

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ANNUAL REPORT OF THE CHAIRPERSON OF THE
POLICY AND EVALUATION COMMITTEE
1 JULY 2013 – 30 JUNE 2014**

**Annual Report of the Chairperson
Policy and Evaluation Committee
1 July 2013 – 30 June 2014**

Between 1 July 2013 and 30 June 2014, the Policy and Evaluation Committee met on 35 occasions, including seven times for informal meetings. The Committee met jointly with other Board Committees on a number of occasions: four times with the Budget and Financial Policies Committee and four times with the Programming Committee. As part of its work, 14 committee chair reports were prepared and presented to the Board of Executive Directors.

The Committee's broad agenda focused on the following groups of issues: (1) five reports by the Office of Evaluation and Oversight (OVE); (2) one strategy, one policy, and seven sector framework documents; (3) two operational policies; (4) initiation of the process to update the Institutional Strategy and the Corporate Results Framework; (5) guidelines and reports on implementation, analysis, and special reviews, such as on implementation of the Access to Information Policy and the Gender Policy, and the review of the use of country systems; (6) the annual report on the 2013 Development Effectiveness Overview (DEO); and (7) the process of Enhancing Macroeconomic Safeguards (MSA).

OVE Reports and Work Program

IDB's Evaluation Recommendation Tracking System. Protocol for Implementation. Second revised version (GN-2707-2)

The Office of Evaluation and Oversight (OVE) and the Office of Strategic Planning and Development Effectiveness (SPD) presented the system for tracking the recommendations made in OVE evaluation documents, approved by the Board of Executive Directors, and execution of the resulting action plans prepared by Management in accordance with Board instructions. The Committee requested changes to the original version and agreed to submit the revised proposal to the Board for approval.

Authorization request to hire Dr. Ian Noble as a consultant advisor for OVE's Climate Change Evaluation (RE-457)

OVE presented the authorization request to hire Dr. Ian Noble as a consultant advisor for the Climate Change Evaluation, as explained in document RE-457. After hearing the opinions of the Committee members, the Chairperson concluded that there were insufficient grounds to support submitting OVE's request to the Board for consideration.

Fifth Independent Evaluation of SCF's Expanded Project Supervision Report Exercise (RE-332-8, RE-332-9)

The Committee considered OVE's fifth annual independent evaluation of the expanded project supervision report exercise performed by the Structured and Corporate Financing Department (SCF) (document RE-332-8). This exercise was carried out in line with the good practice standards for private sector operations published by the multilateral development banks' Evaluation Cooperation Group (ECG). The Committee Chairperson indicated that in his report to the Board, he would recommend support for the recommendations set out in the OVE document.

Evaluability Review of Bank Projects 2012 (RE-448-1, RE-448-2)

OVE presented the second annual report on the evaluability of Bank projects, which examined sovereign guaranteed projects approved in 2012. This report was presented to the Committee in accordance with the Report on the Ninth General Increase in the Resources of the IDB. The Committee Chairperson submitted his report to the Board, conveying the Executive Directors' support for OVE's recommendations.

Review of IDB Support to Secondary Education: Improving Access, Quality, and Institutions, 1995-2012 (RE-461, RE-461-1)

OVE presented its evaluation of Bank support for secondary education between 1995 and 2012. The evaluation sought to determine the extent to which the Bank had supported equitable access to secondary education, improvements in secondary education quality, and reforms of education institutions to strengthen management capacity (documents RE-461 and PP-505). Management presented its comments on this evaluation, as described in document RE-461-1. The Committee Chairperson submitted his report to the Board, indicating the Committee members' support for recommendations 1, 3, and 4 of the evaluation, and their reticence to support recommendation 2.

Evaluation of the Results of the Realignment (RE-451-2, RE-451-3)

OVE presented its evaluation of the results of the realignment, as described in document RE-451-2, concluding that this process had contributed to sharpening some dimensions of the sector focus and the country focus, but had yet to achieve all its objectives.

