

## **Report on MDB Reform Commitments**

Consistent with Section 7082 of the Consolidated Appropriations Act, 2012, Pub.L. 112-74, the Department of the Treasury is providing the following report describing the manner in which the World Bank, African Development Bank (AfDB) and Inter-American Development Bank (IDB) are making substantial progress in the following areas.

- (1) implementing specific reform commitments agreed to by the World Bank and the AfDB as described in the Pittsburgh Leaders' Statement issued at the Pittsburgh G20 Summit in September 2009 concerning sound finances, effective management and governance, transparency and accountability, focus on core mission, and results;*

The Pittsburgh Leaders' statement notes that: "additional resources must be joined to key institutional reforms to ensure effectiveness: greater coordination and a clearer division of labor; an increased commitment to transparency, accountability, and good corporate governance; an increased capacity to innovate and achieve demonstrable results..."

Following this statement, the shareholders of the World Bank and the AfDB negotiated reform commitments, in conjunction with commitments to provide additional resources, consistent with the Leaders' statement. As discussed below, the World Bank and the AfDB have undertaken robust implementation of these commitments and have made substantial progress in these critical areas since September 2009.

### **World Bank:**

- *Sound Finances:* In 2010, the World Bank adopted a new financial framework that strengthens budget discipline. Specifically, for the first time in 2011, the World Bank made major financial decisions on budget, pricing, and net income transfers at one time (i.e., in June, which is the end of the Bank's fiscal year), compelling management and shareholders to consider important budgetary trade-offs. This is a significant improvement over previous practice, which was to consider these matters separately. In addition, the World Bank increased rates on loans with longer term maturities. As a result, loan prices now cover a larger share of the World Bank's administrative budget, a practice that will strengthen the Bank's sustainability.

In 2010, World Bank shareholders also agreed to a rules-based approach to net-income transfers from the hard loan window (the International Bank for Reconstruction and Development, or IBRD), to the concessional window (the International Development Association, or IDA), a measure that will help make support to IDA more predictable and sustainable while maintaining prudent reserve levels. This agreement further strengthens IDA's financial model and reduces its dependence on donor contributions.

- *Effective Management and Governance:* At the same time as it approved the general capital increase (GCI) for the IBRD, World Bank shareholders also endorsed a package of reforms related to voice and participation. The key feature of this agreement was to realign shares to allow for greater voice and vote to developing and transition countries.

Separately, shareholders also agreed to add a twenty-fifth Board seat to represent countries in sub-Saharan Africa. While some member countries saw their shares fall, the United States maintained both its shareholding, its single-constituency Board seat, and retained the same veto power that we had prior to the GCI.

In addition, the World Bank adopted a series of human resource reforms to more strongly link the performance evaluation process to reflect results and to more closely link staff pay to performance. Specifically, on February 8, 2011, the Executive Board voted (with U.S. support) to eliminate a formula that had previously led to automatic annual salary increases. Under the new system, there are no automatic cost-of-living increases. Instead, World Bank Management is using a mix of public sector and private sector labor market indicators to calculate an overall change in the staff salary structure, which is then apportioned out to staff strictly based on merit.

- *Transparency and Accountability:* The World Bank's revised disclosure policy, which set a new, high-quality standard among MDBs, took effect on July 1, 2010. The new policy included a shift from a "positive list" approach, for which disclosure is considered exceptional, to a "negative list" approach, for which disclosure is considered the norm other than in exceptional circumstances. Other important policy changes include: 1) the creation of a formal, independent appeals process, through which members of the public can seek disclosure if they believe that it has been wrongfully denied; 2) a commitment to release significant policy documents and certain project documents to the public at the same time that they are released to the World Bank Board of Directors; and 3) a commitment to reliably provide project progress reports that permit recourse for affected parties who are concerned about project implementation impacts.
- *Focus on Core Mission:* In April 2010, the World Bank adopted a new "Post-Crisis Directions" strategic framework that addresses the Bank's comparative advantages in supporting poverty reduction and economic development, including engagement on global public goods. Under this strategy, the Bank has agreed to more closely align internal resources with its priorities. Management has agreed to implement a Corporate Scorecard to assess the World Bank's performance, to be published annually. This Scorecard was circulated to the Executive Board for the first time on August 29, 2011. The current scorecard is provided in Annex 1.
- *Results:* Starting on July 1, 2009, the World Bank committed to report on development results across the institution using indicators that aggregate standardized data from projects supported by IDA in seven sectors – education, health, roads, water supply, micro- and small- and medium-enterprise, urban development, and information and communication technology. This is a significant improvement over the previous approach, which focused primarily on outputs (e.g., textbooks purchased) rather than outcomes (e.g., literacy rates) and on project-level results that did not link to sector, country and institutional goals. These indicators serve as the basis for annual results reporting in the context of the IDA Annual Report and more regular reporting through the Corporate Scorecard.

