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FORWARD LOOK
A VISION FOR THE WORLD BANK GROUP IN 2030 –
PROGRESS AND CHALLENGES

Attached is a final version of the document entitled “Forward Look – A Vision for the World Bank Group in 2030 – Progress and Challenges” prepared by the World Bank Group for the April 22, 2017 Development Committee Meeting.

**FORWARD LOOK – A VISION FOR THE WORLD BANK GROUP IN 2030
PROGRESS AND CHALLENGES**

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Fiscal Year and Currency Equivalents

Fiscal year (FY) = July 1 to June 30

Acronyms and Abbreviations

AFR	Africa Region	IMF	International Monetary Fund
AMC	Asset Management Company	INT	Integrity VPU
ASA	Advisory Services and Analytics	KM	Knowledge Management
BB	World Bank (administrative) Budget	LCR	Latin America and the Caribbean Region
BPS	Budget, Performance Review and Strategic Planning VPU	LICs	Low-Income Countries
CAT-DDO	Catastrophe Deferred Drawdown Option	LMICs	Lower-Middle income Countries
CPF	Country Partnership Framework	MCPP	Managed Co-Lending Portfolio Program
CCSA	Cross-Cutting Solutions Area	MDB	Multilateral Development Bank
COP21	2015 Paris Climate Conference (21th Conference of Parties)	MDCAO	Managing Director and Chief Administration Officer
CRO	Group Chief Risk Officer VPU	MFM	Macroeconomics and Fiscal Management
DRM	Domestic Resource Mobilization	MNA CFF	MNA Concessional Financing Facility
DSC	Deployable Risk Capital	MICs	Middle-Income Countries
ECA	Europe and Central Asia Region	MIGA	Multilateral Investment Guarantee Agency
ECR	External and Corporate Relations VPU	MNA	Middle East and North Africa Region
EFI	Equitable Growth, Finance and Institutions VPU	MW	Megawatt
ER	Expenditure Review	NDCs	Nationally Determined Contributions
ESF	Environmental and Social Framework	ODA	Official Development Assistance
FCS	Fragile and Conflict Affected States	OECD	Organization for Economic Cooperation and Development
FCV	Fragility, Conflict and Violence	OPCS	Operations Policy & Country Services VPU
FFD	Finance for Development	PEF	Pandemic Emergency Financing Facility
G20	Group of Twenty	PPP	Public-Private Partnership
GBR	Group Business Review	PSW	Private Sector Window (IDA)
GCI	General Capital Increase	SAR	South Asia Region
GCRP	Global Crisis Response Platform	SBO	Strategy and Business Outlook
GIF	Global Infrastructure Facility	SCD	Systematic Country Diagnostic
GIL	Gender Innovation Lab	SCI	Select Capital Increase
GP	Global Practice	SD	Sustainable Development VPU
GPG	Global Public Good	SDGs	Sustainable Development Goals
GW	Gigawatt	SEC	Corporate Secretariat VPU
HNP	Human Nutrition and Population	UN	United Nations
HR	Human Resources	US	United States of America
IBRD	International Bank for Reconstruction and Development	VPU	Vice-Presidency Unit
IDA	International Development Association	WBG	World Bank Group
IFC	International Finance Corporation		
IFF	Illicit Financial Flows		
IG&A	Institutional, Governance and Administrative units		

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Forward Look – A Vision for the World Bank Group in 2030

Progress and Challenges

Introduction

1. The World Bank Group (WBG) is firmly committed to reaching our twin goals: to eradicate extreme poverty and ensure shared prosperity in a sustainable manner. In close partnership with our member countries, we will achieve these goals in three ways: first, by working to accelerate inclusive and sustainable economic growth; second, by helping countries invest more effectively in people; and third, by fostering resilience to global shocks and threats. The twin goals and the three ways to get there are collectively referred to as the “2x3” approach.

2. The Forward Look responds to the Lima Roadmap, which was laid out by Governors in 2015 and endorsed by the Development Committee during the 2016 Annual Meetings. This strong collaboration between management and the Board positions the WBG to better serve its members by assisting all client segments, scaling up private sector mobilization, leading on global issues, improving our business model, and ensuring adequate financial capacity to meet clients’ rising demand for services. It has helped shape a common view among shareholders on how the WBG can reach the twin goals and support the 2030 development agenda, shaped by the far-reaching Sustainable Development Goals (SDGs). Achieving the SDGs will require global cooperation and implementation of the Finance for Development (FFD) agenda, through which has emerged a paradigm shift in thinking about development finance – whereby official aid will need to be utilized strategically to catalyze public and private sector investments and to mobilize additional private capital.

3. At the 2016 Annual Meetings, management committed to a number of strategic initiatives as building blocks for the “Road to the Better WBG.” This progress report complements the multiple engagements with the Board on related topics since the 2016 Annual Meetings and presents an approach of using the opportunity of planned revisions to the Corporate Scorecard (to be updated before the end of FY17) to integrate and monitor the Forward Look through the standard corporate reporting process. This report will also look at how management is mainstreaming planning, monitoring and evaluation into institutional tools and processes such as the “W” strategic planning process, the Strategy and Business Outlook (SBO) engagements, and budget discussions with the Board. Annex 1 provides a Results Matrix, linked to the Corporate Scorecard indicators as they currently stand. Annex 2 reports on action items in the “Road to the Better WBG” matrix that was shared with Governors.

Overall Assessment

4. We are facing an uncertain environment with shifts in global economic dynamics and increasingly complex global challenges – slow and uneven economic growth, rising inequality within countries, aging populations, conflict, fragility, forced displacement, climate change, and pandemics. A better and stronger WBG is essential to help reach the twin goals, meet the SDGs, help create markets, catalyze private investment, and better promote cooperation, integration, connectivity and trade, human development, and collective action on global public goods (GPGs), as well as helping countries manage against a backdrop of volatile capital flows to emerging and developing markets. Strong WBG financial capacity remains vital for improving development outcomes in accordance with the SDGs.

5. A number of Forward Look milestones and supporting building blocks have been achieved or are well advanced. First, strong and enthusiastic support for IDA has resulted in a record replenishment. IDA will mobilize finance from the markets, leveraging its balance sheet to generate a 50 percent increase in resources available to the neediest countries including in FCV (Fragility, Conflict and Violence) countries (paras. 8-10). Second, IFC introduced a new long-term strategy, *IFC 3.0* (para. 40), designed to scale up the impact of the private sector; the strategy includes the strengthening of

IFC's Advisory Services to enhance support for upstream engagement in key sectors, particularly in IDA and FCV.¹ This stands alongside MIGA's increased focus on supporting private investment in IDA and FCV in recent years, underlining the strength of the guarantee product to achieve WBG development goals. Third, the WBG institutions are working closely together through new approaches such as the Cascade to allow policy reforms and institution-building supported by IBRD/IDA to be complemented by private sector investment enabled by IFC and MIGA across the full range of clients, including the poorest countries (paras. 17-25). New financing platforms for refugees, crisis response including pandemics, climate action, and infrastructure are providing innovative solutions to clients and significantly strengthening the WBG's engagement on global issues (paras. 26-37).

6. The WBG is aiming to become more efficient and agile by reforming key operational, administrative and human resources policies and practices. We are piloting new approaches to speed up operational delivery and improve quality through the Agile Bank initiative (para. 39), reducing bureaucratic roadblocks through simplification and process and system improvements (paras. 42-44), building up knowledge management systems (paras. 45-46), and implementing new safeguards and procurement policies (paras. 47-48). The WBG also seeks to harness assets more efficiently, by developing incentive systems and improving support to staff (paras. 49-52), reinforcing budget discipline through the Expenditure Review (ER) and ongoing pursuit of efficiency and enabling a continuous improvement environment, and furthering the integration of external funds into the planning cycle (paras. 55-57). Efficiency and realignment measures in IFC (para. 40) are aimed at enhancing organizational effectiveness and impact, further ensuring that the institution is fit-for-purpose to meet the ambitions of the Forward Look.

Meeting Key Operational Commitments

Assisting All Client Segments

7. Through the Forward Look, shareholders reaffirmed the central role of the WBG in contributing to the ambitious global development agenda (including the SDGs, COP21, and Financing for Development (FFD)). This requires the WBG to stay engaged with all client segments, while continually ensuring that its resources are strategically deployed to meet global and client needs and targeted to areas of the world that most need funding. The current trend of building up the IBRD portfolio for IDA graduates and lower middle-income countries while protecting our triple-A rating is foreseen: lending to countries below the IBRD graduation threshold already accounts for over 60 percent of volume, compared to 50 percent in 2012. The lending outlook will be discussed annually ahead of the Strategy and Business Outlook (SBO) process. For upper middle-income countries, the WBG will fully leverage facilities, instruments and funding platforms developed over the last few years, deepen its knowledge engagement including on global issues, and more generally continue to expand the product offer beyond traditional financing for our most sophisticated clients.