The Committee Chairperson concluded the discussion on the evaluation document by underscoring the following points:

- a. The Executive Directors generally agreed with recommendations 1, 2, 3, and 4, but the majority did not support recommendation 5. Nevertheless, note was taken of the concerns raised by some Executive Directors regarding the importance of updating the policy on hiring processes.

b. Several Committee members also expressed support for a sharper country focus and greater delegation of authority to the field, but felt that a cost-benefit analysis should be conducted.

c. On the basis of these deliberations, Management will present a detailed action plan containing sufficiently analytical elements, that consider all agendas that have either been planned or are under way and are related to the objectives of the realignment, such as Program Optima, the Decentralization Action Plan, the Corporate Results Framework, and the reform of the private sector. This comprehensive action plan will be presented to the Policy and Evaluation Committee and subsequently considered by the relevant committees, depending on the topic.

Management presented a draft version of its action plan to the Committee (RE-451-5) and, upon taking into account the Executive Directors' comments, would upload a final version of the plan in the OVE recommendation tracking system by no later than 30 July 2014.

Land Regularization and Administration Projects: A Comparative Evaluation (RE-410-1)

OVE presented a comparative evaluation of a sample of land regularization and administration projects financed by the Bank between 1995 and 2011 (document RE-410-1). This evaluation applied a distinct analytical approach to a new group of OVE products, with the team putting emphasis on the process used to select the projects that were evaluated and the methodology that was adopted. Given that this type of evaluation did not call for recommendations to the Board, the Committee took note of its content and recommended that Management present its comments in writing for this and subsequent evaluations of this kind.

IDB's Response to Key Challenges in Citizen Security, 1998-2012 (RE-455-1, RE-455-2)

OVE presented an evaluation on the IDB's Response to Key Challenges in Citizen Security, 1998-2012 (document RE-455-1) and another on The Implementation Challenge: Lessons from Five Citizen Security Projects (document RE-456). OVE noted that, although the Bank had played a pioneering role in addressing citizen security as part of the development agenda, especially from the standpoint of prevention, that sector still faced considerable challenges in terms of project design and execution.

Management said it welcomed the constructive approach of the evaluations and shared a series of comments with OVE, most of which had already been considered in the design of operations since 2010.

The Committee Chairperson submitted his report to the Board, indicating the Executive Directors' support for OVE's recommendations.

OVE's Proposed 2014-2015 Work Program and Budget (RE-462). Joint meeting with the Budget and Financial Policies Committee

At the meeting, there was majority support for the 2014 work program, with a decision left pending on the activities indicated for 2015, which would be specified in the framework of the Committee agenda for 2014. The budget request for the 2014 work program was US\$8,744,267, which reflected zero real growth and a price adjustment factor of less than 3%. That amount represented 1.3% of the Bank's administrative budget, a percentage described as one of the lowest among the multilateral development banks.

The Committee Chairperson, interpreting the sentiment of the members, recommended that the Board approve OVE's proposed work program and budget for 2014.

Sector Frameworks

In accordance with the document "Strategies, Policies, Sector Frameworks, and Guidelines at the IDB" (document GN-2670-1), Management took note of the Executive Directors' comments on the seven sector framework documents that were presented, conveying them to Management's Operations Policy Committee for the revised documents to be presented for its approval.

Sector framework documents identify challenges in the region, lessons learned by the Bank, and institutional priorities for the sector, as well as steer the operational work, knowledge generation, and dialogue with the countries. In addition, these documents seek to provide guidance for addressing the diverse institutional contexts and challenges encountered in the Bank's borrowing member countries. The Committee considered the following documents:

Integration and Trade Sector Framework Document (GN-2715); Urban Development and Housing Sector Framework Document (GN-2732); Health and Nutrition Sector Framework Document (GN-2735), Labor Sector Framework Document (GN-2741); Transportation Sector Framework Document (GN-2740); Support to SMEs and Financial Access/Supervision Sector Framework Document (GN-2768); and Citizen Security and Justice Sector Framework Document (GN-2771).

