Operating as part of the World Bank Group

The comparative advantage of the World Bank Group (WBG) is its ability to address complex problems on a global scale. This ability comes from the powerful combination of country depth and global breadth, public and private sector instruments and relationships, multisector knowledge, and the ability to mobilize and leverage finance.

Before developing a new partnership strategy with a country client, the Bank completes a diagnostic (called a Systematic Country Diagnostic), which identifies the barriers to eliminating extreme poverty and boosting shared prosperity in the country. In concert with partners, experts from Global Practices and Cross-Cutting Solution Areas work with country-based staff, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) to prioritize the Bank Group's program of financial, analytical, advisory, and convening support for the country, based on the institution's comparative advantage and the client's priorities. This support comes together in the Country Partnership Framework or strategy. At the end of this fiscal year (2 years after the new model was introduced), the Bank had completed diagnostics in 42 countries and new partnership strategies in 28 countries.

WBG staff also work on global challenges, including gender, jobs, climate change, fragility, forced displacement, and others. Cross-Cutting Solution teams drive coordination across the Bank Group, its regions, and technical practices. On climate change, for example, the Bank Group engages at the global level on carbon pricing and dialogue about climate; and it helps countries to assess policy and investment choices to meet their country-level commitments.

The World Bank is accountable to its shareholders and the public through a set of feedback and accountability mechanisms, including the Corporate Scorecard, the IDA (International Development Association) Results Monitoring System, and regular opportunities to discuss progress on operations with its Board of Executive Directors. It continues to refine a set of indicators to track progress on client results and the effectiveness of its operations to demonstrate progress.

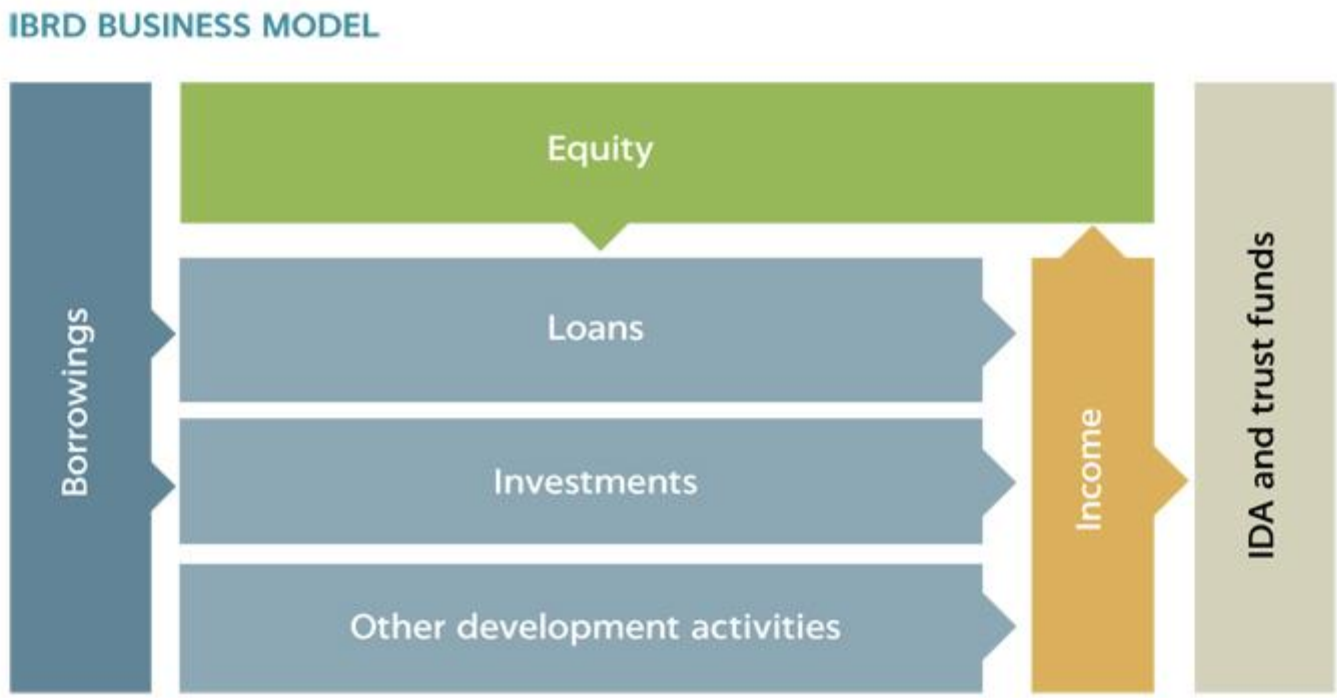
IBRD financial commitments, resources, and services

The International Bank for Reconstruction and Development (IBRD) is a global development cooperative owned by its 189 member countries. As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges.

