

**UPDATING OF THE IDB'S
CORPORATE RESULTS FRAMEWORK (CRF):
PROPOSAL TO REQUEST DELEGATION OF AUTHORITY FROM THE BOARD
OF GOVERNORS**

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ABBREVIATIONS

| | |
|-------|------------------------------------|
| CRF | Corporate Results Framework |
| DEO | Development Effectiveness Overview |
| IDB | Inter-American Development Bank |
| IDB-9 | Ninth General Capital Increase |
| IS | Institutional Strategy |
| MDBs | Multilateral Development Banks |
| MfDR | Managing for Development Results |
| OVE | Office of Evaluation and Oversight |
| PEC | Policy and Evaluation Committee |
| PMR | Progress Monitoring Report |

I. INTRODUCTION

- 1.1 The Bank's first Corporate Results Framework (CRF) – contained in Annex I to document AB-2764, entitled “Report on the Ninth General Increase in the Resources of the Inter-American Development Bank” (IDB-9) – was approved by the Board of Governors (the “Governors”) pursuant to Resolution AG-7/10, dated July 21, 2010. As part of the IDB-9, it was established that the Bank update the CRF every four years, which will coincide with the update to the Institutional Strategy.¹ Updates or changes to the current CRF would have to be approved by Governors.
- 1.2 This document presents Management's proposal to request delegation of authority from Governors to the Board of Executive Directors (the “Board”) so that the update to the CRF for the 2016-2019 period, and any subsequent updates or modifications to it, can be approved by the Board. By delegating decision-making authority to their Directors, Governors would not only harmonize the IDB's approach with that of other multilateral development banks, but also enhance the role of the CRF in guiding the work of the Bank. Given its day-to-day oversight functions, proximity to the operational and corporate work of the Bank, and the results the Bank is striving to achieve, Board governance would make the CRF a more useful managerial tool² by ensuring the continued relevance of individual CRF indicators and that appropriate actions are taken in a timely manner to address any performance issues.
- 1.3 In addition, the IDB-9 requirement to approve the CRF update simultaneously with the Institutional Strategy (IS) update limits the ability of the CRF to carefully reflect any priorities that emerge during discussions with Governors. Management would therefore like to propose a more logical sequencing of the work by first allowing the update to the IS to be completed before determining how best to measure progress against it in the CRF. In the proposal to update the IS to be delivered to the Board of Governors prior to the Annual Meeting in March 2015, Management would highlight the anticipated changes to the CRF from the current CRF. Subsequent to Governor approval of the IS update, Management would submit to the Board the final proposal for the CRF update, with specific targets, such that the updated CRF could be approved prior to taking effect in January 2016.
- 1.4 The request of delegation of authority to the Board and the proposed adjustment to the sequencing address one of the key recommendations made by the Office of Evaluation and Oversight (OVE in its Mid-Term Evaluation of the IDB-9 Commitments (document [RE-425](#)). OVE recommended that the Bank revisit the CRF with an eye towards “simplification, improved data accuracy and full knowledge and ownership by Bank staff and other stakeholders”. This will involve a robust internal consultation process once the update to the Institutional Strategy has been approved in order to: i) select indicators that

¹ Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764) - Annex I, paragraph 6.2.

² According to OVE the CRF “has not yet become an integral tool to guide the Bank's overall strategy and operations as envisioned in the IDB-9” (Mid-Term Evaluation of IDB-9 ([RE-425](#)) paragraph 4.3)

fully capture the priorities and for which data collection arrangements are available or can be made available in time; and ii) establish accurate baselines and realistic targets.

- 1.5 Including this Introduction, this document is divided into three sections. Section II provides the analysis and rationale for requesting the delegation of authority from Governors. Section III contains the corresponding recommendation.

II. ANALYSIS AND RATIONALE FOR DELEGATION

- 2.1 Three key inputs contributed to the preparation of this proposal: i) Management’s own experience and observations during the initial years of implementing the CRF; ii) OVE’s Mid-Term Evaluation of the IDB-9 Commitments; and iii) relevant discussions by the Bank’s Board.
- 2.2 Before going into further detail, it is worth noting that given the technical nature of the CRF the IDB is the only MDB whose CRF (or equivalent instrument) is approved by Governors. CRFs at both the African Development Bank and the Asian Development Bank are governed by their Boards of Executive Directors. At the World Bank, the Board of Executive Directors provides guidance on, but does not formally approve the “Corporate Scorecard”.

