate to establish global sector networks that can drive knowledge sharing in a decentralized environment. To support this work, a Knowledge mapping exercise has taken place in the Access to Finance work, Financial Markets, Health, Mining and Equity, and are under preparation in Climate Change and Infrastructure. In addition, IFC has put together a new knowledge infrastructure including (i) an IFC Knowledge Strategy (to be discussed with the Board in FY11), (ii) a Knowledge Strategy Committee to oversee the knowledge & learning agenda, (iii) a Global Knowledge Office, responsible for Corporate KM strategy & work plan, and (iv) a KM practice group to fertilize best practices. To give staff better tools to collaborate and share information globally, IFC will roll out iCollaborate platform in the fall of 2010.

68. **Strengthening Advisory Services**: IFC's Advisory Services has continued its aggressive program of reforms to strengthen impact and organizational effectiveness. Recent reforms that are now being rolled-out include a refinement of the business line structure to strengthen strategic alignment and client focus, reforms to the funding structure and financial management framework, and elaboration of a new career framework for AS staff.

69. **Improving Transparency and Standards**. IFC is updating its Sustainability Framework which includes environmental and social performance and transparency requirements for clients through a multi-stakeholder global consultation process. Incorporating the principles in IBRD's new Access to Information Policy, IFC is revising its Policy on Disclosure of Information in order to increase transparency and accountability of its operations. IFC will also implement an independent disclosure appeals mechanism and increased disclosure of information on its website. IFC's review process also includes updating its Sustainability Policy and Performance Standards. The revisions focus on improving clarity of language and addressing gaps in environmental and social coverage.

70. **Strengthening People Development and Talent Management**: IFC has put in place a new performance framework whereby all staff are to be measured across four parameters: (1) results (including both financial and development goals) (2) client service (3) people development and talent management and (4) corporate contribution. To ensure greater alignment around IFC's priority areas, and greater clarity for staff around their areas of accountability, objectives will be cascaded from the VPs to Directors, Managers and Staff.

71. **Although there has been considerable progress, much remains to be done until the conclusion of the program in three years time**. Some of the changes, such as the Operations Center Concept are being piloted and other changes, such as the adoption of development goals, the new performance management framework the advisory reforms and the changing roles of globally and regionally focused staff, will need to be reviewed and refined based on our initial experience. IFC has formed a Corporate Task Force on IFC 2013 to help guide the continued implementation of the program in a way that maximizes the benefits of the changes for staff and our clients. The Task Force will conduct a review of staff concerns relating to IFC 2013 and advise the Management Team on the best way to proceed on implementation and mitigate any potential adverse effects on staff.

V. CONCLUSIONS AND NEXT STEPS

72. **Since the global financial crisis the World Bank Group has responded vigorously to support the developing countries in their efforts to sustain economic growth and poverty reduction**, even as the crisis has put many of the MDG targets for individual countries at risk of not being achieved. As it learned from this experience and the crisis response, the WBG put together a package of reforms to create a new WBG that is better positioned to tackle long-term development challenges in line with its comparative advantage. The new WBG will be more strategically focused, operationally effective, and accountable to clients and shareholders.

73. **In April 2010, the Development Committee endorsed a package of reforms** to enhance the WBG's ability to tackle the challenges of a globalized economy, improve voice and participation of the developing and transition economies, and enhance the financial capacity of the IBRD and IFC, improve operational effectiveness and results, and implement improvements to corporate governance. The Bank intends to report regularly to Governors on the PCD implementation. The next steps on voice and participation reform and in the implementation of the package of measures to enhance IBRD and IFC financial capacity are now in the hands of shareholders who are requested to ratify the agreed reforms as quickly as possible. To support implementation of the internal reform agenda, Management has put in place a comprehensive governance structure including by taking a crucial step by forming an integrated Bank Internal Reform Secretariat, reporting directly to Senior Management. IFC has begun implementation of IFC 2013 under the guidance of the Management Team and with coordination undertaken by the Change Management Office.