In fiscal 2016, new IBRD lending commitments amounted to $29.7 billion 114 operations.

Resources and financial model

To fund development projects in member countries, IBRD finances its loans from its own equity and from money borrowed in the capital markets through the issuance of World Bank bonds. IBRD is rated Aaa by Moody's and AAA by Standard & Poor's, and investors view its bonds as high-quality securities. Its funding strategy is aimed at achieving the best long-term value on a sustainable basis for borrowing members. Its ability to intermediate the funds it raises in international capital markets to developing member countries is important in helping to achieve its goals.



IBRD issues its securities through both global offerings and bond issues tailored to the needs of specific markets or investor types. It issues bonds to investors in various currencies, maturities, and markets, and at fixed and variable terms. It often opens up new markets for international investors by issuing new products or bonds in emerging market currencies. IBRD's annual funding volumes vary from year to year.

IBRD's strategy has enabled it to borrow at favorable market terms and pass the savings on to its borrowing members. Funds not immediately deployed for lending are held in IBRD's investment portfolio to provide liquidity for its operations.

In fiscal 2016, IBRD raised U.S. dollar equivalent (USDeq) 63 billion by issuing bonds in 21 currencies. IBRD's equity comprises primarily paid-in capital and reserves. Under the terms of the general and selective capital increase resolutions approved by the Board of Governors on March 16, 2011, subscribed capital is expected to increase by $87.0 billion, $5.1 billion of which will be paid in. The subscription periods for selective capital increase and general capital increase are expected to end in March 2017 and March 2018, respectively, following the approval by the Board of Executive Directors of extension requests by shareholders. As of June 30, 2016, the cumulative increase in subscribed capital totaled $73 billion. Related paid-in amounts in connection with the capital increase were $43 billion.

As a cooperative institution, IBRD seeks not to maximize profit but to earn enough income to ensure its financial strength and sustain its development activities. Of fiscal 2016 allocable net income, the Board of Executive Directors recommended to the Board of Governors the transfer of $497 million to IDA and the allocation of $96 million to the General Reserve.

As part of IBRD's lending, borrowing, and investment activities, IBRD is exposed to market, counterparty, and country credit risks. To manage these risks, IBRD has put in place a strong risk management framework, which supports management in its oversight functions. The framework is designed to enable and support IBRD in achieving its goals in a financially sustainable manner. One summary measure of IBRD's risk profile is the ratio of equity to loans, which is closely managed in line with its financial and risk outlook. This ratio stood at 22.7 percent as of June 30, 2016.

World Bank Green Bonds

Since 2008, IBRD has issued more than $9.1 billion in 18 currencies through benchmark bonds in U.S. dollars, euros, and Australian dollars; smaller bonds in other currencies; and structured green bonds. World Bank Green Bonds have supported 84 climate-related projects in 24 member countries, where they have increased energy efficiency and helped to develop renewable energy among other impacts.

IBRD issued its first World Bank Green Bond in 2008, making it a pioneer in the green bond market. Since then, its global issuances to both institutional and retail investors, as well as its documentation of its green bond process, use of a second opinion from Cicero**,**and issuance in 18 currencies have paved the way for the development of the market to a broad range of types of issuers and markets. The Bank has also pioneered efforts to harmonize reporting on the impact of green bonds by other multilateral institutions as an important tool for investors to evaluate the nonfinancial benefits of their investments.

Risk management products

IBRD offers financial products that allow clients to efficiently fund their development programs and manage risks related to currencies, interest rates, commodity prices, and disasters. In fiscal 2016, the Bank's Treasury executed USDeq 1.1 billion in hedging transactions, including USDeq 790 million in currency conversions and USDeq 349 million in interest rate conversions, to assist borrowers in managing currency and interest rate risks over the life of their IBRD loans. The Bank helped Uruguay to limit its exposure to future oil price increases with the execution of a $330 million hedge transaction, the first time that the Bank has entered into a derivative contract with a member country to manage exposure to commodity price volatility. Disaster risk management transactions included a $43 million transaction to renew coverage of the Pacific Disaster Insurance Program, which provides protection against earthquakes and tropical cyclones in the Cook Islands, the Marshall Islands, Samoa, Tonga, and Vanuatu, on behalf of IDA. The Bank's Treasury executed swap transactions totaling USDeq 12.5 billion to manage the risks of IBRD's balance sheet and USDeq 1.5 billion to manage the risks of IDA 's balance sheet.