Strategies and Policies

Sustainable Infrastructure for Competitiveness and Inclusive Growth. IDB Infrastructure Strategy (GN-2710-1)

In accordance with the document “Strategies, Policies, Sector Frameworks, and Guidelines at the IDB” (document GN-2670-1), Management presented the IDB strategy document on Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-1).

The Committee Chairperson concluded the meeting by noting that the Executive Directors supported the recommendation to approve the strategy presented by Management. He highlighted some comments made by the members on: (i) the importance of learning from experiences in other regions; (ii) the priority placed on the prevention of natural disaster risks; and (iii) the interest of the Caribbean countries in the Bank placing special emphasis on coastal infrastructure in those countries.

Public Utilities Policy (GN-2716-2)

In accordance with the document “Strategies, Policies, Sector Frameworks, and Guidelines at the IDB” (document GN-2670-1), Management presented the Public Utilities Policy (document GN-2716-2). Upon Board approval, the proposed document would replace the Public Utilities Policy (Operational Policy OP-708).

The Committee Chairperson concluded the meeting by noting that the majority of Executive Directors supported the proposed policy and recommending that it be submitted to the Board for approval, with the changes agreed on at the meeting.

Proposed Policy for a Flexible Guarantee Instrument for Sovereign Guaranteed Operations (GN-2729). Joint meeting with the Budget and Financial Policies Committee

Management presented a proposed policy for a flexible guarantee instrument for sovereign guaranteed operations (document GN-2729), highlighting the recurring points that had been discussed at the informal meeting of the Policy and Evaluation Committee and the Budget and Financial Policies Committee as well as during bilateral meetings with several chairs.

As requested by the Committees, Management prepared a revised version of the document to eliminate the second part of paragraph 3.8 related to the restriction on the use of a sovereign counter-guaranteed guarantee for the benefit of the holders of a restructured sovereign debt instrument, and recommended submitting the revised proposal to the Board for approval.

Definition of Credit Exposure for Guarantees with and without Sovereign Counter-Guarantee (GN-2730). Joint meeting with the Budget and Financial Policies Committee

Management presented a proposal for consideration by the Committee on the definition of credit exposure for guarantees with and without sovereign counter-guarantee. The Committee agreed to recommend approval of the document to the Board, along with the decision to be made on the proposed policy for a flexible guarantee instrument for sovereign guaranteed operations.

Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765)

The Committee considered the proposal to adopt a policy for the selection and contracting of consulting firms for Bank-executed operational work. Management recommended that the Board approve this policy and authorize the President of the Bank, or a representative designated by him, to enter into such agreements and to take such other measures as may be necessary for its implementation.

The Committee called on Management to present it with a revised version of the document, via streamlined procedure, reflecting the consensus of the members. Upon conclusion of the process, the Committee Chairperson submitted his report to the Board recommending approval of the revised version of the policy.

Institutional Strategy and Corporate Results Framework

Corporate Results Framework: 2012-2015. Interim Update Proposal (GN-2727)

Management presented a proposal of interim adjustments to the structure and indicators of the Corporate Results Framework (CRF), with the following objectives: (i) to simplify the CRF structure and focus on attribution; (ii) to promote greater ownership and improve data accuracy; (iii) to strengthen the vertical logic; and (iv) to achieve better alignment with other Bank-wide performance monitoring tools.

The Committee Chairperson concluded the meeting by noting that, although the Executive Directors generally recognized the relevance of the proposal's objectives, several felt that it was not the right time to pursue changes to the CRF structure and indicators in light of the institutional processes under way and the update of the Institutional Strategy in 2016.

