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**MODERNIZING THE WORLD BANK GROUP:  
AN UPDATE**

Attached for the April 16, 2011, Development Committee meeting is a background document entitled "Modernizing the World Bank Group: An Update," prepared by the staff of the World Bank.

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## ABBREVIATIONS AND ACRONYMS

AFR	Africa Region
CAS	Country Assistance Strategy
CFO	Chief Financial Officer
CFP	Concessional Finance and Global Partnerships
CRW	Crisis Response Window
DC	Development Committee
DTCs	Developing and transition countries
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
FCPF	Forest Carbon Partnership Facility
FCS	Fragile and conflict-affected situations
FPD	Financial and Private Sector Development
FY	Fiscal year
GAC	Governance and anticorruption
GCI	General capital increase
GETs	Global Expert Team
GFRP	Global Food Crisis Response Program
GPGs	Global public goods
GPPs	Global partnership programs
GTPs	Global Technical Practices
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IL	Investment lending
IMF	International Monetary Fund
IT	Information technology
KLC	Knowledge and Learning Council
KM	Knowledge management
LCR	Latin America and the Caribbean Region
MD	Managing Director
MDB	Multilateral development bank
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MLT	Matrix Leadership Team
MNA	Middle East and North Africa Region
OPCS	Operations Policy and Country Services
ORAF	Operational Risk Assessment Framework
P4R	Program for Results
PCD	Post-Crisis Directions
RSR	Rapid Social Response
SAR	South Asia Region
SCI	Selective capital increase
SMEs	Small and medium-sized enterprises
StAR	Stolen Asset Recovery Initiative
UN	United Nations
WBG	World Bank Group
WDR	World Development Report

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# MODERNIZING THE WORLD BANK GROUP: AN UPDATE

## EXECUTIVE SUMMARY

1. At the 2010 Spring Meetings, the Governors endorsed a comprehensive modernization agenda for the World Bank Group (WBG), involving four pillars:

- refreshing and refining our strategic directions,
- adopting 21<sup>st</sup> century governance to give greater voice to developing members,
- taking measures to ensure that the World Bank Group remains financially strong, and
- engaging in a far-reaching process of business modernization, encompassing our products and services, our organization, and our processes and systems.

These four mutually reinforcing initiatives are helping to modernize our services, track results, and sustain our high fiduciary standards. The goal is a Group that is strategically focused, financially stronger, and more responsive, transparent, and accountable. This paper provides an update on progress on these four pillars one year after the Governors' endorsement.

### A. Implementing our Strategic Priorities

2. The core work of the World Bank Group is overcoming poverty and boosting growth. In our strategic framework—the Post-Crisis Directions (PCD)—we have identified five strategic priorities that support our mission, while tailoring implementation to country needs and factoring in gender and good governance as key cross-cutting issues: (a) targeting the poor and vulnerable, (b) creating opportunities for growth, (c) promoting global collective action, (d) strengthening governance, and (e) managing risk and preparing for crisis. While the global economic recovery remains fragile and uneven, these five strategic priorities are beginning to shape the WBG's activities. All Regions have updated their strategic approaches and used the PCD framework to prioritize our engagements. In these five priority areas, the WBG is carefully balancing client demands and global and regional priorities.

3. **Selectivity.** Given the wide spectrum of important global, sectoral, and country priorities across Regions, selectivity is the key to successful implementation of the PCD. Selectivity results from an interaction between client countries and Management. Our engagement framework is country-based: that is, priorities in our country programs are based on clients' own development strategies, a sense of where the Bank can contribute most effectively to their implementation, and our comparative advantage and the activities of other development partners. Nevertheless, the global and Regional priorities reflected in the PCD and sector strategies, combined with the Regional strategy updates, provide the framework and incentives to bring corporate priorities and knowledge into our country programs.

4. **Targeting the Poor and Vulnerable.** As President Zoellick pledged at the MDG Summit, a major thrust of our effort to assist the poor and vulnerable is to focus on countries, particularly in Sub-Saharan Africa, that are not on track to reach the Millennium Development Goals (MDGs) by 2015. We are mobilizing substantial new investments to help countries close the gap and achieve the MDGs. Our efforts are focusing on the "Access Agenda": helping to ensure access to basic health, quality schooling, clean water, energy, food, and jobs. In particular, we

are working to assist countries to build social protection systems, enhance the gender focus of our work, and address the special needs of fragile and conflict-affected situations (FCS). During the IDA16 replenishment, we also made strong commitments to enhance our work on gender and fragility and conflict in our IDA programs.

5. ***Creating Opportunities for Growth.*** Broad-based, sustainable growth offers the most robust and durable path to overcoming poverty. All Regional strategy updates place creating opportunities for growth at the center of their activities; they focus on improving the business climate, raising competitiveness, addressing the infrastructure gap, promoting regional integration, and scaling up efforts to increase women's economic opportunities. Investments in infrastructure and agriculture are important components of our support for growth. The WBG has committed more than US\$50 billion for infrastructure over FY09-10 (IBRD/IDA US\$43 billion, IFC US\$6.6 billion, MIGA US\$0.5 billion). Responding to the current situation in grain markets and the volatility of food prices, with their serious consequences for the poor and vulnerable, we are giving special prominence to agriculture.<sup>1</sup> The WBG has been scaling up support for agriculture through its Agriculture Action Plan: lending in FY10 was US\$6.1 billion, and in FY11 is projected to grow to US\$7.5 billion.

6. ***Promoting Global Collective Action.*** We are increasing our capacity to help provide and manage global public goods (GPGs) to build on, reinforce, and coordinate national actions, channel funds to national programs, and monitor and report on progress. We are working with a wide range of partners—the G20, UN agencies, the other MDBs, and private organizations—across a broad spectrum of global issues such as financial inclusion, education, and health. We are also working to further improve the strategic alignment of trust funds and their integration with Bank policies and processes. Climate change is an example of our support for global collective action and our ability to engage effectively on GPGs. It is an important priority in the Bank's Regional strategy updates, a special theme in the IDA16 replenishment, and a strong focus of the IFC, which is mainstreaming climate considerations into all of its activities across all industries and Regions. The Climate Investment Funds (CIFs) illustrate our ability to support cooperative action and the GPGs using our country reach. In the first two years CIFs are already operating in 45 countries. The US\$6.5 billion in CIFs is expected to leverage more than US\$40 billion in low-carbon and climate resilient investments. IFC also aims to grow its Clean Tech venture investment portfolio and to increase its focus on areas such as water treatment and management, forestry, agribusiness and land management, waste recycling, green construction, and transport, logistics, and distribution.

7. ***Strengthening Governance.*** We continue to give high priority to the governance and anticorruption (GAC) agenda. As we have completed the first phase of implementation of the GAC agenda, several lessons stand out: the importance of using country systems; the need to identify and measure the effect of governance on development results at the sector, country, and global levels; the need for a more informed approach to risk management; and the need for more rigorous and systematic lesson learning and knowledge management. We are preparing for a second phase of our GAC work, including by analyzing how specific thematic areas (procurement, judicial reform, the private sector, and public sector management) can more

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<sup>1</sup> A detailed description of the WBG's ongoing activities is contained in *Responding to Global Food Price Volatility and Its Impact on Food Security* (SecM2011-0145), March 8, 2011.

effectively contribute to overall GAC objectives and how the World Bank can serve as a catalyst for strengthening good governance globally.

8. ***Managing Risk and Preparing for Crises.*** To assist developing countries—especially low-income countries—to enhance their ability to manage the risks of closer integration in a global environment, the PCD specifically called for the Bank to develop new and innovative risk management mechanisms and instruments. Given recent events, we have intensively focused across the WBG on food price volatility and developing an IDA crisis response capacity. Recognizing the benefits of the rapid-response mechanism that was established in 2008 to mitigate the effects of food price volatility, the Bank’s Board of Directors extended the Global Food Crisis Response Program (GFRP) through June 2011. Through the GFRP the Bank and external sources have provided total funding of US\$1.5 billion in 40 countries, most in Africa, reaching an estimated 38 million people in need. In April 2011 IFC expects to launch a new Global Agriculture and Food Security Program private sector window to complement the World Bank’s larger-scale work with the public sector. At the global level, the WBG has joined the G20 and other multilateral organizations in a Food Price Working Group that is working on practical steps to reduce food price volatility. Our work in agriculture productivity and sustainability will also support efforts to reduce volatility in the medium to long term. Because low-income countries are especially vulnerable to both financial crises and natural disasters, crisis response was another special theme of IDA16. To enhance IDA’s capacity to respond to crises, the Bank and the IDA Deputies agreed to establish a dedicated Crisis Response Window in IDA in the amount of SDR1,335 million, including an exceptional allocation of SDR329 million for Haiti.

## **B. Modernizing our Governance**

9. At the 2010 Spring Meetings, the Development Committee (DC) endorsed a package of voice and participation reforms for the Bank and the IFC that increased the voting power of developing and transition countries (DTCs) in IBRD by 3.13 percentage points (a total shift of 4.59 percentage points to DTCs since 2008) to 47.19 percent total, and in IFC by 6.07 percentage points to 39.48 percent. The 2010 realignment includes a selective capital increase (SCI) for IBRD and an increase in basic votes and selective capital increase for IFC. Resolutions were sent to Governors for approval in July 2010, with the closing date for voting extended to March 31, 2011.<sup>2</sup> The Bank resolution required approval by 75 percent of the Bank’s shareholder voting power, and the IFC resolution required 85 percent of the IFC’s shareholder voting power. The Bank resolution was approved on March 16, 2011, with affirmative votes received from 135 members representing 75.8 percent of the total voting power. The Bank SCI subscription period is thus open. Members are encouraged to subscribe as early as possible. The subscription period will close on March 16, 2015, four years after the approval date of the resolution. In view of the larger voting share required for approval, the voting period for the IFC resolution was extended to December 31, 2011. The Bank voting period was also extended to December 31, 2011 to allow those countries that had not yet voted on the Bank resolution because of the time needed to complete domestic legislative processes enough time to do so and be recorded as having voted. The Governors’ resolutions require that, starting in 2015, Bank and IFC shareholding be reviewed every five years; a work program and a roadmap will be established for this review. As

<sup>2</sup> As of March 31, 2011 149 Governors have approved the Bank SCI representing 78.79% of total voting power, 149 Governors have approved the Bank GCI representing 78.82% of total voting power, and 146 Governors have approved the IFC SCI representing 72.29% of total IFC voting power.

agreed in the first phase of voice reforms, countries in the Sub-Saharan Africa constituencies are now represented by three Executive Directors elected at the Fall 2010 Regular Election of Executive Directors.

### C. Enhancing our Financial Capacity

10. Following changes to IBRD loan maturity terms last June, progress continues on the other elements of the package endorsed by the Development Committee at the 2010 Spring Meetings.

- **General and Selective Capital Increases.** In addition to the Bank and IFC resolutions on selective capital increases to enhance the voice and participation of DTCs (see paragraph 9), a Bank resolution on a general capital increase (GCI) also was sent to Governors for approval by March 31, 2011. The GCI resolution required approval by 75 percent of the Bank's shareholder voting power. The GCI resolution was approved on March 16, 2011, at the same time as the Bank SCI resolution, with affirmative votes received from 136 members representing 75.9 percent of the total voting power. The GCI subscription period is thus open. Members are encouraged to subscribe as early as possible. The GCI subscription period will close on March 16, 2016, five years after the approval date of the resolution. Meanwhile, the voting period for the GCI has been extended, as for the Bank SCI (see paragraph 9).
- **Releasing National Currency Paid-in Capital (NCPIC).** At end February 2011, release of US\$746 million of NCPIC had been agreed by IBRD shareholders, while informal agreement had been reached on the release of close to an additional US\$703 million.
- **Hybrid Capital.** To provide flexibility to IFC's financial capacity for the future, IFC is structuring a hybrid capital issue with high economic capital credit, based on discussions with the rating agencies. The issue would be of a modest size in order to serve as "proof of concept" of the instrument, and, subject to subscriber interest, would be purchased by a limited group of shareholders on a voluntary basis.

11. **IDA16 Replenishment.** The IDA16 negotiations were completed with an agreement on a historic high replenishment level of US\$49.3 billion. Funding for IDA16 increased by 18 percent over the previous replenishment. This historic outcome was the result of a global coalition, in which each country contributed to ensure a successful IDA16 replenishment. Traditional donors continued their support; IDA recipient countries committed to enhancing development results; IDA graduates contributed by accelerating their credit repayments to IDA; economically more advanced IDA blend countries contributed through hardening their borrowing terms; and a number of emerging donors increased their contributions and seven new emerging donors joined. This replenishment will substantially enhance IDA's ability to support low-income countries and activities within the four special themes of gender, climate change, fragility and conflict, and crisis response.

### D. Modernizing our Business

12. The fourth pillar of the WBG's modernization agenda is an ongoing program of internal reforms to modernize our business processes, including for Bank-managed trust funds. This

ambitious agenda is a Groupwide effort; and while the specifics differ among the institutions, the drivers of reform—the need to get closer to clients, to enhance our financial services, and to better gather and disseminate knowledge and expertise—are the same. Two key aspects of our efforts are *results* and *transparency*. On results, we working to improve our measurement through initiatives such as the core sector indicators and IFC’s 2010 launch of a set of Development Goals to help guide overall strategy and provide clear and measurable indicators of progress; our ability to manage for results through the corporate scorecard and enhanced IDA16 results measurement system; and our learning from results through strengthening feedback loops. The corporate scorecard will serve as an important tool for accountability and strategic engagement with the Board to assess our overall effectiveness and performance in the context of results. We are becoming more transparent and open: the Bank’s Access to Information policy and Open Data initiative provide unprecedented access to documents, results data, and information; and IFC is also revising its Policy on Disclosure of Information to increase the transparency and accountability of its operations.

