



Department  
for International  
Development



# UK engagement with the World Bank Group 2015/16





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# 1. Introduction

The twin goals of the World Bank Group (WBG)<sup>1</sup> are, by 2030, to end extreme poverty by reducing the percentage of people living on less than \$1.90 a day to no more than 3%; and to promote shared prosperity by fostering the income growth of the bottom 40% in every country. The goals are to be pursued in ways that are sustainable and promote social inclusion.

The WBG is consistently identified as amongst the most effective global development agencies. Its strengths include its presence across almost all low and middle income countries, strong technical capacity in a wide range of sectors, staff of high quality, and good delivery against challenging development objectives. For example, IDA's results in 2002-13 included 195 million women receiving pre-natal care, over 120 million people gaining access to clean water and nearly 600 million children being immunised. In 2014, IFC supported the creation of 2.5 million jobs. Delivery in fragile states is, however, a key area where the WBG still needs to do better.

An updated assessment of the effectiveness of the WBG will be published as part of the next UK Multilateral Aid Review, due in early 2016.

The UK holds shares in IBRD, IFC and MIGA and has a seat on each of their Boards. We are also contributing £3.3 billion (£2.8 billion grant and £486m loan) to IDA from 2014 to 2017, and using the WBG to manage a further £600 million through Trust Funds.<sup>2</sup>

This paper sets out the objectives of our relationship with the WBG for the WBG year from July 2015 to June 2016, and reviews progress made last year<sup>3</sup>.

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<sup>1</sup> The World Bank Group has four parts significant to DFID: (i) the International Development Association (IDA), which provides concessional lending for the poorest countries; (ii) the International Bank for Reconstruction and Development (IBRD), which provides non-concessional lending for middle income countries and other credit-worthy countries; (iii) the International Finance Corporation (IFC) which provides direct lending and investment to the private sector; and (iv) the Multilateral Investment Guarantee Agency (MIGA) which provides guarantees for the private sector. IBRD, IFC and MIGA make loans on the basis of equity from their member countries, and cover their costs from the revenue they generate. By contrast, IDA needs to be replenished every three years with grants and/or loans from member countries.

<sup>2</sup> Further information on the ways in which the UK works with the WBG can be found in Section 3 of the 2014/15 Engagement Plan.

<sup>3</sup> The UK's objectives for the World Bank Group in 2014/15 can be found here: <https://www.gov.uk/government/publications/uk-engagement-with-the-world-bank-group-2014-to-2015>

## 2. Objectives for 2015/16 and progress made in 2014/15

The **UK's overall objectives for the World Bank Group in 2015/16** reflect our support for the WBG's reform process and seek to ensure that this results in substantial and enduring change across the entire WBG.

**Objective 1:** The WBG is better focused on delivering the twin goals of eliminating extreme poverty by 2030 and boosting shared prosperity and is more **efficient and effective** and better focused on **results and value for money (VFM)**.

Sub-objectives:

- Results frameworks for IDA, IBRD, IFC and MIGA are updated with all the agreed new indicators of poverty impact, and at least 70% of all indicators are on track.
- Further progress is made in realising the commitment to implement an 8% (\$400 million) cut in the Bank's administrative budget, and toward ensuring that business revenue exceeds administrative expenses from July 2017.
- A new and strengthened Environmental and Social Safeguard Framework is agreed which helps the World Bank protect the environment and the communities in which it works.
- The WB Consultative Group on Operating Principles (CGOP) agrees ways to improve the current operating of WB Trust Funds, particularly around the areas of results, reporting, risk and governance.

### **Progress made in 2014/15:**

#### Safeguards

The UK has stayed closely engaged with the Safeguards Review including through a set of successful UK consultation meetings. The revised draft of the Safeguard Framework was released in July 2015 for a third and final consultation round. The UK will continue to work closely with the World Bank and other stakeholders to achieve a strong new Framework.

#### Results

The WBG now has in place an organisation wide corporate scorecard with indicators cascading from the twin goals. It is complemented by institutional scorecards for IDA/IBRD, IFC and MIGA, also framed by the twin goals. In 2014 the WB and IFC scorecards were revised and the MIGA scorecard was developed. The WBG has also agreed an indicator on alignment, 'Percentage of stock of WBG country strategies underpinned by a Systematic Country Diagnostic (SCD)'. The baseline data for the indicator is now being collected and will be reported in October 2015.

## Administrative savings and budget discipline

The UK has continued to push the WBG to realise efficiency savings. In January 2015, the Group committed to a \$400m expenditure reduction by FY17 and to introduce by end 2015 additional mechanisms for budget discipline. There has been good progress against both of these commitments. The \$400m of savings has been identified, and built into budgets, and some measures have already been implemented. The Bank has committed to budget sustainability by ensuring that business revenue exceeds administrative expenses from FY18 and is introducing a more rigorous benchmarking system from July 2015 for assessing administrative units. The Group has also made efforts to reform the budget process to effectively direct resources towards strategic priorities and corporate goals.