A. Enabling a More Logical Sequencing of Work

- 2.3 OVE noted that there was an “unclear rationale for indicator selection in each of the four CRF levels”, a “lack of full alignment between lending and institutional priorities” and that “the process of engagement by which baseline and target values are set is not always evident”.³ To a large extent, these deficiencies are a consequence of the process by which the CRF was developed during the IDB-9 discussions (as opposed to following them).⁴
- 2.4 The proposed sequencing in which the CRF would be developed after the Institutional Strategy is approved would improve Management’s ability to create a coherent framework consistent with the final IS and reduce the risk of recreating the deficiencies of the current CRF. Management would be better positioned to prepare a CRF that uses

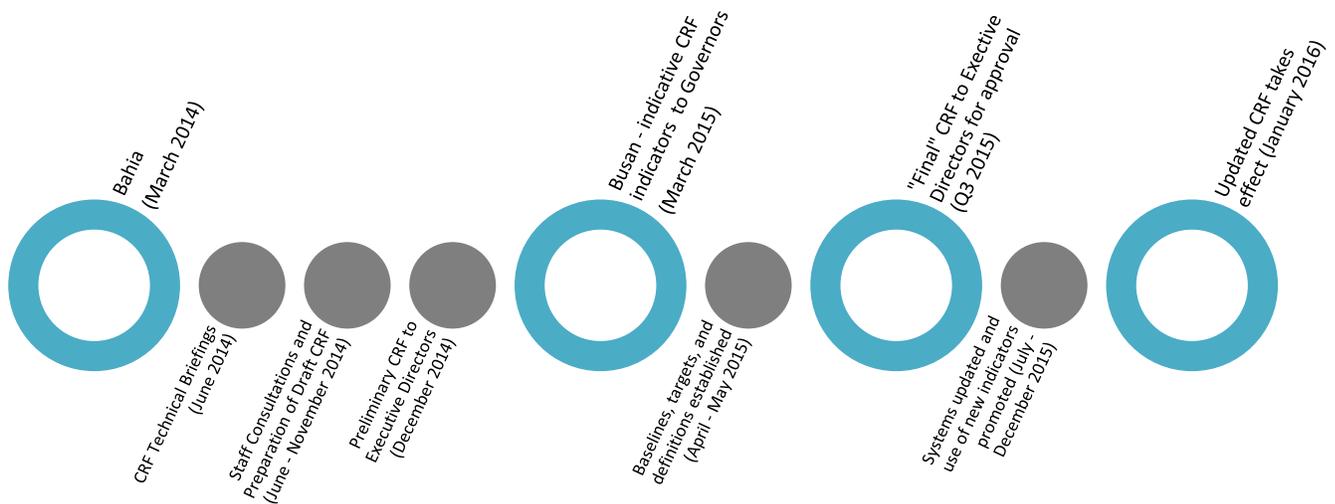
³ OVE’s Mid-Term Evaluation of IDB-9 Commitments Corporate Results Framework Background Paper ([RE-441](#)) – page ii.

⁴ For example, in the 2012-2015 CRF, indicators regarding key IDB-9 mandates such as access to information and risk management were not included. In addition, as pointed out in the 2013 Development Effectiveness Overview (DEO), some of the indicators established under the CRF didn’t adequately reflect strategic priorities and targets were sometimes unrealistic.

indicators that fully reflect the updated IS, are technically robust and have realistic targets⁵. Management proposes the timeline below (see Figure 1).

2.5 In parallel with the work on the IS, Management would continue to consult internally and prepare a draft CRF covering the period 2016-2019⁶. This initial draft would focus on determining appropriate measures for emerging priorities (based on the developing IS update) and would not yet include targets. The document would be presented to the Board in December 2014 together with the proposed update to the IS. As mentioned above, the preliminary structure and indicative indicators of the CRF would then be presented to the Governors for information at the Annual Meeting in March 2015. It is proposed that Governors delegate to the Board the determination of the CRF indicators and targets. Once the IS update is approved, the final CRF update would be presented to the Board for consideration and approval (expected in Q3 of 2015) and would become effective in January 2016.