13. **Objectives.** In the past year, we have put in place a governance structure for our business modernization and reorganized our reform priorities and actions into three main objectives:

- Modernizing *products and services*, with a sharper focus on results. We are adopting a more risk-based approach to our projects and shifting our focus toward implementation support. Going forward, we are designing a new lending instrument that rewards results—the Program for Results (P4R)—and reviewing our knowledge services to better measure and achieve impact.
- Modernizing the *organization* for increased integration, openness, and accountability. We are enhancing the functioning of our matrix by reshaping sector groupings into truly global groups, experimenting with ways to make decentralization even more effective, and connecting knowledge services globally to enhance technical excellence. Also, IFC introduced a new structure for investment services that locates execution in the field under three industry groupings and launched an Operations Center in Istanbul to pilot a variety of process improvements.
- Modernizing *processes and systems* for more efficiency and flexibility. The Bank recently launched an update of safeguards policies following an Independent Evaluation Group (IEG) review, and will shortly launch a complete review of the Bank’s procurement policies; IFC is using a multistakeholder global consultation process to update its Sustainability Framework, which includes environmental and social performance and transparency requirements for clients. Also, we are implementing information management technology systems and solutions to better support lending operations, knowledge, and GPGs, and more efficient HR processes and systems to drive higher levels of organizational performance.

14. **Communications with Staff.** Our new strategic framework and business modernization agenda are broad and complex. They will succeed only if staff understand the modernization program and are engaged in its design and implementation. Senior Management has detailed the rationale for the PCD to staff in townhalls, and we worked closely with the Regions to use the Regional strategy updates to link the PCD to Regional and country programs. Communication on

the internal reforms/business modernization process is being focused on specific programs, initiatives, and tools—for example, Access to Information or the new P4R. A Bankwide communications team is coordinating messages, materials, and communications efforts—for example, an initial series of information-sharing sessions with Regional management teams, at sector weeks, at unit meetings, in townhalls, and, starting in late March, in country offices. Over time, a full range of virtual and face-to-face outreach channels—brown bag lunches, Scoop (the Bank’s internal social networking tool), the intranet, and newsletters—will be used as part of the communications outreach.

## **E. Conclusion**

15. We are making significant progress on all four pillars of our modernization program, although much remains to be done. Important initiatives are under way in all five strategic areas of the PCD. The Regions have updated their strategic approach and priorities using the PCD framework. We are using our sectoral strategies to support our country programs by identifying innovative and transformational approaches in the sectors and subsectors in which we can have the greatest impact. We are exercising selectivity at the country level based on the framework and incentives set by the PCD and our sectoral strategies. Nevertheless, we recognize that more work is needed to strengthen the emphasis on the five strategic priorities within our country programs through greater efforts both to make our global knowledge more accessible to our country clients and to communicate and engage staff and managers on the priorities. We are also making progress on our business modernization program. This wide-ranging program encompasses our products and services, our organization, and our processes and systems to make us a results-driven Bank Group that is more responsive, innovative, flexible, and accountable. It is a complex and difficult change agenda that involves strengthening our corporate culture around results and global knowledge sharing. Ultimately, these reforms will not only make us more efficient, but will also help better connect our corporate priorities with our country programs.

# MODERNIZING THE WORLD BANK GROUP: AN UPDATE

## I. INTRODUCTION

1. As the world economy continues its uneven and uncertain recovery from the global financial crisis, the World Bank Group (WBG) continues to play an important role in this recovery. We have committed US\$164 billion since FY09—an unprecedented level of financial support that has been coupled with analytic work and technical advice in a number of critical areas: agriculture and food security, social safety nets, infrastructure, and private sector development. This support was delivered with extraordinary speed and responsiveness, and we worked closely and collaboratively with the IMF, regional development banks, and other multilateral agencies.

2. ***Modernization Agenda.*** The Bank Group’s response revealed the Group at its best, but it also revealed weaknesses that need to be addressed if we are to continue to play a critical role in a rapidly changing multipolar world. At the 2010 Spring Meetings, the Governors endorsed a comprehensive modernization agenda, involving sharpening our strategic focus and implementing actions and reforms to transform our governance, enhance our financial capacity, and reform our organization.

- The first step was to *refresh and refine our strategic directions* so we could make progress toward our core mission of overcoming poverty and boosting growth in a rapidly changing world.
- The second was to *adopt 21<sup>st</sup> century governance* to give greater voice to developing members, as an increasingly multipolar world requires modernizing multilateralism.
- The third was to ensure that the World Bank Group *remains financially strong*, as responding to the crisis has stretched our financial capacity.
- And the fourth was to embark on a far-reaching *business modernization process*, encompassing our products and services, our organization, and our processes and systems to make us a results-driven Bank Group that is more responsive, innovative, flexible, and accountable.

These four pillars constitute our modernization program. In coordination, they are designed to transform the “routine” Bank Group into one that performs like the “crisis-response” Bank Group every day.

3. ***Purpose and Structure of this Note.*** This note provides an update on progress in these four pillars one year after the Governors’ endorsement. Section II looks at progress in key elements of our strategic priorities and explains how these priorities are reflected in our Regional and country programs. Section III provides a brief update on the status of voice reforms (a paper on Governance Reforms, focusing on issues of shareholder stewardship, is also being prepared as background for the Development Committee). Section IV summarizes the status of the package of measures to enhance IBRD’s and IFC’s financial capacity. Section V gives a comprehensive picture of the status of the business modernization program, covering all aspects of the major reforms that are under way, including an update of progress against the timeline of reforms endorsed at the 2010 Spring Meetings.

## II. IMPLEMENTING OUR STRATEGIC PRIORITIES

4. In April 2010, the WBG outlined a strategic framework to guide the achievement of its overarching goal of overcoming poverty and the challenges of development in the wake of the global economic and financial crisis.<sup>1</sup> The Post-Crisis Directions (PCD) paper set out five strategic priorities:

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

While the global economic recovery remains fragile and uneven, these five strategic priorities are beginning to shape the WBG's activities. All Regions have updated their strategic approach and priorities using the PCD framework. With these updates and the IDA16 replenishment, we have put in place a framework that supports the alignment of country programs with the five strategic priorities. We are also revisiting our strategy for middle-income countries and looking at our support for small states to ensure that it is adequately integrated across all Regions. Finally, we will use the Medium-Term Strategy and Finance Paper to describe how work program budgets and operational deliverables are linked to the PCD.

5. **Selectivity.** Given the wide spectrum of important global, sectoral, and country priorities in which the Bank Group engages across Regions, our diverse client base, and the interconnectivity of our clients' development challenges, selectivity is the key to successful implementation of the PCD. In developing the five strategic priorities, we agreed that there was a need to exercise selectivity within sectors, Regions, and country programs, continually assessing where we could have the greatest impact. We recognized that past choices to withdraw almost entirely from sectors—infrastructure or agriculture—were costly mistakes that left us unprepared to respond to shifts in a rapidly globalizing world.<sup>2</sup> Our sector strategies play an important role in selectivity by identifying innovative and transformational approaches in sectors and subsectors where we can have the greatest impact. For example, in addition to focusing on systems, the strengthening of systems as opposed to providing specific program support is identified as a priority in the forthcoming education and social protection strategies. Finally, our approach also acknowledges the need to step back where others have clear comparative advantage and to actively encourage and support leadership roles for partner organizations.

6. **Country-based Engagement.** Selectivity results from an interaction between client countries and Management. Our engagement framework is country-based: that is, priorities in country

<sup>1</sup> *New World, New World Bank Group: (1) Post Crisis Directions*, April 2010, [http://siteresources.worldbank.org/DEVCOMMINT/Documentation/22553954/DC2010-0003\(E\)PostCrisis.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/22553954/DC2010-0003(E)PostCrisis.pdf)

<sup>2</sup> For example, a recent IEG report on agriculture highlighted that “the cost of inadequate attention to agriculture, especially in agriculture-based economies, came into focus with the food crisis of 2007–08”; see *Growth and Productivity in Agriculture and Agribusiness*, 2011, Executive Summary, page x.

programs are based on clients' own development strategies, a sense of where the Bank can contribute most effectively to their implementation, and our comparative advantage and the activities of other development partners. Our country strategies are, therefore, selective, reflecting opportunities to address critical country-specific needs, move reform agendas, and leverage our limited financial and human resources to maximize development impact. Nevertheless, the global priorities reflected in the PCD and the sector strategies, combined with the Regional strategy updates, provide the framework and incentives to bring corporate priorities into our country programs. Our matrix system, when it is working effectively, allows our sector staff to seize opportunities as they arise at the country level to build constituencies for reform and bring global good practice into our country programs. The coalescing of our global knowledge and our strong country relationships is how we ensure that our corporate strategic framework is built into our country engagements. (Annex A contains specific examples of the use of selectivity in country programs.)

7. ***Connecting PCD Strategic Priorities with Country Programs.*** This section looks in turn at each of the five strategic areas of the PCD and describes the key initiatives and the status of their implementation. It highlights the major activities under way at the corporate level, the priorities under each strategic theme identified in the Regional strategy updates, and examples of their implementation in specific country programs. This is a dynamic process, as our emphasis under each priority will evolve and change with the fluid and uncertain situation in developing countries. For example, we are now rapidly adjusting our Regional and country programs to respond to the new demands arising from the turmoil in the Middle East; and, concerned about the spike in international food prices and its consequences for the poor, we are heightening our emphasis on promoting agriculture and food security and on managing crises and risk. It is important to note that much more work is needed to strengthen the emphasis on the five strategic priorities within our country programs, through greater efforts both to make our global knowledge more accessible to our country clients and to communicate and engage staff and managers on the priorities. For this reason, communications with staff on the PCD and its relationship with our regional and country programs will continue. Our business modernization activities under the fourth pillar—to strengthen our knowledge programs, support global public goods, and strengthen the functioning of the matrix—will help better connect the corporate priorities with our country programs.

#### **A. Targeting the Poor and Vulnerable**

8. The WBG continues working to improve its focus on the poor and vulnerable. A major thrust of this effort is to focus on countries that are not on track to reach the Millennium Development Goals (MDGs) by 2015. In September 2010, at the UN MDG Summit, President Robert Zoellick pledged that the World Bank would mobilize substantial new investments to help countries close the gap and achieve the MDGs. Efforts will be focused on the “Access Agenda”: helping to ensure access to basic health, quality schooling, clean water, energy, food, and jobs.

- In Africa (AFR), there is a strong emphasis on gender integration into credit markets and in rural development, as well as on youth unemployment.
- In East Asia (EAP), the focus is on the expansion of basic services in low-income countries and social protection in the MICs.
- In Europe and Central Asia (ECA), the access focus will be on Roma inclusion through such initiatives as the Roma Education Fund.

- In Latin America (LCR), after a decade of work on social safety nets, 102 million people are now covered in 17 countries; there the primary focus of work will be on reducing inequality.
- In the Middle East (MNA), in light of recent events our focus will be on greater inclusion of youth and women, as well as improving the effectiveness of social safety nets.
- In South Asia (SAR), where landlocked and border regions are home to an estimated 50 percent of the Region's poor people, targeting the poor and vulnerable is central to the Regional strategy, which focuses on lagging areas, women, and better targeted social safety nets.

In all Regions, we continue to use programmatic approaches—such as community-driven development programs and microfinance—to reach the poor and vulnerable. In particular, we are working to assist countries to build social protection systems, enhance the gender focus of our work, and address the special needs of fragile and conflict-affected situations (FCS).

9. **Social Protection.** Our social protection and labor strategy<sup>3</sup> prioritizes building systems in low-income and fragile states. Regional social protection strategies in AFR, LCR, and ECA emphasize this move toward systems, harnessing synergies and efficiencies from a harmonized approach to addressing risks and vulnerabilities. In EAP, the Regional strategy supports the development of long-term social protection institutions that deliver efficiently, are well governed, and are tailored to country context and capacity. In all Regions, new projects are increasingly taking this systems approach: operations in Albania, Moldova, Nicaragua, Niger, Philippines, Tajikistan, and Togo are helping countries at different levels of development to build coherent systems out of fragmented, often small-scale programs; and in Djibouti, El Salvador, Ghana, and South Africa new public works programs that integrate cash transfers with skills development are designed to increase the impact of cash transfers on the nutritional outcomes of the most vulnerable populations.

10. **Gender Focus.** Programs and policies addressing the particular challenges faced by women and girls remain central to successful implementation of the PCD vision. All Regional strategies give attention to gender issues as a key cross-cutting priority. Gender considerations are being more fully integrated into all of the PCD pillars, and gender is one of the special themes of IDA16. The recommendations from the IEG's evaluation of the Bank's gender activities also contributed to our thinking in this area.<sup>4</sup> At the corporate level we developed a "transition plan" to scale up and replicate activities under the gender action plan,<sup>5</sup> which aims to strengthen work on gender throughout the WBG. Further specific actions were agreed in the IDA16 negotiations: (a) draw on and discuss the findings of gender assessments in all IDA Country Assistance Strategies (CASs); (b) increase gender-informed investments and monitor progress; (c) track indicators to measure IDA's support to gender-based country outcomes; (d) prepare Regional Gender Action Plans; (e) implement the Reproductive Health Action Plan, focusing on countries with high maternal mortality

<sup>3</sup> See *Building Resilience and Opportunity: The World Bank's Social Protection and Labor Strategy, 2012-2022: Concept Note* (CODE2011-0001), December 28, 2010.

<sup>4</sup> *Gender and Development: An Evaluation of World Bank Support, 2002-2008*, IEG, 2010: <http://www.worldbank.org/ieg/gender>.

