

DR-1042
PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

POLICY AND EVALUATION COMMITTEE
ANNUAL REPORT OF THE CHAIRPERSON
1 JULY 2018 TO 30 JUNE 2019

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Policy and Evaluation Committee
Annual Report of the Chairperson
1 July 2018 to 30 June 2019

During the period from 1 July 2018 to 30 June 2019, the Policy and Evaluation Committee met 34 times in 27 formal meetings and 7 informal meetings. Of the total meetings, 18 were joint meetings with the Committee of the Board of Executive Directors of the IIC.

The Policy and Evaluation Committee's work program dealt with matters in the following areas: (i) the IDB Group evaluation function; (ii) review and update of the Bank's policies and strategies; (iii) interaction with the Office of Evaluation and Oversight; (iv) sector framework documents; (v) monitoring of development effectiveness processes; (vi) the activities and cases of the Independent Consultation and Investigation Mechanism (MICI); (vii) matters relating to the Access to Information Policy; and other nonrecurring topics.

IDB Group evaluation function

During my term as Chairperson, the Committee met on seven occasions—five formal meetings and two informal meetings—to follow up on the recommendations of the Final Report of the Independent Review Panel on the Review of the Evaluation Function of the IDB Group (document XR-23). This report was the final product of the Independent Review Panel on the Review of the Evaluation Function of the IDB Group, whose terms of reference were approved by the Board of Executive Directors on 26 July 2017 (document RE-510-4). It focused on the Office of Evaluation and Oversight (OVE) and its independent evaluation function, taking into account the IDB Group's overall evaluation system, and more specifically the interactions between OVE, Management (the Office of Strategic Planning and Development Effectiveness (SPD) of the IDB), and the Board of Executive Directors (through the Policy and Evaluation Committee).

To advance the follow-up of the Panel's recommendations, several actions were undertaken, as summarized below:

- a. At the Committee's 30 August informal meeting, during the preliminary presentation of the comments by OVE and SPD on the Panel's recommendations, the Committee asked these offices to move forward the preparation of their respective action plans to respond to these recommendations. On 5 November 2018, OVE and SPD presented their action plans (documents RE-531 and GN-2936, respectively). The Committee members considered the proposed actions to be practical, reasonable, and in line with the Committee's prior discussions. OVE and Management updated the Committee on the implementation status of the recommendations at the 14 March meetings (documents RE-531-3 and GN-2936-1, respectively). The Committee members expressed satisfaction with the progress made to that date and expressed interest in continuing to monitor the actions in progress. Lastly, the Committee considered it prudent to complete the actions in 2019 so as to comply with the Panel's recommendations.
- b. Regarding the recommendation on strengthening the policy framework of the Bank's independent function (recommendations 16(a) and (b) of the Committee's internal list; paragraph 110 of the report), and as the outcome of various Committee meetings and the work of OVE in coordination with IDB and IDB Invest Management, on 20 June 2019 the Policy and Evaluation Committee, meeting in joint session with the Committee of the Board of Executive Directors of the IIC, considered the IDB Group Evaluation Policy Framework document (document CII/RE-52-1, RE-538-1). On 2 July 2019, the Committees agreed to

recommend that the Boards of Executive Directors of the IDB and IDB Invest approve a revised version of said document, incorporating the Committees' suggestions. The joint report of the Committee Chairpersons (document RE-538-4, CII/RE-52-4) contains the background and details of the Committees' deliberations on this matter. Based on the interest expressed by a number of chairs that OVE's mandate include the evaluation of IDB Lab activities, and pursuant to the guidance given by the IDB's Legal Department, the Chairpersons of the Committees agreed to transmit this request to the Manager of IDB Lab.

- c. Concerning the recommendation to strengthen oversight of OVE by the Policy and Evaluation Committee and/or the Board of Executive Directors (recommendations 17(a) and (b) on the list; paragraph 111 in the panel report), although the Committee members agreed that it was not necessary at present to adjust the Committee's terms of reference, composition, or functioning, they felt that several actions specified in the recommendations could be implemented in short order (as had been the case), while others might require further reflection by the Committee (since dialogue had been initiated for some of the recommendations).

