

# **IDB Public Consultation Report**

## **Ninth General Capital Increase**

*Prepared by*  
**Consensus Building Institute**

*For the*  
**Office of Strategic Planning and Development Effectiveness,  
Inter-American Development Bank**

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## I. SUMMARY

In October 2009, the Inter-American Development Bank (IDB) began a public consultation process to gather civil society feedback on the Bank's proposed Ninth General Capital Increase. This report captures the key themes and views received during the consultation.

The report summarizes feedback from workshops held in Washington D.C., Bogota, Guatemala City, Lima, Guadalajara, Paris, Brazil, Paraguay, and Costa Rica as well as comments received through the Bank's website as of January 9, 2010.

This summary of comments is organized around the three pillars of the proposed capital increase: Institutional Priorities, Comparative Advantage, and Program for a Better Bank. The summary focuses on the most common themes and ideas that emerged from the workshops and online comments. A list of all comments received is included as Technical Archive to the GCI report.

It is hoped that this report will help shape the ongoing decision-making around the capital increase. The Consensus Building Institute, an independent, non-profit dispute resolution firm, prepared this report based on meeting summaries provided to it.

## II. KEY THEMES AND COMMENTS RECEIVED

### A) Institutional Priorities

- 1.1 Inequality and the environment are priorities:** Inequality and environmental issues emerged as two key priority areas during the consultation. Many participants said the current capital increase proposal does not sufficiently address these issues. People suggested the two issues should be mainstreamed throughout the Bank's work. Some participants urged the Bank to show a programmatic commitment to addressing inequality prior to approval of the capital increase. Concerns were raised about the Bank's ability to "walk the talk" on inequality. The current results management framework did not appear to have measurements related to inequality, according to comments. Some comments suggested that inequality and environmental issues are related, particularly around land tenure issues, and should be linked together. Several participants suggested that inequality and the environment could not be fully addressed without considering the impact of agriculture and food security. While participants acknowledged that agribusiness has increased productivity in Latin

America, they expressed concern about the effects of industrial farming and livestock breeding on the environment, and the effects of increased agricultural exports on food security. Gender inequality and the lack of quality education across the region were mentioned as important components of overall inequality. Moreover, the Bank's focus on large cities and urban areas has contributed to inequalities of aid and services in the outskirts of the cities and rural areas, according to some participants.

- 1.2 Additional priorities:** Civil society actors named several additional priority issues that weren't sufficiently addressed in the Bank's proposal. Those issues included greater support for the private sector, particularly micro-, small-, and medium-sized businesses, as well as cooperatives and public-private partnerships. Technology, cultural heritage, education, health, urban- and gender-based violence, justice reform and strengthening government institutions also emerged as priorities that needed emphasis.
- 1.3 Sharper focus, clearer definitions:** Several comments urged the Bank to sharpen its focus, define priority areas more clearly, and address what appeared to be contradictions in priorities, such as attempting to address inequality through economic growth. The bank was criticized for focusing too heavily on government finances as a measure of developmental need. Furthermore, it was noted that not all developmental impacts can be evaluated from a financial perspective since developmental indicators often have no monetary value. The Bank was urged to take the lead in developing an appropriate economic developmental model for the LAC region, which currently lacks a cohesive, effective model. However, one participant cautioned that the region is so varied that it would be impossible to develop one model for the entire region. The Bank would do better to establish a set of guiding principles by which to establish individual developmental models.
- 1.4 Demand analysis questioned:** A few comments questioned whether the demand analysis performed to gauge the size of the proposed capital increase was inflated, or would lead countries to take on unsustainable amounts of debt. Workshop participants also asked how much each member country would pay as part of the capital increase.

## B) Comparative Advantage

- 1.5 Convening capacity, independence:** Comments highlighted the IDB's convening capacity and ability to organize events and bring people to the table. IDB's strength also comes from its political independence.
- 1.6 Technical capacity and experience:** Civil society feedback also named IDB's technical capacity, professionalism, and decades of experience as a comparative

advantage. Similarly, some comments referred to IDB's ability to develop creative global solutions and develop knowledge.

