

IDB-9 Civil Society Issue Brief 1 - Managing for Development for Results

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Development results, rather than effort, distinguish the IDB from a commercial bank. However, the IDB lacks a system for results management that values evidence, which impairs the necessary functional shift from project finance toward knowledge transfer. The IDB-8 Agreement called for “systematic assessment of the effectiveness of Bank development policies, of the results of Bank financed activities, and related processes.”¹ Despite other recent mandates to enhance its development effectiveness systems, the IDB continues to emphasize the volume and speed of annual lending of quality.

Despite a half century of development lending and an unprecedented capital replenishment in 1994 that was contingent upon catalyzing a lasting decline in poverty and inequality, the IDB has been unable to achieve these milestones. Although the number of poor has grown more slowly than the total population, today there are more than twice as many people living in poverty than 50 years ago. Poverty and inequality are scourges that afflict more than 200 million people in the region, and children, women, and the elderly continue to be the most vulnerable.²

IDB performance in other IDB-8 mandates, such as regional integration, has been equally disappointing. Nearly a decade of support for two regional infrastructure initiatives (IIRSA and PPP) have produced little in terms of deep economic integration and regional competitiveness, while triggering intensified land invasions, unsustainable land uses, steady biodiversity loss, conflict and deforestation.³ The IDB lacks adequate sustainability criteria for ranking IIRSA infrastructure projects and is therefore contributing to these risks.⁴ The Bank is providing almost no relevant sector analysis or capacity building to key institutions at the forefront of Amazon development policy.

The corporate performance indicators for the 8th replenishment and subsequent operations indicators were neither sufficiently rigorous nor matched by accountability systems that now permit a satisfactory evaluation of IDB effort and more importantly, achievement.

In April of 2003, the Office of Evaluation and Oversight (OVE)⁵ reported a **wholesale breakdown in the IDB’s supervision system, such that even IDB minimum standards of oversight were not being met.**⁶ Subsequent OVE evaluations have pointed to the continued poor quality of economic analysis, the decline in sector analytic work, a scattered and unaccountable system of technical cooperation, the lack of a functioning information system, and missteps in efforts to rebuild a development effectiveness framework.⁷ Most corporate performance indicators proposed by the Strategic Planning and Development Effectiveness (SPDE) unit focused on internal rather than external dimensions of IDB activity. Many OVE recommendations toward strengthening overall results management systems have been ignored.

¹ AB-1704, Pgh 2.100.

² Address by Noel Aguirre Ledezma, Minister of Planning and Bolivian Governor to the IDB Annual Board of Governor’s Meeting in Medellin, Colombia, March 30, 2009.

³ IDB Office of Evaluation and Supervision (April 2008) Evaluation of IDB Action in the South American Regional Infrastructure Integration Initiative (IIRSA) and forthcoming OVE Evaluation of Plan Puebla Panamá (PPP).

⁴ IDB-OVE IIRSA Evaluation, Op Cit.

⁵ OVE is an “independent” arm of the IDB that reports directly to the Board and seeks in its research to take an objective evaluator’s look at IDB activities.

⁶ IDB-OVE (2004) “The Project Supervision System: An Evaluation of use of its instruments,” (Report RE-293: <http://www.iadb.org/ove/RE-293-e.pdf>; and Seth Nickinson (2004) “Disintegration in the IDB’s Costly Supervision System,” InterAction. Washington, D.C.

⁷ IDB-OVE (September 2008) “The Evaluation of the New Lending Framework, 2005-2008,” Report RE-342-1, www.iadb.org/ove (CH. IV Mobilization of Analysis and Knowledge).

A mismatch exists between development challenges in Latin America and the supply of Bank analytical work. Inequality, to take one example, may constitute the principal obstacle to effective development yet the Bank devotes little systematic and problem solving analysis to this topic. Yet other boutique issues for which the Bank has virtually no comparative advantage in terms of value provided to Latin America are sustained with little empirical justification.

