

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**Annual Report of the  
Chairperson of the Policy and Evaluation Committee**

**July 2016 to June 2017**

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## **Annual Report of the Chairperson of the Policy and Evaluation Committee July 2016 to June 2017**

During this term of the Policy and Evaluation Committee (PEC) (July 2016 to June 2017), when I served as Chairperson, 16 documents were distributed for information that were not considered at a formal meeting. These included approach papers for evaluations conducted by the Office of Evaluation and Oversight (OVE), quarterly and six-monthly activity reports and annual reports of OVE and the Independent Consultation and Investigation Mechanism (MICI), the report on country systems, and one OVE comparative study on housing in the Caribbean. One of these was considered at a formal meeting, where the approach paper was discussed for the evaluation of the private sector merge-out.

In addition, 37 face-to-face meetings were held, seven of which were informal: two on the topic of enhanced lending capacity and countercyclical instruments, one on the OVE work program, and one on the terms of reference for the selection of the OVE Director.

Eight of the 30 formal meetings were joint meetings with other committees. Five of these were with the Committee of the Board of Executive Directors of the IIC: One for the OVE evaluation of public-private partnerships, one for the OVE 2017 work program and budget, one for the MICI 2017 work program and budget, one for the OVE 2016 annual report, and one for the approach paper for the merge-out evaluation. Three joint meetings were held with the Budget and Financial Policies Committee (BUFIPOL): one to discuss the OVE evaluation of administrative costs, and two to discuss the enhanced lending capacity. Lastly, one joint meeting was held with the Programming Committee to review the OVE report on macroeconomic safeguards.

Eight of the remaining 22 meetings of the Policy and Evaluation Committee alone were devoted to review of the sector framework documents (SFDs) submitted by the Vice Presidency for Sectors and Knowledge. The SFDs were reviewed and discussed for health and nutrition, labor, urban development and housing, transportation, citizen security and justice, tourism, support for small and medium-sized enterprises, and social protection and poverty.

In other business, four of the meetings were devoted to review and discussion of tools for development effectiveness such as the 2015 Development Effectiveness Overview, the OVE Evaluation Recommendation Tracking System (ReTS), the Gender Action Plan, and the External Feedback System.

The Committee was in the forefront leading the analysis of the Bank's financial instruments and countercyclical role. Five formal meetings were held to discuss the conceptual framework for the financial instruments and countercyclical role, culminating in a joint meeting with BUFIPOL to establish the use of the enhanced lending capacity. In terms of products, the sovereign guaranteed loan based on results was created, adjustments were made to the conditional credit line for investment products (CCLIP), and the proposal for a special development lending category was sent to the Governors for approval.

In terms of MICI business, in addition to the work program considered jointly, three meetings were held for investigations regarding the El Dorado International Airport Project in Colombia, the São José dos Campos Urban Structuring Program in Brazil, and the Reventazón Hydroelectric Project in Costa Rica, as well as two meetings regarding the Mareña Renovables Wind Project in Mexico.

In terms of OVE business, in addition to the meetings already noted, joint meetings were held on the 2017 work program and budget and the evaluation of the sustainable cities program, as well as two others on the draft terms of reference for the new OVE Director and the independent review panel on recommendations to strengthen evaluations going forward.

Additionally, as Chairperson of the Policy and Evaluation Committee, I called meetings of the working group of several Executive Directors who helped draft the terms of reference for the new OVE Director and for the committee to select the independent review panel made up of another group of Executive Directors.

The work on the topics addressed by the Committee was difficult but very thorough, and I wish to thank the Office of the Secretary for its support, especially Pedro Auger, Maria Camila Uribe, and Miguel Empis, as well as Maria Teresa Diaz of Human Resources for their support with the many complex issues tackled in this period. Lastly, I wish to thank the members of the Policy and Evaluation Committee for supporting the pursuit of this ambitious agenda with their opinions and ideas.

## **EVALUATION SYSTEM AND OVE WORK PROGRAM**

### **Evaluation of the IDB's Emerging and Sustainable Cities Initiative (RE-501-1, RE-501-2)**

This was the first evaluation of a Special Program of the Bank. The document highlighted the achievements of the initiative, particularly the success of its work with mid-sized cities building a strong brand in the region, partnerships with a broad range of stakeholders, the model for knowledge generation and dissemination, and a culture of openness and transparency. It also noted that it was too early to evaluate the effectiveness of implementation of the action plans.

