

# The Board of Executive Directors



From left to right: (standing) Yahya Alyahya, Guangyao Zhu, Per Kurowski, Pietro Veglio, Pierre Duquesne, Eckhardt Biskup, \* Eugene Miagkov, \* Finn Jonck, Carole Brookins, Louis Kasekende, Paulo Gomes, Amaury Bier, Yuzo Harada, Neil Hyden, Alieto Guadagni, Kurt Bayer; (seated) Rapee Asumpinpong, Tanwir Ali Agha, Mahdy Aljazzaf, Rosemary Stevenson, \* Ad Melkert, C. M. Vasudev, Marcel Masse.

\*Alternate (one director was not available for this photograph).

The Executive Directors are responsible for the conduct of the World Bank's general operations, performing 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 International Bank for Reconstruction and Development (IBRD) loan and guarantee proposals and International Development Association (IDA) credit, grant, 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. 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 Department (OED), which is accountable directly to the Board to perform evaluations as set out in OED 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 2003 the Board regularly met at Bank headquarters to carry out its responsibilities. Directors also serve on one or more standing committees: Audit, Budget, Personnel, Development Effectiveness (CODE), and Committee on Executive Directors' Administrative Matters (CODAM). CODAM's mandate was expanded this year to include areas of governance, and it was renamed the Committee on Governance and Executive Directors' Administrative Matters (COGAM). The committees help the Board discharge its oversight responsibilities through comprehensive examinations of policies and practices. Specifically, the Audit Committee advises the Board

on financial management, corporate governance, and oversight issues to enhance Board decisionmaking in those areas. The Budget Committee considers certain aspects of business processes, administrative policies, standards, and budget issues that have a significant impact on the cost-effectiveness of Bank Group operations. CODE advises the Board on selected issues concerning operations and policy evaluation and development effectiveness with a view to monitoring progress toward the Bank's mission of poverty reduction. The Personnel Committee advises the Board on compensation and other significant personnel policies. COGAM advises and makes recommendations to the Board on issues of governance and administrative policy relating to the Executive Directors, Alternates, and their staff; the issues considered may be referred to COGAM by the Board or identified by the Committee itself. Among other issues this year, COGAM considered ways to strengthen the Executive Directors' offices that would enhance their voice and participation in the decisionmaking process of the World Bank Group.

Executive Directors and Alternate Executive Directors periodically visit borrowing countries to review Bank assistance in progress. They meet a wide range of people, including project managers, beneficiaries, and government officials, as well as representatives of non-governmental organizations, the business community, other development partners, financial institutions, and resident Bank staff. This year Directors visited the Dominican Republic, Uruguay, and the República Bolivariana de Venezuela.

Directors play an active role in preparing the agenda and issues papers for the semiannual meetings of the Joint World Bank–International Monetary Fund (Bank-Fund) Development Committee. Directors do this by reviewing, discussing, and providing input to staff who prepare the issues papers to be discussed by the Development Committee. In fiscal 2003 the Committee reaffirmed its commitment to poverty reduction, the Millennium Development Goals (MDGs), and the Monterrey Consensus by addressing the World Bank's strategy in monitoring policies and actions for achieving the goals; promoting market access for developing-country exports; making progress on the Monterrey Consensus; continuing the effort to harmonize the operational policies, procedures, and practices of multilateral and bilateral donors; and making progress on the Heavily Indebted Poor Countries (HIPC) Initiative, debt sustainability, assistance to low-income countries under stress, the Bank's safeguard

policies, and other issues. (See appendix 13 in volume 2 of this *Annual Report*.)

## STRATEGIC ISSUES

The Board emphasized the following areas during the fiscal year.

### Strategic Framework

The Board's work during fiscal 2003 continued to be based on the Strategic Framework and Strategic Directions (and Management Action Plan) papers discussed in fiscal 2001 and reaffirmed and updated in fiscal 2002. Directors stressed the need to move forward with implementation, focusing on developing the procedures and tools to meet the development challenges embodied in the MDGs. Within this context Directors reviewed a number of papers prepared to help the Bank sharpen its policies, programs, and instruments to support its central mission of reducing poverty. These papers included a strategy for better measuring, monitoring, and managing for development results and for the harmonization of operational policies, procedures, and practices among donors. Furthermore, the Board considered other issues, such as the Bank's role in the reconstruction of Iraq, the introduction of the grants component in the 13th Replenishment of IDA, OED's review of the HIPC Initiative, methods for combating terrorist financing and money laundering, and market access for exports from developing countries.

### The Bank Group's Role in Reducing Poverty

The Board's agenda emphasized the Bank's contributions toward attaining the Millennium Development Goals. In that connection the Board reviewed the paper, "Achieving the MDGs and Related Outcomes: A Framework for Monitoring Policies and Actions." The Board also continued to closely monitor the implementation of the Bank's mandate to reduce poverty. It considered 15 Poverty Reduction Strategy Papers (PRSPs), and 7 PRSP Progress Reports, pointing out areas where further refinement would be useful.

Meanwhile, the Board focused attention on the enhanced HIPC Initiative. It considered two HIPC completion-point documents.<sup>1</sup> The Board also

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

considered a number of joint Bank-Fund papers, including “HIPC Initiative: Status of Implementation,” “HIPC Initiative: Creditor Participation Issues,” and “HIPC: Calculation for Completion Point Topping Up.” Moreover, the Board reviewed a progress report on the Bank’s poverty reduction activities in fiscal 2002.

