The Policy and Evaluation Committee met on 21 January and 1 February 2010 to consider the document “Strategy for knowledge and capacity-building products (KCP) at the IDB” GN-2549, PP-35.

Since its inception, the IDB has acknowledged that providing financial resources to the borrowing member countries is not enough to achieve development results. In this regard, Management’s presentation provided some background on what the Bank’s charter, the Eighth Replenishment, the institutional strategy, the New Lending Framework (NLF), and the realignment document envisaged in this regard, as well as OVE’s recommendations on the programming of KCPs, supervision of analytical work, and dissemination of knowledge products. At the core of those recommendations lies the need to connect the Bank’s analytical work to country development problems. The existence of two analytical perspectives for technical assistance, i.e., operational inputs and nonfinancial products not tied to a loan, added to the multiplicity of technical assistance sources, have been the controlling factors in managing technical assistance, beyond the purpose for which the technical assistance is provided.

The importance of this topic lies in the value countries ascribe to these types of products, their impact in maintaining policy dialogues, and the significant resources the Bank invests in KCPs (US$130 million per year). So far, the Bank has responded by adjusting its structure through the realignment process to link knowledge management and operational work, country focus, and unified management of technical cooperation and trust funds. A new technical cooperation policy and a knowledge and learning strategy are also being implemented. The proposal under consideration would implement a platform converting KCPs into a third core business of the Bank, comparable in importance to sovereign and non-sovereign guaranteed lending. It would do so by including all KCPs under a common operational and accountability framework, independent of their source of funding. Allocation of resources for KCPs would be organized by category, program, and project, and would be subject to evaluation.

The Executive Directors thanked Management for the presentation and voiced several concerns relating to issues including the system of incentives for Bank staff, the countries, and donors; the method of allocating funding resources; coordination with other members of the IDB Group (the MIF and the IIC); and the KCP programming cycles, which could potentially go beyond the proposed two-year programs. The Executive Directors also expressed concerns over expectations as to dependence on income generated by the advisory services program, which should not be overestimated and should create appropriate incentives; the personnel assigned to manage KCPs; and the Board of Executive Directors’ role in approving the amounts for each of the four
categories of KCPs. They also would welcome a presentation on the situation at comparator organizations and how the IDB's work would complement those efforts.

The Committee members requested additional details of the amounts of expenditures for each activity and clarification of whether the proposal sought to expand the scope of action with KCPs or simply to improve the organization of existing efforts. They also requested a further explanation of how the proposal would fit into the Agenda for a Better Bank included in discussions of the Ninth Capital Increase, and the need for clear time horizon in order to move forward in this area. Regarding evaluation of the activities, they cautioned that the exercise should not end up costing more than the technical assistance itself, and requested an annual report to the Board of Executive Directors by category of activity. They also noted that the donors of the different trust funds should be consulted regarding any change in procedures.

At the meeting of 1 February 2010, OVE presented several comments on the document concerning the requirement of principles governing the selection of investments in this area; the need for a clear system to disseminate the knowledge produced; integration of institutional strengthening in KCPs; improvement of information systems to provide access to relevant documentation; the need to make use of existing knowledge contained in the Bank's own documents as reference material; and the need to review the concept of the fees to be applied to certain KCPs, so as to generate adequate incentives for the Bank and its counterparts in the countries given the nature of KCPs as public goods.

In light of the above, several Executive Directors felt that the definition of KCPs should reflect a strategy for how the Bank can generate knowledge that is useful to its development work in the region and to the building of sector capacities in the countries, while taking into account institutional priorities and the country focus. The strategy should also indicate how the KCPs should support private sector activities and include private sector initiatives in this area. The strategy should therefore clearly define the criteria for allocation of resources and not simply reclassify existing activities, perhaps through market mechanisms. It should also include an analysis of all possible funding sources, in which resources from the Ordinary Capital are an option, to be defined through further negotiation with the Bank's shareholders. Several Executive Directors stated that given the nature of the document, the Board of Executive Directors should take note of it, since there was no content requiring approval as such.

Management clarified that the document in question is conceptual and provides an information platform for decisions on how to develop knowledge in the Bank. As such, it is not a strategy to guide the Bank's knowledge capacity, but a condition necessary for progress in that direction, through information consolidation, greater transparency, higher quality products, and good use of resources. It is not a proposal to allocate resources to KCPs, but is intended to manage KCPs as well as possible with existing resources and ensure accountability.
Accordingly, the document in question presents a platform that aligns and manages existing knowledge products based on the 10 principles presented in the document, and ensures transparency in their budget management. At a time when the Bank is redefining itself, it must update the types of interventions it has to offer in order to be able to adequately identify its contribution to knowledge generation, the financial tools used, and the relevance of its sector policies. Clearly, all of this will help move forward the process of the new General Capital Increase under discussion by the Bank’s shareholders. Also, the Executive Directors’ awareness of and support for this proposal entails the commitment to more and better information on reimbursable technical cooperation, clear definition of evaluation criteria, and a timetable for implementation.

Therefore, as Chairperson of the Policy and Evaluation Committee, I hereby recommend that the Board of Executive Directors take note of the document “Strategy for knowledge and capacity-building products at the IDB” GN-2549 and endorse the basic principles presented therein.