The Committee took note of the Evaluation of the IDB's Emerging and Sustainable Cities Initiative (document RE-501-1), and the Chairperson recommended that the Board of Executive Directors approve implementation of the recommendations contained in it.

### **An OVE Oversight Study: The Evolution of Administrative Spending in the Inter-American Development Bank (RE-499-1, RE-499-2)**

The Budget and Financial Policies Committee and the Policy and Evaluation Committee considered An OVE Oversight Study: The Evolution of Administrative Spending in the Inter-American Development Bank (document RE-499-1), and the respective Comments from Management (document RE-499-2).

The Committees took note of the OVE study and Management's comments.

**Evaluation of Public-Private Partnerships in Infrastructure (RE-504-1, RE-504-2).  
Joint meeting with the Committee of the Board of Executive Directors of the IIC**

The joint Committee expressed support for the recommendations, with which IDB and IIC Management were broadly in agreement. In the course of the discussions, several Executive Directors urged caution when deciding to act through public-private partnerships (PPPs), and stressed the importance of regarding PPPs as just another instrument of the IDB Group and not always the most appropriate one for the specific circumstances of the country and/or sector.

The Committee Chairpersons recommended that the respective Boards of Executive Directors approve the implementation of the recommendations contained in the OVE report.

**Evaluation of Macroeconomic Safeguards at the IDB (RE-508-1, RE-508-2)**

The Policy and Evaluation Committee and the Programming Committee met to consider the Evaluation of Macroeconomic Safeguards at the IDB (document RE-508-1), prepared by OVE.

The Committees took note of the Evaluation of Macroeconomic Safeguards at the IDB and recommended that the Board of Executive Directors approve the implementation of the recommendations contained in paragraph 4.6 of document RE-501-1 with the qualifications indicated in the summary of deliberations of the meeting.

**OVE Annual Report 2016 and Background Note: Management's Implementation of OVE Recommendations (RE-511, RE-511-1, RE-511-2)**

The Office of Evaluation and Oversight (OVE) presented its 2016 annual report (document RE-511) and Background Note: Management's Implementation of OVE Recommendations (document RE-511-1). Management then presented its comments (document RE-511-2). The Committees took note of the documents.

**OVE's Proposed 2017-2018 Work Program and Budget (RE-507, RE-507-1)**

The Executive Directors were pleased with OVE's work and appreciated the presentation of the work program and budget for 2017 and the tentative program for 2018. Of the US\$9.39 million requested for 2017, OVE estimated—based on the proposed evaluations and activities—that US\$8.01 million would pertain to the Bank, and US\$1.37 million to the IIC.

**Draft Terms of Reference for the Director of OVE. Revised version (RE-366-16, RE-366-17) and Proposed Timeline for the Independent Review Panel on Recommendations to Strengthen OVE Going Forward. Revised version (RE-510-1)**

The Policy and Evaluation Committee met to consider the Draft Terms of Reference for the Director of OVE. Revised version (document RE-366-16); Draft Timeline for 2017 OVE Director Search (document RE-366-17); and Proposed Timeline for the Independent Review Panel on Recommendations to Strengthen OVE Going Forward. Revised version (document RE-510-1).

The Committee Chairperson presented his report on the topics addressed at the meeting, recommending that the Board of Executive Directors approve the Draft Terms of Reference for the Director of OVE, contained in document RE-366-16, with some changes, as well as the membership of the Selection Panel and the Independent Review Panel on Recommendations to Strengthen OVE Going Forward.

**Approach Paper: Evaluation of the Implementation of the Private Sector Merge-Out (CII/RE-27, RE-513). Joint with the Committee of the Board of Executive Directors of the IIC**

The Policy and Evaluation Committee of the IDB and the Committee of the Board of Executive Directors of the IIC met jointly to consider the OVE Approach Paper: Evaluation of the Implementation of the Private Sector Merge-Out. The Committees resolved to submit a chair report requesting a modification of the scope of the approach paper.