### **Country Programs**

Country Assistance Strategies (CASs) remained the cornerstone of Bank Group work at the individual client level, including the Comprehensive Development Framework principles of ownership, partnership, and a focus on results. Directors also intensified their call for a closer link between the assistance strategy and the PRSP process. The Board reviewed 24 CASs and CAS products during the fiscal year. It took an active role in ongoing work to refine the Bank’s lending and non-lending instruments and it provided guidance on the CAS retrospective and future directions, the implementation challenge of modernizing operational policies and instruments, and other pertinent topics. In the context of future directions for Country Assistance Strategies, and given the demands emerging from the results agenda and the often missing link between the CAS objectives and the instruments to be used in attaining those objectives, the Board called for future CASs to include intermediate outcomes and associated monitoring indicators so as to make the strategies more “results based” by enhancing their performance reporting and accountability. The Sri Lanka CAS was the first results-based CAS discussed this year.

### **Global Programs and Partnerships**

The Bank Group continued to strengthen cooperation with the International Monetary Fund (IMF), other multilateral development banks, and the United Nations system as it increased its outreach to civil society. Directors considered priorities in relationships with other development partners. Collaboration with the IMF was especially prominent in the work on public expenditure review, financial sector assessment programs, and anti-money-laundering activities, as well as ongoing work on implementing HIPC and PRSP initiatives. This collaboration included a joint Bank-Fund paper on efforts to combat money laundering and the financing of terrorism, a joint paper on informal funds transfer systems, and a progress report on Bank-Fund collaboration on country programs and

conditionality. Other papers examined public expenditure work and reviewed both the Financial Sector Assessment Program and Reports on the Observance of Standards and Codes (ROSCs). The Bank also worked on implementing the Monterrey Consensus by reviewing the previously mentioned paper, “Achieving the MDGs and Related Development Outcomes: A Framework for Monitoring Policies and Actions,” and continued its work on the harmonization of operational policies, procedures, and practices with other multilateral development banks and bilateral aid agencies.

With regard to the ongoing review of the Bank’s policy on information disclosure, the Board discussed a paper on strengthening the Public Information Centers.

## **OVERSIGHT AND FIDUCIARY RESPONSIBILITY**

The Board exercises oversight and fiduciary responsibility on behalf of its shareholders through its Audit Committee. The Audit Committee has reviewed its terms of reference to reflect the evolving scope and responsibilities of audit committees’ roles in oversight and risk management. The Committee advises the Board on financial management and other financial governance issues to strengthen the Board’s decision-making on financial policy and control issues.

## **OPENNESS AND TRANSPARENCY**

Building on previous efforts to make more information publicly available, the 2001 revisions to the Bank policy on information disclosure called for the release of a greater number of project-related documents (including documents dealing with adjustment lending) and a more systematic approach to accessing historical information. (See *The World Bank Policy on Disclosure of Information, 2002*.)

To address the need for proactive outreach and targeted information dissemination, the Bank made plans in fiscal 2003 to improve access to information through its Public Information Centers in developing countries. In January 2003 the Board endorsed a Bank management paper titled “Strengthening Public Information Centers.” Implementation will span fiscal years 2004 and 2005. The Board also discussed a paper titled “A Document Translation Framework for the World Bank,” which takes into

account the scope of information available under the revised disclosure policy.

## **ADMINISTRATIVE BUDGET**

The total administrative budget for fiscal 2003, reviewed by the Budget Committee and approved by the Executive Directors, was \$1,672.6 million, net of reimbursements, and it included \$157 million for the Development Grant Facility. The net administrative budget represented a 0 percent real increase over the fiscal 2002 budget (or a 3.1 percent nominal increase). In June 2003 the Executive Directors approved a total administrative budget, net of reimbursements, of \$1,870 million for fiscal 2004.

## **INSPECTION PANEL**

In 1993 the Board created an independent Inspection Panel to address more closely the concerns of people affected by Bank projects and to ensure that the Bank adheres to its operational policies and procedures in the design, preparation, and implementation of projects. Any group of individuals that believes it 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. On the basis of the Panel's recommendation, the Executive Directors decide whether to authorize an investigation.

In fiscal 2003 the Panel received and registered one new Request for Inspection related to the Cameroon portion of the Chad-Cameroon Petroleum Development and Pipeline Project and the Cameroon: Petroleum Environment Capacity Enhancement

Project. The request came from Cameroon non-governmental organizations and individual citizens. The Board approved the Panel's recommendation for an investigation in December 2002. The Panel's report, sent to the Board in May 2003, will be considered by the Board in July 2003, along with Bank management's recommendations on the Panel's findings.

Also in fiscal 2003 the Panel submitted to the Board its Eligibility Report on the Request for Inspection related to the Paraguay: Reform Project for the Water and Telecommunications Sectors, and the Argentina: SEGBAV Power Distribution Project (which provides partial financing for the Argentina/Paraguay: Yacyretá Hydroelectric Project). The Board approved the Panel's recommendation for an investigation in September 2002, and that investigation is currently under way.

The Board considered an investigation report on a Request for Inspection related to the Chadian portion of the Chad-Cameroon Petroleum Development and Pipeline Project (the request was received in fiscal 2001), and in September 2002 it approved Bank management's recommendations. In July 2003 the Board will consider the Panel's investigation report and management's recommendations on the India Coal Sector Environmental and Social Mitigation Project.

Twenty-seven Requests for Inspection have been filed since the Panel was established, 9 from Africa, 9 from Latin America and the Caribbean, 7 from South Asia, and 2 from East Asia and the Pacific. Of the 27 formal requests received, the Panel has recommended investigations in 13 cases, 6 under the rules that applied prior to the April 1999 clarifications to the resolution that established the Panel, and 7 since that time.