Although not part of the GCI agreement, it is worth noting that IDA remains a leader among MDBs in developing systems to aggregate project-level results up to the portfolio level. IDA's "Results Framework" is aimed at better understanding the broad-based impact that water, transportation, health, and education projects are having in recipient countries. IDA is expanding this framework to include small- and medium-enterprises, urban development, and information and communication. The latest replenishment for IDA (IDA-16), approved in December 2010, also incorporates notional targets for outcomes in key sectors across IDA countries.

### African Development Bank

- *Sound Finances:* In April 2011, the AfDB adopted a comprehensive income model designed to improve the management and sustainability of the Bank's capital. The new model includes the following noteworthy commitments: (1) that loan pricing results in coverage of related administrative costs over the medium-term (by 2014); (2) that the AfDB periodically calculate the sustainable level of lending and annual reserve accumulation target, consistent with long-term financial sustainability; and (3) that the AfDB provide a minimum level of annual net income transfers to the concessional window (the African Development Fund, or AfDF), which serves Africa's poorest countries.
- *Effective Management and Governance:*
  - Risk Management. AfDB Management is in the process of implementing commitments to strengthen risk management, and took important steps in March 2011 by setting limits on the amount of risk capital allocated to different types of risk and establishing a Credit Risk Committee to strengthen risk governance. In early 2012, AfDB management began work on an Enterprise Risk Management plan. An important step that we have urged is to designate the risk function as a stand-alone unit with a Head of Risk office reporting to the President, consistent with the best practice at other MDBs.
  - Human Resources. In December 2011, the AfDB Board, with our support, adopted a new compensation framework. Specific areas of improvement include: (1) eliminating a specific salary target as a percentage of World Bank/other MDB salaries; (2) adopting broader measures of market competitiveness; and (3) strengthening the links between performance and compensation.
  - Anti-corruption. There have been important structural changes designed to strengthen the AfDB's anti-corruption activities. For example, in 2010 the Integrity Office was upgraded to a stand-alone division reporting to the President, and in 2011, a Director was recruited to manage a staff that had grown to ten professionals (twice as many as in 2008).

- *Transparency and Accountability:* The AfDB is in the midst of revising its disclosure policy, in consultation with external stakeholders, to align with international best practices. Adoption of the new policy is expected in early 2012. We anticipate that the new policy will contain improvements comparable to other recently updated MDB policies, including a shift from a “positive list” approach, for which disclosure is considered exceptional, to a “negative list” approach, for which disclosure is considered the norm. The new policy is also expected to set deadlines for responding to requests for information and establish an appeals process for requests that are denied. In addition, following a robust international recruiting process, the AfDB is in the final stages of selecting a new Auditor General (AG). The new AG will lead an office of 17 staff, up from 15 in 2009.
- *Focus on Core Mission:* In late 2011, AfDB management tapped a group of experts to develop a Long Term Strategy, a process that we expect will take at least a year. We believe this effort will build on the Bank’s very strong Medium-Term Strategy, adopted in 2008. Under this strategy, the Bank made significant progress in narrowing its focus by establishing a set of priority areas based on its comparative advantage: infrastructure, economic governance, private sector development and higher/vocational education.
- *Results:* In November 2010, the AfDB adopted a Bank-wide Results Measurement Framework (see Annex 2) that includes indicators to measure investment operations, policy-based operations, regional operations and private sector operations as part of a single reporting framework that covers all of the Bank’s interventions. This was a significant improvement as it replaced the previous Results Framework, which had covered only the concessional AfDF operations.

