

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ANNUAL REPORT OF THE CHAIRPERSON OF THE
POLICY AND EVALUATION COMMITTEE**

1 JULY 2011 - 30 JUNE 2012

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**Annual Report of the Chair
Policy and Evaluation Committee
1 July 2011 to 30 June 2012**

The Policy and Evaluation Committee of the Board met on 16 occasions, in 13 formal sessions and 3 informal sessions. **Major items considered by the Committee and subsequently moved to the Board included:** (1) reform of the sovereign guaranteed lending instruments; (2) the NSG business plan; (3) Operational Guidelines for Technical Cooperation Products; (4) FSO Framework for allocation and use of additional FSO resources (Emergency Reserve); (5) Report of the Independent Review Panel on Evaluation at the IDB; and (6) OVE's work program and budget

(1) Proposal to Reform the Bank's Sovereign Instruments

The Committee considered the proposal to reform the Bank's instruments in December 2011. This proposal was subsequently approved by the Board. Much of the discussion centered on the Credit Line for Investment Projects (CCLIP), and whether the requirement proposed by Management that CLIPS coincide with the coverage period of strategies was unnecessarily restrictive. Prior to Board approval, Management circulated modified language so the CCLIP would coincide with country priorities, while eliminating the requirement that its term coincide with the strategy.

(2) NSG Business Plan (2012-2014)

The Committee discussed the NSG business plan in December 2011. Board approval of the plan, which had been under discussion since 2010 in the MIF, IIC, and the Bank, represents a significant step towards improving cooperation between the private sector windows. The plan also addressed the future feasibility of "cross booking" between windows; (2) whether the private and public sectors need different measures of development effectiveness; (3) the need for addressing differences in private sector lending to smaller and larger countries; (4) borrower interests in expanding local currency instruments in private sector lending; and (5) more private sector participation in the development of country strategies.

(3) Operational Guidelines for Technical Cooperation Products

The operational guidelines for TC products, which follow on the TC Policy and Framework, were discussed in this Committee in October 2010 and subsequently approved by the Board. This new guidance includes: (1) product taxonomy; (2) strategic financing; (3) programming; (4) preparation, processing, and approval; (5) execution; and (5) monitoring and evaluation. Among other things, the Committee stressed the relevance of an enhanced role of the country offices in the TC programming, the need to identify a fee structure and costs of managing donor funds to develop a cost recovery system (which Management indicated would be ready in September), and to keep the Board informed of progress in implementing the new guidance, including the clients'. Following the discussion by the Committee, the Board took note of the guidance, and endorsed its basic principles.

(4) FSO Framework for the Allocation and Use of Additional Resources (Emergency Reserve)

The Committee considered the FSO Framework for the Emergency Reserve under which a total of \$200 million from the contributions to be retained in the FSO, within the context of the IDB-9 report, would be available for the reserve until 2020. The Committee agreed to move the proposal forward to the Board, to be subsequently submitted to the Governors for approval. The proposal was submitted to the Governors in November, and was not approved because no voting quorum was reached. In this regard, Management will have to develop and submit to the Board a new framework to be discussed at PEC.

(5) Report of the Independent Review Panel on Evaluation of at the Inter-American Development

The Independent Review Panel on Evaluation was managed by the previous PEC Chair and Director for Canada, Vinita Watson. During my tenure, Management presented their responses to the Panel's recommendations. These responses were discussed in detail at a Committee meeting held in September 2011. As agreed to at the Board, the Report has now been made public, along with Management's action plan to implement those recommendations agreed by the Board.

(6) OVE's work program and budget

The PEC also discussed OVE's work program for 2012-2013, which was subsequently approved by the Board. The discussion at the meeting centered on the importance with proceeding with Part 2 of the FSO evaluation, with OVE noting that sufficient data is not available for a complete evaluation; the relevance of conducting a thematic evaluation on the citizen security initiative by 2013 given that it is a new initiative and on whether the GCI evaluation should be undertaken in 2013 as planned given its approval delay. It was agreed that this issue would be revisited in late 2012.