Figure 1



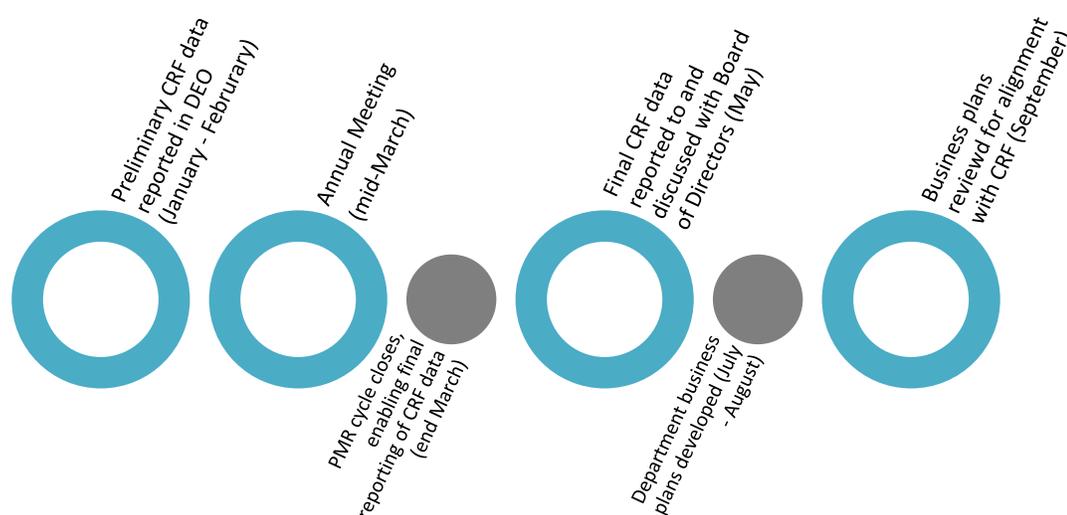
⁵ While the CRF should capture as many of the priorities of the Institutional Strategy as possible, it should also reach back to cover any earlier commitments that are still pending. OVE also differentiates the CRF from the Institutional Strategy: "...a strategy and a results framework serve two different objectives, and the most effective use of these tools would require some differentiation. The Corporate Strategy is meant to be a statement of future purpose and a plan to get there, derived from the consideration of client needs, the Bank's competitive advantages, and the cost-benefits of alternative options to obtain the same results. In contrast, the CRF is meant to be a snapshot, or a series of successive snapshots, reflecting the Bank's progression along a selected path. Complete equality of Corporate Strategy and CRF robs the strategic process of its dynamism to consider options and react to competitive actions." (Mid-Term Evaluation of IDB-9 Commitments ([RE-425](#)) – paragraph 4.7).

⁶ Management will continue to report on the existing CRF, which covers the 2012-2015 period, inclusive of the 2015 DEO (presented in March 2016).

B. Creating a More Action-Oriented and Relevant CRF

- 2.6 In its Mid-Term Evaluation of the IDB-9 Commitments, OVE found that the Bank has made significant progress toward managing for development results (MfDR) anchored in a CRF, but that the CRF has “not yet become an integral tool to guide the Bank’s overall strategy and operations as envisioned in the IDB-9” and that “the Bank makes little use of CRF information to inform budget and personnel decisions”.⁷
- 2.7 Currently, CRF data must be collected and analyzed in time for inclusion in the Development Effectiveness Overview (DEO) prior to the Bank’s Annual Meeting. In order for this to happen, estimates must be entered into the Project Monitoring Report (PMR) system before the reporting year has actually closed. This data is only finalized during the March PMR cycle (after the DEO has been printed and distributed). This both limits the depth of analysis and risks under/over counting.
- 2.8 Management would propose the continued reporting of CRF data in the DEO, but on a preliminary basis, to be finalized and further analyzed later in the year (see Figure 2). Refining numbers over time would allow the Bank to balance the need to report quickly while still ensuring the greatest possible data accuracy. To present the finalized data, Management plans to add online reporting of the CRF.

Figure 2



- 2.9 The finalized CRF data would be analyzed and progress discussed with the Board each May. This discussion would, in turn, serve to contribute to focusing the Bank’s work program priorities for the subsequent year (the discussion of which begins in July according to the current budget cycle). The continued relevance of CRF indicators would also be discussed at that time. For example, the Board may elect to replace a target that

⁷ OVE’s Mid-Term Evaluation of IDB-9 Commitments ([RE-425](#)) – paragraphs 4.3 and 4.6.

has been achieved with a new target or a new emerging priority. Any changes to indicators and/or targets would be tracked on the online version of the CRF.