*(2) implementing specific reform commitments agreed to by the IDB in Resolution AG-7/10 “Report on the Ninth General Capital Increase in the resources of the Inter-American Development Bank as approved by the Governors on July 12, 2010, including transfers of at least \$200,000,000 annually to a grant facility for Haiti;”*

The table in Annex 3 describes the status of each specific reform commitment at the IDB. As the table makes clear, the IDB has made substantial progress in meeting the commitments that were negotiated in the context of the GCI. This includes the annual transfer to Haiti of \$200,000,000. The first transfer was approved by Governors at the IDB Annual Meeting in March 2011.

*(3) implementing procurement guidelines that maximize international competitive bidding in accordance with sound procurement practices, including transparency, competition, and cost-effective results for borrowers;*

The World Bank established the current framework for today’s international best practice standard for MDB procurement guidelines in 1995. These guidelines supported transparency, competition and cost-effective results by requiring, among other things, strong international advertising requirements, the use of open competition in the contracting process, and mandatory use of publicly available standard bidding documents for international competitive bidding. In

subsequent years, the IDB and AfDB also made major revisions to their policies in an effort to closely harmonize with those of the World Bank. In 2006, the IDB adopted new procurement rules, including the required use of standard bidding documents, consistent in most respects with the World Bank's revised guidelines of 2004. The AfDB followed suit in 2008.

In January 2011, the World Bank Board approved modifications to its guidelines designed to further enhance the transparency and efficiency of the procurement process under World Bank-financed investment projects. This included, for example, requirements for strengthened advertising of project bid opportunities and for posting of project procurement plans. We are engaging with the IDB and AfDB to encourage harmonization with these latest guidelines. Beginning in Q1 2012, the World Bank will launch another review of its procurement policy, and we will engage very closely to ensure that current standards are strengthened further.

In addition, in April 2010, each MDB signed a cross-debarment agreement under which the MDBs committed to cross-debar any company determined to be in violation of the fraud and corruption provisions of an individual MDB. So far, the World Bank and IDB (in May 2010 and March 2011 respectively) have amended their procurement guidelines/policy to provide for cross debarment with the MDBs. The AfDB is preparing a similar amendment to its procurement rules.

*(4) implementing best practices for the protection of whistleblowers from retaliation, including best practices for legal burdens of proof, access to independent adjudicative bodies, results that eliminate the effects of retaliation, and statutes of limitation for reporting retaliation;*

Over the past five years, the World Bank, AfDB, and IDB have all made substantial progress in implementing policies to prohibit retaliation against individuals who report corruption, fraud or other official misconduct.

- 1) *Shifting legal burdens of proof to management, rather than having them fall on employees who allegedly have been subject to retaliation after reporting misconduct to management.* In 2007 and 2008, respectively, the AfDB and World Bank incorporated provisions into their whistleblower policies that appropriately shift burdens of proof in whistleblower cases. Specifically, if an employee can show that he or she was subject to adverse action after reporting wrongdoing at a Bank, the managements of these institutions must show by clear and convincing evidence that they would have taken the same action absent the reporting of wrongdoing. The IDB Board of Directors recently approved a comparable policy at the IDB, and we expect it to come into force later this year.
- 2) *Providing greater access to independent adjudicative bodies for employees who allegedly have suffered retaliation for whistleblowing.* The AfDB, World Bank, and IDB (in 2007, 2008, and 2010 respectively) delineated or expanded the scope of protected disclosures and prohibited retaliatory conduct in their whistleblower policies. These changes have led to an increase in the scope of permissible claims for retaliation that can be referred to independent Administrative Tribunals; and

- 3) *Extending whistleblower policies beyond protection of the jobs and livelihoods of Bank employees and into protecting the integrity of the institutions.* In the MDBs' most recent policy iterations (i.e., 2007 for the AfDB; 2008 for the World Bank; and 2010 for the IDB), the MDBs have modified their whistleblower policies to broaden the scope of protection. This includes policies to hold individuals accountable for reprisals against whistleblowers and to permit reporting of significant suspected wrongdoing to authorities outside of the MDBs when employees have a reasonable basis to believe that the Banks' internal mechanisms are inadequate to deal with the issue or that the whistleblower would be subject to reprisal.