## **SECTOR FRAMEWORKS**

In accordance with document GN-2670-1, Strategies, Policies, Sector Frameworks, and Guidelines at the IDB, Management took note of the Executive Directors' comments on the seven sector framework documents submitted, which it conveyed to the Operations Policy Committee of Management when submitting the documents to that Committee for approval.

**Health and Nutrition Sector Framework Document (GN-2735-5)**

Management presented the Health and Nutrition Sector Framework Document (document GN-2735-5), which would replace the previous SFD (document GN-2735-3) approved by the Operations Policy Committee of Management on 1 November 2013.

The Committee members congratulated the Management team on the quality of the document and indicated their agreement with the challenges identified, as well as with the dimensions of success and lines of action that would guide the Bank's research and operational activities in the sector.

This SFD proposed the following key goal for the Bank's health and nutrition activities in the next three years: promote better health among the population, with equity, financial protection, and sustainability. The Committee took note of the document.

### **Labor Sector Framework Document (GN-2741-5)**

Management presented the Labor Sector Framework Document (document GN-2741-5), which would replace the previous SFD (document GN-2741-3) approved by the Operations Policy Committee of Management on 18 December 2013.

The Committee highlighted the document's quality, especially the extensive body of knowledge on which it was based. The Executive Directors felt that the labor challenges identified in the SFD were the most relevant ones in the region, and said they agreed with the dimensions of success proposed to guide the Bank's operational and research activities in the sector. The Committee took note of the document.

### **Urban Development and Housing Sector Framework Document (GN-2732-4)**

The Committee members welcomed the Urban Development and Housing Sector Framework Document (document GN-2732-4) and thanked Management for producing a thorough, high-quality document. The Committee also agreed with the challenges identified and the proposed dimensions of success and lines of action.

The Bank's primary goal in the urban development and housing sector is to extend the full benefits of sustainable and productive urbanization to all residents of Latin American and Caribbean cities. This goal is aligned with the Update to the Institutional Strategy of the IDB, directly contributing to the crosscutting theme of mitigating climate change and improving environmental sustainability, and helping to address two of the three structural challenges faced by the region: (i) reducing social exclusion and inequality; and (ii) boosting productivity and innovation (IDB, 2015). In addition, the sector goal is aligned with SDG 11, which promotes "cities and human settlements" that are "inclusive, safe, resilient, and sustainable" (UN, 2015b). (Food Security SFD, document GN-2825). The Committee took note of the document.

### **Transportation Sector Framework Document (GN-2740-5)**

The Policy and Evaluation Committee met to consider the Transportation Sector Framework Document (document GN-2740-5), which would replace the Transportation SFD (document GN-2740-3) approved by the Operations Policy Committee of Management in 2014.

The Committee members welcomed the Transportation SFD and thanked Management for producing a high-quality document based on a solid bibliographic review and for including an extensive and comprehensive section on lessons learned. The Committee was also in agreement with the challenges identified and the proposed dimensions of success and lines of action.

Given the importance and effectiveness of transportation as a means of development, the overall goal will be to improve accessibility in the region by means of inclusive, safe,

sustainable, efficient, and competitive transportation. The Committee took note of the document.

#### **Citizen Security and Justice Sector Framework Document (GN-2771-5)**

This SFD proposes that the fundamental goal of the Bank's citizen security and justice (CSJ) activities over the next three years should be to improve the efficiency and effectiveness of CSJ public policies in the region, in order to contribute to the reduction of crime and violence. The Committee took note of the document.

#### **Tourism Sector Framework Document (GN-2779-5)**

The Committee considered the Tourism Sector Framework Document (document GN-2779-5), which (i) presented international evidence on the effectiveness of policies and programs in the tourism sector, (ii) described the main challenges for the region, (iii) indicated the lessons learned from the Bank's experience in the sector, and (iv) set the Bank's goals in the sector, guiding operational work and the generation of knowledge, and defining the dimensions of success. This SFD replaced the Tourism SFD (document GN-2779-3) approved by the Operations Policy Committee on 22 October 2014. The Committee took note of the document.