In addition to those items subsequently sent to the Board, the Committee also considered:

(1) three important evaluations undertaken by OVE; (2) Management's action plan on the independent advisory group; (3) the annual Development Effectiveness Overview; (4) OVE's approach paper to the mid-term evaluation of IDB-9 Commitment; (5) Management's approach to developing new strategies and policies; and (6) the need for an independent evaluation of the ICIM.

(1) OVE Evaluations

OVE evaluations discussed at the Committee included: (1) Non-sovereign operations with subnational entities; (2) an evaluation of one pillar of the IDB's Knowledge and Learning Strategy; and (3) an evaluation of the Opportunities for the Majority (OMJ) program. Regarding the recommendations on the mainstreaming of the OMJ program, it was agreed that in the short term, OMJ will continue working as they have and to submit to the Committee, prior to initiating the budget discussion, an implementation plan to put into practice OVE's recommendation to

strengthen OMJ's current operations. Also, the Committee agreed to have an in-depth and analytical discussion of the governance structure and relationship between all of the private sector windows prior to making and structural decisions about OMJ.

(2) Management's Action Plan on the Independent Advisory Group

The Committee recognized that the report of the Independent Advisory Group concluded that the IDB's Environment and Safeguards Compliance Policy was adequate and did not require revision, and therefore, the commitment of the Ninth General Capital Increase (GCI-9) on this point had been met. Nonetheless, the Committee acknowledged that Management should draft an action plan on sustainability, to continue improving the safeguards system and make it more competitive and consistent with respect to other multilateral development banks (MDBs). It was agreed that Management would submit an action plan update, incorporating Directors' ideas from the meeting, late in 2012.

(3) Annual Development Effectiveness Overview (DEO)

Directors were generally pleased with the DEO report, underscoring its usefulness as a tool for accountability. A series of suggestions were made by Directors, which Management agreed to include in future reports. These included: Bank support for country systems; sustainability of Bank interventions; and results of the monitoring and evaluation of knowledge and capacity-building products. Given that Directors had a long list of additional suggestions to be added to the DEO report, it was agreed that a summary of the requests be put to the Committee for consideration, before Management prepares the next annual report.

(4) OVE's approach paper to the GC-9 mid-term evaluation

At the PEC meeting on the OVE approach paper, Directors provided extensive comments on each section of the paper, which were subsequently included in a revised version of the document (RE-411-3). Directors acknowledged that the evaluation will not consider all issues with the same scope given that many reforms are in different implementation stages. The revised version was reviewed by the Committee through streamlined procedure.

(5) Strategies, policies, and sector frameworks

Three informal meetings were held on Management's approach to strategies, policies, and sector frameworks. At the last meeting on June 5th, it was agreed that an approach paper and a schedule would be submitted to the Committee in late June. Directors urged Management to move quickly on this paper, since the new policies need to be completed by March 2013.

(6) MICI

Finally, at a joint meeting of the Policy and Evaluation Committee and the Organization, Human Resources, and Board Matters Committee, Directors considered the Independent Consultation and Investigation Mechanism (ICIM) evaluation that was planned for the end of the Mechanism's second year of operation, pursuant to the document, "Enhancing the Bank's

Independent Investigation Mechanism: Proposal to create the Independent Consultation and Investigation Mechanism” (document GN-1830-42). The Committees agreed to add the ICIM evaluation to OVE’s 2012 work program and to have the Policy and Evaluation Committee consider this evaluation. The Director of OVE said that her office would aim to submit an approach paper in late May 2012 outlining the scope of the evaluation and a tentative timetable for it, with the expectation that the evaluation would be completed in the fall of 2012

There are several pending issues in the Committee’s future work and among these, the continuation of the discussion of the Bank’s operational policies, frameworks and guidelines that we started during my Chair and that should be concluded in the next couple of months.