74. **An updated table of timelines and deliverables and an updated results framework for the internal reform agenda is attached** (Annex 2 and Annex 3, respectively). The reform program includes specific indicators to measure progress along the core objectives that will be further refined as the reform program takes hold. Beyond the concrete deliverables for the internal reform agenda, the Corporate Scorecard, mentioned earlier, will allow a comprehensive review of the progress in relation to overall post crisis directions and to results on the ground. Three implementation issues will require careful attention:

- *Sequencing and prioritizing reforms*. Careful sequencing will be critical for success. Two areas will require greatest attention. First, successful implementation of Results Based Lending will require integrated delivery of financial services and best global knowledge and staff with delegated authority who are close to the clients. Second, the Bank's delivery of best global knowledge will require strengthened technical practices that are able to flexibly move technical talent, systematically capture practical knowledge from each engagement, connect knowledge centers across the world and various parts of the WBG, and connect global challenges to country-based development priorities.

- *Managing the pace of reforms.* The internal reform agenda does not require major structural changes and is manageable. Delivering the reforms within available resources, while ensuring continued service delivery, will require careful management of the pace of reforms, as well as their budget implications.

- *Strengthening directions and communications.* The overall approach of the internal reform agenda is based on pilots, learning and refining, rather than one time changes. This approach requires a sustained communication from Senior Management on the overall goals and the required changes and intermediate steps. On the other hand, it also requires a systematic process of incorporating the views of staff and clients in shaping the reform program.

75. **The reform program has gained momentum since the Spring Meetings,** but these are also areas on which Board guidance will be important to shape and calibrate the pace of reforms over the coming years, as the reform program needs to be kept flexible to respond to the evolving world environment.

76. **The Bank's ability to sustain the scope and pace of implementation of internal reforms will need to be closely and carefully aligned with the availability of resources given Management's commitment to maintain cost discipline.** Within an increasingly constrained net administrative budget envelope and the need to provide adequate funding for supervision of a significantly larger loan portfolio as a result of ramped up lending in response to the financial crisis, resources for IR implementation will be limited. As the implementation details associated with the internal reform initiatives are more fully developed, there will need to be an iterative process to ensure that sufficient resources can be made available for effective implementation. A consequence may be that implementation may need to be phased over a longer period of time in some instances.

VI. ISSUES FOR DISCUSSION FOR THE DEVELOPMENT COMMITTEE

77. **Members of the Development Committee may wish to discuss the following issues:**