#### **Support to SMEs and Financial Access/Supervision Sector Framework Document (GN-2768-5)**

The Committee considered the Support to SMEs and Financial Access/Supervision Sector Framework Document (document GN-2768-5), which (i) presented international evidence on the effectiveness of policies and programs in the sector, (ii) described the main challenges for the region, (iii) indicated the lessons learned from the Bank's experience in the sector, and (iv) set the Bank's goals in the sector, guiding operational work and the generation of knowledge, and defining the dimensions of success. This SFD replaced the Support to SMEs and Financial Access/Supervision SFD (document GN-2768-3) approved by the Operations Policy Committee on 13 June 2014. The Committee took note of the document.

### **DEVELOPMENT EFFECTIVENESS, RETS, AND THREE-YEAR PROGRESS REPORT**

#### **Development Effectiveness Overview 2015 (GN-2860)**

Management presented the Development Effectiveness Overview (DEO) annual report, which set out the results of the work the IDB was supporting in Latin America and the Caribbean and served as an accountability mechanism for the institution's shareholders, partners, and beneficiaries.

The Committee members noted Management's efforts in preparing this report, calling it a valuable tool for showcasing the Bank's contributions to the development of the region, documenting lessons learned, and monitoring institutional objectives. The Committee took note of the report.

**IDB's Evaluation Recommendation Tracking System – Protocol for Implementation. Third revised version (GN-2707-5)**

The Committee members expressed support for the proposal submitted jointly by OVE and the IDB Office of Strategic Planning and Development Effectiveness (SPD), citing the importance of the Evaluation Recommendation Tracking System (ReTS) to the Board of Executive Directors and Management for the operation of the Bank's evaluation framework.

The revisions made to the protocol agreed with the main recommendations arising from the external evaluation seeking to make the ReTS more effective.

The Committee Chairperson delivered a report proposing that the Board of Executive Directors endorse the recommendations made in the document.

**Three-year Progress Report on the Implementation of the Operational Policy for Gender Equality in Development and the Gender Action Plan for Operations, 2014-2016 (GN-2531-15)**

Management presented the Three-year Progress Report on the Implementation of the Operational Policy for Gender Equality in Development and the Gender Action Plan for Operations, 2014-2016 (documents GN-2531-15, PP-800). The document set out (i) the achievements associated with the Gender Action Plan's objectives and targets; (ii) key factors contributing to or inhibiting progress; and (iii) recommendations for moving forward during the period of the next Gender Action Plan (2017-2019).

**External Feedback System. Findings 2016**

The Office of Strategic Planning and Development Effectiveness (SPD) presented the findings of the "Listening, Engaging, and Improving" survey conducted in 2016 under the External Feedback System. The Committee took note of the presentation.

**THE BANK'S FINANCIAL INSTRUMENTS AND COUNTERCYCLICAL ROLE**

**Conceptual Framework. Continuing the Discussion on Financial Instruments and Countercyclical Role of the IDB (GN-2855-1). Joint meeting with BUFIPOL**

Continuing the discussion on the review of the Bank's financial instruments and countercyclical role, Management presented the basic terminology adopted on this topic to the Policy and Evaluation Committee and the Budget and Financial Policies Committee, and explained the rationale for dividing this debate into two separate discussions: (i) the periodic review of financial products; and (ii) the Bank's countercyclical role.



**Proposal to Create a Special Development Lending Category. Revised version (GN-2031-13)**

The Policy and Evaluation Committee met to consider the Proposal to Create a Special Development Lending Category. The Committee resolved that Management would prepare a revised version of the document. The Committee Chairperson delivered a report recommending that the Board of Executive Directors send the proposal to the Governors for consideration.

**Proposal for Determination of Availability and Use of the Enhanced Lending Capacity (GN-2855-3). Joint meeting with BUFIPOL**

The Budget and Financial Policies Committee and the Policy and Evaluation Committee considered the Proposal for Determination of Availability and Use of the Enhanced Lending Capacity (document GN-2855-3). The Committee Chairpersons delivered a report recommending that the Board of Executive Directors approve the proposal as set out in a revised version of the document.

**Proposed Modifications to the Conditional Credit Line for Investment Projects (CCLIP): Strengthening of the Multisector Modality (GN-2246-9)**

The Strategy Development Division of the Office of Strategic Planning and Development Effectiveness (SPD/SDV) presented its proposal (document GN-2246-9) for strengthening the multisector modality of the conditional credit line for investment projects (CCLIP). This proposal considered adding eligibility criteria for the instrument that would be specifically applicable to CCLIPs with a multisector modality and more than one sector executing agency. The Committee Chairperson delivered a report recommending that the Board of Executive Directors approve the proposal.