8. The **IDA18** overarching theme of "Investing in Growth, Resilience and Opportunity" strongly reinforces the three ways the WBG will achieve its twin goals. The groundbreaking \$75 billion IDA package will emphasize the Special Themes of climate change, gender, FCV, jobs and economic transformation, and governance and institutions. The themes will promote competitiveness and jobs – particularly for women and youth, strengthen governance and institutions, invigorate domestic resource mobilization, support the buildup of more inclusive societies, close remaining human development gaps, and develop sustainable infrastructure. The IDA Results Measurement System, recognized as a robust accountability and management framework as well as a vehicle for learning at country, program and project levels, was revised to align it with the SDGs and the WBG Corporate

¹ The theme of Fragility, Conflict and Violence (FCV) covers activities in Fragile and Conflict Affected States (FCS). In this document, "FCV" is used to mean "FCS" as it applies to IFC and MIGA activities and investment programs, which are typically limited to FCS.

Scorecard as well as to reflect the higher ambitions built into IDA18 targets. Arrangements are being put in place to strengthen the project pipeline, increase staffing (especially in FCV countries), and ensure appropriate budgets for operations and selected Institutional, Governance and Administrative (IG&A) units for implementing the IDA framework. Special situations are addressed through recently scaled-up facilities, such as the Crisis Response Window (paras. 31-33), the Regional Program with its special sub-window for refugees, and the Scale-up Facility. Under IDA18, a new Private Sector Window (PSW, para. 26) was created which, once operational, will serve as another illustration of how the WBG is putting the Finance for Development (FFD) agenda into action.

9. The WBG is strengthening its focus on **FCV countries**. IDA18 will almost double the financial support for FCV countries, from \$10.7 billion in IDA17 to \$20.2 billion. Through the PSW, IFC and MIGA will strengthen our ability to deliver more in IDA and FCV, doubling the share of FCV in the IFC portfolio by FY19 to 6-8 percent of its total and increasing the volume of commitments in PSW-eligible countries to between \$6 and \$8 billion over 3 years. The WBG will increase staff presence working on FCVs, with the objective of recruiting an additional 200 staff over the IDA18 period, of which 50 in IFC and about 50 of these in place by September 2017. The recently approved WBG People Strategy (paras. 49-50) has FCV support embedded in its five focus areas: staff incentives, career growth, compensation, learning, and staff well-being and safety. Recruitment for FCV-based positions is being accelerated through proactive sourcing and pre-vetting of candidates.

10. In anticipation of IDA18 and growing commitments in FCV locations, the WBG has initiated a Group-wide effort to develop a cost-effective and safety-conscious global footprint strategy that better responds to operational needs, leverages IBRD/IFC/MIGA co-location wherever feasible, and enhances business continuity. In the meantime, a global security strategy is being formulated to respond to rising security threats within and beyond FCV situations and in WBG operations overall. The security risk management framework will evolve from current decentralized decision-making to a more consistent, risk-based approach with clear accountability.

11. To meet its twin goals, the WBG must sustain and evolve its engagement with **middle-income countries (MICs)**, supporting them in economic transformation, helping identify drivers for growth, promoting policies to reduce inequality, assisting with crises, and addressing GPGs. MICs are home to over 70 percent of the world's poor, generate 58 percent of global CO₂ emissions, and host almost 60 percent of the world's refugees. MICs are important engines of global and regional growth, innovation and knowledge and they remain vulnerable to global shocks. Their annual infrastructure investment needs are estimated to be at least \$1 trillion and growing; of this, only about 20 percent is currently met by the private sector. With the Cascade (paras. 18-23), a more systematic effort to secure private participation in infrastructure will be enabled. The rising middle class in MICs boosts global demand – this group of countries now absorbs about a quarter of exports from advanced economies and over half of exports from low-income countries (LICs). Private investment needs in MICs are immense, to finance the demand from the growing middle class for housing, infrastructure, health, education, higher protein diets and safe food, and jobs. MICs are the leading source of migrants' remittances to the poorest countries, and economic difficulties in MICs can have devastating spillover effects on LIC economies. Inequality in some MIC countries are among the highest in the world – Latin America and the Caribbean (LCR), a mostly MIC region, holds 8 out of the 10 most unequal countries in the world. There is high demand from MICs for financing, knowledge and innovation to realize projects that fight poverty and inequality, promote growth and sound macroeconomic policies, address climate change issues, support the provision of basic infrastructure, and build robust institutions. Without such assistance, some MICs are at risk of seeing their poverty reduction gains dissipate.

12. In supporting MICs, the WBG will give particular attention to **lower-middle income countries (LMICs)**, many of which are recent IDA graduates and host large populations of extremely poor people. The number of LMICs is growing fast, with 23 new IDA graduates expected between now and

2030, compared to 10 between 2000 and 2010. For a number of years, IDA graduates will remain vulnerable; they will need on average \$5 billion per year from IBRD to replace their access to IDA. The Bank's portfolio in LMICs grew steadily over the past 4 years, and as of end-February 2017 comprised 707 projects adding up to \$105.5 billion. In FY17, there is a strong pipeline of 102 projects in LMICs of up to US\$10.7 billion (not all projects will come to fruition). Excluding regional and global projects, approximately 41 percent of IFC's portfolio is concentrated in LMICs, representing \$17.6 billion. The 3 IDA17 graduates will benefit from IDA18 transitional support in the amount of \$2.7 billion.

13. The WBG remains a trusted convener, helping clients share insights and innovations across the development community. Many MICs are hotbeds of development innovation, a significant source of development experience, and principal drivers of South-South cooperation in knowledge exchange, trade, and investment. The Bank has a strong Reimbursable Advisory Services (RAS) portfolio, which grew by 23 percent over FY13-FY16 and helps address the challenges facing middle-income clients. Many IFC MIC clients seek support to expand to LMICs and IDA countries, thus transferring valuable knowledge through their investments.

14. The current trend of building up the IBRD portfolio for the subset of IDA graduates and LMICs is foreseen and will be discussed annually with the Board. Implications of maintaining strong support for countries under the IBRD graduation threshold under various equity scenarios have been modeled and discussed with the Board, highlighting how IBRD equity currently falls short of MICs' aggregate demand and of what is needed to make an impact at scale, and how IBRD would need to shrink its activity in the absence of an increase in its financial capacity. This would limit IBRD's ability to support the SDGs and would also have significant implications for the engagement across different regions, assuming the need for IBRD to continue supporting new IDA graduates. Finally, a shrinking IBRD with reduced capacity for institutional capacity building and sector reform has implications for IFC's ability to deliver its strategy and for further innovation and expansion of private investment.

15. IFC plays a key role as an investor, advisor and mobilizer of resources for the private sector, which will be critical to delivering the development outcomes required to achieve the 2030 Agenda in both LICs and MICs. The private sector will help achieve development gains through investments in renewable energy, infrastructure, agribusiness, health and education and access to finance. IFC clients in MICs will be key partners in helping unlock and demonstrate the viability of new investment in LICs and fragile states. To deliver this support at scale and to lead in the mobilization of private capital, IFC will require a stronger balance sheet. Its Deployable Strategic Capital (DSC), already in the single digits, is not sufficient to allow for the necessary scale-up. With insufficient DSC, IFC's annual commitments and corresponding ability to mobilize and co-finance will be diminished and it will not be possible for IFC to support mobilization of billions, let alone trillions, without investments on its own account.

16. With its mandate to mobilize private investment, MIGA also plays a key role in the WBG's support for both LICs and MICs. The MIGA guarantee product is especially powerful in expanding the pool of private sector investors in countries or sectors where perceived non-commercial risk is high, especially in IDA and post-conflict countries. De-risking in this manner can mobilize private capital to precisely those areas where investment is needed, while simultaneously allowing scarce public resources, including ODA, to be used more strategically. With almost half of MIGA's portfolio in IDA countries, MIGA plays a key role among the Bank's client countries in greatest need. Over the years, MIGA has sought ways to apply and customize its products to meet the needs of clients, including the introduction of the credit enhancement (or non-honoring) product line, the expansion of non-honoring products to cover state-owned enterprises, working with new types of clients (i.e., private equity firms and pension funds), and greater collaboration with other international financial institutions.

