Report of the Chairman  
Policy and Evaluation Committee of the Board of Executive Directors  

2004 Annual Report on Portfolio Management, Performance and Results (ARPRE)  
(document GN-2377)  

The Policy and Evaluation Committee met on 4th August to consider Management’s annual report on the Bank’s lending portfolio. Directors welcomed the report as evidence that the Bank is indeed giving increasing emphasis to measuring the development results of its operations. As a consequence of this emphasis, the quality of our portfolio is improving. Directors were particularly pleased by reports from the Regional Departments explaining how they were using the indicators that monitor the progress of project execution, to guide the annual portfolio reviews that take place in each borrowing country.

Directors also raised a number of issues that Management should take into account in its future work.

Firstly, there is the question of balance in attributing the source of project problems. Directors felt that there was still a tendency to attribute most problems to weaknesses in executing agencies or, more generally, in the borrowing countries. The Bank’s shortcomings received less emphasis. One example mentioned was the inordinate time it takes the Bank to prepare projects; this has the result of undermining project ownership by borrowers. Directors urged Management to include more feedback from borrowers in the assessment of project performance.

A second issue concerned the need for stronger links between portfolio performance and the Bank’s practice in areas such as budgeting and human resources. Directors underlined that the Bank needed a properly aligned incentive system such that resource flows and staff rewards took account of development results in borrowing countries.

A third area of concern was the quality of information used to assess the portfolio. Directors commented on the evidence of a decline in the quality of the PPMRs, the reports that track the status of project execution.

Finally, Directors noted that Management is currently charged with producing a large number of reports on different aspects of the Bank’s development effectiveness. On top of the ARPRE and the annual report on the Action Plan for Development Effectiveness (MTAP) there are periodic reports on quality at entry, and supervision quality. Annual reports on PRODEV’s progress will also be required in future years. The U.S. Director requested that the IDB prepare a report similar to the World Bank’s “Status of Projects in Execution”. This plethora of specific reports requires a considerable investment of staff time, but may not provide Directors with the big picture needed to fulfill our oversight functions. The Committee agreed that Management should present proposals for rationalizing the reporting system on development effectiveness. I suggest that Management sketch briefly two or three alternative arrangements that could be discussed...
at an informal meeting of the Committee before formally submitting a fully developed proposal. Information about good practice at other MDBs would be useful in this exercise.

As Chair of the Policy and Evaluation Committee I would ask the Board to approve the 2004 ARPRE and endorse the Committee’s suggestion that Management develop proposals for rationalizing and strengthening Board oversight of the Bank’s development effectiveness.