Lastly, on 2 July 2019, the Committee Chairperson submitted to the Board of Executive Directors her report (document XR-23-3) on the 24 June update she provided to the Committee on the implementation of the Panel's recommendations. On this point, it was noted that, as part of its forthcoming work program, the Committee would continue to give periodic updates on the implementation status of the recommendations of the aforementioned report and the actions defined by OVE, Management, and the Committee/Board of Executive Directors to strengthen the Bank's evaluation system.

Interaction with the Office of Evaluation and Oversight

OVE's Proposed Work Program and Budget

The Policy and Evaluation Committee of the IDB and the Committee of the Board of Executive Directors of the IIC met on 8 November 2018 to consider the OVE's Proposed 2019-2020 Work Program and Budget (document CII/RE-46, RE-532). The Committees expressed support for OVE's proposed work program and budget for 2019. Several Executive Directors welcomed revising the scope and approach of country program evaluations (CPEs), to increase their impact and relevance in the country strategy preparation cycle. They also urged OVE to streamline the sequencing of CPEs to allow room for thematic, sector, and corporate evaluations. The Committees perceived favorably the list of sector and thematic evaluations for 2019, and several Executive Directors appreciated OVE's attempt to incorporate into its program the opinions of the different chairs.

Following the joint meeting, a revised version of OVE's Proposed 2019-2020 Work Program and Budget was submitted for consideration by the Budget and Financial Policies Committee through the streamlined procedure. A joint chair report was issued by the Chairpersons of the Committees recommending that the IDB Board of Executive Directors approve the corresponding amount for the implementation of OVE's 2019-2020 Work Program and Budget, as set out in document RE-532-1, and that the Board of Executive Directors of the IIC approve the corresponding amount for the implementation of OVE's 2019-2020 Work Program and Budget, as set out in document CII/RE-46-1.

OVE Annual Report 2018

At the Committee's 19 February 2019 joint meeting with the Committee of the Board of Executive Directors of the IIC, OVE presented its 2018 annual report (document RE-524, CII/RE-39). The members of the Committees indicated that they were pleased with the content of the report, noting the lessons learned from evaluations in 2018, and they congratulated the team for its close coordination with the Bank's Management and the Board of Executive Directors. The Executive Directors also recognized the OVE team's efforts to implement the recommendations of the independent review panel. The Committees took note of the report.

OVE also distributed the following documents to the Policy and Evaluation Committee and the Committee of the Board of Executive Directors of the IIC for information: Summary of Activities for the IDB Group. January–June 2018 (document RE-533) and July–December 2018 (document RE-533-1).

Update to the Institutional Strategy

The document "Update to the Institutional Strategy. Development Solutions that Reignite Growth and Improve Lives" (document CII/GN-378-2, GN-2933-2), was the result of joint work by the Management teams of the IDB, IDB Invest, and IDB Lab, and a wide-ranging process of consultations and deliberations with the Executive Directors, including five technical briefings (between June and September 2018), one informal meeting of the Committees (25 October 2018), three formal meetings of the Committees (15 November and 13 December 2018, and 17 January 2019), and multiple bilateral meetings between Management and the various constituencies.

The members of the Committees expressed satisfaction with the document presented, acknowledging the progress since its initial version, and the proper balance achieved in its structure, content, and length. They also appreciated Management's efforts in listening, incorporating, and harmonizing the inputs provided by the Executive Directors during the deliberations, allowing them to build consensus around the document. The Committees also valued the wide-ranging process of consultations during the document's preparation, as well as the open, constructive dialogue between the Committee members and Management.

Through a Chairpersons' report (document GN-2933-4, CII/GN-378-4), the document was submitted to the Boards of Executive Directors of the IDB and IIC, requesting that they authorize its transmittal to the Annual Meeting of the Boards of Governors for consideration and approval. On 7 February 2019, the Board of Executive Directors of the IDB authorized the document's transmittal to the Board of Governors.