The IDB-8 GCI noted problems with IDB technical cooperation. More recently, OVE found that far too many IDB technical cooperation projects still produced little significant difference in loan quality, lacked results frameworks and failed to transfer adequate expertise to executing agencies. The Bank's realignment emphasis in client demand only exacerbates the problem, feeding a "powerful 'political economy' governing technical cooperation activities, with numerous groups and institutions that benefit from the current pattern."⁸

A recent review of 25 IDB and World Bank funded projects in various sectors across Latin America demonstrated the gap between the design quality of similar loans and provided strong indications that the IDB operations fall far short of its rhetoric on accountability.⁹ From the scarcity of novel accountability mechanisms to weak information disclosure and evaluation components, IDB loans were designed with far weaker built-in accountability than similar World Bank loans.

While the 2007 creation of a SPDE unit indicates a strengthening of these functions, many questions remain regarding the specific corporate goals and how accountability for meeting those goals will avoid the pitfalls of the last replenishment. The realignment mandate to shorten loan preparation without reciprocal investments in the project results frameworks has exacerbated noted problems with operation quality. Not unlike other core quality functions, lack of confidence in IDB commitments has contributed to over 25% of the available positions in SPDE remaining unfilled due to limitations in acquiring the necessary talent.

As SPDE prepares the new institutional strategy for IDB-8 GCI, the Bank has an opportunity to ensure the appropriate normative framework rooted in externally relevant and publicly validated performance indicators that move the IDB from unaccountable project finance intermediary to knowledge bank.

To this we recommend that the IDB:

Conduct a **full, independent performance review** that assesses compliance with the 1994 replenishment conditions and encompasses objectives of the 2007 institutional realignment as a pre-requisite to any informed debate about a 9th Capital Increase. To ensure independence of this review, an outside facilitator should be contracted under the guidance of the IDB Executive Vice-President. The external facilitator should have the authority to organize and then convene the direct participation of civil society. The results of this independent review should outline concrete steps to overhaul the IDB's results delivery system. This should include the establishment of meaningful corporate performance indicators, **reorganization and strengthening of the internal performance evaluation function**, which should extend to the earmarking of funds, as well as to periodic external assessments.

Management Commitment: Quarterly business unit manager accountability meetings convened by the IDB Executive Vice President should include recommended indicators and some public reporting of the

⁸ IDB-OVE Op cit., pgh 4.99, pg. 103.

⁹ Bank Information Center (2009) Accountability and Participation at the World Bank & IDB. <http://www.bicusa.org/en/Article.11081.aspx>

results. Corporate Performance Indicators should consist of a balance between internal and external performance indicators that should prioritize the following issues:

- **Equity Enhancement and Poverty Reduction** – The 1994 replenishment targets (Poverty Reducing PTI and Social Equity Enhancing SEQ Operations) were largely input or lending targets. PTI and SEQ outcomes were not systematically measured, with the exception of impact evaluation of some illustrative cases. If poverty reduction and equity are maintained as Bank objectives, more rigorous methodologies are required to demonstrate attribution and effectiveness.
- **Sustainability** – All operations, divisions and Vice-Presidencies should measure and report the carbon footprint and biodiversity impact of all operations, but especially IIRSA, oil and gas and energy operations. A composite indicator for both types of impact should be reported for the IDB annually.
- **Knowledge Generation and Transfer** – OVE/SPDE should propose and seek public validation for composite indicators of knowledge generation and transfer that include internal and external publication citations, operation quality upon entry, web visits, etc.
- **Institutional Capacity Strengthening:** To leverage this IDB comparative advantage, OVE/SPDE should propose and seek public validation of composite performance indicators that balance several aspects of analytical service delivery, including quality vs. speed, upstream, long-term, concentrated and evaluability.
- **Accountability:** To align rhetoric with practice, the IDB should include a composite accountability indicator as part of quality upon entry scoring that is based on concepts outlined in the BIC study.¹⁰

Vice President level Balanced Scorecards should be expedited and publicized. Backtracking by the Board and Management on initial commitments, the prior decision to disclose Vice President Balanced Scorecards and some synthesis of quarterly business reports were reversed. No external accountability exists on the Balanced Scorecard system. The IDB Board should reach a consensus on the appropriate indicators and publicize Corporate Balanced Scorecard. Public disclosure of these accountability instruments should be mandated.