- 1.7 Regional reach:** One of IDB's strengths is its regional reach and vision, particularly around environmental issues, combined with roots in the population, according to some comments. IDB also has an ability to communicate across the region.
- 1.8 Concerns about benefits to civil society, transparency:** One viewpoint shared was that civil society hasn't seen any benefits from the Bank, and the Bank doesn't currently have comparative advantage in that area. Also, having governments represented on the board may be a comparative disadvantage when it comes to IDB's transparency and accountability.

### C) Program for a Better Bank

- 1.9 Measuring and evaluating results:** The proposed results management framework is an important step forward to help the Bank focus, measure and evaluate its work, according to several comments. Several comments urged the Bank to develop consistent, high-quality local data, and share knowledge through learning papers and other means. Several participants expressed the desire for Bank-supported programs and grants in order to conduct research on developmental impacts. One comment highlighted the mention of the evaluations group in the proposal, but wondered what actually would be different for that group after the capital increase. As part of civil society's interest in environmental issues, participants urged the Bank to consider an ecosystems-based approach to measuring its work, as well as greater effort to incorporate carbon reporting. In addition, the Bank currently lacks a mechanism to evaluate whether board-approved recommendations are acted upon.
- 1.10 Changing operations and incentives:** Many comments urged the Bank to focus on operational changes that will allow it to implement the new strategy. Several comments questioned what was new in the proposal that would lead to different outcomes than what the Bank has produced since the previous capital increase. Comments focused around the incentives for staff and senior management, and the importance of changing formal and informal incentives to promote new Bank priorities. Civil society actors also noted the importance of clear objectives, budgets and priorities that are in-line with the Bank's stated goals. Some comments suggested the Bank should decentralize decision-making and budgets to allow country offices to be more agile and responsive to country needs. Participants stressed the importance of IDB's partnering with national institutions in order to better address the developmental needs of each country.

- 1.11 Addressing waste and corruption:** Several comments focused on corrupt practices and the negligent use of loan money. IDB's whistleblower policy was criticized as one of the weakest among the Bank's peers. Participants wanted to know how the Bank planned to ensure that governments would not mismanage loans, engage in wasteful spending, or incur costs for unused loans. The Bank should put more effort into strengthening governance and accountability mechanisms among borrowing countries in order to reduce corruption, participants said. Other participants suggested focusing education on public values and investing in human capacity as methods to increase integrity among government leaders. One comment encouraged the Bank to support media and civil society efforts to expose corruption.
- 1.12 Engaging communities more:** The Bank must engage communities and civil society more effectively in all aspects of its work, many participants said. The Bank must become more approachable to civil society and grassroots groups, and provide more information about the positive and negative impacts of Bank-financed projects to communities. The Bank must ensure environmental and social safeguards are respected and applied early in the project implementation process, not just after-the-fact. Through more consistent, proactive engagement, civil society can become a partner of the Bank in implementing community development projects, participants said. According to some comments, the Bank would benefit from engaging civil society leaders as consultants, facilitators, and promoters. Given the influence of civil society organizations among the general population, the IDB should spend as much effort engaging these organizations as it does engaging its government counterparts, participants said. Participants suggested several ways to make the Bank more approachable, noting that it currently does not have a "human" face. In order to give the capital increase proposal a more "human" voice, one comment suggested the Bank solicit the input of indigenous communities, university students, media, churches, and other local entities. The need for different methods of communication was also noted. According to one participant, the Bank should provide additional means of accessing Bank information besides its website on the internet, which can be expensive and difficult to access in some regions.
- 1.13 Improving consultation and transparency:** Several participants applauded the Bank for establishing this first-ever consultation process for a General Capital Increase. At the same time, participants expressed several concerns with the process. Participants said they lacked key information from the Bank in order to provide informed feedback on the proposal. The Bank's disclosure policy was preventing the release of important documents that would inform the public about the proposal. Echoing comments made earlier this year during the public consultation around the Independent Consultation and Investigation Mechanism, participants said IDB's disclosure policy needed to be reformed to

increase Bank transparency and bring the Bank in line with its peers. In addition, many participants sought greater clarity about how their feedback would be incorporated into a revised proposal, and details about the decision-making process. Participants asked to see a revised version of the proposal before it is submitted to the Board of Governors for approval. Overall, many participants emphasized that strengthening the consultation process would help improve the perception and credibility of the Bank among civil society organizations, increasing their incentive to participate in future consultations.