IDA financial commitments, resources, and services

The International Development Association (IDA) is the world's largest multilateral source of concessional financing for the poorest countries. It provides concessional development credits, grants, and guarantees in support of these countries' efforts to increase economic growth, reduce poverty, and improve the living conditions of the poor. In fiscal 2016, 77 countries were eligible for IDA assistance. India, which graduated from IDA in fiscal 2014, will receive transitional support on an exceptional basis through the IDA 17 period, which covers fiscal 2015–17.

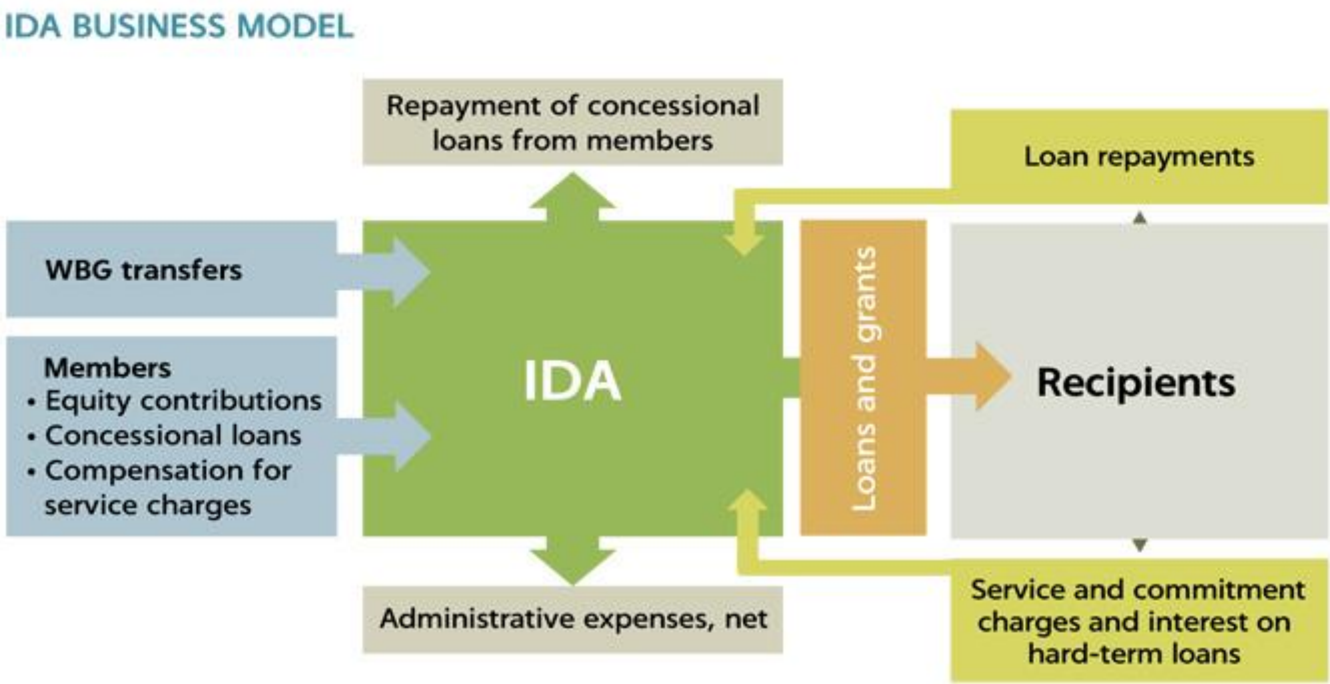
In fiscal 2016, new IDA lending commitments amounted to $16.2 billion for 162 operations, including $14.4 billion in credits, $1.3 billion in grants, and $500 million in guarantees.

Resources and financial model

IDA is funded largely by contributions from developed and middle-income partner countries. Additional financing comes from transfers from IBRD’s net income, grants from IFC, and borrowers’ repayments of earlier IDA credits. Development partners meet every three years to replenish IDA ’s funds and review its policies. Administrative expenses are recovered primarily through service charges paid by recipient countries.

