

Considerations for an EBRD GCI

Flexibility in Balance Sheets

- Consider alternatives that could provide temporary capital (e.g. subordinated debt).

Achieve Results and Show Innovation

- Preserve the agreement to graduate the EU7, though show flexibility on timing in allowing it to be pushed into the CRR4 period (was to be completed by the end of 2010).
- Develop and implement EBRD strategy to further develop local currency lending and local capital markets.
- Enhance evaluation of project results.
- Greening the EBRD:
  - Build upon EBRD's successful Sustainable Energy Initiative to lower the greenhouse gas emissions trajectories of its client countries while enhancing access to affordable energy services;
  - In coordination with other international organizations (e.g. other MDBs, UNFCCC, GEF), develop a best practice protocol for greenhouse gas accounting that will enable EBRD to track its performance.

Sufficient Focus on the Poorest

- Develop policy on use of net income for policy-related technical assistance, market development and project development with priority to early-stage transition countries.

Good Governance and Risk Management

- Restore better risk balance to the portfolio by substantially reducing the single country limit (the recent Russian investment volume has been 35-40%).
- Further strengthen focus on transparency and corporate governance of EBRD clients (e.g. enhanced due diligence in use of offshore financial centers).

Demand-Side Analysis

- Include robust demand assessment in the Capital Resources Review based on normalization of capital flows, continuation of graduation, expansion of support in early stage transition countries, reduction in share to Russia and integration of Turkey.

Clear Division of Labor

- Develop clearer guidelines when cofinancing projects with the European Investment Bank, particularly municipal and infrastructure finance to ensure that EBRD is not being used as a supplemental financing vehicle for EU integration.
- Develop clear guidelines for cofinancing with IFC and division of labor with AsDB.

## **African Development Bank: Reforms for a General Capital Increase**

### Flexibility in Balance Sheets

- Make modifications to headroom ratios to bring the AfDB in line with other MDBs. This could include expanding the definition of useable callable capital, alterations to calculations of the level of liquid asset holdings, and re-thinking how lending limits are calculated.
- Identify potential administrative costs reductions. Adopt loan pricing mechanisms sufficient to support the budget.

### Achieve Results and Show Innovation

- Implement results framework adopted in 2008. Link management performance and incentives to results.
- Implement more systematic monitoring, supervision and evaluation of projects.
- Strengthen links between decentralization strategy and results.
- Evaluate results achieved using resources from previous capital increase.

### Sufficient Focus on the Poorest

- Increase AfDB net income transfers to the AfDF and the Fragile States Facility.
- Increase focus on private sector operations in the poorest countries.

### Good Governance and Risk Management

- Conduct a comprehensive review of the Bank's disclosure policy and practice.
- Improve disclosure of documents on the Bank's external web site.
- Strengthen Bank's risk management and anti-corruption capacity, in line with growth of the Bank's lending portfolio.
- Strengthen implementation of internal controls, particularly with respect to decentralization.
- Review human resources structure, policies, procedures and operations and fully implement performance-based evaluation system.
- Addressing Climate Change: Ensure that "climate proofing" (adaptation) is routinely incorporated into development projects and country strategies. Increase the Bank's focus on helping countries lower the emission trajectories of their power, building and industrial sectors.

### Demand Side Analysis

- Develop credible demand analysis on a country-by-country basis, differentiating between crisis and post-crisis demand and justifying medium-term demand projections.

### Clear Division of Labor

- Confirm areas of the Bank's comparative advantage. Continue to focus Bank work on its strategic priorities -- infrastructure, governance, regional integration, and private sector.
- Articulate differentiation with the IMF and complementarity and cooperation with the World Bank.

## World Bank: Reforms for a General Capital Increase

### Accountability to Stakeholders and Good Governance

- Improve transparency and public accountability to stakeholders by:
  - 1) releasing Board documents publicly *before* Board discussions to allow stakeholders to weigh in;
  - 2) releasing Board minutes which are detailed enough to provide a real sense of the discussion and positions on a timely basis, and
- Develop a system to provide project progress reports that permit recourse for affected parties who are concerned about project implementation impacts.

### Greening the Bank

- Develop implementation plans for provision of public goods in the areas of climate change mitigation and adaptation. The Bank should articulate how it will develop capacity to provide more resources to address climate change and how it will change existing practices that serve to weaken effective delivery of public goods in this area or otherwise offset their impact.
- Develop and implement a strategy to use the World Bank's financial, knowledge and engagement tools to lower the greenhouse gas emission trajectories of its client countries while enhancing access to affordably energy services.
- In coordination with other international organizations (e.g. other MDBs, UNFCCC, GEF) develop best practice protocol for greenhouse gas accounting that will enable the MDB to track its performance in helping developing countries lower their emissions trajectories.

### Show Innovation and Achieve Results

- Develop and implement a strategy for supporting poverty reduction and economic development. The strategy should include how the World Bank will engage on global public goods.
- Build institutional capacity to support the Bank's strategic focus areas, in particular in climate change management, fragile states, and agriculture.
- Create and improve risk mitigation instruments to help countries to respond to crises.
- Revise the Bank's benefits and compensation structure to improve the focus on achieving results, rather than simply making loans, especially in challenging country environments, such as fragile states. This shift must be accompanied by improved project supervision, transparency and oversight, allowing the Board to engage at a more strategic level.

### Sufficient Focus on the Poorest

- Commit to continued transfers of net income in support of its concessional lending arm to further leverage donor resources for the poorest countries.

#### Ensuring Sound Balance Sheets and Effective Risk Management and Budget Practices

- Raise prices sufficiently to cover a larger share of the Bank's administrative budget.
- Align the Bank's budgetary and administrative resources with the institution's strategic focus and with country demand for programming.
- Reorganize staffing and responsibilities to consolidate operating authority within the Bank (e.g., by creating a Chief Operating Officer) in order to better identify and capture resource efficiencies and enable strategic trade-offs.
- Develop and implement tools that permit the Board and the Bank's management to evaluate and make strategic tradeoffs in the Bank's budget.

#### Clear Division of Labor

- Ask the Bank to clearly articulate its comparative advantage *vis-a-vis* the regional banks and other donors, which should be articulated in country strategy documents.

#### Demand-Side Analysis

- Develop capital adequacy scenarios that are underpinned by strong demand side analysis.