He also recognized that improving the CRF was an ongoing task in terms of collecting, validating, and ensuring the accuracy of data, and underscored the call made by the Executive Directors to initiate a structured dialogue on more substantive changes to the CRF so a report could be presented to the Governors.

Corporate Results Framework Update: 2016-2019. Structured Dialogue (GN-2727-1)

Management presented recommendations for the CRF update as part of the structured dialogue with the Committee. Concluding the meeting, the Chairperson noted that the Committee had agreed that Management should promptly present a proposed recommendation to make changes to the CRF's governance, a change that would impart greater flexibility for making any changes or adjustments that might be needed.

IDB's External Feedback System: Improving Bank Performance by Listening to our External Partners (GN-2728)

Management gave a presentation to the Committee on the purpose, features, and preliminary results of the IDB's External Feedback System and also discussed next steps. The Committee took note of the presentation.

Institutional Strategy: Focus Groups 2016-2019. Audiovisual presentation (PP-539-1)

Management gave a presentation explaining the consultation process for updating the Bank's Institutional Strategy for the period 2016-2019, as described in document PP-539-1.

The Committee Chairperson underscored the need to broaden discussion of the details involved in developing the Bank's Institutional Strategy, including the products and their sources, how internal and external products would tie into one another, and to what extent a balance could be struck between the two. To that end, he would schedule additional Committee meetings with Management to craft a more in-depth work plan to ultimately develop an updated Institutional Strategy.

Inclusive Development: Groundwork for a Shared National Strategy (GN-2758)

Management invited Francisco Díaz of the Corporación de Estudios para Latinoamérica (CIEPLAN) and Barbara Stalling of American University to present two inputs representing the external vision, which would contribute to the process of updating the Bank's Institutional Strategy for the period 2016-2019.

Regarding the document "Inclusive Development: Groundwork for a Shared National Strategy" (document GN-2758), the Committee expressed reservations regarding the request to submit this external document for consideration by the Governors as part of the process of updating the Bank's Institutional Strategy. While the regular procedure for submitting documents to the Governors requires Board authorization, inasmuch as this matter had already been placed on the agenda of the Annual Meeting of the Board of Governors, in this particular case, the Committee suggested that Management, under its responsibility, submit the document, which had been commissioned from outside entities,

and emphasize its independent character. In this regard, it was agreed that it would not be necessary to submit a chair report to the Board of Executive Directors.

Institutional Strategy Update: From Bahia to Busan (GN-2758-2)

Following the Special Governors' Meeting at the Annual Meeting of the Bank in Bahia, Brazil, in March 2014, Management gave a presentation on the work plan to continue with the preparatory process for updating the Bank's Institutional Strategy ahead of the Annual Meeting in Busan, Korea, in March 2015.

The Committee Chairperson noted that the Executive Directors agreed with the comprehensive approach and timeline proposed in order to continue with the Institutional Strategy update process, with the active participation of the Committee. He summarized the main issues raised by the Executive Directors, which included governance, in relation to the process and content of the Institutional Strategy.

Access to Information Policy, Gender Policy, and Country Systems

Access to Information Policy – Implementation Guidelines. Revised version (GN-1831-36)

Management presented the revised version of the implementation guidelines for the Access to Information Policy (document GN-1831-36), distributed for the Committee's information as requested by one of the Executive Directors at the 4 September 2012 meeting. Note was taken of the document.

Analysis of Information Disclosure and Exceptions to the Access to Information Policy (GN-1831-39)

In response to a request by the Policy and Evaluation Committee, Management had prepared an Analysis of Information Disclosure and Exceptions to the Access to Information Policy (document GN-1831-39). The Committee took note of the document. The Committee Chairperson recommended that SEC/ATI take note of any points that might help it improve the policy's implementation guidelines.

Access to Information Policy Implementation Reports for 2012 and 2013 (GN-1831-38, GN-1831-40)

The Committee considered the reports on implementation of the Access to Information Policy, which was approved in May 2010 and entered into effect on 1 January 2011. Pursuant to paragraph 11.1 of the policy, Management was to prepare annual reports informing the Board of the activities carried out each year. The Committee took note of the reports.