In addition, the MDBs have in place remedies to eliminate the effects of possible retaliation. The governing statutes of all three MDBs' Administrative Tribunals provide a presumption that the dismissed employee must be reinstated unless the tribunal (for the World Bank) or the President of the Bank (for the IDB and AfDB) determines that such action would not be practicable or in the Bank's interest, in which case it must order compensation. The MDB policies, like comparable U.S. law governing federal employees, do not provide for an across-the-board guarantee of reinstatement, but their practices are on par with or better than those of other major international organizations.

The World Bank and AfDB also provide for remedies, such as compensatory damages, for financial losses linked to retaliatory action, emotional distress (for the AfDB only), legal costs, and interim relief for whistleblowers in the midst of a review or investigation. The IDB is also seeking to add these remedies, and the relevant policies are expected to be implemented later this year.

Finally, with respect to retaliation claims, each of the MDBs has a reasonable timeframe for statutes of limitations relating to acting on rights (e.g., 90-120 days).

*(5) requiring that each candidate for budget support or development policy loans provide an assessment of reforms needed to budgetary and procurement processes to encourage transparency, including budget publication and public scrutiny, prior to loan approval;*

World Bank: The World Bank's most recent operational policy on Development Policy Loans (DPLs), approved in August 2004, stipulates that prior to seeking Board approval for budget support loans, the World Bank requires that borrowing countries have an adequate macro policy framework based on Bank and IMF assessments. This policy also requires an assessment of a borrowing country's systems of public financial management and procurement before bringing a DPL to the Board and, if necessary, a commitment to time-bound actions to address deficiencies and help mitigate risks.

In addition, Management and the Bank's Independent Evaluation Group (IEG) also conduct periodic retrospective analyses of DPL performance in borrower countries. The last DPL retrospective – covering seven IDA countries -- was conducted by the IEG in 2009, and another one is currently underway. The 2009 retrospective found that the World Bank's budget support operations helped to advance public financial management and procurement reform in most

borrowing countries, and also provided somewhat greater predictability of aid flows in recipient countries. The findings of the current review will be released in November 2012.

AfDB: Strengthening public financial management is a key objective of AfDB budget support lending. The AfDB's 2004 Policy on Policy-Based Lending requires that before receiving budget support, countries must have a satisfactory assessment against a four-pillar Fiduciary Risk Management Framework, one pillar of which is budget. (The other pillars are procurement, audit and reporting, and corruption.) The assessment judges whether national systems are sufficiently strong or, where there are weaknesses, whether the government is committed to making necessary reforms as demonstrated by a positive trajectory of change. In the first quarter of 2012, the AfDB will adopt a new operational policy governing its budget support operations, which will further highlight the expectation that governments receiving budget support should have transparent budgets.

IDB: In April 2005, the IDB adopted formal guidelines for the preparation and implementation of budget support operations (known at the IDB as policy-based loans). In accordance with these guidelines, in preparation for a budget support operation, the IDB assists borrowing countries in performing fiduciary capacity assessments. These assessments measure the performance of the borrowing country's public financial management systems, including budget preparation and execution, internal controls, accounting, auditing, fiscal transparency and procurement processes. Once the country's fiduciary capacity has been reviewed, the IDB identifies steps needed to strengthen the borrowing country's national fiduciary systems for the operation. In order to ensure continuity, the IDB engages in on-going monitoring of national public financial management systems with special attention to any recommended reforms.