Modernization of the IDB Environmental and Social Policies

The Policy and Evaluation Committee of the Board of Executive Directors of the IDB and the Committee of the Board of Executive Directors of the IIC held a joint meeting on 11 October 2018 to consider the Environmental and Social Safeguards Evaluation (document CII/RE-36-1, RE-521-1) and Management's comments on each of the proposed recommendations found in document CII/RE-36-2, RE-521-2. The Committees supported OVE's recommendations and recommended that the Boards of Executive Directors ask IDB and IDB Invest Management to move forward with implementation of the recommendations. On 7 December 2018, at an informal meeting with the Committee of the Board of Executive Directors of the IIC, IDB and IDB Invest Management presented to the Committees their respective road maps for implementation of OVE's recommendations. In this context, IDB Management proposed updating the IDB's environmental and social policies by year-end 2020. On 15 April 2019 the Management teams of the IDB and IDB Invest updated the Committees on the progress made in their respective road

maps, and on 23 April IDB Management gave a presentation on the technical inputs to the policy modernization process.

The Policy and Evaluation Committee met on 14 June 2019 to consider the document “Modernization of the Environmental and Social Policies of the IDB. Policy Profile” (document GN-2965). The Committee welcomed Management’s proposal, which would incorporate the environmental and social policies into a new integrated Environmental and Social Policy Framework (ESPF), aligned with good international practices and standards on environmental and social issues. Executive Directors pointed up the rigorous process that Management had initiated to prepare the ESPF, and congratulated the team on the excellent quality of the document, as well as the wealth of information it had been provided in the Committee’s previous meetings and the bilateral meetings. The Committee members acknowledged the complexities of that process and the ambitious schedule for completing it.

Overall, the members of the Policy and Evaluation Committee expressed support for the guiding principles that would steer the process of modernizing the policies and for the proposed architecture of the new policy framework, which included the policy statement and 10 technical standards for environmental and social risk management. Nevertheless, the members felt it was necessary to spell out certain aspects of the proposal. With a view to including Committee members’ comments and suggestions in the Policy Profile, Management distributed a revised version of the document (document GN-2965-1) for consideration by the Committee under the streamlined procedure. No additional comments were received during the review period. In view of the foregoing, a report of the Committee Chairperson was issued on 2 July 2019, recommending that the Board of Executive Directors approve the document “Modernization of the Environmental and Social Policies of the IDB. Policy Profile. Revised version” (document GN-2965-1).

Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank. Third revised version, and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank

The Policy and Evaluation Committee held an informal meeting on 20 May 2019 to learn about the background and changes proposed by Management to the Bank’s procurement policies in effect since 2011 (documents GN-2349-9 and GN-2350-9) and a formal meeting on 28 May to consider the proposed amendments to the Policies for the Procurement of Goods and Works Financed by the IDB and the Policies for the Selection and Contracting of Consultants Financed by the IDB (documents GN-2349-10 and GN-2350-10).

The Executive Directors agreed with the proposal presented by Management and with the changes that the team reported it would make to the documents as a result of bilateral consultations with various chairs after the informal meeting. In this regard, the Committee requested that a revised version of the documents be distributed for consideration by streamlined procedure. As a result of an interruption of the streamlined procedure at the request of one of the Executive Directors, on 21 June 2019 the Committee met to consider a second revised version of the documents (documents GN-2349-12 and GN-2350-12). The Committee members favored the changes presented and, in light of comments from Executive Directors, the Committee asked the Bank’s Management to notify the Board of Executive Directors in advance of its intent to amend a policy or initiate a public consultation process, whether by written communication or technical briefings. Several Executive Directors also asked for this issue to be included in the Committee’s work plan so that the Executive Directors could discuss at more length whether it

was a good idea to review the Bank's procedures for the reformulation of policies and conduct of public consultations.

On the basis of the deliberations, a report of the Committee Chairperson was issued recommending that the IDB Board of Executive Directors approve the proposed amendment to the Bank's procurement policies as set forth in section III of documents GN-2349-10 and GN-2350-10, and the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank. Third revised version (document GN-2349-13) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank. Third revised version (document GN-2350-13).

Update of the Strategy for Strengthening and Use of Country Systems

On 3 August, Management distributed the report on the progress of the Strategy for Strengthening and Use of Country Systems. Progress Report and 2017 Results (document GN-2538-24).

The Policy and Evaluation Committee met on 24 June 2019 to consider the Update of the Strategy for Strengthening and Use of Country Systems (document GN-2538-28). The Committee expressed satisfaction with the strategy update through 2023, citing the addition of new indicators and principles, the promotion of innovation, and the approach in countries with less developed country systems. The Committee members also welcomed the Bank's leadership in the evaluation of country systems in the region.