Under the IDA 17 Replenishment, total resources amount to 37.7 billion in Special Drawing Rights (SDR) (equivalent to $56.8 billion). (This figure reflects updates made after the replenishment discussions.) IDA ’s commitment authority is denominated in SDRs. The U.S. dollar equivalents presented here are based on the reference exchange rate for IDA 17 and provided for illustrative purposes.

A total of 51 partners, 4 of which are new contributing partners, are providing SDR 17.3 billion ($26.1 billion) in grants, of which SDR 0.6 billion ($930 million) is the grant element from concessional partner loan contributions. Partners are providing SDR 2.9 billion ($4.4 billion) in concessional partner loans or SDR 2.2 billion ($3.4 billion) excluding the grant element of the loans. Contributing partners are also expected to provide SDR 3.0 billion ($4.5 billion) in compensation for debt relief under the Multilateral Debt Relief Initiative. Credit reflows (principle and interest repayments) from IDA recipients will provide SDR 9.9 billion ($15.0 billion). This figure includes SDR 1.9 billion ($2.8 billion) from contractual accelerated repayments of outstanding credits from IDA graduates and voluntary prepayments. Transfers from IBRD and IFC, including associated investment income, amount to SDR 1.9 billion ($2.9 billion). These transfers are approved annually by IBRD’s Board of Governors and IFC’s Board of Directors, based on evaluations of the institutions’ annual results and financial capacities.