*(6) making publicly available external and internal performance and financial audits of such institution's projects on the institution's Web site;*

In the last three years, the World Bank and IDB have revised and improved their disclosure policies, which govern issues related to the availability of external and internal performance audits. The AfDB's review is currently underway.

The World Bank, AfDB and IDB all post overview assessments of project performance on their respective web sites:

- The World Bank makes publicly available its annual assessment of the Results and Performance of the World Bank Group. Additionally, it posts a yearly update of the Status of Projects in Execution, which assesses each project's progress.
- The AfDB's Annual Development Effectiveness Review uses a set of indicators to measure broad performance on four levels, including external and internal performance, aggregate outputs of AfDB operations, contributions to poverty reduction and organizational effectiveness.

- The IDB's annual Development Effectiveness Overview and Project Monitoring Report provide updates on the progress made towards increasing the effectiveness of the Bank's work and track the implementation of project results.

Under the World Bank's 2009 revised policy on Access to Information, borrowers are required to disclose the audited annual financial statements of projects as a precondition for doing business with the Bank. The World Bank discloses the statements upon receiving them.

The IDB approved a revised access to information policy in April 2010 that does not allow for disclosure of these statements. However, Management has agreed to consider further revisions to its disclosure policy in the coming year, which will provide us with the opportunity to seek further progress in this area.

The AfDB is revising its policy on disclosure and access to information, a process that is likely to extend into 2012 to allow for ample consultation with all relevant parties. At U.S. urging, the chair of the Committee on Development Effectiveness has called on Management to include transparency of audited annual financial statements for projects in the next draft of the policy. We will continue to seek progress as part of the disclosure policy review.

*(7) adopting policies concerning the World Bank's proposed Program for Results (P4R) to limit P4R to no more than 5 percent of annual World Bank lending as a pilot for a period of not less than two years; require that projects with potentially significant adverse social or environmental impacts and projects that affect indigenous peoples are either excluded from P4R or subject to the World Bank's own policies; require that at the close of the pilot there will be a thorough, independent evaluation, with input from civil society and the private sector, to provide guidance concerning next steps for the pilot; and fully staff the World Bank Group's Integrity Vice Presidency, with agreement from Borrowers on the World Bank's jurisdiction and authority to investigate allegations of fraud and corruption in any of the World Bank's lending programs including P4R;*

Since the World Bank's original P4R policy paper was released to the Committee on Development Effectiveness (CODE) on August 3, 2011, the Bank has made substantial progress in meeting the conditions in the legislation. This progress is reflected in the revised proposal of December 29, 2011, approved by the World Bank Board on January 24, 2012, and has been further confirmed in our direct engagement with World Bank senior management. Specifically:

1. The August 3 proposal did not impose any limitation on the size of the P4R instrument relative to overall World Bank financing. The United States was successful in fundamentally reorienting the proposal so that P4R can only proceed in the near term as a pilot program. As a result of our efforts, the final proposal limits P4R financing to five percent of total IBRD/IDA commitments for the first two years. Any proposal to increase the cap must be justified by a review of implementation experience. In addition to Management's planned assessment, we intend to request that the Independent Evaluation Group (IEG) prepare its own review of initial results. Both reviews will benefit from input from borrowers, development partners, and other stakeholders, including civil society and the private sector.