In view of the foregoing, a report of the Committee Chairperson was issued on 2 July 2019, recommending that the Board of Executive Directors endorse the recommendations contained in Section VIII of document GN-2538-29 regarding the strategy update and new indicators for the objective measurement of its expected results and targets to be achieved by 2023.

Modifications to Strategies, Policies, Sector Frameworks and Guidelines at the IDB

On 6 September 2018, the Committee discussed the Proposed Modifications to Strategies, Policies, Sector Frameworks and Guidelines at the IDB: Improvements to the Sector Framework Documents (GN-2670-3). At an informal meeting of the Committee on 28 June, Management had presented the proposed modifications on a preliminary basis in order to get the Executive Directors' input, which was considered during preparation of the formal proposal presented to the Committee.

The proposed improvements to the sector framework documents were the culmination of nearly six years of experience by Management in preparing these documents, input provided by the members of the Committee during deliberations on these documents, and lessons learned in the implementation and dissemination of the sector approach provided by these documents for operations work and knowledge generation at the IDB Group.

The Committee members welcomed the proposed changes to the structure and frequency of presentation of these documents, as well as the incorporation of text to clarify the role of IDB Invest and the MIF (now IDB Lab) in preparing them. The Committee also indicated its agreement with the updated list of sectors for which sector framework documents would be prepared in the next cycle and with the revised scope of several existing sector framework documents. The Vice President for Sectors and Knowledge confirmed that the points made by the Committee members at the meeting would be taken into account in preparing future sector framework documents.

Since 1 July 2018, the Committee has discussed the following sector framework documents: (i) Climate Change (document GN-2835-8, at the 6 September 2018 meeting); (ii) Environment and Biodiversity (document GN-2827-8, at the 2 October 2018 meeting); (iii) Fiscal Policy and Management (document GN-2831-8, at the 18 October 2018 meeting); and (iv) Early Childhood Development (document GN-2966, at the 17 June 2019 meeting). At these meetings Management took note of the comments from the Committee members, which were considered in the preparation of the final versions of the sector framework documents, and approved by the Operations Policy Committee of Management.

Follow-up on development effectiveness processes

Development Effectiveness Overview 2017

The Policy and Evaluation Committee of the IDB and the Committee of the Board of Executive Directors of the IIC met jointly on 31 July 2018 to discuss the Development Effectiveness Overview 2017 (document CII/GN-376, GN-2928). The members of the Committees welcomed the Development Effectiveness Overview and said they were pleased that the development effectiveness outcomes of the IDB Group had been consolidated into a single document. The Committees took note of the report and asked Management to take the Executive Directors' comments into account when preparing future reports.

At the suggestion of the Committee members, on 16 May 2019 a technical meeting was scheduled at which Management explained OVE's Evaluation Recommendation Tracking System (ReTS) and self-evaluation portal.

OVE's Review of 2017 Project Completion Reports and Expanded Supervision Reports. Revised version

The Policy and Evaluation Committee of the IDB and the Committee of the Board of Executive Directors of the IIC met on 5 November 2018 to consider OVE's Review of 2017 Project Completion Reports and Expanded Supervision Reports (documents CII/RE-45, CII/RE-45-1, RE-530, RE-530-1). The members of the Committees acknowledged the tremendous strides that had been made in the IDB Group's project evaluation system and expressed agreement with all of OVE's recommendations, stressing the importance of training teams in the application of the project self-evaluation guidelines and promoting the preparation of timely, quality reports. In light of the foregoing, I recommended that the Executive Directors ask Management to implement the recommendations contained in document CII/RE-45-2, RE-530-2.