<sup>5</sup> *Applying Gender Action Plan Lessons: A Three-Year Road Map for Gender Mainstreaming (2011-2013)*. PREM Gender and Development Group, May 25, 2010.

and total fertility rates; and (f) complete the Education Sector Strategy and a program of action targeting gender issues in high-priority countries. Our 2012 World Development Report (WDR) will focus on gender, providing a unique opportunity to identify obstacles to mainstreaming gender, articulate and disseminate the case for gender equality, and help generate demand to address gender issues in countries.

11. ***Fragile and Conflict-Affected Situations.*** Focusing on FCS is critical for addressing the needs of poor and vulnerable people, as no low-income fragile or conflict-affected country has yet achieved a single MDG. People in FCS are more than twice as likely to be undernourished as those in other developing countries, more than three times as likely to be unable to send their children to school, twice as likely to see their children die before age 5, and more than twice as likely to lack clean water. Fragility and conflict is another special theme of the IDA16 replenishment. The Bank is preparing an action plan to operationalize the 2011 WDR, which includes immediate interim updates to key policies, procedures, and guidance, and reforms to HR areas, such as recruitment, management, and retention of skilled staff for FCS assignments.<sup>6</sup> Strengthening governance and institutional capacity is also a key focus of our efforts in FCS (this is discussed in detail in para. 25). In the IDA16 replenishment, the Bank committed to develop plans to enhance the implementation of UN-World Bank Partnership Agreements; evaluate IDA's work in FCS during 2012-2013; strengthen collaboration with partners on multidonor trust funds administered by the World Bank; and revise the post-conflict performance indicators and publicly disclose them before the start of IDA16. MIGA is also developing a trust fund to bring in donor funding and additional external insurance capacity to provide foreign direct investment in FCS.

## **B. Creating Opportunities for Growth**

12. The PCD noted that broad-based, sustainable growth offers the most robust and durable path to overcome poverty. Promoting such growth calls for policy actions in a number of critical areas—enhancing opportunities for human capital creation (especially empowering women and girls); supporting green growth; improving investment climates to foster innovation and productivity; and, with an added urgency due to the recent price volatility, promoting agriculture and food security. Job creation is particularly important as employment opportunities and income are expected to recover only slowly and with a lag. In the long run, sharp increases in working-age populations and rising female labor market participation rates will also generate pressure to create jobs. All Regional strategy updates place creating opportunities for growth at the center of their activities; they focus on improving the business climate, raising competitiveness, addressing the infrastructure gap, and promoting regional integration. In MNA, there is a special focus on youth unemployment. In AFR, in addition to increasing infrastructure investments and leveraging the private sector, there is a special focus on raising the efficiency of infrastructure. Both SAR and AFR note the significant potential gains from regional integration; in LCR and EAP, regional and global integration efforts are concentrated on small states. In ECA, achieving convergence and integration in the context of the European Union is a priority.

13. ***Supporting Growth.*** The WBG group is engaging in a number of wide-ranging activities to support broad-based sustainable growth:

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<sup>6</sup> A detailed discussion of this approach is contained in the companion paper *Operationalizing the 2011 World Development Report: Conflict, Security, and Development* (SecM2011-0151), March 8, 2011.

- First, we are renewing our strategies in education, environment, and energy to help us support more sustainable growth paths, manage environmental risks, and enhance opportunities for human capital creation.
- Second, we are enhancing our work on financial inclusion. The WBG is at the center of efforts to strengthen small and medium-sized enterprise (SME) finance to provide access to loans, savings, and insurance services for millions of people.
- Third, on competitiveness and private sector development, among other initiatives, we are helping countries adopt a new approach to building up globally competitive industries through Competitiveness Partnership Initiatives, in which we will work with countries to identify constraints that inhibit the expansion of industries and, with the support of other development partners, systematically remove these bottlenecks.
- Finally, we are scaling up efforts to increase women's economic opportunities, including increasing the focus on gender in agriculture, intensifying our private sector work to improve the productivity of women entrepreneurs and their access to critical resources, and increasing labor market interventions to help smooth the transition of girls and young women from school to productive employment.

As highlighted in the PCD, special efforts are being made to reinvigorate our work in infrastructure, trade and regional integration, and agriculture to support broad-based growth and job creation.

### *1. Infrastructure*

14. In the PCD, the WBG committed to a range of initiatives and actions in infrastructure, including support for public infrastructure and further mobilization of private capital. The regional strategy updates in LCR, SAR, and EAP also address issues of the infrastructure gap and access to basic services (water supply and sanitation, and rural electricity), including in heavily populated urban areas. The WBG committed more than US\$50 billion for infrastructure over FY09-10 (IBRD/IDA US\$43 billion, IFC US\$6.6 billion, MIGA US\$0.5 billion) and is likely to exceed projections in FY11. In parallel, our portfolio is shifting toward alternative modes of transportation (e.g., railways), renewable energy, and energy efficiency. Regional solutions and regional integration have also been identified as one of the key implementation tools for our infrastructure programs. In FY11, the WBG is updating its infrastructure strategy and preparing a joint multilateral development bank (MDB) infrastructure action plan—requested by the G20 members in November 2010—that will focus on low-income countries, their infrastructure needs, and ways to attract public and private finance. In MNA, for example, we are developing an Arab Financing Facility for Infrastructure to leverage private investment to supplement public financing for public-private partnerships. For its part, IFC expects FY11 commitment levels to be at or above those of FY10, with more financing mobilized than FY10's US\$1.6 billion. IFC's infrastructure advisory business has also been strong, with 13 mandates already signed, another 10 mandates expected, and 7 transactions completed to date in FY11. The Infraventures portfolio now comprises projects in nine countries.

### *2. Trade*

15. A new WBG Trade Strategy, now under preparation, will involve more tailored and sector-specific support to enhance international competitiveness, with a stronger focus on regional integration of markets; operational mechanisms to help countries improve the regulatory framework

pertaining to trade and investment in services; and continued support to improve trade facilitation and transport logistics. To better connect staff working on trade-related issues, the strategy builds on business modernization initiatives that are designed to better connect staff to internal and external knowledge flows. The Bank continues to work closely with development partners on the multilateral aid-for-trade initiative: engaging with the main providers of trade facilitation assistance; ramping up support for regional integration of markets (a key element of our strategic approach in AFR and SAR); and focusing more strongly on monitoring and evaluation of results. In ECA, we are also supporting a number of regional integration initiatives, such as support for the Caspian-Black Sea highway/transit corridor and for the management of water usage and energy.

16. ***IFC Initiatives.*** IFC has stepped up its efforts to support the trade agenda in developing countries by increasing its focus on trade finance, investments in logistics, and distribution services for agribusiness and other sectors, as well as on its Advisory Services in trade facilitation and logistics. By 2016 the advisory work is expected to cover more than 25 countries and over 1 million firms that could generate more than US\$1 billion in increased trade while enjoying direct savings of over US\$100 million from streamlined trade logistics services. Over the past year, the IFC's Global Trade Finance Program and the Global Trade Liquidity Program have both continued to grow.

- The Global Trade Finance Program has expanded geographically and now includes over 200 issuing banks in 84 countries; in the first half of FY11 the program issued US\$2.1 billion in guarantees, of which 55 percent was in IDA countries and 23 percent was for agricultural goods, food, and fertilizers. Additionally, in the first half of FY11, the program reached 770 bankers through 27 trade training courses in 11 countries. To improve client service, the Global Trade Finance Program launched its Istanbul operating center on February 1, 2011.
- From inception through the first half of FY11, the Global Trade Liquidity Program has financed about US\$12 billion in trade, of which 82 percent supported SME financing and 31 percent was for IDA countries. To bring focus to the significant potential of short-term finance, in September 2010 IFC established a separate short-term finance department to better meet client needs. Initial projects in warehouse financing and supplier chain financing are under implementation.

### 3. ***Agriculture***

17. The situation in grain markets and the volatility of food prices, with the serious consequences for the poor and vulnerable, give special prominence to agriculture.<sup>7</sup> The WBG has been scaling up support for agriculture by implementing its FY10-12 Agriculture Action Plan, which projects an increase in WBG lending from US\$4.1 billion annually in FY06-08 to between US\$6.2 billion and US\$8.3 billion annually over FY10-12. Actual lending in FY10 was US\$6.1 billion, and FY11 lending is projected to grow to US\$7.5 billion. In FY10, IBRD/IDA projects in 51 countries totaling US\$4 billion, were approved with a focus on raising agricultural productivity, particularly through irrigation investments to improve drought tolerance and raise yields, and on linking farmers to markets. In support of the work we are doing to synergize our work in agriculture and the environment, 14 percent of new IDA/IBRD lending in FY10 explicitly focused on

<sup>7</sup> A detailed description of the WBG's ongoing activities is contained in *Responding to Global Food Price Volatility and Its Impact on Food Security* (SecM2011-0145), March 8, 2011.

environmental services and sustainability in 22 countries to help realize a triple win from sustainable use of land systems that promote agricultural productivity, resilience, and reduced carbon emissions.

18. ***Agribusiness.*** The IFC has also scaled up its investments in the agribusiness sector, providing nearly US\$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. IFC’s target is to have 50 percent of its agribusiness portfolio in IDA countries, up from the current 34 percent. In Africa, the IFC and the Bank are collaborating on new “Growth Poles Projects”, some of which are focused on the key agribusiness industry and reflect a tripartite partnership between the agriculture and private sector teams of the Africa Region of the World Bank and IFC’s Africa Agribusiness team. The initiative was launched in October 2010 with four pilot projects in Burkina Faso, Ghana, Malawi, and Senegal. The IFC has promoted better management practices by participating in sustainability roundtables in such industries as palm oil, soybean, and sugar cane, and by launching a donor-supported Biodiversity and Agricultural Commodities Program. In addition, in consultation with stakeholders, the WBG developed a set of principles for Responsible Agricultural Investment.

### **C. Promoting Global Collective Action**

19. The PCD recognized that the recent wave of crises and the resulting need for comprehensive, coordinated, and global responses highlights the importance of developing cooperative models for addressing challenges. It also recognized the role of international institutions in providing and managing global public goods (GPGs) to build on, reinforce, and coordinate national actions, channel funds to national programs, and monitor and report on progress. The WBG is actively seeking opportunities to enhance complementarities with international partners and to support the GPG agenda, including through our growing trust fund portfolio. It is working with a wide range of partners—the G20, UN agencies, the other MDBs, and private organizations—across a broad spectrum of issues such as financial inclusion, education, and health. For instance, the Bank is promoting cooperative models through global health programs and strategic partnerships with international and bilateral agencies, including on the fight against HIV, tuberculosis, and H1N1 and on support to national health strategies and systems. The Bank is also working closely with development partners in the Education for All—Fast Track Initiative (EFA FTI) as part of its commitment to help low-income countries achieve the MDGs. The WBG’s efforts in the area of climate change provide a good illustration of the nature and scope of promoting global collective action.

20. ***Climate Change.*** Climate change, which is a special theme in the IDA16 replenishment, is an important strategic priority across the WBG. To reflect the importance of climate change in the IDA16 agenda, the Bank has committed to discussing climate change vulnerabilities in all IDA CASs, scaling up analytic and advisory activities on adaptation and mitigation in IDA countries, analyzing the potential climate impact of IDA project activities in sectors that are sensitive to climate change, and establishing a system to measure the share of IDA investments providing climate adaptation and mitigation co-benefits. This is part of a wider Bank effort to develop methodologies to better understand the carbon footprint of its portfolio, and to track the Bank’s activities with climate co-benefits. The Regional strategy updates also gave priority to this issue. For example, in ECA, where energy intensity and the carbon footprint are high, the Regional strategy prioritizes the need for economically sound adaptation and mitigation investments; and in

LCR there are over 140 activities and US\$4 billion for low-carbon development strategies, carbon financing, and reducing emissions from deforestation and forest degradation. In EAP a Regional study, *Winds of Change: East Asia's Sustainable Energy Future*, shows how countries can minimize greenhouse gas emissions without threatening their growth; the Region is also collaborating with the Asian Development Bank, Agence Française de Développement, and Japan International Cooperation Agency on supporting a policy platform for low-carbon development, mitigation, and adaptation through climate development policy loans.

21. ***Climate Change Financing.*** The Climate Investment Funds (CIFs) are a good example of the World Bank's ability to support cooperative action and the GPGs using its country reach. In the first two years CIFs are already operating in 45 countries. The US\$6.5 billion in CIFs is expected to leverage more than US\$40 billion in low-carbon and climate resilient investments. This complements the work of other special financial vehicles, such as the Carbon Funds, which are transferring about US\$2.5 billion over the next five years and will leverage about US\$12-15 billion of resources. Under the Forest Carbon Partnership Facility (FCPF), pledges to the FCPF Readiness Fund and the FCPF Carbon Fund now total about US\$210 million and US\$145 million, respectively. World Bank and partner engagement on adaptation is being shaped by the innovative Pilot Program for Climate Resilience: investment plans have been approved for Bangladesh, Niger, and Tajikistan, and six national and two regional plans are in preparation. The World Bank is also continuing its support of carbon markets with the Partnership for Market Readiness, which brings together developed and developing countries and provides a platform for sharing experience, fostering new and innovative market instruments, harnessing financial flows, and building market readiness capacity to scale up climate change mitigation efforts.