Reverse the Decline and Reorient the Focus of Sector Analysis: The IDB's level and quality of sector analysis in the preparation of Country Strategies and Operations has declined.¹¹ In part driven by goal of reducing project preparation time and despite the establishment of a Vice Presidency of Sectors and Knowledge, the investment in sector-wide analysis been sacrificed and has continued to decline. The IDB should propose a knowledge strategy that outlines institutional objectives and compliance mechanisms. This strategy and these objectives should be consistent with a problem solving approach toward achieving corporate performance indicators and which emphasize a quality controls process that requires utilization tracking.

Break the political economy of ineffective technical cooperation. Following advice provided by OVE, the Bank should seek long-term engagement with country problems, and use technical cooperation (and all analytical work) to propose new approaches and evaluate the results of these experiments. The Bank should re-examine the past proposal to create a Fund for Technical Cooperation (FONTEC) from IDB-8 to improve the strategic focus of TC and the reasons why FONTEC was never implemented.¹²

¹⁰ BIC (2009) Accountability and Participation at the World Bank & IDB.
<http://www.bicusa.org/en/Article.11081.aspx>

¹¹ IDB-OVE (September 2008) "The Evaluation of the New Lending Framework, 2005-2008," Report RE-342-1, www.iadb.org/ove (especially Ch. IV Mobilization of Analysis and Knowledge).

¹² IDB-OVE (2008) Op cit., pgs. 102-103.

Strengthen Development Effectiveness and Evaluation Functions (SPDE, OVE)

- **The Office of Supervision and Evaluation** has performed well given limited resources and authority to strengthen the learning function of Bank operations. Despite repeated, significant concrete recommendations to improve the Bank's system for managing development results, the advice of OVE has frequently been circumscribed or ignored by Management. The IDB should **double the budget and staff for OVE** and scale up the annual work plan to encompass the additional analytical products outlined in this brief and relevant OVE reports. The Board should consider measures to reduce accountability loopholes regarding OVE recommendations.
- **The Strategic Planning and Development Effectiveness (SPDE):** Despite an increase in staff (although 25% of the available positions remain vacant), SPDE's quality control and compliance functions could be further strengthened by a mix of obligatory and voluntary measures. Central to strengthening SPDE is the formulation of ambitious, meaningful and externally accountable corporate performance indicators. SPDE overall effectiveness should be evaluated as part of the realignment evaluation identified above.

Improve the Quality and Frequency of Monitoring and Evaluation instruments:

- Incentives/Sanctions for Better Quality upon Entry of Operations
- Raise Frequency/Quality of Project Evaluations on par with World Bank
- Public disclosure of progress on benchmarks for Results Management Systems implementation
- Annual Development Effectiveness Reports
- Bi-Annual Sustainability Evaluation (rather than descriptive report)

Suspend participation in IIRSA and PPP until additionality is analyzed and validated. IIRSA is irreconcilable with a number of the Bank's stated principles of participation and sustainability and presumably with performance indicators contemplated in the new institutional strategy.¹³ As currently designed, IIRSA contradicts the stated intention of the Bank to offer leadership on climate and forest policy in the Amazon region with its new institutional strategy. The IDB mandate to participate in IIRSA expires in 2010. The participation of the IDB in IIRSA should be suspended and reviewed until the scientific and policy critiques of the initiative can be resolved.