17. **Small states** are particularly vulnerable to climate change, pandemics and other shocks, and will receive special attention under IDA18, with a quadrupling of the minimum annual base allocation,

from \$5.4 million to \$20.3 million. Exceptional lending terms for small island states first introduced in IDA17 have been expanded to all small states under IDA18, and loan terms have been harmonized and improved to meet the 35 percent concessionality requirement. To protect against climate change disruptions, the Small Island States Resilience Initiative helps these states expand their pipelines of resilience investments and strengthen their implementation capacity. The Bank hosts multiple programs which help small island nations harness the economic potential of oceans in a sustainable manner. IFC has projects throughout the Pacific islands through the Pacific Partnership with Australia and New Zealand. The WBG is one of the largest financiers of clean energy activities in small states, with a total commitment of \$87 million in current and future lending. Small states also tap into Bank-administered financial intermediary funds for climate adaptation and disaster-related assistance through the Global Facility for Disaster Reduction and Recovery.

Mobilization

18. Progress has been strong on the WBG’s private finance mobilization agenda – to make “Billions-to-Trillions” a reality, augment the WBG’s menu of development solutions, and better leverage private capital via multiple channels. IFC’s Syndicated Loan Program, the largest among MDBs, has mobilized over \$50 billion from more than 500 financial institutions since its founding, and has a portfolio under management exceeding \$16.5 billion. The program continues to broaden its product mix and investor base. The Managed Co-Lending Portfolio Program (MCP) for Infrastructure has targeted private institutional investors and aims to raise \$5 billion over the next one to three years. Success under the MCP will provide momentum and a necessary demonstration effect for the development of emerging markets infrastructure as an asset class for institutional investors. IFC’s Asset Management Company (AMC) continues to be an important platform for mobilizing and investing third-party capital. Since 2009, AMC has raised \$7.5 billion (\$9.8 billion including IFC equity) from 53 high-caliber investors, including pension funds, financial institutions, sovereign wealth funds, government agencies, and development finance institutions. AMC has invested \$5.8 billion in 95 companies and investment funds.

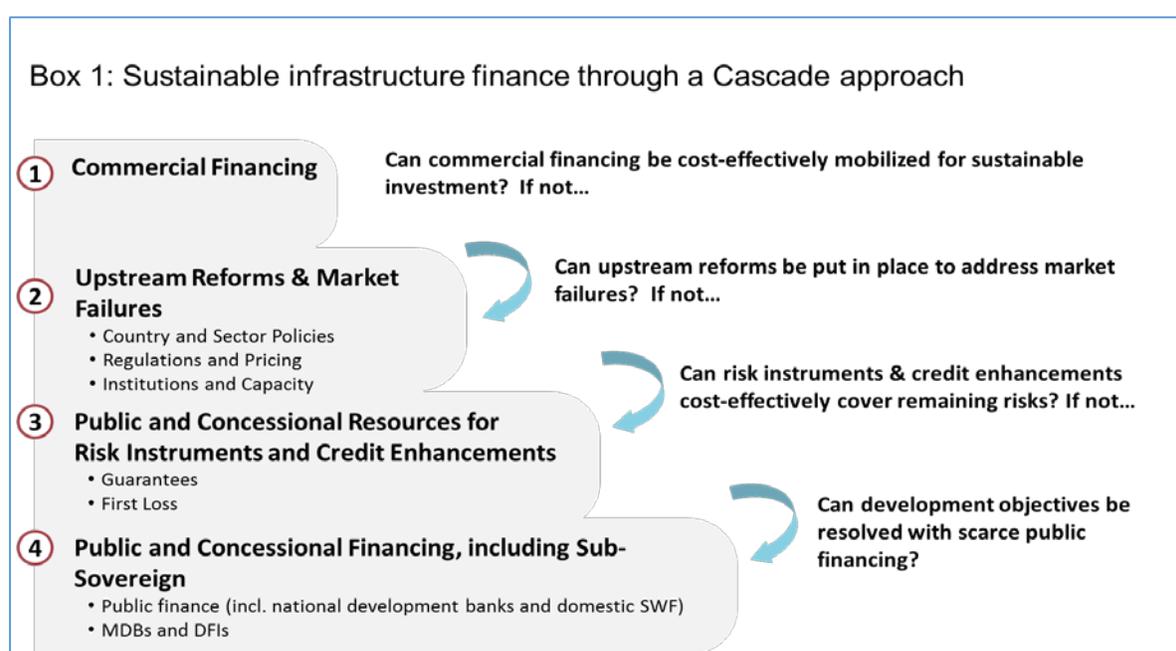
19. Mobilization indicators across the WBG are part of the Corporate Scorecard, and efforts to increase joint WBG operations are underway. Additional indicators are being developed for the Scorecard refresh cycle (FY18 onward), and progress in meeting FY17 estimates – including scaling up of guarantees – is on track. A heat-map approach is being formulated to identify guarantee opportunities at early stages, and principles of deployment have been developed under the **Cascade**. Work is underway to better share guarantee pipelines across institutions, with enhanced training on guarantees now available to all staff. Simultaneously, the WBG is playing a leading role in an MDB task force on Harmonizing Measurement of Private Investment Catalyzation.²

20. **Creating markets.** IBRD/IDA, IFC, and MIGA are working closely together to enhance the WBG’s value chain – linking reform, investment, mobilization and catalyzation. The goal is to maximize development finance for value-adding investments, promote judicious use of scarce public and concessional resources, crowd-in commercial capital, and minimize the public debt burden. As outlined in its *IFC 3.0* strategy, IFC is adapting its business model to focus more on creating markets and is enhancing its platforms for attracting private sector capital, including from institutional investors. Success of *IFC 3.0* requires the active involvement and collaboration of the Bank in creating enabling policy and regulatory environments and on de-risking the private sector’s entry into these environments. MIGA will also look to leverage relationships with investors, host countries and other development institutions early in the deal-origination process to help co-develop catalytic projects to

² Catalyzation measures the broader effects of an operation, beyond transaction volume. For example, additional power supplied will make supply more reliable and at possibly lower prices, thus fostering the creation of new enterprises and expansion of existing ones. Or, MDB-supported improvements in the investment climate will lower the risks to private investors who may then find profitable opportunities to invest.

unleash private sector investment. These initiatives will provide the foundation on which IFC and MIGA can reduce risks, lower the cost of capital, make investments and mobilize additional capital.

21. Creating markets is operationalized through systematic use of the **Cascade**, which helps to create markets and leverage more private financing. To maximize the impact of scarce public resources, the Cascade first seeks to mobilize commercial finance, enabled by upstream reforms where necessary to address market failures and other constraints to private sector investment at the country and sector level. Where risks remain high, the priority will be to apply guarantees and risk-sharing instruments. Only where market solutions are not possible through sector reform and risk mitigation would official and public resources be applied (See Box 1). The approach is currently focused on infrastructure but will be expanded to finance, education, health and agribusiness. The WBG is taking the lead in harmonizing approaches to applying the Cascade principles across MDBs, including using concessional financing to crowd in the private sector. The WBG is also playing an active role in the G20 Investment and Infrastructure Working Group, seeking to harmonize innovative approaches to infrastructure financing with other multilaterals.



22. While creating markets through WBG collaboration is not new, we will now act systematically and at scale, using the full capabilities of the Group. For IFC, this means a step change in its engagement in private sector diagnostics and in upstream work to help create projects and develop sectors. For the Bank, this requires “mainstreaming the upstream” by exploiting the potential for productive activities, improving enabling conditions for investments at the country and sector level, and “shifting the default” by attaching a value to the opportunity cost of scarce public and concessional capital and working to attract commercial financing where it presents value-for-money. A set of priority countries and sectors is being identified for pilot implementation, complementing ongoing regional efforts; the pilot is expected to cover a mix of countries (including FCV) with reasonable prospects for reform and investment. Deliberations continue on the optimal use of private resources, public-private partnerships (PPPs), and public solutions, befitting country and sector circumstances. LICs have perhaps the most critical need for this approach to address structural impediments, so that public/concessional resources are not used to paper over market failures and the de-risking of investments is not used to substitute for needed sector reforms. Upstream work to expand the pipeline of projects, including reform support to governments, is being scaled up. MIGA works alongside IBRD/IDA and IFC in helping to operationalize the Cascade. Its guarantee products are a natural fit for the de-risking which is central to the Cascade approach, and its position at the intersection of private

and public solutions has determined its key role in the Cascade discussions. Examples of this new approach are provided in Box 2.