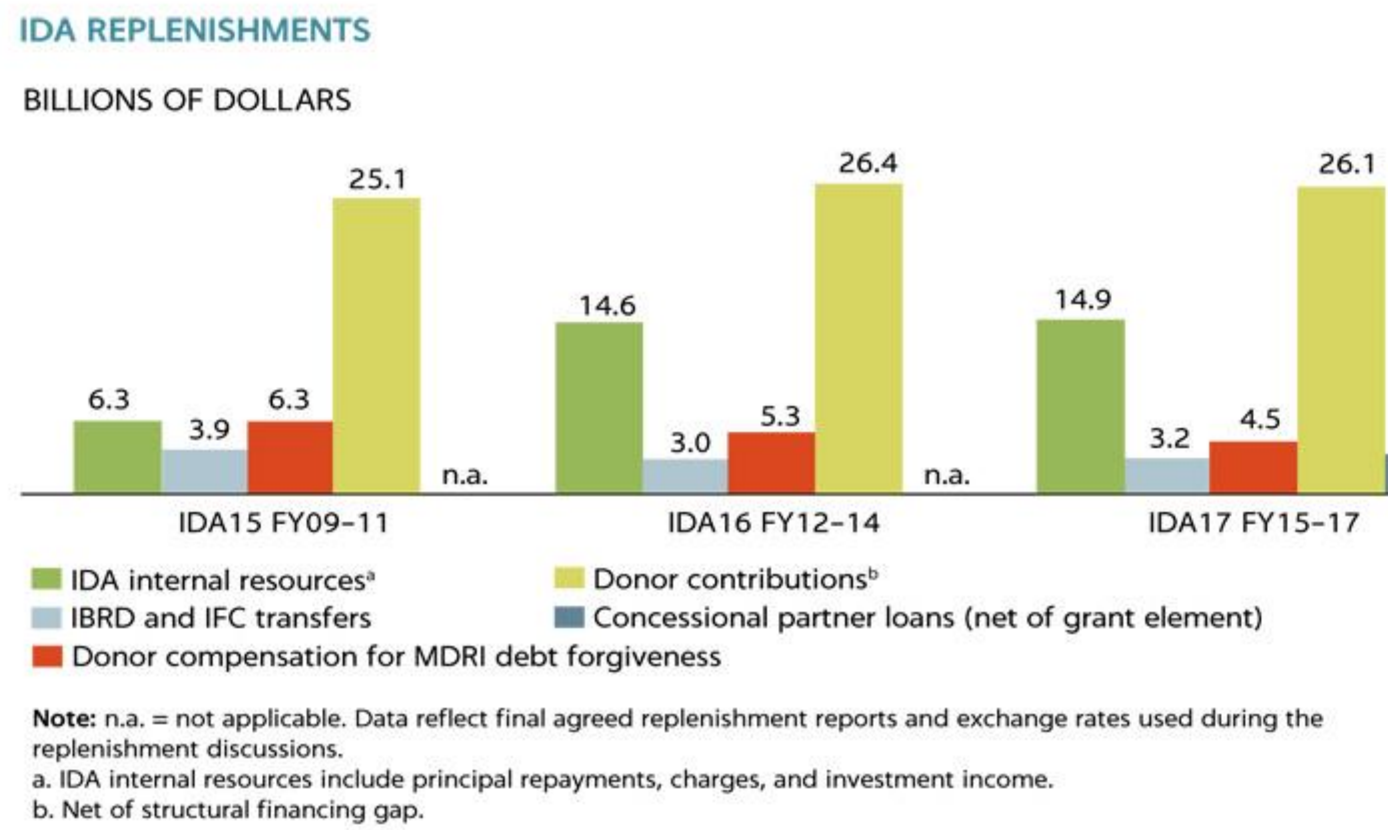


The IDA 17 commitment authority was increased by $5 billion this fiscal year. Of these funds, $3.9 billion will go to the establishment of the new Scale-Up Facility for the remainder of the IDA 17 period, $900 million will replenish the Crisis Response Window, and $200 million will support assistance to refugees in the Middle East and North Africa. This one-time measure was financed by resources freed up through the more efficient use of IDA ’s liquidity.

The replenishment process for IDA 18, which covers fiscal 2018–20, is under way. It culminates in December 2016.

IDA 17 Replenishment

Anchored in the World Bank Group Strategy, the ambitious IDA 17 policy package includes a range of policy commitments and performance indicators under IDA’s four-tier Results Measurement System. The overarching theme of maximizing development impact focuses on helping IDA countries better leverage private resources, public resources, and knowledge, with greater emphasis on both results and cost-effectiveness. The four IDA 17 special themes—inclusive growth, gender equality, climate change, and fragile and conflict-affected states—aim to strengthen IDA ’s engagement on frontier issues at the global, regional, and country levels.



[Back to the top »](#)

Budgeting effectively to support increased client demand

During the fiscal 2017–19 planning period, the World Bank Group will grow and improve client services in order to increase support to its clients’ efforts at achieving the Sustainable Development Goals, implementing the Financing for Development objectives, and responding to the impacts of climate change. At the same time, the Bank Group will need to respond to the immediate needs of clients as they adjust to a weaker global economy. As the Bank Group leverages the effect of recent measures taken to increase revenues and manage costs, the budget environment is expected to improve going forward. The Bank Group is making further progress on its financial sustainability targets, and leveraging private sector resources and solutions where possible.

The World Bank Group aligns its resources using a streamlined “W” process for strategic planning, budgeting, and performance review. The five points of the “W” represent specific decision points in the process.

W1: Senior management sets strategic planning priorities for the World Bank Group.
W2: Management at the vice presidential unit (VPU) level reviews and responds to corporate priorities.
W3: Senior management refines the guidance on priorities and determines the programs and three-year, unit-level budget envelopes for each institution within the World Bank Group.
W4: VPU-level management develops work programs and staffing plans in response to determined priorities and budget envelopes.
W5: Final funding decisions conclude the planning for the subsequent three fiscal years. The Board confirms and formally approves the VPU budget envelopes and work programs.

Adapting to challenges in a global operating environment

Low interest rates, potential financial market dislocations, weak commodity prices, the slowing of growth in key countries and the risks of wider economic slowdown, and geopolitical tensions and political uncertainties have created a challenging operating environment for the World Bank. These challenges affect the Bank’s client countries as well, many of which are oil or commodity exporters facing fiscal pressures. Several client countries also face reduced trade, capital outflows, and potential turbulence in the event of policy normalization in developed economies. All countries need to sustain reforms for long-term structural growth and employment creation.

The impact on the Bank is felt mainly through increased demand for long-term structural support from a wide range of client countries. The Bank seeks to support all clients’ developmental needs in line with strategic priorities while prudently managing its capital and funding costs. It also continues to monitor operational risks, including the growing threat of data and information security breaches and external events that can affect its business continuity and the physical security of its staff.

As the world’s leading multilateral development institution, the Bank continues to innovate and adapt to meet the needs of individual countries, but also to address the needs of global public goods. Climate change, pandemics, and forced displacement are high priorities. To address them and other challenges, the Bank is developing innovative forms of financing in partnership with the public and private sectors.

The emergence of new multilateral development institutions creates both opportunities and challenges for creative partnerships, and requires fresh thinking about the Bank's financial structure. The "Forward Look," an internal strategic exercise launched earlier this year to deliberate the medium- to long-term future of the institution, is examining demand for the Bank's services and the ways the institution manages its financial capacity across the World Bank Group to meet these demands, with a focus on optimal leverage and mobilization.

Reference

http://www.worldbank.org/en/about/annual-report/roles-resources