22. ***IFC Initiatives.*** IFC is mainstreaming climate considerations into all of its activities across all industries and Regions. It has created a new Climate Business Group to provide greater focus on market development, innovative financial products, and such analytic issues as identification of climate risks. IFC's investment and advisory work in energy efficiency, renewable energy, and cleaner production will remain the mainstay of its climate change activities, with the target of doubling in the next two fiscal years. IFC also aims to grow its Clean Tech venture investment portfolio and to increase its focus on areas such as water treatment and management, forestry, agribusiness and land management, waste recycling, green construction, and transport, logistics, and distribution. IFC will continue to build on its track record of innovative financial products, such as green bonds, the emerging market carbon index fund, and the recently launched €150 million IFC Post-2012 Carbon Facility, which will help extend carbon markets beyond 2012 for eligible projects. IFC is also increasing its focus on climate risk through several pilot studies and cutting-edge analysis, including joining with 14 major pension funds to sponsor a recent study on climate change and asset allocation. In the context of transforming markets, IFC and the World Bank will be cooperating closely to enable both technological advances and access to services for the poor in country-level low-carbon growth paths.

#### **D. Strengthening Governance**

23. We continue to give high priority to the governance and anticorruption (GAC) agenda. Work has proceeded along two related tracks. First, we are examining the lessons of GAC Phase I: the importance of using country systems; the need to identify and measure the effect of governance on development results at the sector, country, and global levels; the need for a more informed approach to risk management; and the need for more rigorous and systematic lesson learning and

knowledge management. IEG is also undertaking an evaluation of GAC Phase I. The second strand of our work is preparation for GAC Phase II (2011-2014), including an analysis of how specific thematic areas (procurement, judicial reform, the private sector, and public sector management) can reinforce overall GAC objectives and how the World Bank can serve as a catalyst for strengthening good governance globally. Regions are consulting with clients, and an ad hoc advisory group and several working groups have been established to get critical inputs for and ownership of the emerging GAC Phase II. This has been identified as a priority area in all our Regional strategies, and as part of the GAC Phase I stocktaking, all Regions have assessed and incorporated lessons from the first phase into their ongoing work programs. The increasing use of geo-coding in our projects is seen as an important tool in building the demand for good governance, transparency and accountability.

24. ***Learning and Outreach.*** The WBG organized two significant learning and outreach events. In September about 100 senior Bank staff participated in a three-day workshop to reflect on successes and challenges in selected Bank country programs and consider priorities for GAC Phase II. In early December, President Zoellick launched the International Corruption Hunters Alliance at a major meeting in Washington hosted by the Bank's Integrity Vice Presidency. At the meeting, more than 250 anticorruption officials from 134 countries formed a new network, agreeing to share information, monitor results, and coordinate action on corruption investigations.

### ***1. Fragile and Conflict-Affected States***

25. The PCD highlighted the importance of addressing the issues of state legitimacy and capacity in the context of FCS, and 2011 WDR emphasizes the role of a society's or country's institutions in preventing violence and conflict. The Bank is working to enhance its role in building capable and legitimate institutions to break recurring cycles of violence, including: (a) investigating how financial flows can serve the long-term effort to build legitimate and capable institutions; (b) supporting efforts in country and Regional strategy development to support public sector management, strengthen the governance focus, and build closer operational integration of the various external "communities"—security, development, diplomatic, and humanitarian; and (c) enhancing Bank operational practice in areas critical to rebuilding and sustaining services in FCS, such as community-driven development, infrastructure, and employment generation.

### ***2. Extractive Industries***

26. There is widespread recognition that greater transparency and better governance are critical to harnessing natural resources for development and averting possible "resource curse" trajectories for developing countries and their citizens. We are working at the country, regional, and global levels to support sustainable extractives-led development. At the global level, the Bank continues to support the Extractive Industries Transparency Initiative, an important building block in promoting oil, gas, and mining resource-led development. With other stakeholders across the extractive industries value chain, the Bank is working on areas ranging from how resources are extracted to how developing countries can better capture benefits (by collecting resource revenues and investing the proceeds). The Bank also supports other emerging areas, such as contract and financial market transparency, which promote transparency norms through multistakeholder fora. The Bank is engaging with regional groups—for example, the Africa peer review process—to promote greater accountability around resource-led development. At the country level, the Bank engages with resource-rich client countries through a range of traditional instruments, while working to develop a more holistic approach to the political economy of resource-led development. The Bank has

established an Extractive Industries Task Group to (a) improve knowledge sharing across the value chain, (b) improve internal coordination through more formalized institutional arrangements, (c) summarize and disseminate WBG knowledge to external clients and partners, and (d) build a thematic menu of sector issues and updated guidance for operational/field-based teams.

27. ***IFC Initiatives.*** In working with the private sector, IFC supports Bank efforts by setting standards for private investors in extractive industries and other development institutions. Since 2007, it has required that in all projects it finances, companies make public their payments to the governments of the countries concerned, and other international institutions that finance private investment in extractive industries have now followed IFC's approach. At the local government level, IFC has pioneered a number of programs to increase local community awareness of the revenues that local governments receive from oil, gas, and mining while also working with these governments to increase their capacity to manage and use these resources well.

### ***3. Stolen Asset Recovery Initiative***

28. The Stolen Asset Recovery Initiative (StAR), a partnership between the World Bank and the United Nations Office on Drugs and Crime, is helping create a global policy environment conducive to the recovery of the proceeds of corruption. StAR has produced 11 publications on practical and policy aspects of asset recovery, several of them shaping the policy and standard-setting agenda. StAR is now building on this momentum and retargeting its expertise toward more direct assistance to partner countries to recover the proceeds of corruption from foreign jurisdictions. StAR has received requests for assistance from 24 countries, of which 6 have assets frozen and 5 are receiving legal assistance.

## **E. Managing Risks and Preparing for Crisis**

29. To enhance countries' ability to manage the risks of closer integration in a global environment, the PCD specifically called for the Bank to develop new and innovative risk management mechanisms and instruments. In EAP individually tailored country strategies in the Pacific Islands are under preparation; one area of focus is building resilience to economic shocks, natural disasters, and climate change. LCR has extensively used the Catastrophe Deferred Drawdown Option for development policy lending to support the development of disaster preparedness programs. Because the countries and people of Africa are subject to a large number of shocks and there are few possibilities to insure against these shocks, the AFR strategy has reducing vulnerability and building resilience to these shocks as a central pillar. Finally, ECA is strengthening its partnership with the Eurasian Development Bank and the Anti-Crisis Fund to provide support to the poorest countries, especially in Central Asia. Across the WBG, given recent events, we have intensively focused on food price volatility and developing an IDA crisis response capacity.

### ***1. Food Price Volatility***

30. Since world food markets remain volatile, the WBG is continuing to focus its country-level emergency response on the most vulnerable people and its global response on helping to develop global actions to reduce food price volatility. International food prices are once again headed toward the peak levels of 2008, driven by supply shocks in exporting countries and steady demand growth in emerging markets. Recognizing the benefits of the rapid-response mechanism that was established in 2008 to mitigate the effects of food price volatility, the Bank's Board of Directors

extended the Global Food Crisis Response Program (GFRP) through June 2011. Through the GFRP the Bank and external sources have provided total funding of US\$1.5 billion in 40 countries, most in Africa, reaching an estimated 38 million people in need. At the global level, the WBG has joined the G20 and other multilateral organizations in a Food Price Working Group that is working on practical steps to reduce food price volatility to ensure that the most vulnerable people and countries are no longer denied access to nutritious food and to tailor risk management solutions to specific exposures by taking into account the impact of price volatility and the role of trade policies, subsidy programs, and market structure.<sup>8</sup> Our work in agriculture productivity and sustainability will also support efforts to reduce volatility in the medium to long term.

31. ***IFC Efforts.*** IFC is addressing food security in the context of the World Development Report 2008 and the WBG Agriculture Action Plan FY10-12, and implementation will focus on (a) food security, with the aim of raising agricultural productivity growth to increase global availability of and access to food; (b) inclusiveness, with the aim of linking farmers to markets to promote economic growth and strengthen value chains; and (c) environmental and social sustainability, with the aim of enhancing standards and best practices in supply chains and agribusiness-enabling factors. The Global Agriculture and Food Security Program private sector window that IFC is developing to complement the World Bank's larger-scale work with the public sector is expected to be formally launched in April 2011. The US\$20 billion G20/WBG food security initiative for IDA countries is intended to help reach large numbers of farmers with a combination of seed or first loss money, debt, equity and grants for innovation, and advisory services. IFC will build on its experience with this and other intermediation platforms to channel third-party funds to scale up impact in this area.

## ***2. IDA Crisis Response***

32. Because of low-income countries' vulnerability to both financial crises and natural disasters, crisis response is another special theme of IDA16. The Bank and the IDA Deputies agreed to establish a dedicated Crisis Response Window (CRW) in IDA to enhance its capacity to respond to crises. The CRW will provide IDA countries with timely access to additional resources to respond to the impact of severe economic crises or natural disasters, and will strengthen IDA's capacity to respond rapidly to such crises in collaboration with other agencies, development banks, and donors. Resources for the CRW have been capped at 5 percent of total IDA16 resources, and an amount of SDR1,335 million has been set aside to finance expenditures under the CRW; this amount includes an exceptional allocation of SDR329 million for Haiti to support reconstruction after the 2010 earthquake.

## ***3. Global and Regional Facilities***

33. The Global Facility for Disaster Recovery and Reconstruction has established a Disaster Risk Financing and Insurance program to enhance capacity building and knowledge sharing on disaster risk financing, and to mainstream disaster risk financing and insurance into World Bank operations. New regional initiatives can build on the Caribbean Catastrophe Risk Insurance Facility, which is in its fourth year of providing hurricane and/or earthquake insurance to 16 Caribbean countries and territories. With reinsurance, it has the capacity to handle claims arising from a series of events having a statistical probability of occurring only once in 1,000 years without drawing

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<sup>8</sup> See *Responding to Global Food Price Volatility and Its Impact on Food Security* (SecM2011-0145), March 8, 2011, *op. cit.*

more than US\$20 million of its own assets, which now exceed US\$100 million. The Bank's convening power is proving valuable to other pooling initiatives designed to reduce costs and achieve efficiencies in risk financing. In partnership with the Asian Development Bank and regional partners, the Pacific Catastrophe Risk Assessment and Financing Initiative has been developing several disaster risk management applications: (a) disaster risk financing solutions, including a regional insurance facility; (b) disaster risk preparedness through identification of critical infrastructure; and (c) disaster risk reduction through the identification of high-risk areas. Other similar new programs include the Catastrophe Risk Insurance Facility for Southeastern Europe and the Africa Risk Capacity, an effort to pool drought risk across the continent. Other short-term rapid response programs include the Rapid Social Response Program,<sup>9</sup> which has steadily expanded and now supports 35 mostly low-income countries to help them become more crisis-resilient, and the Japan Social Development Fund Emergency Window.

### III. MODERNIZING OUR GOVERNANCE

34. In April 2010, the Development Committee endorsed a package of voice and participation reforms for the Bank and the IFC that increased the voting power of developing and transition countries (DTCs) in IBRD by 3.13 percentage points (a total shift of 4.59 percentage points to DTCs since 2008) to 47.19 percent total, and in IFC by 6.07 percentage points to 39.48 percent. These reforms built on the first phase approved by the Board of Governors in January 2009. The 2010 realignment includes a selective capital increase (SCI) for IBRD and an increase in basic votes and selective capital increase for IFC.

35. **Resolutions.** Resolutions for selective capital increases to enhance voice and participation of developing and transition countries were sent to Governors of the Bank and IFC for approval in July 2010, with the closing date for voting extended to March 31, 2011.<sup>10</sup> The Bank resolution required approval by 75 percent of the Bank's shareholder voting power and the IFC resolution required 85 percent of the IFC's shareholder voting power. The Bank resolution was approved on March 16, 2011, with affirmative votes received from 135 members representing 75.8 percent of the total voting power. The Bank SCI subscription period is thus open. Members are encouraged to subscribe as early as possible. The subscription period will close on March 16, 2015, four years after the approval date of the resolution. In view of the larger voting share required for approval, the voting period for the IFC resolution was extended to December 31, 2011. The Bank voting period was also extended to December 31, 2011, to allow those countries that had not yet voted on the Bank resolution because of the time needed to complete domestic legislative processes enough time to do so and be recorded as having voted.

36. **Shareholding Review.** The Governors' resolutions require that, starting in 2015, Bank and IFC shareholding be reviewed every five years; a work program and a roadmap will be established for this review. Shareholding realignment will not be required with each such review unless shareholders decide that the results warrant adjustment.

<sup>9</sup> The RSR Multidonor Trust Fund and the RSR Catalytic Fund.

<sup>10</sup> As of March 31, 2011 149 Governors have approved the Bank SCI representing 78.79% of total voting power, 149 Governors have approved the Bank GCI representing 78.82% of total voting power, and 146 Governors have approved the IFC SCI representing 72.29% of total IFC voting power.

37. ***African Chair.*** As agreed in the first phase of voice reforms, countries in the Sub-Saharan Africa constituencies are now represented by three Executive Directors elected at the fall 2010 Regular Election.

38. ***Other Initiatives.*** An update to Governors on other initiatives related to governance and accountability reforms is presented in a parallel paper from the Executive Board.

#### IV. ENHANCING OUR FINANCIAL CAPACITY

39. At the 2010 Spring Meetings, the Development Committee endorsed a package of measures to enhance IBRD's financial capacity: a US\$58.4 billion general capital increase (with US\$3.5 billion in paid-in capital), a US\$27.8 billion selective capital increase (with US\$1.6 billion in paid-in capital), release of national currency paid-in capital, changes to loan maturity terms, and ongoing budget discipline. For IFC, the Committee endorsed a selective capital increase of US\$200 million and reconfirmed its commitment to ensuring that IFC has 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.