2. The August 3 proposal did not seek to impose any limitations on the ability of P4R to finance projects that have social and environmental risks associated with them, and the United States was also successful in reorienting this facet of the World Bank's proposal. As a result, the proposal as approved on January 24 indicates that "activities that are judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people are not eligible for Program-for-Results financing, and are excluded from the Program." Under this exclusion, "affected people" includes indigenous peoples. Further, the final proposal makes clear that all P4R-financed projects will continue to be subject to the Bank's own policies on a range of issues including, notably, poverty reduction, country assistance strategies, development cooperation and conflict, lending operations (choice of borrower and contractual arrangements), the inspection panel, and the Access to Information Policy.
3. The August 3 proposal did not explicitly state that the Bank's Integrity Vice Presidency (INT) would have investigative rights into both Bank and borrower funds. The United States was successful in getting specific language into the Bank's P4R operational policy stating that the INT would have the right to investigate allegations of fraud and corruption in the program supported by P4R, including projects financed under the program, not only those allegations related to Bank financing (i.e., the use of government funds would be included as well). The Bank's debarment list will also apply to all financing sources of the program.
4. On INT staffing, INT's financial and personnel resources have increased significantly in recent years. INT's annual budget increased by 40 percent from FY08 to FY11 to \$20.4 million, while staffing increased by 70 percent (to 92 full-time staff) over the same period. INT's increasing resource base has allowed it to increase its capacity in litigation and forensic services, and reduce its reliance on external firms in these areas.
5. Finally, under P4R, the Bank will be able to impose sanctions against firms and individuals in accordance with its sanctions policies and procedures (i.e., because borrowers are bound by this policy, explicit borrower consent is not needed).

Going forward, we expect to seek further progress during the pilot implementation phase in pursuit of the goals identified in the legislation. We will monitor to be sure that P4R financing does not exceed 5 percent of IBRD/IDA lending. We will also apply rigorous scrutiny of the Bank's P4R-related assessments of countries' systems and capacities, as well as the nature of the programs to be funded, to be sure that sensitive projects are appropriately excluded. Finally, we will monitor the role of INT to be sure that it is able to engage appropriately in P4R-financed programs.

*(8) concerning the World Bank, strengthening the public availability of information regarding International Finance Corporation (IFC) subprojects when the IFC is funding a financial intermediary, including—(A) requiring that higher-risk subprojects comply with the relevant Performance Standard requirements; and (B) agreeing to periodically disclose on the IFC Web*

*site a listing of the name, location, and sector of high-risk subprojects supported by IFC investments through private equity funds.*

Beginning in 2009, the IFC conducted an extensive review of its Sustainability Framework, which resulted in IFC Board's adoption of an updated framework in May 2011. The IFC Sustainability Framework consists of:

- The Policy on Environmental and Social Sustainability, which defines the IFC's own responsibilities and certain requirements for Financial Intermediaries (FIs) that are IFC clients;
- The Performance Standards, which define most IFC client responsibilities (other than those covered by the Policy on Environment and Social Sustainability); and
- The Access to Information Policy (AIP), formerly the Policy on Disclosure of Information, which articulates IFC disclosure responsibilities.

The updated Sustainability Framework entered into force on January 1, 2012, and represents substantial progress over the previous policy, both in broad terms and with respect to disclosure requirements for subprojects financed by Financial Intermediaries (FIs).

Specifically, the new policy expands the type and number of FI subprojects subject to the IFC Performance Standards, including requirements to disclose information to, and consult with, stakeholders, especially affected communities. More concretely, the previous policy required application of the Performance Standards by FI subprojects likely to have significant environmental/social impacts ("Category A" subprojects), while the updated policy requires that "higher risk" subprojects apply the Performance Standards. "Higher risk" subprojects include not only subprojects with potential significant impacts, but also those with moderate impacts ("Category B" subprojects). Given that there tend to be few Category A-equivalent subprojects and relatively many "higher risk" subprojects, this is a major expansion of subprojects that will be subject to public disclosure requirements.

In addition, the new policy requires the IFC to disclose information about its subprojects (which the former policy did not do). Under the new Access to Information Policy, the IFC will periodically disclose a listing of the name, location and sectors of high-risk subprojects that have been supported by IFC investments through private equity funds, subject to regulatory constraints and market sensitivities.