Box 2. Examples of the Cascade in Action

Several investment programs that combine elements of the Cascade approach have shown significant results and are providing valuable lessons. Argentina's first renewable energy auction, with IFC advice on structuring and documentation package, resulted in 1.1GW of new installed capacity and a plan to add 600MW+ in two follow-up rounds. Simultaneously, the World Bank guarantee in the amount of US\$500 million will help mitigate key political risks and help the Government attract private sector investments. In Jordan, the successful bundling and standardization approach of the country's Seven Sisters program – under which the country aggregated seven small, individual solar power projects into a single, standardized financing structure – allowed efficiency and scale in delivery of a large renewable program. IFC is using similar approaches to process multiple transactions under Egypt's Feed-in-Tariff program. Efforts are underway to replicate the Africa (AFR) Scaling Solar approach in Asia and the Middle East and North Africa (MNA).

A Cascade-like approach in the Turkey's energy sector was implemented over 1998-2007 and has led to a fully competitive market and a tenfold increase in private sector investment by 2015. Four market reform operations by the World Bank eventually delivered an 80 percent liberalization of the domestic energy market. As this threshold was reached, private investment increased from a cumulative \$5 billion in the prior decade to a cumulative \$55.4 billion in power and \$6 billion in gas, with full market liberalization by 2015. MIGA guarantees of \$135m were provided to maximize private sector participation. The IFC investment in and lending to the sector amounted to \$1.5 billion and came only once all other opportunities for private sector investment were exhausted. Under this iterative process, public interventions and public lending not only catalyzed massive additional private investment, but ensured the expansion of access for the poor and introduced climate-smart energy solutions.

23. IFC's new Advisory Services strategy is integral to creating markets in priority areas. Around 60 percent of Advisory Services resources are deployed in IDA countries. With the intent to substantially increase the supply of bankable projects, IFC will increase work with governments on market barriers in partnership with IBRD/IDA, increase early engagement to help in the identification and preparation of projects, and support pioneering clients and transactions. The Creating Markets Advisory Window, a technical assistance fund supported by net income as available, will support advisory engagements in fragile and low-income countries, with more emphasis on countries covered under the IDA PSW. IFC Treasury leads the design and implementation of the Local Currency Facility under the PSW. The recently launched Joint IFC-World Bank Capital Markets Initiative (J-CAP) aims to strengthen local capital markets and local currency solutions, starting with a small number of countries, some of which in IDA. J-CAP combines the respective strengths and expertise of IFC's Treasury and Financial Institutions Group, the Bank's Treasury, and the Finance and Markets Global Practice (GP).

24. Even in ODA-dependent countries, domestic resources significantly outpace international flows in the overall financing envelope. **Domestic Resource Mobilization (DRM)** is a major area of focus for the WBG. The Bank is working closely with the IMF and other multilaterals to increase the effectiveness of DRM and is also working with other international organizations to develop a tax policy assessment framework and increase the voice of developing countries in the global discussion on tax issues. Noteworthy is collaboration with the OECD on the G20 agendas for *Base Erosion and Profit Shifting* and effective exchange of information on taxes between countries. IFC supports DRM through its market-leading bond issuances, securities investments, and its advisory work on local capital market development. The deepening of capital markets can: (a) improve the availability of long-term funding and facilitate better balance sheet management by matching financial assets and liabilities; (b) improve access to local currency financing, offering investors a means to manage inflation and currency risk;

and (c) provide governments with an alternative for financing deficits without financial repression while strengthening banking systems and the economy.

25. The Bank is helping governments combat **illicit financial flows** (IFF) by building capacity in anti-corruption and auditing and by supporting better policies on tax evasion, public procurement, trade facilitation and border crossing, natural resource management, and economic regulation. The Bank has developed new tools to detect IFFs, such as the *National Risk Assessment Tool*, which focuses on offenses that generate illegal proceeds and covers corruption, tax evasion, organized crime, and environmental crime. Other actions include building systems for asset disclosure by public officials and protecting against money laundering.

26. Closely linked to the agenda of creating markets is the new IDA **Private Sector Window** (PSW) of \$2.5 billion, which leverages IDA's sectoral knowledge and equity and enables IFC and MIGA to support IDA and FCV countries efficiently and with clear additionality. The four facilities proposed under the PSW – Risk Mitigation Facility, MIGA Guarantee Facility, Local Currency Facility, and Blended Finance Facility – aim to crowd in private participation in infrastructure and other key sectors by providing guarantees to cover non-commercial risks, support the provision of long-term local currency investment, and provide blended finance for high-impact investments and private market insurance. Management is finalizing the PSW implementation arrangements and will discuss these with the Board prior to the 2017 Spring Meetings. Meanwhile, IFC and MIGA are developing the PSW project pipeline and their respective implementation plans.

Leading on Global Issues

27. The WBG has invested in knowledge products for global issues and launched new financing platforms for climate action, crisis response and infrastructure finance, providing innovative solutions and significantly strengthening our engagement on key global issues to help clients across the income spectrum. It maintains its focus on jobs and gender issues. Work on infrastructure finance has mostly focused on development of the Cascade approach while also promoting the search for bankable projects.

28. To address **climate change**, the WBG's Climate Action Plan aims to accelerate efforts over the next five years, committing to (a) help countries shape national policies and leverage private sector investment; (b) expand IFC's climate investments to \$3.5 billion a year and lead on leveraging \$13 billion a year in private financing by 2020; (c) mobilize \$25 billion in commercial financing for clean energy over the next five years; (d) green the financial sector; (e) bring early warning systems to 100 million people across 15 developing countries; (f) help put a price on carbon pollution; (g) quadruple funding over five years to make transport systems more resilient; and (h) develop climate-smart agricultural investment plans. Engaging with MICs ("follow the carbon") is especially important to meet climate stabilization objectives.

29. IDA18 has raised the WBG ambition further, by committing all IDA Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs) to address climate and disaster risks and reflect the countries' Nationally Determined Contributions (NDCs). Additionally, all IDA operations will be screened for climate change and disaster risks and will integrate resilience measures where required. Ten countries will be supported to translate their NDCs into specific policies and investment plans. Under IDA18, the impact of climate change on migration, migration as a mechanism for adaptation, and the needs of fragile communities that migrate due to (or in part) climate change, will be studied. Greenhouse gas accounting and shadow carbon pricing will be applied in operations in key sectors.

30. The recently created Climate Strategy and Operations Practice monitors the implementation of the action plan, including the goal to increase climate-related financing to 28 percent of all projects by 2020. Approved Bank projects between July 1 and December 31 2016 delivered 19 percent of climate co-benefits (\$2.7 billion); the year-end projection currently stands at 19 percent. The WBG needs to

continue developing new ways to engage the private sector in climate finance, especially in areas such as renewable energy. The original three indicators for FY16 remain as previously reported³ and will be updated at the end of FY17. During FY16, IFC committed \$3.3 billion in climate-related projects, including mobilization. To measure progress toward the 28 percent target, a new indicator is being proposed for the Corporate Scorecard: WBG climate-related financing as a percentage of total commitments.

31. The **Global Crisis Response Platform** (GCRP), endorsed by the Board in September 2016 and by the Development Committee in October 2016, was developed to enable the WBG to provide scaled-up, more systematic, and better coordinated support to help clients prepare for, manage, and mitigate current and future crises across the spectrum of risks and vulnerabilities they face. The GCRP addresses a variety of global threats, including climate change and natural disasters, fragility and conflict, new pandemics, and macroeconomic and financial market shocks. It encompasses and builds on existing WBG crisis-related funding mechanisms, financial instruments, and knowledge-based products, adding flexibility and strength to the WBG's capacity to address crises. Under IDA18, Catastrophe deferred draw-down options (CAT-DDOs) have been made available to IDA countries to strengthen risk mitigation capacity and were expanded to cover pandemics; this will provide liquidity not only when an outbreak escalates to an emergency situation but also at earlier stages. CAT-DDOs will be complemented by the new Pandemic Emergency Financing Facility (PEF), designed to provide fast and timely support to IDA countries at the first signs of a potential pandemic, thereby preventing its escalation and helping to save lives and money and to protect economies. Opportunities to develop new types of risk pooling mechanisms and private sector-based risk markets are being explored, building on lessons from the PEF and similar facilities.