Independent Consultation and Investigation Mechanism

MICI 2019 Work Program, Proposed Budget, and activity reports

The Policy and Evaluation Committee of the IDB and the Board of Executive Directors of the IIC met on 8 November 2018 to consider the 2019 Work Program and Proposed Budget of the Independent Consultation and Investigation Mechanism (MICI) (documents CII/MI-18 and MI-80). The members of the Committees expressed firm support for the MICI's 2019 work program and proposed budget. The Executive Directors highlighted the importance of the MICI's mission and focus on internal and external dissemination and the generation of knowledge products in the year ahead. Following the joint meeting, the MICI's proposed 2019 work program and budget were submitted, via streamlined procedure, for consideration by the Budget and Financial Policies Committee. A joint chair report was issued recommending that the Board of Executive Directors

of the IDB approve the amount stipulated for executing the MICI's 2019 work program and proposed budget, as set forth in section IV of document MI-80, and that the Board of Executive Directors of the IIC approve the amount stipulated for executing the MICI's 2019 work program and proposed budget, as set forth in section IV of document CII/MI-18.

On 13 September 2018, the MICI team submitted the Activity and Financial Quarterly Report. Second Quarter 2018 (document MI-75-1, PP-902) for consideration by the Policy and Evaluation Committee of the IDB and the Committee of the Board of Executive Directors of the IIC. The Committees took note of the report and offered suggestions for future reports, which were noted for the record in the meeting's summary of deliberations

The MICI also distributed the following documents to the Policy and Evaluation Committee and the Committee of the Board of Executive Directors of the IIC for information: MICI's Activity and Financial Quarterly Report for the second, third, and fourth quarters of 2018 (documents MI-75-1, MI-75-2, MI-75-3) and for the first quarter of 2019 (document MI-83), MICI 2017 Annual Report (document MI-77), and MICI Annual Report 2018 (document MI-86).

MICI Verification Reports

On 2 November 2018, the Committee considered the Compliance Review Report for loans 2316/OC-PR, 2419/OC-PR, and technical cooperation ATN/OC-14762-PR for the project "Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices" (documents MI-58-7, PR-3597-9). The members of the Committee supported the seven recommendations presented by the MICI. Also, the Committee asked Management to prepare an action plan for implementation of the MICI's recommendations, in view of the fact that the operation was still in the execution stage, and that the MICI prepare a monitoring plan. A report of the Committee Chairperson was issued on 6 December 2018, recommending that the Board of Executive Directors approve implementation by Management of the recommendations set forth in document MI-58-7, PR-3597-9.

Management's actions to address MICI report recommendations

On 2 November 2018, Management presented to the Committee the summary of Management Actions to Address MICI Report Recommendations (audiovisual presentation PP-915).

Management distributed the following documents for the Committee's information: Final Report on IDB Management's Actions to Address MICI Compliance Review Report Recommendations on São José dos Campos Urban Structuring Program (loan contract 2323/OC-BR, document MI-21-9); Final Report on IDB Management's Actions to Address MICI Compliance Review Report Recommendations on Mareña Renovables Wind Project (loan contract 2644/OC-ME, document MI-32-13); Final Report on IDB Management's Actions to Address MICI Compliance Review Report Recommendations on El Dorado International Airport Project (loan contract 2477/OC-CO, document MI-23-11); and Final Report on IDB Management's Actions to Address MICI Compliance Review Report Recommendations on Drainage in the Municipios of La Paz and El Alto (operation BO-L1028, document MI-44-10).

Access to Information Policy

Appointments of Members of the External Panel

The Bank's Access to Information Policy (document GN-1831-28) includes a review mechanism for cases of requesters who are denied access to information, comprising two bodies: (1) an

interdepartmental Access to Information Committee, and (2) an External Panel serving as the second stage of review. This panel is composed of three members proposed by the President of the Bank and approved by the Board of Executive Directors (document GN-1831-32).

On 31 July 2018, the Committee considered Management's proposal for the renewal of the appointment of Ximena Abogabir Scott and Mauricio Merino Huerta as members of the Access to Information External Review Panel, for one-time extensions of 18 months and 12 months, respectively, both as of 1 November 2018 (document GN-2672-4). The objective of these changes was to allow a staggered transition of functions between the current and future members of the External Review Panel. The Committee members expressed their agreement with the proposal and, with a view to future appointments, made the following suggestions: (i) maintain staggered appointments for future External Review Panel members; (ii) submit proposals for External Review Panel member nominations and renewals to the Board sufficiently in advance; and (iii) ensure the inclusion of criteria of diversity and regional balance in the process for selecting future members of the Panel.