40. ***General and Selective Capital Increases.*** In addition to the Bank and IFC resolutions on selective capital increases to enhance voice and participation of developing and transition countries, a Bank resolution on a general capital increase (GCI) also was sent to Governors for approval by March 31, 2011. The GCI resolution required approval by 75 percent of the Bank's shareholder voting power. The GCI resolution was approved on March 16, 2011, at the same time as the Bank selective capital increase resolution, with affirmative votes received from 136 members representing 75.9 percent of the total voting power. The GCI subscription period is thus open. Members are encouraged to subscribe as early as possible. The GCI subscription period will close on March 16, 2016, five years after the approval date of the resolution. Meanwhile, the voting period has been extended from March 31, 2011 to December 31, 2011 to allow those countries that had not yet voted due to the time needed to complete domestic legislative processes enough time to do so and be recorded as having voted.

41. ***Reform of IBRD Loan Maturity Terms.*** In late June 2010, the Executive Board approved restoring 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, pricing for new loans includes a premium of 10 basis points for average maturities greater than 12 years and up to 15 years, and 20 basis points for average maturities greater than 15 years up to a maximum of 18 years. These changes to maturity terms were designed to ensure the same impact on financial capacity, independent of the borrowers' maturity choices. However, for information purposes, Management will keep the Board informed about borrowers' choices through the Medium-Term Strategy and Finance Paper and end-of-year pricing papers.

42. ***Releasing National Currency Paid-in Capital.*** The Bank continues to work intensively with shareholders holding unreleased national currency paid-in capital (NCPIC) to release as much as possible as soon as possible. Discussions have been initiated with almost every shareholder with unusable NCPIC. At end-February 2011, release of US\$746 million of NCPIC had been agreed by shareholders, and informal agreement had been reached on the release of close to an additional US\$703 million.

43. ***Issuing Hybrid Capital for IFC.*** The Development Committee authorized IFC to consider issuing a long-term hybrid instrument for shareholders, subject to the Board's review of terms and conditions. IFC is structuring a hybrid capital instrument with high economic capital credit, based on discussions with the credit rating agencies. The issue is subject to subscriber interest, and would be sold to a limited group of shareholders on a voluntary basis. The issue, expected to be up to US\$500 million, would serve as "proof of concept" of an instrument that would provide flexibility to IFC's financial capacity for the future. In order to have high capital credit for economic capital purposes, the structure of the hybrid is likely to be a perpetual subordinated note, with coupons that are non-cumulative and contingent on IFC's income and financial position (with the interest rate linked to U.S. Treasury levels). The notes would be callable by IFC after a period of, say, 15 years, contingent on IFC's capital adequacy position and subject to the Board's review, with IFC making contributions to a sinking fund toward possible early redemption after 15 years. IFC plans to start detailed discussions with potential subscribers to this proposed hybrid instrument in spring 2011.

44. ***IDA16 Replenishment.*** The IDA16 negotiations were completed with an agreement on a historic high replenishment level of US\$49.3 billion. Funding for IDA16 increased by 18 percent over the previous replenishment. This historic outcome was the result of a global coalition, in which each country contributed to ensure a successful IDA16 replenishment: Traditional donors continued their support; IDA recipient countries committed to enhancing development results; IDA graduates contributing by accelerating their credit repayments to IDA; economically more advanced IDA blend countries contributed through hardening their borrowing terms; and a number of emerging donors increased their contributions and seven new emerging donors joined. This replenishment will substantially enhance IDA's ability to support low income countries and activities within the four special themes of gender, climate change, fragility and conflict and crisis response.

45. ***Financial Decision-making.*** Commitments made at the 2010 Spring Meetings are guiding financial decision-making.<sup>11</sup> Regarding the timing of key annual financial decisions, last year IBRD initiated a synchronized approach to the Executive Board's annual discussions of budget, pricing, and net income allocation, with all three taking place in late June. Regarding decision-making in relation to budget matters, Management remains committed to ongoing budget discipline and is working with the Budget Committee and Executive Directors to further refine budget processes and align resources with priorities. Regarding pricing, principles have been developed to link pricing to lending-related administrative costs, while the Executive Board has considered the principle of covering expected losses both in the fiscal year-end discussions and in December. There has been no consensus on whether pricing should be set to explicitly cover expected losses. Discussion continues on finalizing the pricing principles, with the next engagement being the Medium-Term Strategy and Finance Paper in early May. Regarding the net income allocation decision, it will be guided by the commitment at the 2010 Spring Meetings to maintain IDA transfers in real terms, subject to adequacy of reserves. For IFC, end-FY discussions about net income allocation incorporated IFC's principles-based financial distribution policy, which is consistent with ensuring sufficient resources for IFC's continued financial sustainability and growth through earnings retention.

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<sup>11</sup> See *Synthesis Paper: New World, New World Bank Group* (DC2010-0002/1), April 25, 2010.

## V. MODERNIZING OUR BUSINESS

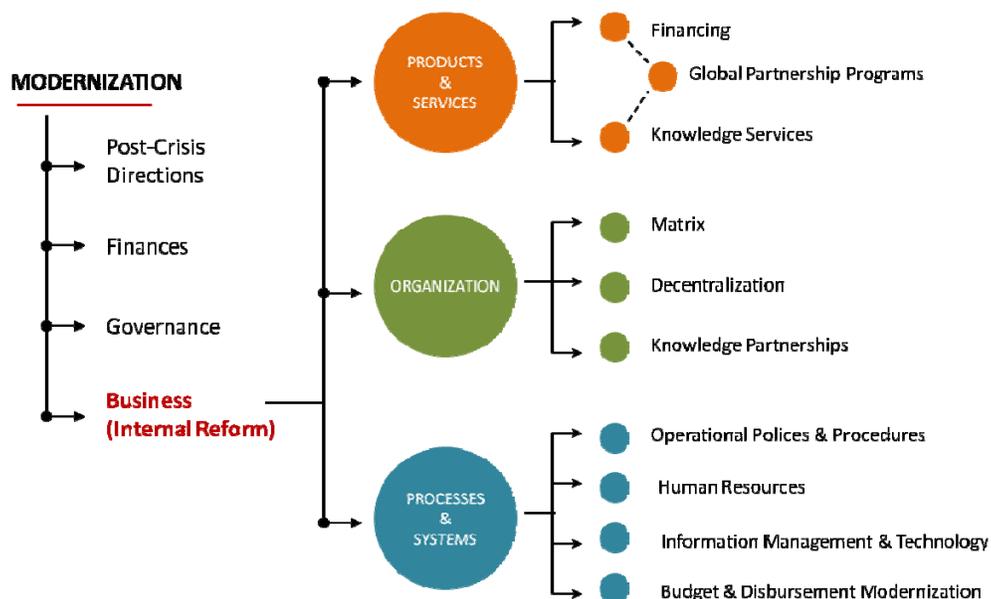
46. The fourth pillar of the World Bank Group’s modernization agenda is an ongoing program of internal reforms to modernize our business processes. This ambitious modernization agenda is a Groupwide effort; and while the specifics differ among the institutions, the drivers of reform—the need to get closer to clients, to enhance our financial services, and to better gather and disseminate knowledge and expertise—are the same. Our objective is a results-driven, accountable, and transparent institution that is able to deliver a customized package of top-quality global knowledge and financial services in real time to a growing range of clients—poor countries, fragile and small states, middle-income countries, and the private sector. These reforms are difficult: they involve enhancing interconnectivity and changing our corporate culture, and they must be put in place in the context of a flat real administrative budget. But they are essential to realizing our strategic priorities and ensuring the knowledge transfers across the WBG that are necessary to bring global knowledge into our country programs.

47. **Modernization Goals.** At the 2010 Spring Meetings, we outlined our thinking on how a modernized World Bank Group would operate and what steps we would take to achieve our vision. In the past year, we have devoted considerable energy to putting in place a governance structure for our business modernization and giving more concrete shape to our reform priorities and actions (see Figure 1). While this work has resulted in streamlining and reframing the business modernization program, we are still committed to the same overall goals and reform objectives. Three goals drive the business modernization process:

- Modernizing *products and services*, with a sharper focus on results.
- Modernizing the *organization* for increased integration, openness, and accountability.
- Modernizing *processes and systems* for more efficiency and flexibility.

This section describes the progress made on business modernization and looks at the road ahead.

**Figure 1. Business Modernization**



48. **Results Orientation.** One of the principal purposes of the business modernization effort is to make the World Bank Group more results-focused and results-driven. Our vision for the results agenda is to build on recent advances to inculcate every aspect of the Group’s dialogue, decisions, and actions with a focus on results. To bring about the change in mindset and behaviors that this will require, we are developing several building blocks. In the Bank:

- We have made significant strides in improving the *measurement* of the results clients are achieving with WBG support, through several interlinked initiatives: refining the IDA16 Results Management System; refining and launching a corporate scorecard; drafting the Annual Results Report; expanding core sector indicators to IBRD and new sectors; and rolling out a Country Engagement Assessment to focus on the qualitative impact of the Bank’s engagement and institution building, following the successful pilot in 14 IDA countries. The Development Impact Evaluation (DIME) initiative is making significant contributions and conducting impact evaluations that are directly linked to Bank operations and activities.
- Starting with the question, “What would success look like?” in business processes and decision-making, we are also strengthening our efforts to *manage for development results*: designing a new lending instrument that rewards results—the Program 4Results (P4R)—and reviewing our knowledge services to increase impact.
- We are becoming *more transparent and open* by providing unprecedented access to results data and information through Open Data, Geomapping, and Access to Information; improving statistical capacity; and moving to Open Solutions by increasing opportunities for interaction and feedback.
- Finally, we are implementing a revised and enhanced *learning strategy* for results and drawing more systematically from lessons by IEG and others.

In IFC, as part of IFC 2013, we are taking similar steps to strengthen development impact and focus on results. In July 2010, we launched a set of Development Goals to help guide overall strategy and provide clear and measurable indicators of progress. The Goals are reach or access targets for both Investment and Advisory Services, designed to measure our clients’ increased outreach in priority sectors as a result of IFC support. FY11 is a year of testing to see whether we have the right goals, methods, numerical targets, and tracking systems. FY12 will be a continuation of the testing phase, and we will make adjustments as appropriate. In FY13, we expect to have learned what we need to know to implement goals fully, and the Development Goals could be used to assess departments’ performance and will be included in relevant staff objectives.

49. **Managing the Change Process: Bank.** In the Bank, the Managing Directors (MDs) and Chief Financial Officer (CFO) are overseeing the implementation of the business modernization process. The three implementation structures charged with carrying the process forward are now fully operational. A Knowledge and Learning Council (KLC), chaired by an MD, manages the knowledge agenda and a Knowledge Fund. The Matrix Leadership Team (MLT), chaired by a Network or Regional Vice President on a rotating basis, is responsible for strengthening and managing the matrix. Finally, the Reform Secretariat in OPCS supports the MDs/CFO in managing the change process, including prioritizing and sequencing business modernization activities. The Secretariat has Bankwide responsibility for advising Senior Management on progress and emerging risks, and providing updates to Management and the Board as well as to internal and external

stakeholders. In addition, the Secretariat supports the KLC and the MLT and coordinates between these two bodies and the MDs/CFO.

50. ***Managing the Change Process: IFC.*** IFC formed a Corporate Task Force on IFC 2013 to help guide the implementation of its modernization program in a way that maximizes the benefits of the changes for staff and clients. The Task Force conducted a review of staff concerns relating to the new organizational structure under IFC 2013 and shared its findings with the Management Team in December 2010 and with all IFC staff in January 2011. The IFC Management Team is developing an action plan to address the recommendations of the Task Force report on the best way to proceed with implementation and mitigate any potential adverse effects on staff. The Task Force may, under a new mandate, be requested to support the Management Team in the resulting change management process, along with the Change Management Office.

51. ***Engaging Bank Group Staff.*** The business modernization agenda is broad and complex, and it can only succeed if staff are fully engaged in implementing it. To be meaningful for staff, communication around this agenda needs to focus on the specifics of the various programs, initiatives, and tools. Over the past year Senior Management has explained the PCD to staff in various fora, and the PCD will continue to underpin discussions of the business modernization initiatives. A communications strategy is now being developed to support the Bank's business modernization. A Bankwide communications team is coordinating messages, materials, and communications efforts—for example, an initial series of information-sharing sessions with Regional management teams, at sector weeks, at unit meetings, in townhalls, and, starting in late March, in country offices and at a series of brown bag lunches. Over time, a full range of virtual and face-to-face outreach channels—brown bag lunches, Scoop (the Bank's internal social networking tool), the intranet, and newsletters—will be used as part of the communications outreach.

52. ***Gauging our Progress.*** In January 2011, Bank Management presented to the Board a prototype corporate scorecard that is based on a results and performance framework, and is now fine-tuning the indicators. The corporate scorecard will be an apex document and will serve as one of the tools for strategic engagement and accountability with the Board on the overall effectiveness and performance of the Bank in the context of results. It will also serve as a management tool and become an integral part of the institutional reporting to shareholders. A summary of progress along the full results chain of this integrated framework will form the basis of the Annual Results Report. The IFC has had a Corporate Scorecard since 2001, tracking IFC's progress in the strategic priority areas agreed with the Board, as well as on measures related to financial sustainability, client satisfaction, and staff. In FY11, IFC's cascading approach to scorecards was taken even further, with managers developing specific objectives linked to the overall corporate priorities, as part of a new performance management approach. This approach will be implemented for all staff in FY12. Development results are a key component of the scorecards, and IFC is currently testing a number of Development Goals to improve the development impact focus of its activities. As scorecards are further enhanced, IFC and the World Bank will be coordinating closely with a view to aligning measures where appropriate.

## **A. Modernizing Products and Services**

53. Work in this area aims to bring Bank Group products and services up to date to better meet the needs and demands of clients.