**Proposal to Establish the Bank's Sovereign Guaranteed Loan Based on Results (GN-2869)**

The Policy and Evaluation Committee met to consider the Proposal to Establish the Bank's Sovereign Guaranteed Loan Based on Results (documents GN-2869, PP-765). In it, Management recommended that the Board of Executive Directors approve the establishment of a loan based on results as a pilot investment lending instrument at the IDB for a period of six years from the date of approval. This instrument links disbursements to the attainment of a specific set of development results, and builds on the experiences of a similar type of results-based financing at other multilateral development banks, and on those of the performance-driven loan used at the IDB from 2003 to 2009, and the Mesoamerican Health Facility.

The Committee Chairperson delivered a report recommending that the Board of Executive Directors approve the proposal as set out in a revised version of the document.

## **INDEPENDENT CONSULTATION AND INVESTIGATION MECHANISM**

### **Independent Consultation and Investigation Mechanism. Compliance Review Report for Loan 2644/OC-ME for the “Mareña Renovables Wind Project” (MI-32-5)**

The Committee considered the Compliance Review Report for loan 2644/OC-ME for the “Mareña Renovables Wind Project” (document MI-32-5), presented in accordance with the Policy Establishing the Independent Consultation and Investigation Mechanism (MICI) (document GN-1830-49), approved on 17 February 2010.

The Committee Chairperson delivered his report recommending that the Board of Executive Directors take note of the revised MICI report and direct Management to develop a work plan for implementation of its recommendations reflecting the comments made by the Committee.

### **IDB Management Proposed Work Plan to Address MICI Compliance Review Recommendations on Mareña Renovables Wind Project (MI-32-8, PR-3796-14)**

The MICI submitted its Work Program and Proposed Budget for the Institutions of the IDB Group (documents CII/MI-4, CII/PP-194, MI-60, PP-761) to the Policy and Evaluation Committee of the IDB and the Committee of the Board of Executive Directors of the IIC. The Committees resolved to recommend that the Boards of Executive Directors of their respective institutions approve the MICI work program and proposed budget, contingent on Board approval of the 2017 Administrative Budget of the Bank.

### **Compliance Review Report for Loan 2477/OC-CO for the “El Dorado International Airport Project” (MI-23-8)**

The Policy and Evaluation Committee considered the Compliance Review Report for loan 2477/OC-CO for the “El Dorado International Airport Project” (document MI-23-8).

The Committee resolved to recommend that the Board of Executive Directors endorse the recommendations set out in the document, with the reservations expressed on Recommendation 3, and request that Management prepare an action plan to implement seven of the recommendations.

### **Compliance Review Report for Loan 2323/OC-BR for the “São José dos Campos Urban Structuring Program” (MI-21-6, PP-801)**

The Policy and Evaluation Committee considered the Compliance Review Report for loan 2323/OC-BR for the “São José dos Campos Urban Structuring Program” (document MI-21-6). The Committee Chairperson will submit his report, recommending that the Board of Executive Directors endorse the MICI’s recommendations.

**Recommendation for Compliance Review and Terms of Reference for the “Reventazón Hydroelectric Project” (MI-63-1, PP-803, PP-803-1)**

The Policy and Evaluation Committee considered the recommendation to conduct a Compliance Review and terms of reference for the “Reventazón Hydroelectric Project” (document MI-63-1). The Committee Chairperson would prepare his report recommending that the Board of Executive Directors instruct the MICI not to proceed with the Compliance Review investigation proposed in document MI-63-1.

**Independent Consultation and Investigation Mechanism. 2017 Work Program and Proposed Budget for the Institutions of the IDB Group (CII/MI-4, CII/PP-194, MI-60)**

The MICI submitted its Work Program and Proposed Budget for the Institutions of the IDB Group (documents CII/MI-4, CII/PP-194, MI-60, PP-761) to the Policy and Evaluation Committee of the IDB and the Committee of the Board of Executive Directors of the IIC.

The Committees resolved to recommend that the Boards of Executive Directors of their respective institutions approve the MICI work program and proposed budget, contingent on Board approval of the 2017 Administrative Budget of the Bank.