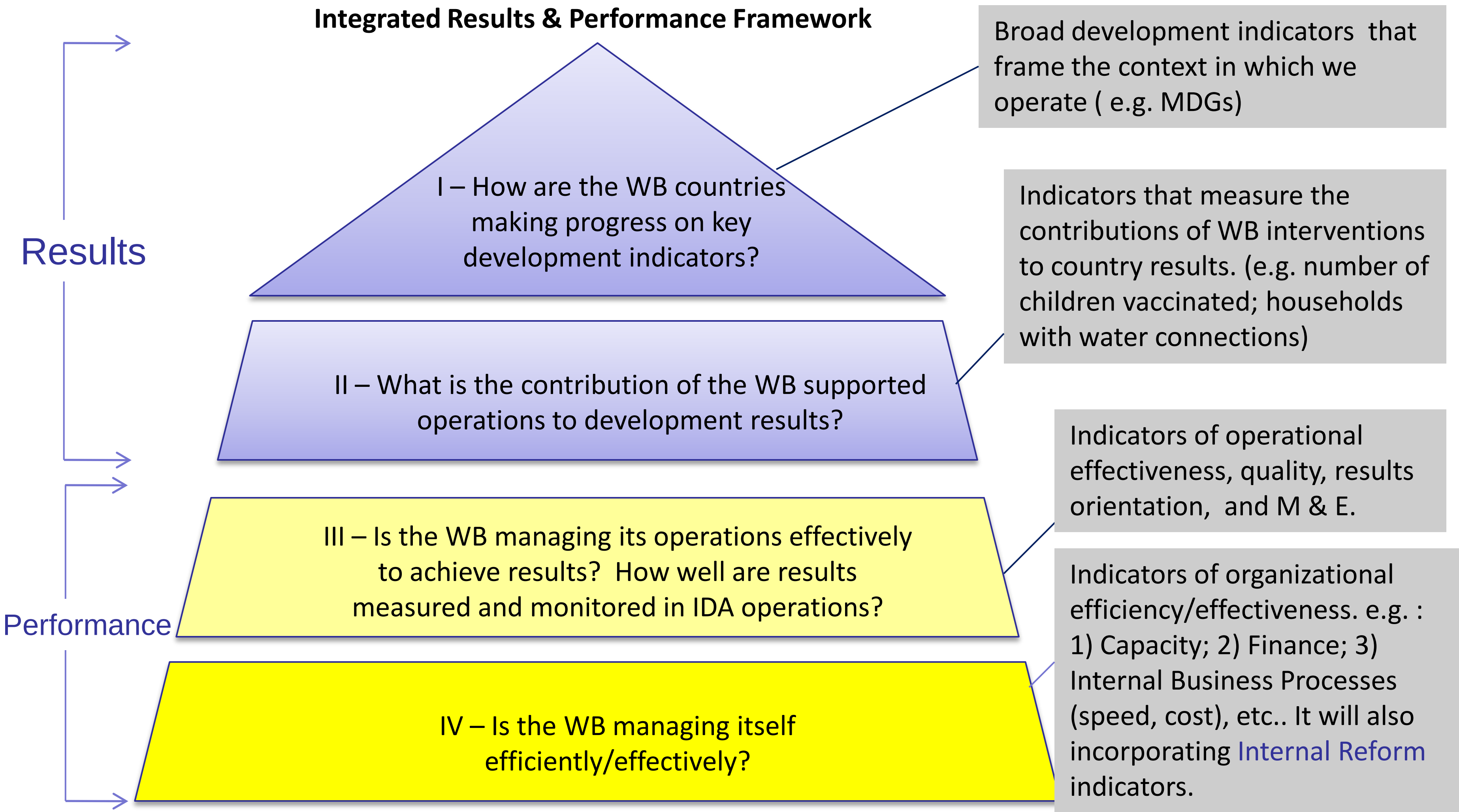
1) *Would you adjust or qualify our principal areas of policy priority?*

2) *What other steps or initiatives should we be considering to attract more private investment to developing countries and build their private sector?*

3) *What other advice might shareholders offer on internal reforms and our governance agenda?*

World Bank Integrated Results & Performance Framework

The Integrated Framework is organized in four levels with key indicators underlying each. The framework provides the conceptual basis for annual results reporting, as well as for more frequent reports on the Bank performance indicators(i.e. focus on levels 3 and 4)