### ***1. Lending and Investment Services***

54. Bank Management described the vision for investment lending (IL) reform in a paper presented to the Board in February 2009. In October 2009, Management provided a progress report, with details on the new risk-based approach and efforts to improve supervision and implementation support.<sup>12</sup> The following reforms have been rolled out:

- The risk-based approach to lending, mandated for all new investment operations from FY11 on, uses an integrated framework for assessing the risks of IL projects—the Operational Risk Assessment Framework (ORAF). Reporting on both risks and results is now becoming available for individual lending operations, and efforts are under way to get portfolio reporting on risk in place; this will require retrofitting lending portfolios.
- The process of rebalancing effort from preparation to implementation involves an ongoing culture change from supervision for compliance to implementation support aimed at supporting clients and building their capacity. In some ways, this is a matter of policies and procedures catching up with what has become the reality on the ground. As part of the implementation support pillar, a new, simpler project restructuring policy has been put in place.

As part of IFC 2013, during September 2010 IFC introduced a new structure for the Investment Services stream, which locates execution in the field under three industry groupings. In addition, a new Operations Center in Istanbul, which became effective in October 2010, was tasked with piloting a variety of process improvements, including a Portfolio Middle Office function, end-to-end team processing, and a new Regional Operations Committee (ROC) for Regional project-level decision-making. Director and manager reassignments have taken place to adjust to the new organization structure. This work has also been supported at the corporate level by a new approach on Client Relationship Management. MIGA has amended its convention and significantly expanded its Operational Regulations to broaden its reach and relevance to clients.

55. ***Going Forward.*** The next phase of reform in the Bank involves the development of a new results-based lending instrument (P4R), for which a detailed concept paper was discussed by the Board in February 2011. P4R will be a new instrument, complementing investment lending and development policy lending, with disbursement linked to results rather than expenditures or policy change. Detailed design is now well advanced, and a broad consultation process is under way. The final design of the instrument, incorporating the feedback from consultations, is expected to be submitted for Board approval late in FY11. Also, the Bank is undertaking a reform of its guarantee instrument, building on recent steps to use this instrument more effectively to leverage the private sector and the Bank's balance sheet. In the IFC, a reconstituted Investment Process Unit is tasked with finding additional ways to streamline processes and increase efficiencies.

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<sup>12</sup> See *Investment Lending Reform – Concept Note* (SecM2009-0026), January 29, 2009, and *Moving Ahead on Investment Lending Reform: Risk Framework and Implementation Support* (SecM2009-0442, IDA/SecM2009-0499), September 9, 2009.

## 2. *Knowledge Services*

56. Considerable efforts are being made to make the Bank Group's knowledge services more effective. The shape of the Bank's modernized knowledge services was articulated in the February 2010 Knowledge Strategy, which is grounded in the vision for the knowledge agenda endorsed by the Board in March 2009.<sup>13</sup> That vision identified knowledge as the Bank's core strategic asset and highlighted three main goals: improving the Bank's ability to capture, create, and deliver knowledge to its clients through global technical practices; making the knowledge produced by the Bank more impact-driven; and strengthening the Bank's global connector role, linking country practitioners and policymakers to sources and centers of knowledge and innovation dispersed across the world.

57. ***Link to Modernization Effort.*** The knowledge strategy is embedded in the modernization agenda and relates to all of the Bank's operations. For example, knowledge services are at the heart of modernizing the Bank's lending products, and the development of Global Technical Practices is aimed at managing and deploying knowledge globally as an integrated part of the Bank's business. Several of the key priorities of the knowledge strategy have been implemented: the establishment of the KLC and MLT, the launch of teams of global experts (GETs), the establishment of a social networking platform, the establishment of the GI technical stream and Bank Fellows program, the selection of three knowledge platforms, and pilot initiatives to support embedded knowledge, South-South exchanges, and innovation (all discussed below under "Knowledge Partnerships"). MIGA has also introduced a high profile annual knowledge report—the World Investment and Political Risk Report—that is becoming a centerpiece for MIGA's knowledge and research agenda.

58. ***Going Forward: Bank.*** An important step in implementing the Knowledge Strategy is the preparation of the Bank's first in a series of Knowledge Services Reports. This comprehensive report will cover the Bank's economic and sector work, development research activities, and fee-for-service and nonlending technical assistance, and will focus on issues of quality, financing, measurable impacts, and ways to strengthen the linkage between the Bank's knowledge services and results on the ground. A cross-VPU team, working closely with the Council of Chief Economists is now preparing the first report—a process that is expected to help develop a consensus around accountability, funding, and a results framework for knowledge services across the Bank—and it is expected that the report will be finalized early in FY12.

59. ***Knowledge Synergies: IFC.*** Similarly, to leverage the organizational changes made as part of IFC 2013, IFC is focused on accomplishing knowledge synergies across Regions and across its investment and advisory businesses, as well as on leveraging lessons and mistakes. IFC is strengthening its knowledge management (KM) infrastructure through a multipronged approach. Work is under way to adopt a Practice Group approach to areas of strategic focus for IFC, such as agribusiness, climate change, and financial inclusion. A Knowledge Strategy Committee, comprising VPs and Directors, provides oversight to IFC's knowledge agenda. A Global Knowledge Office that is responsible for executing the knowledge strategy and work program has put in place key KM building blocks that include benchmarking knowledge in nine key business networks, rollout of collaboration technology, KM metrics and incentives, and KM career stream, capacity building, and communications. IFC's Advisory Services has continued its aggressive program of reforms to strengthen impact and organizational effectiveness. Recent reforms that are

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<sup>13</sup> *Global Excellence—Transforming the Bank's Knowledge Agenda Draft Vision Statement (SecM2009-0094)*, February 24, 2009.

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 Advisory Services staff.

### **3. *Trust Funds and Global Partnership Programs***

60. The WBG's trust fund portfolio has become an important business line for the Bank. Through its engagement in IBRD/IDA trust funds, financial intermediary funds, and IFC trust funds, the Bank supports collective action in crises and emergencies and in providing global public goods. Following on the Trust Fund Management Framework update of June 2010, we are working to further improve the strategic alignment of trust funds as well as their integration with Bank policies and processes. In addition, we are working to lay the foundation for an explicit framework to inform the Bank's expanding involvement in global partnership programs (GPPs). Concessional Finance and Global Partnerships (CFP) has prepared a series of papers on partnership programs' governing bodies, secretariats, and partnership designs. The Sustainable Development Network, which is home to the largest number of GPPs, has undertaken a portfolio review to examine the governance, funding, and results of its GPPs, and other Networks are undertaking similar reviews. IEG has recently completed an independent evaluation of the Bank's trust fund portfolio and its involvement in global and regional partnership programs. The IEG evaluations will inform the Bank's strategic planning going forward, including the preparation of a framework for the acceptance and management of financial intermediary funds and a management framework for GPPs in FY12.

## **B. Modernizing the Organization**

61. Work in this area aims to improve the Bank Group's internal integration and its external openness and accountability. The rationale is that building a corporate culture around results and global knowledge sharing will improve our effectiveness and ability to serve our clients. The creation of knowledge partnerships will enhance our knowledge of global issues, expose the Bank to innovative thinking, and help us bring needed expertise to our clients. This modernization of our matrix and decentralization and development of knowledge platforms will be a critical aspect of facilitating the interconnection between the corporate strategic priorities and our country programs.

### **1. *A More Effective Matrix***

62. In the Bank, the MLT is providing strong corporate management for the reforms. The MLT comprises the six Regional Vice Presidents (RVPs), four Network Vice Presidents (NVPs), and the Vice Presidents of OPCS and HR. Its role is to lead the effort to manage and improve the functioning of the matrix, develop a concrete action plan, and monitor implementation. The MLT operates under the principle of collective leadership, working as a team with shared accountability for solving problems and achieving institutional goals, and collaborating closely with the KLC. It reports regularly to the MDs and CFO.

63. ***Global Technical Practices.*** A key priority to enhance the functioning of the matrix is to transform the Bank's Sector Boards into global technical practices (GTPs) that will operate as integrated, Bankwide entities capable of recruiting and developing the best talent, enhancing the mobility of top experts, and managing knowledge generation and circulation across the Bank. The GTPs will be responsible for sector strategy and advocacy, talent management, knowledge management, and quality assurance. The Finance and Private Sector network (FPD) is the most

advanced in developing its GTP model, which is now being implemented—the process of recruiting directors is under way. The MLT will closely monitor the implementation and impact of the FPD pilot, assess the applicability of elements of the pilot to other networks, and feed lessons learned from the pilot into the elaboration of a common framework to transition Sector Boards to GTPs.

64. ***Talent Management: IFC.*** The IFC is also strengthening its people development and talent management under IFC 2013. In FY11 IFC has introduced a new performance management framework under which all staff are measured across four parameters: (a) results (including both financial and development goals), (b) client service, (c) people development and talent management, and (d) corporate contributions. To ensure greater alignment around IFC’s priority areas and greater clarity for staff around their areas of accountability, objectives are cascaded from the VPs to directors, managers, and staff.

## ***2. More Effective Decentralization***

65. Decentralization is one of our critical tools for improving responsiveness, openness, and accountability with clients. Over the last 15 years, the Bank has significantly decentralized operational staff: 61 percent of all Regional staff and almost all country directors are now based in country offices. In addition, a significant share of tasks is now managed by staff located in country offices: for the aggregate of all Regions, about 40 percent of task management is done in the field. It has become increasingly clear, however, that our ability to expand the country office-based model much further has limitations, and is constrained by the current budget environment.

66. ***Enhancing the Model.*** Because decentralization has had a positive impact on our client responsiveness, we are enhancing our current country office model—within budget constraints (See Box 1)—In this effort, we are taking a four-pronged approach. First, as described elsewhere in this section, we are improving productivity through better GTPs and IT connectivity. Second, we are facilitating the mobility of staff to assignments outside Washington by strengthening support structures and enabling HR reforms. Third, we are increasing the capacity of country offices to serve clients directly, and enhancing their efficiency and effectiveness—for example, higher internal procurement review thresholds are now being delegated to some procurement hub leaders. Finally, we will pilot complementing country offices with selective, modest-sized hubs, initially including a Fragile and Conflict-Affected States Hub in Nairobi, and a Center of Excellence in Singapore. This will allow us to share scarce technical skills out of logistically convenient locations and move global expertise closer to clients. The lessons learned from these hubs, as well as from IFC’s experience with hubs, will inform future decisions on the course of decentralization.

## ***3. Knowledge Partnerships***

67. The KLC, chaired by a Bank Managing Director, with seven Vice Presidents as members, has spending authority on corporate knowledge priorities. Of the US\$11 million committed for this purpose in FY11, the KLC has devoted most to mobilizing global expertise for the benefit of our clients, and to the competitive allocation of funds to elicit the most cutting-edge and transformative ways of connecting our knowledge to the world, and the world’s knowledge to the Bank. One good example is the new Knowledge Platforms—long-term, multiyear engagements with donors and partner institutions—which provide a framework for sustained global collaboration around critical, strategic, and transformational development issues. Using an open and competitive process, the KLC in January selected the first three knowledge platforms for multiyear funding: Urbanization,

eTransform—ICT for Accountability and Development, and Green Development. An additional two to three will be selected for launch in FY12.

68. ***Opening up the Bank.*** Users' expectations for public information are changing rapidly. Clients and others expect easy access to Bank-generated data, knowledge, and solutions; and open access is a key to increasing the development impact of our information. A major initial step was the new World Bank Policy on Access to Information, which went into effect on July 1, 2010. In implementing this policy, the Bank has released more than 17,000 documents and nearly 500 legal

**Box 1. Decentralization—World Bank**

Decentralization is an integral part of the way we do business. Around 60 percent of World Bank Regional staff—both internationally and locally recruited—are located in the field, and virtually all country directors are decentralized. However, most of the sector managers are still in Washington. So one challenge we face is how to get managers closer to staff. Another challenge is to increase the proportion of tasks managed in the field— from around 45 percent—so there is less of a gap between the proportion of staff in the field and the tasks managed there.

To address these challenges, we have been examining different decentralization models and their budgetary implications. Initially we examined three alternatives and conferred with the Board in March 2010. Following that discussion, Management decided to refine these options by discussing with each Region the approach that would best meet the needs of our clients, and also assessing what would be required in the way of HR, ICT, and accompanying reforms. The discussions with the Regions reaffirmed that the country office should remain the central building block, but the model could be strengthened by some specialized hubs that could help country offices deliver better to clients. There were two specific requests from the Africa Region: a hub for fragile and conflict-affected situations, and an implementation hub to concentrate skills on procurement, contracting, and other operational issues that were posing challenges to our projects.

A conclusion was reached to retain the country office as the main model, supported by specialized hubs. Because this would be a new approach, Management would pilot the approach to assess it both operationally and financially before broadening it to all Regions. Therefore, Management decided to establish an FCS hub in Nairobi—but for greater synergy and economies of scale, the hub would be a global hub rather than one focused exclusively on Africa. Management also plans to establish the implementation hub in Africa and to move forward on a Center of Excellence in Singapore to support our infrastructure work in Asia.

At the same time, recognizing that HR and ICT support are critical to making decentralization work better, we have developed a comprehensive list of reforms that are needed for further decentralization of staff: support services for decentralizing staff and for staff working in fragile and conflict-affected states, measures to make decentralization more affordable, and work to identify the actions needed to enhance and upgrade our IT platforms.