## Procurement

As part of the ongoing reform process, the Board of the WBG approved the new procurement framework in July 2015. The new framework aims to modernise and transform the Bank's existing procurement practices. It seeks both to maintain the Bank's fiduciary assurance whilst also improving VFM and enhancing the developmental opportunities of procurement.

## Country Partnership Frameworks (CPFs)

To date, decision drafts for 24 SCDs have been completed, and six CPFs have been approved by the Board. This is a major policy shift, and although the reform is in its early stages, there are indications that the new strategies are more clearly based on country analysis of the main constraints to poverty reduction. A real-time evaluation scheduled to report in mid-2016 will provide more evidence.

## Objective 2

The WBG strengthens its delivery and effectiveness on the UK priority of **sustainable** job creation in order to lift the maximum number of people out of poverty.

Sub-objectives:

- Increased DFID and WBG collaboration, particularly in fragile and the poorest countries in key policy areas to drive progress on economic development, specifically on jobs, energy, infrastructure and the investment climate.
- CPFs published between July 2015 and June 2016 are clearly informed by genuinely joint cross-WBG analysis of the main constraints to inclusive growth, job creation and poverty reduction set out in SCDs.
- IFC and MIGA meet their commitment to increase both the level of activity and the development and job creation impact of their private sector operations in the poorest and most difficult places as set out in their corporate scorecards.
- Continued expansion of natural capital accounting practices, and environmental, social and governance impacts increasingly being reflected within WBG investments.
- The Bank applies its new Jobs diagnostic well so that strategic, policy and operational decisions, especially for youth and fragile and conflict-affected states, increasingly focus on job creation and quality based on the evidence of what works.

## **Progress in 2014/15:**

### Increased DFID/ WBG collaboration on economic development

DFID and the WBG jointly organised a successful flagship event at the 2014 WBG/IMF Annual meetings to communicate a shared agenda on transforming economies to better engage and benefit the poor. In November, senior DFID and WBG officials convened a first ever Strategic Dialogue, at which clear priorities for greater collaboration on economic development were agreed. Subsequently, DFID and the WB have been working jointly on diagnostics, both at the country level (in Burma, Yemen, Mozambique and Ethiopia) and centrally. The latter has involved identifying and addressing knowledge gaps in diagnostics, and developing a work plan on jobs (with particular focus on women). A planned joint meeting on diagnostics is still to be confirmed.

### Integrated analysis across the WBG on the constraints to economic development

Eight IDA countries (including Bolivia, Burma, Chad, Cote d'Ivoire, Haiti, Lesotho, Madagascar and Mali, ) have completed SCDs demonstrating more integrated analysis.

### Increased activity / impact of IFC and MIGA in IDA eligible countries and geographic diversification

The UK has continued to push the IFC and MIGA to further focus their efforts wherever they can achieve the greatest impact — wherever the poor are located, in the most crucial economic sectors, and in thematic areas of pressing importance such as jobs, gender, and climate change. The number of projects in fragile and conflict-affected areas of the world increased from 19 in FY14 to 29 in FY15.

### Revised IFC and MIGA Result Measurement Frameworks

A strengthened 2014/15 corporate scorecard for IFC was discussed at the Board in October 2014. A diversity and inclusion indicator has been signed off by the IFC Management Team and diversity metric has been added to the scorecard for 2015/16. Latest information suggests that IFC was on track to meet most of the 2014/15 targets, including the one related to fragile and conflict affected states. A MIGA scorecard is under development.

### Continued expansion of natural capital accounting (NCA) practices

This is still at a relatively early stage but good progress has been made. For example, the WBG's Wealth Accounting Valuation and Ecosystem Services (WAVES) programme has helped develop accounts that are informing policy decisions by Ministries of Finance and of Planning in Botswana, Columbia, Costa Rica, Guatemala, Indonesia, Madagascar, the Philippines and Rwanda; and other countries are also keen to engage with the WBG on Natural Capital Accounting. The WBG has provided dedicated resource to embedding NCA within the WBG and with partners, including the private sector.

## **Objective 3**

Improved WBG delivery on UK cross-cutting priorities of **fragile and conflict states (FCAS) and girls and women**.

Sub-objectives:

- Funds are allocated to countries from the IDA Turnaround Regime (TAR), and the Crisis Response Window is replenished.
- IDA, IFC and MIGA make further progress against their commitment to deliver joint implementation plans for 10 FCAS by 2017 and all FCAS Country Partnership Frameworks are informed by analysis on the drivers of fragility and conflict.