On 27 September 2018, Management distributed to the Committee document GN-2672-6 to inform of the selection process and criteria for the person to take up the position left vacant by panel member Toby Mendel on 30 April 2019. At the 18 April 2019 meeting, Management communicated to the Committee that the President of the Bank, based on the recommendation of the Technical Selection Panel, recommended proposing that the Board approve the appointment of Catalina Botero as member of the Access to Information External Review Panel for a three-year term to begin on 1 May 2019 (document GN-2672-7). The Committee members expressed their agreement with Management's proposal and interest in learning more and improving the procedure for the selection of members of the External Review Panel.

Responding to the comments of Committee members, the Committee Chairperson suggested that Management, in its forthcoming report on the implementation of the Access to Information Policy, address the issues raised by the Executive Directors regarding the External Review Panel and take into account the suggestions made by the Committee on the process of appointment of future members.

Other business

Progress Report on Mobilization Instruments since Mendoza

The Policy and Evaluation Committee and the Committee of the Board of Executive Directors of the IIC met jointly twice, informally on 19 February and formally on 7 March 2019, to consider the "Progress Report on Mobilization Since Mendoza: Options to Do More at the IDB Group". At the 2018 Annual Meeting of the IDB Group in Mendoza, Argentina, the Boards of Governors of the IDB and the IIC had instructed Management "to explore new instruments enabling greater mobilization of resources in the context of the financing that the IDB and the IIC provided to borrowing member countries, thus leveraging these institutions' own resources and identifying options aimed at achieving greater mobilization of additional private resources" (document AB-3176-1). Management's report reviewed activities undertaken by the IDB Group to mobilize more private financing and explore different options for increasing the mobilization potential of some of its instruments.

Looking ahead to the work to be done after the Annual Meeting, some Committee members identified topics they would like to look at more closely in the analysis of the different instruments, e.g., the risks involved, their viability, the multiplier effect, the pros and cons of each, the potential for coordination with other multilateral development banks, potential demand, and how new donors were expected to be reached. They also expressed interest in a broader discussion of the IDB Group's mobilization strategy.

A joint report of the Chairperson of the Policy and Evaluation Committee and Chairperson of the Committee of the Board of Executive Directors of the IIC was issued on 13 March 2019, recommending that the respective Boards of Executive Directors approve the transmittal of the Progress Report on Mobilization Instruments Since Mendoza (document CII/GN-385-1, GN-2943-1) to the Boards of Governors of the IDB and the IIC for discussion at the Annual Meeting.

Implementation Progress on the IDB Group Climate Change Action Plan

On 4 February 2019, the Policy and Evaluation Committee and the Committee of the Board of Executive Directors of the IIC met to jointly consider Management's report on Implementation Progress on the IDB Group Climate Change Action Plan (document CII/GN-315-5, GN-2848-5). At the April 2016 Annual Meeting of the Boards of Governors of the IDB and the IIC in The Bahamas, the Governors endorsed the goal of increasing the financing of climate-change-related projects in Latin America and the Caribbean to 30% of the IDB's and IIC's combined total approvals of loans, guarantees, investment grants, technical cooperation, and equity operations by 31 December 2020, subject to demand from borrowing member countries and clients and access to external sources of concessional financing.

The members of the Committees expressed satisfaction with the progress made thus far by the IDB Group toward the financing goal for climate-change-related projects and congratulated Management on advancing the indicators of the IDB Group's Climate Change Action Plan. They also noted how the institutional culture and structure of the IDB Group had changed in recent years in relation to climate change. The Committees took note of the information provided by Management regarding implementation progress on the IDB Group Climate Change Action Plan and expressed interest in monitoring the progress of the Climate Change Action Plan.

Conclusion

I wish to thank the members of the Committee for their contributions and proposals for the development of a complex and ambitious agenda that helped strengthen the Bank's policy framework and evaluation function. I would also like to acknowledge the spirit of cooperation that has always guided our discussions. I wish to extend my special thanks to Management, OVE, and the MICI for their valuable collaboration, which has helped ensure that the Committee successfully fulfills its mission.

I would also like to thank the Secretariat team for its support in the management of the Committee's business, and particularly Pedro Auger, Marcos Chiliatto, Miguel Empis, and the rest of the team.