

## Chapter 2

### The Board of Executive Directors



The Executive Directors are responsible for the conduct of the World Bank's general operations; they perform their duties under powers delegated by the Board of Governors. As provided in the Articles of Agreement, 5 of the 24 Executive Directors are appointed by the member countries having the largest number of shares; the rest are elected by the other member countries, which form constituencies in an election process conducted every two years.

Executive Directors consider and decide on IBRD loan and guarantee proposals and IDA credit and guarantee proposals made by the President, and they decide on policies that guide the Bank's general operations. They are also responsible for presenting to the Board of Governors, at the Annual Meetings, an audit of accounts, an administrative budget, and an Annual Report (this report) on the Bank's operations and policies as well as other matters. Their oversight responsibility covers all Bank policies and activities, including approval of all lending and guarantee operations and the annual budget. In shaping Bank policy, the Board of Executive Directors (the Board) takes into account the evolving perspectives of member countries on the role of the Bank Group as well as the Bank's operational experience. In this regard, an important role is played by the Operations Evaluation

*From left to right: Andrei Bugrov, Girmai Abraham (seated), Finn Jonck, Balmiki Prasad Singh, Neil F. Hyden, Jean-Claude Milleron (seated), Matthias Meyer, Rosemary Stevenson\* (seated), Terrie O'Leary, Philippe M. Peeters, Bassary Toure, Moises Pineda (seated), Pieter Stek, Jan Piercy, Helmut Schaffer, Jaime Ruiz (seated), Mario Soto-Platero, Mohamd Kamel Amr\*, Ahmed Sadoudi (seated), Franco Passacantando, Yahya Abdulla M. Alyahya, Yuzo Harada (seated), Zhu Guangyao, Abdul Aziz Mohd. Yaacob.*

*\*Alternate Executive Director*

Department (OED), which is accountable directly to the Board to perform professional evaluations as set out in OED's Board-approved policies, strategies, and work program. OED provides independent advice to the Board on the relevance, sustainability, efficiency, and effectiveness of operations. During fiscal 2001 Executive Directors regularly met at Bank headquarters to carry out their responsibilities. Directors also serve on one or more of five standing committees: Audit, Development Effectiveness, Budget, Personnel, and Executive Directors' Administrative Matters. The committees help the Board discharge its oversight responsibilities through in-depth examinations of policies and practices.

Executive Directors and Alternate Executive Directors also periodically visit borrowing countries to review Bank assistance in progress. They meet a wide range of people, including project managers, beneficiaries, government officials, nongovernmental

organizations (NGOs), the business community, other development partners, financial institutions, and resident Bank staff. In fiscal 2001 Directors visited Bhutan, Djibouti, Eritrea, Ethiopia, Latvia, Pakistan, Tajikistan, Turkey, and Uganda. Directors also play an active role in preparing the agenda and issues papers for the semiannual meetings of the joint Bank-Fund Development Committee. In fiscal 2001 the Development Committee addressed the World Bank's strategy in middle-income countries, poverty reduction and global public goods, assistance to post-conflict countries, and a number of the issues discussed below. (For more detail, see appendix 12 in volume 2 of this *Annual Report*.)

## STRATEGIC ISSUES

Major areas of Board emphasis during fiscal 2001 are highlighted below.

**Strategic Framework.** During fiscal 2001 management presented the Executive Directors with several papers on the strategic directions for the Bank Group for the fiscal 2002–04 period, including the Strategic Framework Paper, the Strategic Compact Assessment, and the Strategic Directions Papers for the Bank and the IFC. The Board reviewed the proposals, expressing strong support for increased selectivity in Bank activities to help member countries achieve the international development goals as a means to address more efficiently the central goal of poverty reduction. They also discussed several important policy papers—for example the Bank's middle-income country strategy.

**Bank Group's role in poverty reduction.** The Board continued to closely monitor implementation of the Bank Group's poverty reduction mandate. Executive Directors reviewed a number of poverty-related reports, including a paper on the operational implications of the *World Development Report 2000/2001* on attacking poverty, and the annual Poverty Progress Report. The Board also focused considerable attention on implementation of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative for debt relief to low-income countries, as well as the related Poverty Reduction Strategy Papers (PRSPs) and Interim PRSPs (I-PRSPs) designed to ensure stronger links between debt relief and poverty reduction. Directors considered 28

HIPC documents (covering 23 countries) under the enhanced framework (comprising 10 Preliminary, 16 Decision Point, and 2 Completion Point documents), and stressed the importance of full burden sharing by all creditors.<sup>1</sup> They also reviewed 3 PRSPs and 29 I-PRSPs, and expressed appreciation for the tangible progress made in implementation of the PRSP process. They suggested several areas for improvement, including better alignment of Bank assistance with countries' own strategies and their implementation capacities. The Board also approved the first two Poverty Reduction Support Credits to Uganda and Vietnam. In addition, the Board reviewed papers on tracking poverty-related spending in HIPCs, and discussed the impact of debt reduction on long-term debt sustainability. The Board also discussed a number of sector strategy papers designed to help define the Bank's role in poverty reduction at the sector level, including strategies for reforming public institutions and strengthening governance, social protection, and the financial sector.