Annex 2: Timeline for Deliverables with September 2010 update

Reform	End Fiscal Year 2010	Sept 2010 Update	End Calendar Year 2010	End Fiscal Year 2011
Modernizing Services	• Full rollout operational risk assessment framework, new model of implementation support, and remodeled reporting framework • Establish Knowledge Council • Update Trust Fund Management Framework • IFC create Knowledge Management Unit and Knowledge Steering Committee	• Operational risk assessment framework and new ISR rolled out in July 1 • Knowledge and Learning Council established	• Revise and consolidate policies and procedures for investment lending • Expand to 12 the number of specified teams of global experts on high priority topics	• Agree on new results-based investment lending option • Finalize reform proposals for analytical and advisory activities
Enhancing Service Delivery	• Strengthen field presence in low-income and fragile-states, especially Africa, by moving more task management to the field • Increase number of Country Directors in Africa • Establish accountability framework for Bank operations • Establish Matrix Leadership Team • IFC Advisory Services refinement of the business line structure and reforms to the funding structure and financial management framework	• 27% of GE+ operational staff in country offices • Four new country directors appointed, recruitment in process, and acting country directors in place, July 1 • Work on accountability framework initiated by MLT; analytical work on span of control complete • Matrix Leadership Team (MLT) established • IFC launched (i) new industry department structure and (ii) Istanbul operating center. Staff and managers re-assigned.	• Identify 'early movers' to gain implementation experience for new decentralization model on a small scale, including establishment of at least one subregional hub in Africa to serve fragile states • Increase cross support by high-end staff and monitor implementation • IFC Middle Office in Istanbul Operations Center established and Regional Operations Committees	• Approve new decentralization approach, including a phased and costed transition and implementation plan to commence in FY12 • Implement organizational plan to rationalize sector managers' span of control • Establish framework for network accountability including for knowledge
Enabling Systems	• Institute annual corporate review of managerial bench strength • Launch Information Management Technology strategy for integration and standardization • Implement WBG Dashboard for decision support • IFC Road Map & Budget for IFC 2013 including cost implications of IFC 2013 • IFC introduced new Development Goals.	• 26 VPUs completed talent reviews: pipelines for all levels of management positions were completed and made available for use, supported by new e-Talent system • WBG Dashboard in operation IFC launched new IFC performance framework and performance management cycle, and elaborated of a new career framework for AS staff. • TF incorporation into main budget process ongoing	• Operationalize Corporate Scorecard • Implement new recruitment process aimed at reducing cycle time • Expand use of clustered recruitment • Enhance control and knowledge transfer through implementation of new document retrieval and search system	• Finalize new compensation and benefits framework for approval
Transparency, Accountability and Results	• Implement Access to Information policy • Establish external appeals committee for access to information policy • Establish secretariat to monitor, advise and report on internal reforms • Put in place sanctions reform, including cross-debarment • Develop and report on core indicators in four sectors for IDA	• Access to Information policy effective; Appeals Board, AI Committee and Policy Unit established; 7/1/10 • Internal reform secretariat established • Sanctions reform initiatives, including cross-debarment, substantially completed. Bulk of reforms to be adopted by end-September 2010. Four remaining measures to be discussed by Audit Committee in the Fall 2010. • Sanction reforms implemented • Core indicators to seven sectors is well underway, to be rolled out by end FY11	• Complete IDA controls effort • Conduct an independent review of oversight units agreed with Board • Appoint a World Bank Group Chief Risk Officer, who will annually publish an integrated Risk Monitoring Report • Complete first Annual Results Report • Corporate Task Force on IFC 2013 recommendations expected.	• Implement fully Results Agenda by establishing corporate-level reporting framework and issuing annual results reports • Expand number of sectors with core indicators to seven

Annex 3: Results Framework (End FY 2010 update)

	Baseline (end-FY09)	Update (end- FY10)	Target (end-FY11)
Effectiveness			
• CAS Completion Reports (% moderately satisfactory and above)	n/a[/1]	55%	75
• Project Outcomes (% mod. Sat and above)[/2]			
- Fragile States[/3]	68	68	70
- LICs (core IDA)	69	70	75
- IBRD	79	78	80
• Use of Country Systems			
- FM (PD survey)	62	No update[/4]	65
- Procurement (PD survey)	52	No update	55
• AAA and TA	Counting of Products and Outputs	In Progress	Monitoring Indicators for Intermediate Outcomes
• IT: Stakeholder Satisfaction with Enabling IMT Systems for Reform Initiatives (as measured by IT Steering Group)	n/a	In Progress[/5]	Overall 7/10
- Investment Operations	n/a	In Progress	7 on a 10 point scale
- Advisory Services, Knowledge Strategy	n/a	In Progress	7 on a 10 point scale
- Decentralization	n/a	In Progress	7 on a 10 point scale

/1 Due to a very small number of Results-Based CASCRs validated by IEG review no baseline is available.