- WBG recognises and contributes to achieving better outcomes for those affected by protracted, conflict-related crises, including refugee populations, particularly the most vulnerable including girls and women. As part of this, the World Bank actively engages in the World Humanitarian Summit and associated policy initiatives in order to define its future role in financing and coordination in long-term conflict and refugee settings.
- The WBG finalises an ambitious new gender strategy by January 2016 and demonstrates progress in implementing its commitments through a greater focus on data and results, use of evidence and strategic mainstreaming of gender in Country Partnership Frameworks and at the project level.

## **Progress in 2014/15:**

### Effective implementation of the TAR and Crisis Response Window (CRW)

To date, no country has been allocated funding from the Turnaround Regime (TAR) mechanism. However, the Bank has been working closely with various countries and expects to provide the first funding from the TAR by the end of 2015.

The CRW has been effectively implemented, helping the Bank mount its response to Ebola and other crises. The UK was a leading proponent of the CRW and worked very closely with the WBG on the Ebola response. The CRW has already allocated over 99% of its funds for 2014/5-16/17, thereby warranting replenishment

### Special consideration for FCAS in new procurement processes

The Board of the WBG approved the new procurement framework on 21 July 2015, as part of the ongoing reform process. It aims to modernise and transform the Bank's existing procurement practices. Informed by extensive global consultations with governments, private sector, trade bodies, Civil Society Organizations (CSOs) and Non-Governmental Organizations (NGO's), it seeks to both maintain the Bank's fiduciary assurance whilst also improving VFM and enhancing the developmental opportunities of procurement.

The tailored, fit for purpose approach in the new procurement framework will provide much needed flexibility to design the appropriate procurement arrangements for FCAS situations to expedite the implementation of projects in a sustainable manner. The guidance notes and directions for staff will take into consideration the specific factors in the design and implementation of Bank financed procurement for investment projects in FCAS. The implementation support may include hands-on support, and in special circumstances the Bank may agree with the Borrower to lead and execute procurement on the Borrower's behalf.

### Joint Implementation Plans in FCAS

Data on Joint Implementation Plans will be released at the IDA 17 Mid-Term Review in November 2015.

### Gender strategy

The final version of the new gender strategy is also expected to be released in early 2016. The UK has been engaging with the WBG on the gender strategy, including through DFID's membership of the Gender Advisory Council and a UK consultation visit; to ensure that the strategy will capture critical areas (such as the root causes of gender inequality, gender based violence, women's economic empowerment and health and education), get traction within the World Bank and with clients, and make a practical difference to poor people's lives.

### Sex disaggregated data and gender statistical capacity

Whilst data on the number of IDA countries in which the Bank increased gender statistical capacity and the use of sex disaggregated data is not yet available, the Bank has two Funds which are helping countries

build capacity to collect and use gender-relevant data by directly assisting National Statistical Offices and line ministries. All diagnostics are using sex disaggregated data.

#### **Objective 4**

WBG works effectively with others to shape the **international response to the new Global Goals**.

Sub-objectives:

- Constructive and pro-active engagement from the WBG in the debate on the future of development finance in response to the new Sustainable Development Goals, including through its own 'Forward Look' and through collaboration across other Multilateral Development Banks.
- The IDA Mid Term Review effectively addresses issues which have arisen in IDA17 implementation to date, and the first stages of the IDA18 replenishment process see a focus on UK priorities.
- Recognising the critical role Multilateral Development Banks play in providing climate finance for low-carbon climate resilient investments in developing countries, the WBG pledges a significant contribution to help meet the \$100bn a year target by 2020 at COP21.

#### **Progress in 2014/15:**

##### WBG engagement on the future of development finance

The Bank, the IMF and multilateral development banks worked together to support the financing effort for the post-2015 development agenda. The Bank undertook and shared high quality analysis, which contributed to the successful outcome of the 2015 financing for Development Conference.

##### Analysis on the future of IDA

The UK has continued to participate in, and contribute to, a working group of IDA Deputies that has been considering the future of IDA funding. A report from this working group is expected in November 2015. Thus far, the Bank has provided enhanced analysis of the issues and options for future IDA financing, but further analysis is required.

##### Data revolution

The WBG has actively engaged with a range of stakeholders interested in driving a data revolution. A new global partnership for sustainable development data was launched at the UN General Assembly in September 2015, with the involvement of the Secretary of State. The WBG helped to shape this new partnership over the last year, and is committed to playing a leadership role over the year ahead.

##### Climate finance

The World Bank<sup>4</sup> has achieved accreditation to the Green Climate Fund. The Bank has continued to support the effective implementation of the Climate Investment Funds, where there remains a continued need for coherence between CIFs and GCF.

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<sup>4</sup> IBRD and IDA

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