32. As a next step, the goal is to systematically integrate the GCRP and the new risk-based approach that it embodies into the WBG's work. This involves: (a) better sharing and dissemination of information across WBG units on ongoing and new crisis-financing solutions, with a focus on how various financial solutions can complement each other and how synergies can be harnessed; and (b) better support to client-facing units in their country dialogue on crisis management, e.g., how to assess the levels and types of risk and how best to address those risks. Operational responsibilities and implementation arrangements for GCRP "2.0" are currently being defined. As noted in the September 2016 Board paper, crisis platform meetings will be convened as needed at the top management level, supported by a coordination mechanism.

33. A key element of the GCRP is the Global Concessional Financing Facility, which has received pledges in the amount of \$185 million since its launch at the UN High-level Summit for Refugees and Migrants in September 2016. It aims to raise \$1.5 billion in grants – \$1 billion over the next five years for Jordan and Lebanon and an additional \$500 million to help MICs address future refugee crises. By offering longer-term finance, the facility bridges the gap between development and humanitarian assistance. Its innovative financing model results in a leverage ratio of 1:4 and will allow it to provide \$6 billion in concessional financing. Its precursor, the MNA Concessional Financing Facility (CFF), is implementing two projects in Jordan and one in Lebanon, totaling \$750 million. These projects, which create job opportunities and reinforce the construction skills of Syrian refugees in Jordanian and Lebanese host communities, benefitted from \$121 million in support, a leverage ratio of over 1:6.

34. The WBG has recently stepped up its focus on the **jobs agenda**, promoting policies to foster more, better and more inclusive private sector jobs, facilitating access to good jobs for disadvantaged people, and balancing labor market flexibility with workers' protection. The WBG supports this agenda by helping its clients: (a) create a better business environment; (b) promote innovation and

³ Climate-related WBG commitments, Commitments with Climate co-benefits, and Emission reductions with support of special climate instruments.⁴ Gross savings are counted against an Everything-Else-Being-Equal trajectory, i.e. what the budget would have been absent the ER.

entrepreneurship; (c) strengthen skills and education outcomes; (d) eliminate barriers to employment; and (e) strengthen employment service delivery. The jobs agenda is particularly challenging in AFR, South Asia (SAR), MNA and some countries in Europe and Central Asia (ECA), with either very low female labor force participation and/or very high levels of youth unemployment. Economic uncertainty, social instability and conflict put jobs at risk. Technological change creates new opportunities but also renders some jobs obsolete. All Country Partnership Strategies in FY16 and FY17 have included jobs as a cross-cutting theme, and the joint WB-IFC Jobs group in the Human Development Global Practice Group (HD VPU) supports integrated jobs strategies and operations in over 30 countries (over half of which IDA clients) through jobs diagnostics, sectoral work pilots and evaluations, jobs strategies, and support to projects. IFC's investments in education focus heavily on employability as an outcome, and job creation is a key outcome measured in many projects. More broadly, the HD VPU helps enhance productivity and employability by building cognitive, technical and socio-emotional skills and facilitates access to jobs through intermediation and employment services. In MNA, the jobs agenda is the primary focus of the CFF (above).

35. The first-year update of the WBG **Gender Strategy** will be presented and discussed at the Board in March 2017. The strategy sets out to raise the bar for the WBG and our partner countries, position the WBG to be a more effective actor in tackling specific gender gaps, and place emphasis on measurable results based on data and evidence. IFC is focusing on women's economic participation, including through asset ownership and job creation, leveraging its network of 2,000 clients for maximum impact. IFC will continue its research on the benefits of closing gender gaps, support clients with investment and advice, and facilitate peer learning and partnerships. The new strategy has already set the stage for doing business in a different way and resulted in robust gender commitments under IDA18. Analytical and data work on gender equality has deepened: all SCDs approved since November 2014 have included the identification of gaps between males and females in endowments and jobs. Over the course of 2016, Gender Innovation Labs (GILs) conducted over 100 impact evaluations, generating evidence to accelerate poverty reduction through gender equality and translating this into projects. For example, the AFR GIL collaborated with the Finance & Markets GP in Ethiopia to introduce innovations in finance and training to better serve women entrepreneurs. The focus on prevention of and response to gender-based violence has been enhanced through a recently launched task force on sexual exploitation and abuse, which is developing actionable recommendations (due in June 2017) to strengthen prevention, design, reporting and supervision interventions in infrastructure operations.

36. Gender issues and their impact on development (jobs, social inclusion, gender-based violence, etc.) feature prominently in regional and GP strategy updates, especially in AFR and MNA. Gender action plans are being incorporated in the planning process in each Region and GP, with specific operational commitments. An example is the gender action plan in Agriculture, which seeks to close gaps between women and men in food security, safety nets, technical education and training, quality jobs, access to financial services, and many other areas. The WBG also partners closely with agencies such as UN Women, Global Banking Alliance for Women, Chartered Insurance Institute, and the Powered by Women Energy Initiative in Myanmar.

37. Adequate **infrastructure** is necessary to achieve the SDGs. Governments alone cannot close the infrastructure gap, while private finance is constrained by several barriers: weak project pipelines, high risks, and investors not viewing infrastructure in emerging markets and developing economies as an asset class. The Global Infrastructure Facility (GIF) was established as a global platform to integrate efforts at infrastructure development. In October 2016, the GIF's Advisory Council (comprised of beneficiary partners and finance, technical, and advisory partners) endorsed four initiatives to advance this agenda: the Infrastructure Project Assessment Tool, the Downstream Finance Window, the Asset Recycling Program, and the Emerging Markets Infrastructure Debt Index. Infrastructure finance now draws on the support of the G20 countries, which have agreed to launch a Global Infrastructure Connectivity Alliance Initiative with the WBG as secretariat, to help countries and promoters of

connectivity initiatives address bottlenecks. As part of the Cascade approach, the WBG will conduct Infrastructure Sector Assessment Programs in selected countries to strengthen the country environment and the relevant sector and to identify potential projects. To remove bottlenecks to origination, IFC is strengthening its upstream work, including through the structuring and financing of high impact complex projects, provision of extensive reform support to governments, deployment of wholesale approaches for market creation, and acceleration of innovation in certain infrastructure sub-sectors. As a complement, IFC continues to make progress on the creation of distribution channels to mobilize increasingly large amounts of third-party capital into the sector, including from institutional investors. MIGA will also play a key part in the overall approach, working alongside WBG partners to identify and support private investors and to use its guarantee product to maximize private participation in infrastructure investment.

38. The WBG is strengthening its **strategic partnership framework**, connecting with hundreds of institutions worldwide. The UN High-Level Political Forum, scheduled for July 2017 around the theme of “Eradicating Poverty and Promoting Prosperity in a Changing World,” is an important venue for the WBG to advance the twin goals and to contribute to the SDGs. A major area of urgent action with UN agencies is addressing the threat of famine in several FCV countries. The WBG has stepped up its contribution to the G20 and G7 agendas on a broad range of issues from climate change to mobilization. The MDB Heads Group is a valuable coordination venue through which the WBG can engage with other MDBs to harmonize approaches to the use of Cascade principles and to measure private investment catalyzation. The WBG has recently consolidated the coordination of partner relationships under ECR and through a joined-up Department for Development Partner Relations under DFI.

Improving the Business Model

Agile Bank

39. The goals of an **Agile Bank** are to be *simpler* (efficient and swift internal processes and systems), *faster* (rapid and timely response to client demands), and *better* (bespoke approaches based on complexity). Agile Pilots in Bank Operations – AFR-Transport, SAR-HNP (Human Nutrition and Population) and ECA-MFM (Macroeconomics and Fiscal Management) – are well underway. The approach is multipronged, focusing on process efficiencies, ways of working, performance feedback, practice manager workload, effective management, and culture and behaviors. The aim is to empower working-level teams to address, in an action-oriented way, the obstacles, pain points, and bottlenecks they face in delivering value to clients. In the pilots, over a hundred interventions were identified through bottom-up team workshops, and a quarter of these are being pursued. An update was presented to the Board in January 2017. Each pilot unit uses 4-week “sprints” to design, test, and refine approaches to challenges while gathering real-time, facilitated and regular feedback. Interventions cover all instruments, Advisory Services and Analytics (ASA), the full project cycle, and ways of working. Almost 1,800 staff have been involved thus far, with plans to reach 50 percent of staff in the coming year. Lessons learned will help scale up the initiative and enable the Bank to offer services with greater speed and more flexibility, while ensuring that staff remain engaged and empowered throughout the process.