Strengthen a Latin American Knowledge Repository: The IDB should revive support for the MECOVI grant program to harmonize and strengthen national household survey programs as the basis for ensuring that effective data generation makes future results management possible. The IDB should condition support for MECOVI on a commitment by participating governments to make datasets available to the public through a research consortium that is accessible to member universities and private sector organizations.

Provide Internal Incentives for Quality: Quality analytical services will require a change in the Bank's incentive structure. Recognition and reward programs should be established and a Fiduciary Fund for Impact Evaluation (similar to the Spanish Trust Fund for Impact Evaluation at the World Bank) should be created to foster quality improvements in all aspects of Bank knowledge services.

Risk Management: Transparent discussion and explanation of any new weighted risk management strategy should provide clear rationale for lifting a 10% ceiling on private sector lending. While placing 10% limit on private sector lending is a crude way to manage risk (assuming 10% portfolio losses and still maintain AAA status) any rationale for lifting this ceiling should involve a clear explanation of the

¹³ See BIC IIRSA analysis, www.bicusa.org/iirsa.

balance between sovereign-guaranteed and non-sovereign guaranteed lending and specify a role for SPDE and OVE in evaluating and disclosing periodic evaluations of the Risk Management Unit performance.

Facilitate Greater Civil Society Participation: The IDB should immediately launch a program to inform and engage civil society in the GCI process. As an initial step toward a full review of the Bank's disclosure policy upon completion of the GCI review,¹⁴ the Bank should establish a **web page** devoted exclusively to the GCI process and disclose Bank documents that are fundamental to public accountability. *Secondly*, the Bank should activate a **GCI consultation plan** on the institutional strategy.

Establish Policy for public consultation for projects. The Bank should specify and approve a consultation policy for all projects that guarantees the effective participation of affected populations in key decision making in all stages of the project cycle.

Approval of a newly reformed Independent Consultation and Investigation Mechanism (ICIM): A reformed ICIM should be approved that is more user-friendly and effective for affected communities, is transparent in its operations and decision making and ensures independent management.¹⁵

Key Documents to be disclosed include

- Kucynski Commission Report on LAC MDB demand analysis
- IDB 2009 short-term Capital Adequacy Analysis (Medellin Resolution)
- FSO Country capital allocation strategies (Medellin Resolution)
- Draft Institutional Strategy (Medellin Resolution)
- Initial Realignment Document (GA-232) and Progress Reports
- GN-2480 "Corporate Performance Framework" (April 24, 2008)
- GN-2473-1 "Development Effectiveness Framework for SCF Projects," March 2008
- GA-238-6 "Rules for Coordinating Resource Allocation for the Bank's Operational Program" (June 2008)
- OVE Report RE-329 Realignment Performance Framework
- New Operations Framework (NOF) that outlines goals for building capacity for country systems approach in five sectors: Procurement, Financial sector, Statistics, Environment, Evaluation
- Relevant Board Minutes

Amazon Watch (United States)

Bank Information Center (United States)

Both ENDS (The Netherlands)

Center for International Environmental Law (CIEL, United States)

Centro de Derechos Humanos y Medio Ambiente (CEDHA, Argentina)

Environmental Defense Fund (United States)

M'Bigua Ciudadanía y Justicia Ambiental (Argentina)

Instituto Latinoamericano de Servicios Legales Alternativos (ILSA, Colombia)

Oxfam America (United States)

¹⁴ Consistent with a civil society proposal to improve World Bank commitments to transparency in an ongoing review, the IDB should commit to a full review of its own disclosure policy should establish a disclosure system that incorporates a genuine 'right of access' principle with concrete mechanisms to put it into effect. See BIC and Global Transparency Initiative analysis of the current World Bank Disclosure Policy Review, <http://www.bicusa.org/en/Issue.47.aspx>

¹⁵ CIEL (June 23, 2006) Comments on the IDB's April 29, 2009 Draft Independent Consultation and Investigation Mechanism