The Bank will move forward in the implementation of these pilot, specialized hubs and the supporting reforms in order to learn lessons. There were engagement points with the Board on March 2010, September 2010, and February 2011. We will continue to engage with the Board periodically on progress.

agreements and has continued to respond positively to numerous external requests for additional information. To further pursue our policy of openness and transparency, we have prioritized programs in three areas:

- ***Open Data.*** In April 2010 the Bank released its development data free of charge, and the site has already registered over 20 million page views. A suite of new web-based and mobile tools makes it easier for the public to find, use, and download Bank data and datasets in five languages. The Aidflows website, which offers new transparency with respect to donor aid contributions into IDA and trust funds as well as beneficiary country-level data of IDA and trust funds flows, was launched in October 2010. Building on Open Data, projects have been geo-referenced for the first time and

combined with key development indicators through a new Mapping for Results application. Next steps are to (a) create a Data Resource Center to serve as a clearinghouse for researchers and expand available datasets, including with survey microdata and other data types, (b) improve website features and develop new applications to enable easy access to data across platforms and devices, and (c) strengthen capacity building in developing countries to help improve evidence-based decision-making and the development of monitoring systems—an essential element of the Bank’s results agenda.

- ***Open Knowledge.*** Research teams are focusing on four strategic themes: (a) economic transformations around emerging issues such as macroeconomic growth, agriculture and rural development, urbanization, and green development; (b) broadening opportunities through delivering better services for human development, trade and integration, and access to finance; (c) understanding risk and vulnerability across countries and sectors; and (d) measuring results and aid effectiveness, including evaluating the impacts of Bank lending operations.
- ***Open Solutions.*** To engage in the “wholesaling of research,” we plan a greater focus on the creation and improvement of software tools to support economic analysis across various sectors and training products, and to improve the accessibility of the Bank’s own analytic data to a broader set of researchers. The programs are expected to involve collaboration within the Bank as well as with partners in developing countries, technology partners, and multilateral organizations.

### C. Modernizing Processes and Systems

69. In this area, the aim is to improve the efficiency and flexibility of the Bank’s processes and systems—the foundation for all Bank operations and activities—to help staff be more efficient and flexible in serving clients.

70. ***Operational Policies and Procedures.*** In the Bank, we are developing clearer operating guidelines to sharpen our results focus, better manage risks, and keep pace with changes in the world of development. These guidelines will also be applicable to IBRD/IDA trust funds. For example, under IL reform, ORAF is now required for recipient executed trust funds. We have completed the diagnostic work to support improved delegation of authority. We are proposing an overall reform of the Bank’s Operations Manual, with a goal of having new, unified principles-based policies in place within two years. We have recently launched an update of safeguards policies following an IEG review, and will shortly launch a complete review of the Bank’s procurement policies.

71. ***Improving Transparency and Standards.*** The IFC is using a multistakeholder global consultation process to update its Sustainability Framework, which includes environmental and social performance and transparency requirements for clients. Incorporating the principles in IBRD’s new Access to Information Policy, IFC is revising its Policy on Disclosure of Information to increase the 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 to improve clarity of language and address gaps in environmental and social coverage.

72. **Human Resources.** The Bank is creating more efficient HR processes and systems to drive higher levels of organizational performance. We are developing a competencies framework that will link technical learning to professional competencies; we are implementing a succession planning system (eTalent) for managerial positions; we have introduced clustered recruitment and have streamlined the shortlisting and recruitment processes; and we have enhanced flexibility and mobility by introducing term appointments and managed rotations. We are increasing our support to staff assigned to FCS, streamlining policies for ending employment and for flex-work, putting in place a new global orientation program, and developing an Operational Core Curriculum and managerial training program. As we move ahead, we will enhance the processes associated with performance management. We will also update and align HR data structure and systems to support institutional monitoring, reporting, and planning capability. A new learning strategy is also under implementation, including a newly launched managerial and leadership program, a new staff orientation program, and e-Learning for task team leaders.

73. **Information Management Technology.** In the Bank we are implementing information management technology systems and solutions to better support lending operations, knowledge, and GPGs. We have launched the Operations and Knowledge Systems Program to support a wide range of innovations: a new Operations Portal, through which all lending and nonlending operations are processed; a new document repository and new document classification rules related to the new Access to Information Policy; a new search capability; and a new social networking platform (Scoop), which already has over 10,000 users, and other collaboration applications. As we move forward, we will continue enhancing the new Operations Portal to support ongoing changes in Bank policy and practice; we will support transparency and the access to information agenda through a new web, geo-coding, and multilingual records; and we will improve the search and collaboration features for knowledge generation and sharing from internal and external sources.

74. **Budget and Disbursement Systems.** We are building more flexibility into these systems to deliver better client services, while strengthening accountability to provide the Bank's stakeholders with robust assurance about the use of Bank funds.

75. **Budget Framework Improvements.** We have included external funds in the presentation and reporting on corporate budget and performance and implemented a WBG Quarterly Flash report to the Board. Still to come in FY11 is an exploration of Bankwide coordinating mechanisms for fund-raising for trust funds and the development of an Integrated Planning System. Over the coming two years, we will expand the Integrated Planning System, refine the budget cycle to strengthen the link to results, and move to a three-year business planning process, with an accountability framework.

76. **Disbursement Modernization.** We have developed the e-Disbursements system, which went live in November 2010 on a pilot basis with a number of selected countries, providing electronic transaction capability to clients for online banking; and we are committed to further decentralizing our disbursements operations. We have joined the International Integrated Reporting Committee, which is providing a platform for engaging the accounting and auditing profession on fraud and corruption issues. Before the end of FY11, we will review the existing transaction-based validation system with a view to replacing it over time with a more robust assurance framework designed to link the disbursements function with other important assurance work being performed in various parts of the Bank. Over the coming two years, we will mainstream e-Disbursements across the entire portfolio, expand online portfolio management options, and complete the design and rollout of a new assurance framework.

## D. Conclusion and Next Steps

77. FY11 has been a year of significant progress on the business modernization agenda, and we anticipate still more progress by the end of the year. Annex B provides an update and revision of the timeline of actions that were agreed for both the Bank and the IFC during the 2010 Spring Meetings. There has been substantial progress toward the commitments made a year ago.

- In the Bank, we have all key structures in place to support Senior Management in implementing the business modernization agenda across the institution. We have client-driven, results-focused products in the pipeline, and they will be available to clients by FY13; we are changing the way the Bank conceives of and delivers knowledge services and will have new systems for measuring results under implementation in FY12 and FY13; and we are beginning to engage with global public programs and partnerships with greater selectivity and openness. The Bank will be reshaping Sector Boards over FY12 and FY13 to become truly global practice management groups; experimenting with ways to make decentralization even more effective and to measure the impact of decentralization; and connecting globally with knowledge platforms, internal and external expertise, and technical excellence wherever it may be found. We are developing a corporate scorecard to more effectively track the results being achieved and our performance, and, beginning with FY12 we are making fundamental reforms in the way we plan and budget for our work.
- In IFC, within the framework of IFC 2013, there is also important progress: under the new organizational structure some changes, such as the Istanbul Operations Center, are being piloted; other changes—such as the adoption of development goals, the new performance management framework, Advisory Services reforms, and the changing roles of globally and regionally focused staff—will need to be reviewed and refined on the basis of our initial experience.

Across the Bank Group we are progressively replacing our legacy systems with more efficient and flexible processes and systems to meet our needs and those of our clients. Over the coming two years, we expect the pace of reform to accelerate. This is an exciting time for the World Bank Group and its clients, as we work together to reform the institution to meet the needs of the 21<sup>st</sup> century.

## ANNEX A. SELECTIVITY IN SELECTED COUNTRY PROGRAMS

1. Selectivity takes place in our country programs as a result of an interaction between client countries and management. When formulating and discussing assistance strategies with Governments, Management is mindful of global and regional priorities, and also reflects on sectoral strategies for innovative and transformational approaches and areas where the Bank can have the largest impact. The country strategies also build on past experience, opportunities to scale up or replicate successful interventions, and opportunities for reform and institutional change in a country, as well as the activities of other development partners.

2. The principles applied in individual country programs vary. Increasingly, in the environment of limited financial and human resources, the choices the Bank makes are results driven and focusing on areas that:

- Benefit from synergies from combining menu of products (lending, knowledge, partnerships);
- Can leverage additional resources;
- Take advantage of programmatic or thematic approaches;
- Can deliver transformative results;
- Build on clear comparative advantages compared to other partners;
- Have high value added in terms of knowledge, innovation, and learning; and
- Have clear global good components that we are engaged in.

This annex provides examples of selectivity within country programs:

### ***Bangladesh***

3. In Bangladesh, the selectivity principles are applied within the Government's division of labor among donors. The Bank is capitalizing on areas where it has *comparative advantage from other donors* and can achieve *transformative results*. Given infrastructure's critical constraint on growth, for instance, the Bank will focus only on transformative infrastructure investments, where our interventions are likely to yield the desired results. The recently approved Padma bridge project is a key example of taking calculated risks in the expectation of high rewards for poverty reduction and growth.

### ***Brazil***

4. In Brazil, we focus on long-run, transformative challenges where decisions have not been made and where the Bank can contribute both knowledge and financing. Some of the selectivity filters include activities that have global public good components (especially climate change), or that have high value added in terms of knowledge and impact, to ensure that the client has maximum efficiency and can incorporate the outcomes for future use. Generally, we generally do not engage in areas where the national or sub-national governments have the knowledge and capacity to manage. Increasingly we focusing on areas that benefit from synergies *from combining our products* and on operations supporting *integrated development* approaches:

- To help subnational entities comply with the Federal Responsibility Law, the Bank devised a framework to help states and municipalities reform their fiscal programs, and at the same time provided the funds needed to jumpstart the states into compliance.
- After providing the analytical groundwork for the highly successful first generation of northeastern rural poverty projects, the Bank is working with states to develop a new generation of interventions that will push the agenda further, focusing on market integration, growth and income generation. The first such project for the state of Pernambuco, is starting now and is likely to become the bellwether for a whole new generation of integrated rural projects.

### ***Bulgaria***

5. Since Bulgarian accession to the European Union, the World Bank has focused its activities in areas where it could help Bulgaria absorb grants from the EU and in area where financing from EU institutions is not available. The ongoing program focuses on the following:

- the preparation of investment operations and activities that can be financed by EU funds in the areas of roads, water supply, border crossing and Roma people integration and
- policy based lending in areas in which there is a major policy constraint to EU funds utilization and where special Bank expertise exists (e.g., railways sector).

### ***China***

6. In China, selectivity has been exercised taking into account country needs and the comparative advantage of the WBG. This included intensified our engagement in *supporting China's integration into the global economy* (especially South-South learning), *greater emphasis on energy efficiency objectives and climate change issues*, and *accelerated implementation of integrated rural-urban development*. Bank support for *disaster risk management* was also formalized more generally, and in particular, for earthquake reconstruction in the wake of the tragic May 2008 Sichuan earthquake. This approach has yielded the following strategic shifts:

- From power generation to energy efficiency and renewables;
- From large city wastewater treatment projects to integrated urban operations;
- From highways to urban transport and inland waterways;
- From agricultural input support to eco-farming, food safety, and agricultural technology;
- From forest production to forest eco-management in degraded lands;
- From irrigation infrastructure to management of water resources and water quality;
- From top-down poverty reduction programs to community driven approaches; and
- In general, to supporting China's integration into the global economy (especially South-South learning) and accelerated implementation of integrated rural-urban development.

### ***India***

7. In India, we exercise selectivity by using the following three principles, positioning the Bank as a strategic development partner:

- Strategically important projects that need *transformation of policies and institutions*: e.g., National Ganga River Basin Project, the first phase of the Eastern Dedicated Freight Corridor (DFC), PMGSY Rural Roads.
- *Piloting new approaches*: e.g., Watershed Management in Karnataka; and
- *Leveraging Bank financing* from other institutions as well as the commercial sector e.g., Karnataka State Highway Improvement Project (KSHIP II), with an expected US\$500 million coming from the private sector.

This approach has also provided a solid basis in discussions with the Indian counterparts to *withdraw projects from the lending pipeline*, such as a second Banking Sector Support Loan.

### ***Indonesia***

8. The Bank's assistance is focused squarely on areas where Government reforms have strong ownership. This selectivity framework has led to a deliberate move away from several sectors, such as health, justice and rural development, where past programs had limited success or the Bank's contribution was modest relative to overall country budget. In health, for example, the Bank's engagement was scaled back to analytic work on health financing and workforce, which led to a project in health workforce education. In the justice sector, other development partners such as USAID have a deeper engagement. Within sectors, selectivity has been most evident in timely adaptation to reform progress and Government priorities. In public financial management and investment climate, for example, if a particular reform path was not progressing, resources and programs were able to adapt to areas with greater potential for success. In emerging policy challenges of macroeconomic stability or decentralized capital expenditures, the Bank was able to provide timely and innovative programs to respond to clear Government demand. Project selectivity is managed through a process that ensures that all projects must be in the Government's approved Blue book.

### ***Mexico***

9. We are focusing on ways to deploy and synergize our full menu of products (e.g., financial services, knowledge products, and convening coordinating services) around focused thematic areas, allowing us to develop a package of services supporting specific short- and medium-term country results that accommodate specific and timely client needs—a programmatic approach to engaging at the country level. Our engagement on climate change issues is a clear example. In climate change—an area that cuts across several Bank sectors—Mexico's ambitious agenda was supported over the past three years with a multisector lending program of over US\$4 billion in both, investment and development policy loans, together with an array of knowledge, policy and coordinating services. The Mexico Low-Carbon Economy Study and a study on the economics of climate change in 2009 were critical knowledge pieces that helped convey strategic policy decisions that led to a Climate Change and Environmental Memorandum of Understanding (MoU) with Ministry of Environment in 2010, an MoU on Sub-National Climate Change Action Plan, and a Clean Technology Fund Investment Plan. World Bank Group support for Mexico's own climate program naturally led into active high-level Bank support for Mexico's presidency of the UNFCCC COP16.