Efficiency and Realignment at IFC

40. IFC introduced a new organizational structure on January 1, 2017 to enhance its ability to execute its new strategy. The structure includes VP-level accountability for key elements of the “creating markets” approach. The newly formed Economics and Private Sector Development VPU will deepen and bring together analytical work at the country and sector level to help identify public and private sector engagements and bring about market and sector-level impact. This will significantly enhance WBG-wide collaboration on upstream reform. It is also developing a new *ex ante* results measurement framework to assess expected development impact, considering systemic market impacts as well as

direct and indirect impact of projects. The Blended Finance and Partnerships VPU will build strong relationships with donors to enhance IFC's ability to utilize and supplement donor funding and leverage the PSW. Lastly, IFC is introducing efficiency initiatives to streamline operational support to transaction teams, strengthen the career framework for staff, and enable redeployment of resources within operations to client-facing functions.

Optimizing Delivery at MIGA

41. MIGA has also implemented a number of changes in order to execute its strategy and achieve greater developmental outcomes. It has made a concerted effort to cultivate closer relationships with country client governments in order to identify key development priorities where MIGA involvement is desired through, *inter alia*, PPPs and credit enhancement products. MIGA's hub offices, including the new Africa hub in Senegal, have played a key role in this process. Early identification of host governments' priorities helps MIGA to be more effective in attracting potential investors and thereby enhancing the impact of its new client service delivery model. MIGA also engages actively in the Bank's SCDs and CPFs, stepping up significantly from its previously selective engagement approach. Finally, on the business side, MIGA has also modified its approach to give greater focus to a core group of important clients with repeat business, assigning dedicated teams to manage the relationship. MIGA can thus advance into an advisory capacity, help investors prioritize objectives, and potentially guide the direction of the investments towards countries most closely aligned with the WBG's strategic priorities.

Administrative Simplification

42. Coordinated and complementary efforts are being made to simplify and modernize administrative processes and systems. An important lens through which these initiatives are prioritized, implemented, and monitored is how much they make the work of operational staff and managers easier and simpler, reducing administrative tasks and freeing up time for client-serving work. About 20 initiatives are ongoing in four priority areas: managing people, financial resources, "information @ your fingertips," and corporate services.

43. A recent accomplishment is the launch of the new resource management portal in November 2016, making budget monitoring and reporting easier and more timely by allowing task team leaders, managers, and directors to monitor expenses for all funding sources in real time. Additional reports and planning capability are being added throughout FY17. This investment is part of a series of initiatives to deliver portals and standardized reports to facilitate management of Operations. Other key initiatives underway include a revamped WBG intranet and search function, reducing hiring time, expanding the use of e-signatures, and rationalizing and facilitating access to helpdesks.

44. A key medium-term goal under the simplification program is to improve delivery and efficiency of administrative services to WBG staff and managers through a **Shared Services** strategy, to be delivered in early FY18. Management is strongly committed to delivering better services and greater efficiency from IG&A units, aiming for a more holistic, customer-centric, and business-facing approach through business process improvements and greater use of technology. Several recent projects (e.g., global card, consultant rate-setting, and administrative portal) have already demonstrated how a shared services approach can deliver value. Learning from best practice and benchmarking, the strategy will consider among multiple options how to strengthen administrative services, better coordinate them, manage risks, lower costs, and diversify their delivery globally. It will be coordinated with other strategic considerations such as the People and global footprint strategies, enterprise risk management, business continuity, and information technology and systems. The experience in Chennai (home to around 1,000 staff and contractors) and other offshore locations will inform further efforts at synergies and economies of scale – e.g., from pooling and optimizing work within and across functions through process improvement methodologies such as "Lean" or "Six Sigma."

Knowledge

45. The Global Practice model was established to facilitate sharing of knowledge and skills across the WBG. Recognizing that the effective sharing of knowledge is a pressing challenge at the WBG, a Knowledge Management (KM) unit has been established to develop a KM action plan. Its new director is addressing strategic knowledge sharing issues and developing a corresponding action plan to better harvest, curate, and manage the Bank's tacit and explicit knowledge. To date, an overarching strategic framework has been developed, building on a diagnostic of current KM practices as well as the KM and learning community. Pilots now underway will inform the action plan, inject value into the project cycle, and address immediate pressure points. In IFC, the Global Knowledge and Learning Office (GKLO) works with business units to ensure that knowledge is captured, curated and transferred across the corporation to deliver global knowledge and expertise to our clients and partners.

46. Meanwhile, the WBG continues to invest in country-specific, regional and global knowledge creation and is using instruments such as the South-South Knowledge Exchange Facility to help clients apply relevant knowledge to developmental challenges. The WBG is also developing high-quality, customized knowledge products for clients using ASA/RAS tools and IFC Advisory Services, while continuing its partnerships with various initiatives in connecting fragmented knowledge, delivering evidence-based development know-how, and strengthening data collection to help design effective development policies and programs.

New Safeguards and Procurement Policies

47. The new World Bank Environmental and Social Framework (ESF) approved in August 2016 is under intensive preparation and will be under full implementation in early 2018. It presents an updated risk- and impact-based approach to protecting people and the environment while bringing full development impact. It brings the Bank's environmental and social protections into close harmony with those of other development institutions and makes advances in important areas such as transparency, accountability, social inclusion, and public participation. Implementation is focusing on strengthening the capacity of borrowers and providing them with sustained support; managing change; enhancing staff capacity in environmental and social risk management; and furthering collaboration with development partners.

48. The Bank's new Procurement Framework became effective July 1, 2016 and is being implemented. It features shorter processing times, strategic planning and design of project procurement based on value-for-money and fit-for-purpose principles, an expanded range of procurement tools and techniques, and stronger hands-on implementation support in FCV and low-capacity countries. It supports the implementation of borrower-sustainable procurement policies. Through the annual strategic planning process, priority was given to ensure successful delivery of the ESF and the new Procurement framework.

People Strategy

49. Staff are at the core of the WBG's success: they are the reason the WBG is regarded as the world's premier development organization and the source of solutions that seek to tackle the most pressing development challenges. Our ability to meet the twin goals and deliver on the Forward Look will hinge largely on how we leverage our most valuable resource – our people – and on how we lead, incentivize, develop and value them.

50. The FY17-19 WBG People Strategy, which benefitted from extensive consultations, was discussed at the Board in October 2016. It features five strategic areas of focus (leveraging talent, management and leadership, performance and rewards, health, safety and well-being, and organizational effectiveness) and three cross-cutting themes (diversity and inclusion, HR fundamentals, and strengthening support for FCV). Staffing in FCV is projected to increase by 200 over the IDA18 period (of which 50 in IFC), proactive recruitment is taking place, and a range of

financial and non-financial support to FCV staff is being developed, covering incentives, career growth, compensation, learning, and staff well-being and safety. The global footprint and security strategies will consider the needs for physical and facetime presence in FCV countries. The implementation plan includes a results and risk framework to monitor progress. The strategy is being rolled out across the WBG through robust communication and engagement.

New Values Statement

51. Conversations have been ongoing with staff across the WBG on a new Values statement to represent who we want to be, what we stand for, and how we work together to better serve our clients and deliver on our mission. A first draft of the Core Values statement is expected to be shared in March 2017 and launched in April. Implementation through embedding the values in WBG policies and procedures is expected from June 2017 onward.

Incentives for Collaboration

52. Incentives for cooperation and coordination across and within Bank Group institutions and functions, especially to implement the Cascade and scale up mobilization of private investments, are being strengthened. This work remains at an early stage, with the main goal to define collaboration as a measurable dimension of WBG work, supported by tangible incentives. Two supporting pilots will be launched in FY17-Q3 in the Bank: (a) expanding IFC's "double booking" process, which recognizes units that contribute to projects led by others, and (b) instituting a "collaboration premium" to the preparation budget for relevant operations.

Forward Look Embedded in Corporate Processes

53. The "W" strategic planning process for FY18-20 is well advanced, with a clear set of priorities that are aligned with the Forward Look, including directions to VPUs to prepare for IDA scale-up, to work across the WBG on creating markets and promoting mobilization, and to strengthen leadership on GPGs. Objectives include maintaining the ongoing shift of resources to Operations (including the implementation of safeguards and procurement policies), IDA, and FCV; mainstreaming Group-wide upstream work with clients on project development; improving integration of external funds into budget planning and reporting; promoting further efficiency in operational and administrative units; and ensuring that Expenditure Review and budget anchor targets are met. The SBO papers are planned for April and the Budget Documents for June.

54. The Group Business Review (GBR) discussions serve as a platform for the WBG to deliberate on strategic endeavors, build consensus to move the agenda forward, and solicit advice from the WBG management team on approaches to key corporate priorities. The Forward Look helps frame GBR meetings, covering key topics such as the Cascade and private sector mobilization, global and FCV footprint, the People strategy, IDA18, and regional and GP strategy updates.