#### Attachments:

Annex 1: World Bank Corporate Scorecard:

[http://siteresources.worldbank.org/PROJECTS/Resources/40940-1244163232994/6180403-1316547116912/DC2001-0014\(E\)Scorecard.pdf](http://siteresources.worldbank.org/PROJECTS/Resources/40940-1244163232994/6180403-1316547116912/DC2001-0014(E)Scorecard.pdf)

Annex 2: AfDB Results Measurement Framework:

[http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Bank%20Group%20Results%20Measurement%20Framework%20-%20REV%202\[1\].pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Bank%20Group%20Results%20Measurement%20Framework%20-%20REV%202[1].pdf)

Annex 3: IDB Implementation Report

## **ANNEX 3**

## Evaluation of the Overview Framework of the Cancún Declaration

<i><b>Specific conditions to be met</b></i>	<i><b>Actions and timeline for implementation</b></i>
<p>1 Clarify key institutional priorities.</p> <p>2 Adopt sector strategies and national lending targets to address urgent regional needs.</p>	<p>Governors affirm the following institutional priorities: (a) reducing poverty and inequality; (b) ensuring sustainable development; (c) addressing sustainable energy and climate change (d) addressing the special needs of the poorest countries, (e) promoting regional integration, and (f) fostering development through the private sector.</p> <p>Completed. Reviewed in DEO in Q1 2011.</p> <p>The Bank will submit for consideration of the Board, prior to the Q1 of 2011, the following strategies: (a) a strategy for regional integration; (b) an integrated strategy for climate change adaptation and mitigation and for sustainable and renewable energy; (c) a strategy on social policy for equity, and productivity with a special focus on the issue of improving education; (d) a strategy for institutions for growth and social welfare with a special focus on access to financial markets, particularly for SMEs. By Q1 of 2011, specific guidelines for education; sustainable energy (including renewable energy); and access to finance, particularly for SMEs.</p>
<p>All strategies have been approved by the Board and all sector guidelines have been submitted to the Policy and Evaluation Committee (PEC).</p>	<p>Completed.</p>

	<p>Governors adopt a model that allocates income to cover the following constraints:</p> <ul style="list-style-type: none"> <li>• Minimum annual transfers of \$200 million to the grant facility for Haiti;</li> <li>• A capital accumulation rule that preserves the financial soundness of the bank;</li> <li>• Loan charges set as to cover administrative expenses consistent with the Bank's multiyear budget;</li> <li>• Parameters of the Capital Adequacy Policy;</li> <li>• Fund for Special Operations (FSO) administrative expenses fixed at 3 percent, non-reimbursable Technical Cooperation (TC) fully funded by Ordinary Capital; and</li> <li>• Pricing adjusted to meet these constraints.</li> </ul>	<p>Annually, starting FY 2011, and based on the Income Management Model (IMM), Management will submit for consideration and approval by the Board of Executive Directors a document proposing the annual allocations for the following year, based on medium-term financial projections.</p>
3.	<p>Adopt a comprehensive Income Management Model.</p>	
4	<p>Disclose project-level reporting with stronger metrics.</p>	<p>Governors direct Management to provide public disclosure in the DEO of ex-ante project-level evaluability analysis, compliance with institutional priorities, and Economic Rate of Return (ERR) calculations for projects approved that year, and ex-post impact evaluations for any projects evaluated in that year, including for Non-Sovereign Guaranteed (NSG) projects.</p>
5	<p>Ensure quality of loan portfolio through use of new</p>	<p>Completed.</p> <p>IMM methodology incorporated in Q3 2011 as part of Long-Term Financial Plan (LTFP) proposing annual resource allocations. First annual transfer of \$200 million to the grant facility for Haiti was approved by the Board of Governors in Q1 2011.</p> <p>Completed.</p> <p>DEO submitted to the Board in Q1 2011. To be submitted annually in Q1.</p> <p>By end of Q3 of 2010: (a) Review of methodologies for evaluability; (b) amend programming process and operational procedures to ensure that all projects meet minimum evaluability thresholds. Annually the Office of Evaluation and Oversight (OVE) provides yearly reports</p>