- 2.10 Management would then ensure that CRF indicators are duly reflected in their annual business plans. This step would enhance accountability for achieving CRF targets by linking them to specific departments across the Bank (in some cases, an individual department may be responsible, in others, several may be collectively responsible to contribute to achieving the CRF target). As the full proposal to update the CRF is prepared, Management will further analyze the relationship among the various performance monitoring tools (Results Based Budget and CareerPoint) and the processes associated with them to: i) ensure alignment and consistency among them; ii) address gaps in coverage; and iii) enhance their usefulness for guiding managerial decisions at the different levels within the Bank⁸.

III. RECOMMENDATION

- 3.1 On the basis of the analysis presented above, Management recommends that the Board of Executive Directors approve the Proposed Resolution attached as Annex I to this document, authorizing that the Proposed Resolution attached as Annex II be submitted to the Board of Governors with a recommendation for its approval through an electronic vote without calling a meeting. The approval of the Proposed Resolution attached to this document as Annex II would represent the adoption of the recommendation specified in paragraph 3.2 below.
- 3.2 Recommendation: To delegate to the Board of Executive Directors the authority to approve the update to the Bank's Corporate Results Framework (CRF) for the 2016-2019 period as well as any subsequent updates or changes to the CRF as the Board of Executive Directors may deem appropriate, provided that such updates or changes to the CRF are consistent with the Institutional Strategy of the Bank in effect at the time such updates or changes are being proposed.

⁸ The implementation of the corporate strategy will be a cascading process, reflected in a chain of instruments whose main components are business plans, policies and performance agreements subscribed by VPs (Realignment of the Bank to take on its Strategic Challenges GA-232, paragraph 7.7).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

RESOLUTION DE-107/14

Updating of the IDB's Corporate Results Framework (CRF):
Proposal to Request Delegation of Authority from the Board of Governors

The Board of Executive Directors

RESOLVES:

1. To present to the Board of Governors document GN-2774-1, entitled "Updating of the IDB's Corporate Results Framework (CRF): Proposal to Request Delegation of Authority from the Board of Governors".
2. To recommend that the Board of Governors adopt the proposed resolution attached as Annex II of the document referred to in paragraph 1 of this Resolution, by the procedure of taking a vote without calling a meeting provided for in Section 5 of the By-Laws of the Bank.
3. That the Governors may cast their votes by any rapid means of written communication. The proposed resolution shall be considered adopted on the date on which the replies received at Bank headquarters constitute a quorum pursuant to Article VIII, Section 2(e) of the Agreement Establishing the Inter-American Development Bank (the "Agreement") and the favorable votes cast represent a majority of the total voting power of the member countries, pursuant to Article VIII, Section 4(c) of the Agreement. The voting shall remain open until September 22.

(Adopted on August 6, 2014)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION AG-__/14

Updating of the IDB's Corporate Results Framework (CRF): Proposal to Request Delegation of Authority from the Board of Governors

WHEREAS:

Pursuant to Resolution AG-7/10 of July 21, 2010, the Board of Governors approved the "Report on the Ninth General Increase in the Resources of the Inter-American Development Bank" (hereinafter referred to as "IDB-9" or "IDB-9 document");

Annex I of the IDB-9 document contains the "IDB Results Framework 2012-2015" (hereinafter referred to as "Corporate Results Framework" or "CRF") which, according to paragraph 1.1 of Annex I of said document, constitutes an integral part of the Bank's efforts to use empirical evidence to manage for development results and is central to ensuring accountability for delivering results;

Pursuant to the IDB-9 document, the CRF will be evaluated every four years and updated at that time to reflect the Region's development challenges and the Bank's priorities;

Pursuant to the IDB-9 document, the Bank's Office of Evaluation and Oversight ("OVE") was charged with conducting a midterm evaluation to assess the Bank's progress in implementing the reforms contained in the IDB-9, including the CRF, and as a result of such evaluation, OVE reported its conclusions and suggestions in document RE-425, entitled "Overview: Mid-term Evaluation of IDB-9 Commitments";

A delegation of authority by the Board of Governors to the Board of Executive Directors would increase flexibility in the approval process of the CRF and would make the CRF a better instrument to inform managerial decisions;

The Board of Executive Directors has considered document GN-2774-1, entitled "Updating of the IDB's Corporate Results Framework (CRF): Proposal to Request Delegation of Authority from the Board of Governors", and, pursuant to Resolution DE-107/14, agreed to submit for consideration of the Board of Governors this proposed resolution;