/2 Based on a three year average of operations exiting IBRD/IDA and trust fund portfolios evaluated by IEG as of end-FY10.

/3 "Fragile states" defined as countries on the "Fragile" list in FY08, FY09 and FY10 inclusive.

/4 No update, since Paris Declaration (PD) survey 2010 results will only be available in June 2011.

/5 Formal satisfaction survey metrics under development through McKinsey consultation. Deliverables on track with business steering committee oversight.

	Baseline (end-FY09)	Update (end- FY10)	Target (end-FY11)
• Client Satisfaction[/6]			
- Achievement of Results (# of regions where majority of opinion leaders agree Bank achieves results)	3	n/a	4
- World Bank Group Relevance (# of regions where majority of opinion leaders agree)	5	n/a	6
Efficiency			
• Processing Tracks for Risk-Based Approach to IL			
- Track I - Express Process (% of projects)	25[/7]	No update[/8]	40
- Track II - Regular Process (% of projects)	75	No update	60
• Speed (Concept Note to Approval in Months)			
- DPOs (OP 8.60)	5.9	6.0	Maintain < 6.0
- Emergency Operations (OP 8.0)[/9]	3.9	4.6	Maintain < 4.0
- IL: Additional Finance[/10]	6.2	6.3	Maintain < 6.0
Standalone ILs	16.4	13.8	14.0[/11]
• Implementation			
- Disbursement Ratio	25.7%	26.2%	25%
- Disbursement Delays (OP 8.0)[/12]	35%	33%	25%
• Knowledge			
- Global Expert Teams (GETS) (number of)	9	9	12
- Technical level GI staff (number)	12	9	17
• Decentralization			
- TM in COs (% tasks managed in COs)	28.8%[/13]	29.2%	31%
- Regional IRS staff in Country Offices	27.3%	30.0%	29.5%

/6 Based on results of 2008 Global Poll. Target is based on the belief internal reforms will influence opinion leaders in the next global poll.

/7 Additional Financing (AF) projects.

/8 No change in estimates as Track I and Track II processing was not effective until July 1, 2010.

/9 Includes operations coded as ERLs (Emergency and Recovery Loans) and AFs.

/10 Includes all types of Additional Financing operations, and operations coded as ERLs and AFs.

/11 Average for High and Low risk projects – Dependent on rollout of Risk-Based approach.

/12 Calculated as a two year rolling average percentage of FY08-09 OP 8.0 approvals taking over 3 months from effectiveness to first disbursement.

/13 Previously reported (29.3%) has been replaced as it referred to mid-year FY10 estimates as a proxy.

	Baseline (end-FY09)	Update (end- FY10)	Target (end-FY11)
• Matrix			
- Cross-support (%)	6[/14]	6	10
• HR			
- Posting to appointment (days)	201	176	150
- Rotation (% of operational staff 7+ years in VPU)	24.2%	19.9%	TBD
- Supervisory span of control (average no. of staff)	34	n/a	TBD
Accountability			
• Access to information			
- Requests completed in line with new service standards	n/a	n/a	90%
• Risk Monitoring			
- Responsiveness to IEG recommendations	41%	36%	TBD[/15]
• IT			
- IT Risk Mgmt. (% Overdue Audit Findings)	n/a	2.4%	Less than 5%
- Board Engagement/Updates	0	2 Full Board, 4 IT Board Updates	Twice per year
• Managing for Development Results (MfDR)			
- Sector Indicators (number of sectors)	4	4	7

[/14] The previously reported 3% cross support figure has been replaced as it referred to cross-support from a typical Regional GET staff as a proxy. The current figure instead refers to cross support provided by operational staff as a percentage of their total time.

[/15] The target will be set when the revised Management Action Record (MAR) process is finalized.