To: The Board of Executive Directors
From: The Secretary
Subject: IDB country strategy with Ecuador. Revised version. Report of the Chairman of the Programming Committee of the Board of Executive Directors

Inquiries to: Mr. Michel Planque (extension 3875)

Reference: GN-2338-1(11/04)
The Programming Committee of the Board met on October 25, 2004 to discuss the IDB Country Strategy with Ecuador (GN-2338). During Management’s presentation, Directors expressed concern with the lapsed time between the release of the CPE and the strategy. Management explained that the Government wanted to include as many recommendations from the CPE as possible. Management went on to explain that this delayed the strategy, giving it only a 2-year span.

During the discussion, Directors comments centered around the following points:

1. **Performance indicators**: A number of Directors noted that the proposed strategy did not incorporate sufficient and measurable performance indicators, hindering the Bank’s ability to measure its effectiveness in the country as well as the long-term evaluability. Directors referred to the upcoming discussions on the new lending framework and underlined the need to have a rigorous country-programming framework in place to support increased flexibility in programmatic lending approaches.

2. **Lending Scenarios**: Some Directors indicated that the strategy lacked a clear set of triggers for the high lending scenario and called for a more detailed explanation of how this scenario would impact the country’s overall debt profile and fiscal situation.

3. **Link between the Country Program Evaluation and the Country Strategy**

   When asked about Management’s incorporation of CPE recommendations in the strategy, OVE pointed to the following areas of inconsistency: (i) the CS does not connect issues identified with proposed Bank actions and activities; (ii) risk factors affecting the program are not taken into account; (iii) sufficiently measurable targets are not established; and (iv) while the diagnostic in the document points to development challenges that require long-term interventions, the Bank’s program is biased toward these short-term instruments.

4. **Requested changes to the document**

   Directors asked that the strategy provide more details on the following: (i) how the Bank’s operational program would help the country achieve the Millennium Development Goals and the Summit of the America’s goal related to tripling the credit to small and medium enterprises; (ii) Bank’s activities on social issues such as gender and indigenous groups as well as the results with the consultations with civil society groups;
(iii) the strategy matrix would include more refined performance indicators; and (iv) debt sustainability and the impact of the possible PBL that is included in the high scenario.

In my capacity as Chairman of the Programming Committee, I concur with the modifications made by management to the IDB Country Strategy with Ecuador and recommend that it be approved.