Progress Report on the Implementation of the Gender Policy and Gender Action Plan for Operations, 2011-2013 (GN-2531-13)

Management presented a progress report on implementation of the IDB's Operational Policy on Gender Equality in Development (Gender Policy) and the Gender Action Plan for Operations (GAP), 2011-2013. The report outlined the progress made in the first three years of implementation of the Gender Policy and its corresponding GAP, and was presented in keeping with the three-year reporting cycle to the Board of Executive Directors, as mandated by the Gender Policy.

The Committee Chairperson concluded the meeting by highlighting the progress made in the implementation of the Gender Policy and the GAP. He acknowledged future challenges, which include: (i) raising awareness of Bank staff about gender equality; (ii) mainstreaming gender in the country strategies and country dialogue, mindful of sovereignty issues and the extent to which each country has internalized gender mainstreaming; (iii) incorporating gender-related technical inputs both in the formulation and execution of country strategies and projects; (iv) improving gender-related results indicators and the reporting thereof in project monitoring and completion reports; (v) ensuring the necessary resources, incentives, and leadership to institutionalize gender mainstreaming in the Bank's DNA; and (vi) strengthening the Bank's analytical work to support policy dialogue with clients and stimulate demand for operations that incorporate a gender equality perspective. Note was taken of the document.

Three-year Review of the Strategy for Strengthening and Use of Country Systems (GN-2538-9)

The Committee considered the Three-year Review of the Strategy for Strengthening and Use of Country Systems, approved by the Board in March 2010.

The Committee members noted the benefits of supporting country systems and their increased use in Bank projects, in terms of efficiency, country dialogue, the Bank's flexibility, institutional capacity-building, and lower transaction costs. They called for continuing to improve implementation of the strategy as regards nonfiduciary systems, where there was broad potential for dialogue with the countries to improve development effectiveness, statistics, and environmental safeguard systems.

On that occasion, Management made a commitment to present a progress report on strategy implementation to the Board of Executive Directors.

The Committee agreed to submit the document, with the correction made during the meeting, to the Committee of the Whole, through a chair report.

DEO 2013

Development Effectiveness Overview 2013 (GN-2760)

The Office of Strategic Planning and Development Effectiveness (SPD) presented the annual report on the Development Effectiveness Overview 2013 (DEO 2013), highlighting the following: (i) advances in the Development Effectiveness Framework (DEF) for sovereign and non-sovereign guaranteed operations; (ii) lessons learned from failures in some sectors; and (iii) development of a repository of IDB impact evaluations. SPD also announced that it had launched a portal featuring the report that year for ease of access, and it gave a demonstration of the portal.

With specific regard to the Corporate Results Framework (CRF), SPD noted that three main lessons had been learned from its design and use: (i) the need to instill a greater commitment among Bank staff to data accuracy and the development of targets and indicators; (ii) the need to promote a greater sense of ownership among the borrowing member countries; and (iii) the need to improve decision-making at the different levels of the CRF and its coordination with the results-based budget (RBB) framework. The Committee took note of the report.

MSA Reform

Enhancing Macroeconomic Safeguards at the Inter-American Development Bank. Revised version (GN-2753, GN-2753-1, GN-2753-2). Joint meeting with the Programming Committee

Based on the work of the task force and its recommendations set out in document GN-2633-26, Management was asked to present proposals to the Board of Executive Directors for consideration. As a result, the Policy and Evaluation Committee met twice with the Programming Committee to consider documents GN-2753 and GN-2753-1. Management presented a proposal, prepared and then adjusted on the basis of informal deliberations with the Executive Directors, to enhance the Bank's macroeconomic safeguards. The Committee agreed to submit Management's revised proposal to the Committee of the Whole for consideration, with additional revisions considered during the meeting.