***Rwanda***

10. In Rwanda, the selectivity principles set forth by the Government of Rwanda's division of labor (DOL) drives our country program. The DOL limits each development partner's investment lending activities to three sectors in an attempt to reduce transaction costs and improve aid effectiveness. The Bank is exercising its selectivity by extending decentralization of staff in the three sectors designated by the Government (e.g., energy, agriculture, and transport/ICT) and pulling out from other sectors (e.g., education and HIV/AIDS).

***Sri Lanka***

11. Selectivity in Sri Lanka takes the form of a long-term engagement in a limited number of sectors where visible results can be produced, consistent with the Government's own priorities and division of labor among donors. Our engagement in agriculture infrastructure has been limited in the recent past to building small-scale infrastructure in conflict-affected zones in the east and in the north. As we move forward, we plan to focus on helping the Government reflect on a comprehensive agriculture strategy before any further engagement in the sector.

## ANNEX B. STATUS OF SPRING 2010 DELIVERABLES

Reform	End Fiscal Year 2010	End Calendar Year 2010	End Fiscal Year 2011	Additional Updates
<b>Reforming loan maturity terms</b>	<ul style="list-style-type: none"> <li>Bring proposal for restoration of loan maturity limits to the level before 2008 while offering borrowers the option to extend the maturity with a premium to provide augmentation of \$1.2 billion of capital by FY19.</li> </ul> <p><b>COMPLETED</b></p>			
<b>Releasing existing NCPIC</b>	<ul style="list-style-type: none"> <li>Work intensively with shareholders holding unreleased NCPIC to release as much as possible as soon as possible.</li> </ul> <p><b>IN PROGRESS</b></p>			<ul style="list-style-type: none"> <li>Discussions have been initiated with almost every shareholder with unusable NCPIC. As of end- February 2011, release of US\$746 million of NCPIC had been agreed by shareholders, while informal agreement had been reached on the release of close to an additional US\$703 million</li> </ul>
<b>Synchronizing year-end financial discussions</b>	<ul style="list-style-type: none"> <li>Synchronize year-end discussions on budget, pricing and net income.</li> </ul> <p><b>COMPLETED</b></p> <ul style="list-style-type: none"> <li>Discuss a sustainable financial model that unifies budget, pricing and net income decisions.</li> </ul> <p><b>IN PROGRESS</b></p>			<ul style="list-style-type: none"> <li>FY10 year-end discussions on budget, pricing, and net income were synchronized, with all three taking place in late June. The same approach is planned for FY11 and future years.</li> <li>The synchronized approach toward the decision-making on budget, pricing, and net income allocation, along with discussions on net income allocation and loan pricing principles in May, June, and</li> </ul>

Reform	End Fiscal Year 2010	End Calendar Year 2010	End Fiscal Year 2011	Additional Updates
	<ul style="list-style-type: none"> <li>• Develop pricing principles that link loan pricing to lending-related cost coverage, and consider expected losses. <b>IN PROGRESS</b></li>   <li>• Develop proposal for net income allocation principles that, subject to Board decision, place a priority on IDA transfers – after ensuring adequate transfers to reserves – that would: <ul style="list-style-type: none"> <li>• Support IDA transfers at a flat real level until the IBRD returns to the lower end of the capital adequacy range, currently 23%.</li> <li>• Allow for modest growth in IDA transfers when the E/L is within the capital adequacy range, currently between 23-27%.</li> </ul> <b>COMPLETED</b> </li> </ul>			<p>December 2010, facilitated Executive Board discussion on a sustainable financial model. (Discussion on pricing principles is ongoing). Looking ahead, Management will continue to make end-of-year recommendations on net income, pricing, and budget that are consistent with the E/L target of the lower end of the strategic capital adequacy range by FY19.</p> <ul style="list-style-type: none"> <li>• Loan pricing principles have been developed to link pricing to lending-related administrative costs, while the Executive Board has considered the principle of covering expected losses both in the fiscal year-end discussions and in December. Discussion continues on finalizing the pricing principles, with the next engagement being the Medium-Term Strategy and Finance Paper in early May.</li>   <li>• Net income allocation principles in line with the 2010 Spring Meetings agreement on IDA transfers and linkage to the contingent-out mechanism were developed in the “Allocation of FY10 Net Income and Waivers of Loan Charges for FY11” paper.</li> </ul>

Reform	End Fiscal Year 2010	End Calendar Year 2010	End Fiscal Year 2011	Additional Updates
	<ul style="list-style-type: none"> <li>• Link the income allocation principles to the contingent-out mechanism where, subject to future Board decision, redirection of the GCI resources, with strong consideration to IDA transfers, would start after IBRD's E/L ratio has reached the upper bound of its capital adequacy range, currently 27%, and with a review to determine timing of the redirection taking place once IBRD reaches the middle of its capital adequacy range, currently 25%. <b>COMPLETED</b></li> </ul>			
<b>Modernizing Services</b>	<ul style="list-style-type: none"> <li>• Full rollout operational risk assessment framework, new model of implementation support, and remodeled reporting framework <b>COMPLETED</b> Operational Risk Assessment Framework and new ISR rolled out July 1, 2010.</li> <li>• Establish Knowledge Council <b>COMPLETED</b> Knowledge and Learning Council established May 2010.</li> <li>• Update Trust Fund Management Framework <b>COMPLETED</b> TF incorporation into main budget process approved.</li> </ul>	<ul style="list-style-type: none"> <li>• Revise and consolidate policies and procedures for investment lending <b>COMPLETED</b></li> <li>• Expand to 12 the number of specified teams of global experts on high priority topics <b>IN PROGRESS</b> 8 Global Expert Teams operational; program being reviewed by MLT.</li> </ul>	<ul style="list-style-type: none"> <li>• Agree on new results-based investment lending option <b>IN PROGRESS</b> P4R instrument concept note to CODE October 2010; Informal Board meeting Feb 2011; Public consultation period through May 31, 2011.</li> <li>• Finalize reform proposals for analytical and advisory activities <b>IN PROGRESS</b></li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge Services report: Concept Note to CODE March 2011; decision meeting planned for May 2011.</li> <li>• In January 2011, KLC selected 3 Knowledge Platforms for multiyear funding: (Urbanization, Green Growth and ICT)</li> <li>• Second round Knowledge Platform competition began in February 2011.</li> <li>• IEG reports on GPPs and TFs finalized in February 2011.</li> </ul>

Reform	End Fiscal Year 2010	End Calendar Year 2010	End Fiscal Year 2011	Additional Updates
<b>Enhancing Service Delivery</b>	<ul style="list-style-type: none"> <li>Strengthen field presence in low-income and fragile-states, especially Africa, by moving more task management to the field <b>IN PROGRESS</b> Task management in country offices is up to 40 percent.</li> <li>Increase number of Country Directors in Africa <b>COMPLETED</b>  Four new country director positions created, recruitment in process, and acting country directors in place, July 1, 2010.</li> <li>Establish accountability framework for Bank operations <b>IN PROGRESS</b> Work on accountability framework initiated by MLT.</li> <li>Establish Matrix Leadership Team <b>COMPLETED</b> Matrix Leadership Team (MLT) established March 2010.</li> </ul>	<ul style="list-style-type: none"> <li>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 <b>IN PROGRESS</b> Concept finalized for subregional hub in Africa to serve fragile and conflict states; implementation started.</li> <li>Increase cross support by high-end staff and monitor implementation <b>IN PROGRESS</b> <b>GET in place, evaluation being completed.</b></li> <li>Launch IFC (i) new industry department structure and (ii) Istanbul operating center. <b>COMPLETED</b> IFC launched (i) new industry department structure and (ii) Istanbul operating center. Staff and managers reassigned.<sup>a</sup></li> </ul>	<ul style="list-style-type: none"> <li>Approve new decentralization approach, including a phased and costed transition and implementation plan to commence in FY12 <b>IN PROGRESS</b></li> <li>Implement organizational plan to rationalize sector managers’ span of control <b>IN PROGRESS</b> Analytic work on span of control complete.</li> <li>Establish framework for network accountability including for knowledge <b>IN PROGRESS</b></li> </ul>	<ul style="list-style-type: none"> <li>Program under development, to be in place by end of FY11 to transform 6 sector boards into Global Technical Practices</li> <li>FPD Global Practices reform approved February 2011.</li> <li>FPD Global Practices Model operational end-FY11.</li> </ul>
<b>Enabling Systems</b>	<ul style="list-style-type: none"> <li>Consolidate discussion of net income allocations, pricing and budget <b>IN PROGRESS</b></li> <li>Institute annual corporate review of managerial bench strength <b>IN PROGRESS</b></li> </ul>	<ul style="list-style-type: none"> <li>Operationalize Corporate Scorecard <b>IN PROGRESS</b> Corporate Scorecard proposal developed.</li> </ul>	<ul style="list-style-type: none"> <li>Finalize new compensation and benefits framework for approval <b>COMPLETED</b> Feb 2011 Board approved changes to Bank Group’s compensation system</li> </ul>	<ul style="list-style-type: none"> <li>New Operations Portal, Ops. 2.0, with ORAF and ISR supporting the new IL process, DPLs, and GEF.</li> <li>26 VPUs completed talent reviews: pipelines for all levels</li> </ul>

<sup>a</sup> IFC deliverables per September 2010 Update

Reform	End Fiscal Year 2010	End Calendar Year 2010	End Fiscal Year 2011	Additional Updates
	<ul style="list-style-type: none"> <li>• Launch Information Management Technology strategy for integration and standardization <b>COMPLETED</b></li> <li>• Implement WBG Dashboard for decision support <b>COMPLETED</b> WBG Dashboard in operation from mid-2010.</li> <li>• IFC Road Map &amp; Budget for IFC 2013 including cost implications of IFC 2013 <b>IN PROGRESS</b></li> </ul>	<ul style="list-style-type: none"> <li>• Implement new recruitment process aimed at reducing cycle time <b>IN PROGRESS</b> Streamlined shortlisting and recruitment processes ratified; implementation under way.</li> <li>• Expand use of clustered recruitment <b>IN PROGRESS</b> Clustered recruitment piloted.</li> <li>• Enhance control and knowledge transfer through implementation of new document retrieval and search system <b>IN PROGRESS</b> New document repository WBDocs, replacing IRIS, launched in LCR; document migration for EAP, SAR, and ECA completed. New Intranet Search 2.0 with new People profile page. New document classification rules as per the A2I policy implemented in all new solutions and IRIS.</li> <li>• Launch new IFC performance management cycle <b>COMPLETED</b> IFC launched new performance framework and performance management cycle, and elaborated a new career framework for AS staff.</li> </ul>		<p>of management positions were completed and made available for use, supported by new e-Talent system.</p> <ul style="list-style-type: none"> <li>• Competencies framework being implemented to support talent mgmt.</li> <li>• Succession planning system (eTalent) deployed for managerial positions.</li> <li>• PeopleSoft selected as HR systems platform.</li> <li>• Pilots on team collaboration (Sharepoint) and Social/community collaboration (SCOOP).</li> <li>• Supporting change management actions including information management practices developed for dissemination.</li> </ul>
<b>Transparency, Accountability and Results</b>	<ul style="list-style-type: none"> <li>• Implement Access to Information policy <b>COMPLETED</b> Access to Information policy effective;</li> <li>• Establish external appeals committee for</li> </ul>	<ul style="list-style-type: none"> <li>• Complete IDA controls effort <b>INTEGRATED IDA CONTROLS EXERCISE COMPLETE</b></li> <li>• Conduct an independent review of</li> </ul>	<ul style="list-style-type: none"> <li>• Implement fully Results Agenda by establishing corporate-level reporting framework and issuing annual results reports <b>IN PROGRESS</b></li> </ul>	<ul style="list-style-type: none"> <li>• Diagnostic of delegation of authority completed.</li> <li>• Board has endorsed process to update / consolidate safeguards.</li> <li>• External funds now included in</li> </ul>

Reform	End Fiscal Year 2010	End Calendar Year 2010	End Fiscal Year 2011	Additional Updates
	<p>access to information policy <b>COMPLETED</b> Appeals Board, AI Committee, and Policy Unit established 7/1/10.</p> <ul style="list-style-type: none"> <li>Establish secretariat to monitor, advise and report on internal reforms <b>COMPLETED</b> Reform Secretariat established July 2010, fully staffed in January 2011.</li> <li>Put in place sanctions reform, including cross-debarment <b>COMPLETED</b> 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.</li> <li>Develop and report on core indicators in four sectors for IDA <b>IN PROGRESS</b></li> </ul>	<p>oversight units agreed with Board <b>IN PROGRESS</b></p> <ul style="list-style-type: none"> <li>Appoint a World Bank Group Chief Risk Officer, who will annually publish an integrated Risk Monitoring Report <b>IN PROGRESS</b> VP and Chief Risk Officer appointed.</li> <li>Complete first Annual Results Report <b>IN PROGRESS</b></li> </ul>	<p>First annual results report planned for delivery by end-FY11.</p> <ul style="list-style-type: none"> <li>Expand number of sectors with core indicators to seven <b>IN PROGRESS</b> Core indicators for seven sectors well under way, to be rolled out by end FY11.<sup>b</sup></li> </ul>	<p>allocation decisions</p> <ul style="list-style-type: none"> <li>WBG Quarterly Flash report to Board implemented.</li> <li>Design, development, testing, and rollout of eDisbursements system.</li> <li>Decentralization of disbursements operations.</li> <li>Membership in the International Integrated Reporting Committee, providing a platform for engaging the accounting and auditing profession on fraud and corruption issues.</li> </ul>

<sup>b</sup> The update on core indicators was inadvertently left out of the Annex in the February 2011 Update.