**Country programs.** Country Assistance Strategies (CASs) and the principles underlying the Comprehensive Development Framework and PRSPs continued to guide the Bank Group's work at the country level. During the fiscal year the Board considered 37 CASs and related CAS products. Directors commended the greater focus on poverty reduction as the overarching goal, as well as the increasing use of consultative processes in preparing CASs. They also stressed the importance of the Bank's increasing use of partnerships and selectivity at the country level.

**Global programs and partnerships.** Participation by the Bank in global initiatives and partnerships has increased significantly in recent years. In fiscal 2001 the Board discussed a framework for managing global programs and partnerships to reinforce country-level poverty reduction efforts. It reviewed several

1. *Decision point:* The point at which the international community agrees—for countries with unsustainable debt levels and a solid record on economic reform and poverty reduction programs—on the amount of relief needed to reduce outstanding debt to a sustainable level. Multilateral creditors, including IDA, begin providing significant "interim assistance" beginning immediately at the decision point.

*Completion point:* The point at which all creditors provide, unconditionally, the remainder of their share of debt relief agreed to at the decision point. The completion point is tied to implementation of key reforms and policies outlined in a country's PRSP.

reports on global public goods. Executive Directors confirmed five priority areas for Bank engagement: communicable diseases, environmental commons, economic governance and financial stability, trade integration, and information and knowledge. They also discussed several initiatives within these priority areas, such as the Bank's work with the IMF to strengthen the international financial architecture, with particular emphasis on the integrity of financial markets and the implementation of standards and codes. The Board discussed the Development Grant Facility, which provides grant financing for several of these initiatives, including activities relating to HIV/AIDS. The Board has also been involved in preparations for the United Nations High-Level Event on Financing for Development. In addition, the Board remained focused on the Bank's engagement with civil society and NGOs, whose role in the discussion of development issues has become more pronounced.

#### **OVERSIGHT AND FIDUCIARY RESPONSIBILITY**

The Board exercises oversight and fiduciary responsibility on behalf of its shareholders, in part through its Audit Committee. The Committee reviewed its terms of reference to reflect the evolving duties and responsibilities of audit committees in an ever more complex and risky environment. The Committee advises the Board on financial risk management and other governance issues to facilitate Board decisions on policy issues.

#### **ADMINISTRATIVE BUDGET**

Following review by the Budget Committee, Executive Directors approved an administrative budget, net of reimbursements, for fiscal 2001 of \$1,442.2 million. This total budget included an allocation of \$146.9 million for the Development Grant Facility. The administrative budget was below the

level agreed on at the outset of the Strategic Compact despite increased demands on the Bank that had not been anticipated at the time of the Compact. In June 2001 the Executive Directors approved a total administrative budget, net of reimbursements, of \$1,589.7 million for fiscal 2002.

#### **INSPECTION PANEL**

The Board created an independent Inspection Panel in 1993 to address more closely the concerns of people affected by Bank projects by ensuring that the Bank adheres to its operational policies and procedures in the design, preparation, and implementation of projects. Any group of individuals believing that they may be harmed by a Bank-supported project may ask the panel to investigate complaints that such harm stems from the Bank's failure to abide by its policies and procedures. The Executive Directors decide, on the recommendation of the Panel, whether an investigation will take place.

In fiscal 2001 the Board considered the Panel Investigation Report and the Bank Management recommendations on the Qinghai component of the China Western Poverty Reduction Project. No further Board action was taken after the Chinese government announced that it would undertake and finance the Qinghai component entirely with its own resources and on its own terms, as it could not accept additional conditionality. The Board approved and the Panel conducted two other investigations of projects in Kenya and Ecuador that looked at application of the Bank's policies on environmental assessment, consultation with or participation by local people, and Bank supervision. In both cases, the Board approved management's recommended actions in response to the Panel's investigation reports. The Panel received two new requests for inspection concerning the Chad-Cameroon Pipeline Project and the Coal India Environmental and Social Mitigation Project.