Conclusion

As has been the case with other committees, this Committee, too, had the task of addressing numerous issues over the year. Some were more challenging than others, but thanks to the support of all the members, aligned with the majority or subject to

negotiated consensuses, which like all transactional outcomes are never entirely satisfactory, we were able to address them in a way that was institutionally constructive. For all this, I offer my sincere gratitude to the Executive Directors who participated as members of the Policy and Evaluation Committee during this period.

Despite having considered all the issues presented, there are some that, due to their nature, involve processes that extend beyond a normal term of the Committee, including:

1. The update of the Institutional Strategy and the review of the Corporate Results Framework in light of the midterm evaluation by OVE. Both items, which are closely related, were first considered by the Committee during my chairmanship and will continue to be priority items for the Committee in advance of the upcoming Annual Meeting in Korea, where the Governors will be able to examine and evaluate execution of the General Capital Increase in the context of the challenges and changes affecting the region. The Committee's joint work with the SPD team with regard to the monitoring and/or the emergence of complementary initiatives is important in terms of getting to a high-quality outcome, as offered by the process at hand. The levels that have already been achieved point up the keen willingness of the SPD team to engage in coordination and strive to communicate with all members of the Committee, as well as an openness to their suggestions and comments.
2. The reform of the "Strategies, Policies, Sector Frameworks, and Guidelines at the IDB," which has seen considerable progress in an acceptable time frame, will continue to require attention given that there are 11 sector framework documents pending discussion, according to the timeline, in order to finalize the plan to streamline the regulatory instruments that govern the Bank's operational work. Close coordination with the Vice Presidency for Sectors and Knowledge (VPS) has been integral to these efforts and has gone a long way to fostering a culture of meaningful observations and comments by the Committee members, which have been used to fine-tune the documents and have been scrupulously noted and incorporated into the final versions. Upon completion of this exercise, it will be important to evaluate the experience and reflect on the benefits that have obtained in order to move closer to taking a multisectoral approach to project design and execution.
3. Progress with the proposal and pilot of the system for tracking OVE recommendations, approved by the Board, and Management's corresponding action plans should continue to be monitored, with a view to a future evaluation, to determine if adjustments are needed to continue.
4. In short, and in order to support the process of enhancing the macroeconomic safeguards and their effects, the review work should continue in light of new

developments that warrant such efforts, or rather as a result of the findings of OVE's evaluation of the implementation of these safeguards, scheduled for 2016.

As my chairmanship draws to a close, I should note that I am fully convinced of the usefulness of joint committee meetings as warranted when the issues touch on the subject areas of more than one committee. These joint meetings save time in preparation, presentation, and alignment of approaches. And above all, they foster a shared vision.

In all of the work for which I was responsible, I must thank my counselor, Gabriel Baldivieso, for his excellent and timely observations and suggestions. I give heartfelt thanks to the Office of the Secretary, specifically to Pedro Auger, who facilitated much of the coordination work that was needed to smoothly carry out the necessary activities; to Margarita Orozco, who together with Oriana Bonfim and Edward Tanner have collaborated closely on preparing minutes, summaries, and follow-up to meetings; and to Delenise Lettieri Vidal, who works alongside Vivian Ramírez to attend to the Executive Directors' needs during meetings. I am also grateful to the team of Vice Presidencies, managers, division chiefs, and specialists, in VPS, SPD, and RES, whose assistance in preparing the meetings made the process much less complicated.

The Director of OVE, Cheryl Gray, and her team deserve special mention for their ability to turn differences of opinion into opportunities for dialogue marked by generosity of spirit and a desire to find a way forward.

Lastly, I offer my deepest gratitude to the team of interpreters and all those who work behind the tinted glass, facilitating our sometimes-convoluted communication during meetings. And I would be remiss if I failed to express our collective thanks to Edgar and Juan, who make the meetings more bearable for us with their service.