Strengthening Financial Capacity

55. **The WBG continues to focus on financial sustainability.** The Expenditure Review (ER) is on track, delivering \$400 million in gross savings⁴ by FY18, with \$225 million net Bank budget (BB) savings reflected in the FY18 budget trajectory after 25 percent reinvestment in new priorities (IFC reinvests all its savings). The ER introduced several important changes to policy and management practices, ensuring that savings will endure in the future. Savings were delivered by joint WBG units, including in travel (through price measures and reducing less-critical trips), IT expenditures (cloud solutions, technology consolidation, sourcing model, etc.), HR benefits and salary practices (extension

⁴ Gross savings are counted against an Everything-Else-Being-Equal trajectory, i.e. what the budget would have been absent the ER.

of mandatory retirement age, pharmacy contract, rate-setting for short-term consultants, etc.), and functional savings in IG&A units, among others. These savings were validated by the Internal Audit Department in June 2016. A final accounting of the ER program will be prepared in early FY18.

56. The IDA budget anchor continues to be achieved each year and the IBRD anchor will be reached by FY18.⁵ IFC covers expenses with revenue and so does MIGA. The share of the Bank budget (BB) allocated to operational units and programs increased from 54 to 57 percent between FY16 and FY17 (excluding grant-making facilities) and is projected reach 58 percent in FY19. Business Reviews, introduced in FY16, have informed the strategic planning process, helping VPU contain costs and finetune their business models, while reinforcing continuous efficiency improvement practices. Reviews have covered over half of IG&A budgets and will include the Group Chief Risk Officer VPU (CRO), Operations Policy and Country Services (OPCS), Corporate Secretariat (SEC) and Treasury (TRE) in FY18. Management continues to seek efficiencies beyond the ER.⁶

57. Progress continues in aligning external funds with strategic priorities, improving cost recovery, and integrating trust funds into budget plans. Strategic fundraising plans have been developed for business units to further align external funds and priorities. Forecasting of external fund usage is being improved through their integration into Work Program Agreements starting in FY17 and the introduction of new budget planning and reporting systems. Due to the size and continued strong growth of external funds, further efforts are needed to complete the integration.

58. **IDA's** financing capacity has been significantly increased through strong donor contributions coupled with the leveraging of its balance sheet in a transformative hybrid financing model. This will dramatically increase the ratio of contributions to replenishment envelope from 1:2 in IDA17 to about 1:3 in IDA18. Recently, IDA received a triple-A credit rating from two major credit agencies, a first step to raising funds through capital markets and allowing market debt to finance about one-third of IDA18 resources. This allows IDA to double its financial support for countries that face current or rising risks of fragility through an enhanced Crisis Response Window (at \$3 billion under IDA18, from \$1.6 billion under IDA17). Financing for IDA's Regional Program has grown to \$7 billion, including a new \$2 billion window for refugees. The Scale-up Facility launched under IDA17 to support transformational projects now stands at \$6.2 billion. Transitional support for IDA graduates continues under IDA18 in the amount of \$2.8 billion. Other innovations include making the CAT-DDO available to IDA countries and introducing the PSW to mobilize increased private sector investment with a focus on FCV. A nearly threefold increase of Project Preparation Facility funds was approved, to \$750 million, benefitting primarily IDA and FCV countries.

59. **IBRD.** Increased lending capacity is tied to IBRD's ability to meet client demand (especially in LMICs), make a real impact on GPGs and the SDGs, and implement the Forward Look more broadly. In January 2017, management presented to the Board various illustrative lending capacity scenarios and a number of options for increasing its equity base. These options included balance sheet optimization, pricing measures, expanding the recently endorsed income-based formula for IDA transfers to a comprehensive income allocation formula, maintaining efficiencies in administrative expenses, and capital injections (GCI/SCI). The Board will continue discussing these options in the coming months. IBRD remains committed to significantly stepping up the proportion of lending to MICs below the graduation threshold while also protecting its finances and triple-A rating. A higher level of IBRD equity would enable a more meaningful increase in lending to countries below the graduation threshold (currently at 60 percent of total IBRD lending) and allow resource flows to these

⁵ Budget anchors are defined as IBRD and IDA administrative expenditures over IBRD loan spread revenue and IDA revenue, respectively. Ratios of 100 percent or less indicate that operational revenue will fully fund the administrative budget.

⁶ As communicated by the President to the Board of Governors in 2016.

countries to align better with their financing needs. Management will engage with the Board regarding the IBRD lending outlook ahead of each year's SBO discussion.

60. **IFC** discussed its new long-term strategy, *IFC 3.0*, with the Board in December 2016. The strategy adopts a holistic approach to development challenges by expanding the role of the private sector in countries and sectors that have benefitted the least from private investment, focusing on creating markets and mobilizing new pools of private capital. It envisages much closer coordination and deeper interaction with IBRD/IDA, particularly in sector reform, above and beyond the IDA PSW. Forthcoming planned updates include IFC's equity strategy, the Advisory Services strategy and the Ex-Ante Development Impact Framework. In support of this effort, IFC discussed the adequacy of its capital level with the Board in January 2017 and jointly with IBRD in February 2017, presenting its case for strengthening its financial capacity and enabling it to deliver on the *IFC 3.0* creating markets strategy while continuing to build on its core business model. This will require shareholder agreement on GCI/SCI options.

61. **MIGA** has grown substantially in recent years, with new business issuance rising from \$2.8 billion in FY13 to \$4.3 billion in FY16, increasing development impact by stimulating private investment. Significantly, the \$4.3 billion gross issuance in FY16 catalyzed \$27.3 billion of total private co-financing, with a significant increase in IDA and FCV countries. As of FY16, gross issuance in IDA and FCV countries stood at 45 and 10 percent, respectively, of gross exposure. MIGA has expanded its financial capacity by raising its reinsurance and overall guarantee limits. By more than doubling reinsurance levels from \$4.3 billion in FY13 to \$9.3 billion in the first half of FY17, along with increasing its guarantee limits, MIGA has been able to increase its guarantees capacity by making more efficient use of its existing equity.

Challenges and Next Steps

62. To be able to deliver on Forward Look ambitions, the WBG needs to maintain focus on becoming "Better" while continuing to build support for a "Stronger" institution, with adequate financial capacity for all its institutions to respond to the rising demand for services, enhance financial sustainability, and build flexibility to respond to changes both in the global context and in its strategic priorities.

- To serve all client segments effectively, management and the Board need to build a shared understanding of what can be realistically achieved within a given equity scenario for each of the WBG institutions. This needs to be done while balancing the need for resources to be strategically deployed to meet global and client needs, targeting areas of the world that most need funding, and preserving our triple-A ratings.
- The IDA, FCV and PSW pipelines are being strengthened to meet IDA and Forward Look commitments. Serving IDA clients and scaling up FCV commitments will require additional budget resources, enabled through tight management of budget trajectories.
- Mobilization will be successful only to the extent that the WBG can fully operationalize and mainstream the Cascade, make best use of the complementary capabilities of each WBG institution, and maximize leverage of available equity to crowd in private sector investment. A pipeline of bankable projects is being developed. Complementary actions include seeking harmonization among MDBs on Cascade principles and mobilization measurement and building staff skills in the required areas.
- Leading on global issues, helping meet the SDGs, and delivering impact at scale require continued engagement with all client segments, successful mobilization, robust partnerships, and a strong resource base (knowledge, human and financial). FCV, climate change, crisis response, gender, jobs and infrastructure investment are key priorities.

- To deliver greater impact to clients, enable culture change, and ensure ongoing efficiency, the WBG is fully committed to, and is innovating to become a “Better Bank Group.” This includes scaling up the Bank’s Agile pilots, enhancing knowledge products, strengthening incentives for collaboration, and developing a shared services strategy.
- Additional IBRD and IFC financial capacity would allow the WBG to meet the rising demand for services, generate income, and build flexibility and buffers to respond to changes in the global context and strategic priorities – i.e., meet the ambitions of the Forward Look.
- Further engagement with shareholders on the financial capacity of the WBG institutions will continue following the Lima Roadmap.

Annex 1. Forward Look Results Matrix

This table summarizes progress to date in implementing the Forward Look, including areas for further work, alongside Corporate Scorecard Indicators where relevant. **The Scorecard is under revision** for the next cycle (from FY18 onward) and indicators shared between the Forward Look and the Scorecard will be updated as appropriate. Indicators not suited to scorecard monitoring will be reported to the Board through other Forward Look engagements.