	development effectiveness matrix.	on project evaluvability and validate achieved results for completed projects annually.
	New Development Effectiveness Matrix (DEM) was approved in Q2 2011 and is being implemented.	Completed.
6	Governors direct Management to produce the DEO annually, incorporate Office of Evaluation and Oversight (OVE) recommendations previously endorsed by the Board of Executive Directors and consider future OVE recommendations to improve loan quality.	Annually by end of Q1, OVE recommendations incorporated as part of the DEO.
7	Staffing and resourcing the new Inspection Mechanism (ICIM).	Completed. Reviewed in 2011 DEO as submitted by the PEC in Q1 of 2011.
8	Governors direct Management to rapidly staff and implement the new Inspection Mechanism with phased-in coverage of all Bank policies by the time of the overview process.	Completed staffing and institutional arrangements necessary to start processing requests before the Independent Consultation and Investigation Mechanism (ICIM) by Q2 2010.
	Policy establishing the ICIM approved by the Board in Q1 2010 and mechanism entered into force in Q3 2010.	Completed.
	Adopt a new disclosure policy consistent with best practice.	Governors instruct Management to implement a new disclosure policy that meets the highest standards applied by other Multilateral Financial institutions including the following elements: <ul style="list-style-type: none"> <li>• The replacement of a “positive list” of disclosed policies with a limited “negative list” <ul style="list-style-type: none"> <li>◦ Presumption of disclosure</li> <li>◦ Release of Board/Committee minutes</li> </ul> </li> </ul>
		Implementation Plan to be submitted to the Board of Executive Directors by July 31, 2010. Effective date of the policy January 1, 2011.

	<ul style="list-style-type: none"> <li>• Independent appeals mechanism</li> <li>• Voluntary disclosure of ED's statements</li> <li>• Disclosure of project-level results</li> </ul>	
	<p>Completed.</p> <p>New disclosure policy entered into force in Q1 2011.</p>	
9	<p>Governors instruct the Board of Executive Directors to adopt a revised set of environmental and social safeguards fully consistent with the recommendations of the Independent Advisory Group (IAG) on sustainability in its final report, and a revised set of social safeguards in line with international best practices.</p> <p>The IAG report was submitted to the Board in Q1 2011 and noted that the IDB's social and environmental safeguards were adequate and no policy revisions were needed at this time. Management is expected to present to the Board of Directors' PEC in Q1 2012 a comprehensive response to the additional recommendations made by the IAG report focused on strengthening implementation and mainstreaming sustainability.</p>	<p>Completed.</p> <p>Action plan with a revised set of environmental and social safeguards fully consistent with the recommendations of the IAG approved by the Board of Executive Directors, by Q1 2011</p>
10	<p>Governors agree that private sector operations shall be capped at 20% of the Bank's Equity through 2012, after which private sector operations will be subject to the Bank's new NSG strategy and capital adequacy policy.</p>	<p>NSG Strategy presented to the Board of Executive Directors by end of Q3 2010.</p> <p>Private sector strategy presented to the Board of Executive Directors by end of Q4 2010.</p> <p>Annual reporting of NSG operations in the DEO.</p> <p>The Board of Executive Directors will establish new limits after 2012.</p>

	Private-Sector Development Strategy (PSDS) presented to Board to Directors in Q42010. Board approved in Q4 2011. NSG Business Plan was presented to the Board in Q4 2010 and was approved by the Board in Q4 2011. Annual NSG operations reported in DEO in Q1 2011.	
11	Governors direct Management to develop and adopt a corporate strategy for results-based budgeting for the FY2011 budget.	Initial application of the RBB methodology in the 2011 Program and Budget Proposal, implementation beginning in FY 2011.
12	RBB approved and incorporated in FY 2011 Budget and second RBB approved and incorporated in FY 2012 Budget.	Completed.
13	Governors direct Management to implement the new capital adequacy policy as approved by Board of Executive Directors.	Implementation of the policy by Q1 of 2010.
	First implemented in Q1 of 2010. Capital Utilization Ratio (CUR) reported annually (Q1) in accordance with capital adequacy policy.	Completed.
	The Chief Economist and Research Department of the Bank will produce rigorous assessments of macroeconomic sustainability based on objective criteria when called for by country conditions; loans for consideration by the Board of Executive Directors shall meet the criteria.	Macroeconomic sustainability analysis (MSA) annually for each country as part of the programming exercise, starting in 2011.
	The MSA methodology and process approved by the Board of in Q4 2011.	Completed.