Theme	Progress	More to be done	Relevant WBG/WB Corporate Scorecard Indicators			
			Indicators	Baseline (FY13)	Actual (FY16)	Target (FY17)
Assisting All Client Segments	<ul style="list-style-type: none"> Engagement in MIC reforms and lending maintained Increase in WBG staff working on FCVs on track New instruments for different client segments launched Scaled-up IDA support arrangements defined 	<ul style="list-style-type: none"> Match equity to ambitions Develop PSW pipeline Develop IDA pipeline Strengthen FCV pipeline 				
Mobilization	<ul style="list-style-type: none"> Cascade approach to creating markets agreed IFC AMC, and MCPP raising new resources EFI partnering with IMF on domestic resource mobilization and illicit financial flows 	<ul style="list-style-type: none"> Scale up pipeline of bankable projects Harmonize measurement of private capital mobilization across MDBs Build staff skills 	Private investment catalyzed (WB)	n/a	\$33.5 billion	
			Private capital mobilized (WBG)	n/a	\$9.2 billion	
			Private capital mobilized (WB)	\$1.1 billion	n/a	
Leading on Global Issues	<ul style="list-style-type: none"> Climate Action Plan and monitoring in place Crisis response platform in place 	<ul style="list-style-type: none"> Increase share of operations with climate co-benefits Build consensus on risk-based approach for crisis operations 	Climate related WBG commitments	\$8.4 billion	\$10.4 billion	
			Commitments with climate co-benefits	\$5.9 billion	\$8.1 billion	
			Countries institutionalizing disaster risk reduction as a national priority	29	35	
Improving the Business Model	<ul style="list-style-type: none"> Knowledge Action Plan in draft Good progress on Agile Pilots and Administrative Simplification People Strategy and implementation plan approved External funds better integrated in budget and planning 	<ul style="list-style-type: none"> Develop shared services delivery model Enhance knowledge products for clients Agree and implement incentives for collaboration 	Time from concept note to first disbursement	28 mos.	27.7 mos.	Cut by 1/3
			Employee engagement	71 percent	73 percent	76 percent
			Managerial effectiveness	67 percent	71 percent	increase
			Increase in WBG staff working on FCV *	n/a	723	200 increase by FY20 (o/w 50 IFC)

Theme	Progress	More to be done	Relevant WBG/WB Corporate Scorecard Indicators			
			Indicators	Baseline (FY13)	Actual (FY16)	Target (FY17)
			Percent of FCV staff with next assignment identified within 6 months of assignment end*	n/a	96 percent	100 percent
			Staff time spent across GP/CCSAs	9.1 percent FY15	10 percent	
			Staff time spent across regions	10.7 percent FY15	14.4 percent	
Ensuring Adequate Financial Capacity	<ul style="list-style-type: none"> • Strong IDA replenishment completed • Agreement on approach to IDA transfers • Increase of MIGA's reinsurance and overall guarantee limits completed • ER and budget anchor targets on track 	<ul style="list-style-type: none"> • Discuss IBRD and IFC equity requirements 	IBRD budget anchor	155 percent	135 percent	≤100 percent
			IDA budget anchor	98 percent	94 percent	≤100 percent

* Currently not in Corporate Scorecard.

Annex 2. Road to A Better WBG

Action Item	Timeline	Status/Comments	Board Engagements
<i>Assisting All Client Segments</i>			
Review of WBG operational response in MICs	FY18	Ongoing; annual discussion of IBRD lending outlook with Board prior to SBO	<ul style="list-style-type: none"> • EDS, Jan 17: Role of development policy financing • Board, Feb 2-14: Regional and GP strategy updates
WBG work with private sector – “Creating Markets”	FY17	“Cascade” principles established, to be operationalized; pilot countries/sectors to be selected; IFC 3.0 long-term strategy agreed with Board; Industry sector and subsector “deep dives” to be completed	<ul style="list-style-type: none"> • EDS, Feb 14: Cascade • TB, Mar 23: PSW • Board (Informal), Mar 23: IFC Advisory Services Strategy • TBD, “Deep Dives”
IDA18 implementation / special themes	FY18-20	Ongoing; to be monitored through IDA Results Monitoring System and the Corporate Scorecard	<ul style="list-style-type: none"> • Board, Dec 20: IDA Replenishment Update • Board, Jan. 12: IDA Deputies Report • Board (Informal), Mar. 2: Gender Strategy • Board, Mar 28: FCV Update • EDS, Apr 16: Small States Roadmap
<i>Leading on Global Issues</i>			
Implementation of Climate Action Plan	Ongoing	Ongoing; new indicator proposed for Corporate Scorecard: WBG climate-focused projects as percent of total commitments	<ul style="list-style-type: none"> • Board, Feb 2-14: Regional and SD strategy updates • TB, Mar 29, 2017 • Board, Apr 4, 2017
WBG crisis response approach	FY17	Ongoing; operational responsibilities and implementation arrangements of GCRP being developed	<ul style="list-style-type: none"> • Board, Sep 6, 2016: GCRP
<i>Mobilization</i>			
Scale up mobilization and guarantees	FY17	Guarantee pipelines shared across WBG institutions; enhanced training on guarantees available	<ul style="list-style-type: none"> • EDS, Feb 14: Cascade / Mobilization • Board (Informal), Feb 23: Update on AMC

Action Item	Timeline	Status/Comments	Board Engagements
<i>Improving Business Model</i>			
Strengthening knowledge work; action plan	FY17	Ongoing	<ul style="list-style-type: none"> • EDS, Jan 23: KM update • Board (Informal), Jul [TBD]: KM Action Plan
WB Agile Pilots implementation and administrative simplification activities	FY17-18	Ongoing; Agile Pilots scaling up in FY17 and FY18	<ul style="list-style-type: none"> • TB, Jan 12: Agile and Simplification
IFC Reorganization	FY17	Implemented January 2017	<ul style="list-style-type: none"> • Described in IFC 3.0 • Detailed in SBO, Budget Document
IFC Efficiency Initiative	FY17	Streamlined delivery and portfolio management, enhanced efficiency through staff development and redeployment in operations	<ul style="list-style-type: none"> • Detailed in Budget Document
IFC <i>Ex-Ante</i> Impact Framework	FY17	Ongoing, framework to be agreed with CODE prior to operational rollout	<ul style="list-style-type: none"> • CODE and Board, Apr 2017 (TBC)
Shared services strategy and integrated services pilots	FY17	Shared services strategy to be delivered in early FY18; Helpdesk access pilot on track	TBD
Strengthening external funds integration	FY17	Ongoing; external funds integrated into planning, monitoring and reporting budget systems	Through SBO, Budget Document
HR People Strategy	FY17	People Strategy approved by Board	<ul style="list-style-type: none"> • HRC, Oct 26: People Strategy • EDS, Jan 23: People Strategy • HRC, Jan 25: implementation plan
Our Values exercise	FY17	On track for launch in April 2017	<ul style="list-style-type: none"> • HRC, Feb 1: EBC update
Incentive systems for WBG coordination	FY17	At early stages; TBD	TBD
Reflect Forward Look priorities in W process	Ongoing	Ongoing	<ul style="list-style-type: none"> • EDS, Nov 16: Post-W1 debrief • EDS, Feb 10: Post-W3 debrief
Integrate Forward Look implementation in GBR	Ongoing	Ongoing	N/A
<i>Ensuring Adequate Financial Capacity</i>			
Completion of IDA18 replenishment	Dec16	Completed	<ul style="list-style-type: none"> • Board, Jan. 12: IDA Deputies Report
Review of approach to IDA transfers	Dec16	Income-based formula endorsed by Board for IDA18	<ul style="list-style-type: none"> • Board (Informal), Nov 15: IBRD income support for IDA18

Action Item	Timeline	Status/Comments	Board Engagements
Completion of ER and reaching budget anchor	FY18	On track; budget anchors will be met as projected	Through W, SBO, Budget Document
Continued Business Reviews	Ongoing	IAD, HRD and Communications completed FY17; CRO OPCS, SEC and TRE scheduled for FY18	Through W, SBO, Budget Document
Options for ensuring adequate financial Capacity	SM' 17	IDA18 package of \$75 billion	<ul style="list-style-type: none"> • EDS, Jan 24: IBRD financial capacity • EDS, Jan 31: IFC equity scenarios • EDS, Feb 16: IBRD and IFC equity scenarios
Proposed package: measures to ensure adequate financial capacity	AM' 17		TBD

Notes: EDS = EDs' Seminar
TB = Technical Briefing