



SECTION II

The Board of Executive Directors

The Executive Directors are responsible for the conduct of the 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 IDA credit proposals made by the President, and they decide on policies that guide the general operations of the Bank. 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 any other matters deemed necessary in their judgment.

During fiscal 2000, Executive Directors regularly met at Bank headquarters twice a week with frequent additional meetings, both formal and informal. 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.

In addition, groups of Executive Directors and Alternate Executive Directors periodically visit borrowing countries to observe, first-hand, Bank assistance in progress. They meet with project managers, beneficiaries, government officials, nongovernmental organizations, the business community, as well as other development partners, financial institutions, and resident Bank staff. In fiscal 2000, Directors visited Indonesia, Kenya, Madagascar, Mauritius, Rwanda, and the Solomon Islands. Executive Directors' oversight responsibility covers all Bank policies and activities, including approval of all lending operations and the annual budget. In shaping Bank policy, 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. Directors also play an active role in preparing the agenda and issues papers for the semi-annual meetings of the joint Bank-Fund

Development Committee. In fiscal 2000, the Development Committee addressed the fight against HIV/AIDS, the links between trade, development, and poverty reduction, the report of the Joint Commonwealth/World Bank Task Force on Small States, and a number of the issues discussed below. (For more detail, see Appendix 16 in *The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report*.)

STRATEGIC ISSUES

Major areas of Board emphasis during fiscal 2000, discussed in the body of the Annual Report, are highlighted below:

Strategic Compact and the Strategic Directions Paper. Executive Directors continued to monitor, with substantial input from the Committees, the fiscal 1998–00 Strategic Compact between the Bank and its shareholders, which has been aimed at making the Bank more responsive, and improving the quality of services, to clients. Directors welcomed the progress achieved under the Compact, including reform of the budget process. For the future, Directors generally supported the Strategic Directions Paper, which emphasized assistance for poverty reduction at the country level, complemented by efforts at the global level; they were also pleased that resource requirements adhered to the Compact agreement. Directors endorsed Management's commitment to continue working on the quality of nonlending services and on matrix management and staffing issues.

Comprehensive Development Framework (CDF). The Board focused on the implementation challenges of the CDF. In reviewing the progress in pilot countries, the Directors focused on harmonization of procedures, sector-wide approaches, strategic selectivity in the Bank's program, and links between the CDF and Poverty Reduction Strategy Papers. While supportive of the approach to CDF laid out in the Strategic Directions Paper, they encouraged a full evaluation of CDF pilots before considering mainstreaming the CDF to Bank clients.

Heavily Indebted Poor Countries (HIPC) Initiative. In September 1999, the Executive Board and the Development and Interim Committees endorsed enhancements to the HIPC Initiative to

provide deeper, faster, and broader debt relief for countries committed to pursuing sound policies. In so doing, they expressed concern about the remaining financing gap and stressed the critical importance of full participation by multilateral and bilateral creditors. Directors approved decision points for seven countries and a completion point for one country under the enhanced framework.¹

Poverty Reduction Strategy Papers (PRSPs). Also in September 1999, the Development and Interim Committees supported stronger links between debt relief and poverty reduction in low-income countries, based on poverty reduction strategies prepared by countries with support from the Bank, the Fund, and other partners. Directors broadly endorsed the principles and core elements of PRSPs, welcoming the emphasis on pro-poor growth, country ownership, transparency, and stakeholder participation. They also reviewed two PRSPs and progress on the preparation of interim PRSPs for eight countries.

Country and sector strategies. Guided by the Committee on Development Effectiveness (CODE), the Board continued to stress the need to evaluate results at the country (rather than project) level. Directors urged that Country Assistance Strategies (CAS) focus on poverty reduction, partnership, and selectivity in allocating resources; they also called for more emphasis on country ownership, results, self-evaluation, and progress on cross-cutting themes such as gender and private sector development. They also reviewed, with substantial input from CODE, six sector strategy and related papers that set priorities in key subject areas. CODE and its subcommittee also provided input on draft public sector, financial sector, social protection, and gender strategy papers, and supported structural changes proposed for IFC and Bank units working on private sector development.

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 Poverty Reduction Strategy Paper.*

FINANCIAL CAPACITY

In September 1999, Executive Directors discussed a report titled *Options for Enhancing the IBRD's Financial Capacity*, in response to a request from the Development Committee. The request was the result of a report from the Bank's President (in part, based on the findings of an external panel) that the Bank might be reaching the limits of its risk-bearing capacity. At last September's Annual Meetings, the Development Committee agreed with the report's finding that the Bank's finances remain sound but that its financial capacity may limit its ability to respond to unanticipated future needs, especially if global financial markets were to weaken. The Committee asked for continued review of options and regular reports, a request echoed by the Executive Directors, the Development Committee, and ministers at the Spring meetings in April 2000. This issue will continue to be carefully monitored by the Board's Audit Committee as well as by the full Board.

ADMINISTRATIVE BUDGET

Following review by the Budget Committee, Executive Directors approved a total net administrative budget for fiscal 2000 of \$1,445.1 million. In August 1999, the Board separately approved an allocation of \$125.9 million for the Development Grant Facility. The fiscal 2000 administrative budget maintained the discipline of the Strategic Compact Framework with two exceptions: an additional \$16.9 million was approved for the Bank's institutional anticorruption (\$6.9 million) and Y2K (\$10.0 million) programs. The fiscal 2000 budget was lower by \$106.1 million in nominal dollars and by \$92.4 million in fiscal 1997 dollars than the original

Compact envelope, thus reducing the claims on income. In June 2000, the Executive Directors approved a total administrative budget of \$1,442.2 million for fiscal 2001, the first post-Compact budget.

HUMAN RESOURCES REFORM

Executive Directors continued to monitor, with guidance from the Personnel Committee, the comprehensive reform of human resource policies and systems approved as part of the Strategic Compact. Realigned employment and compensation policies now ensure that all Bank staff are selected and evaluated against common criteria and have access to a comparable set of benefits. Directors were generally satisfied with progress on the Bank's learning agenda and endorsed reform of the Bank's internal conflict resolution system. They welcomed, in particular, the new mediation service, greater access by field staff, the strengthening of the Ombudsman Office and Office of Professional Ethics, and the system's increased focus on cost-effective prevention and informal, nonadversarial channels for dispute resolution.

INSPECTION PANEL

The Board created an independent Inspection Panel in September 1993 to more closely address the concerns of the populations affected by the Bank's operations. This panel ensures that the latter adhere to the institution's operational policies and procedures regarding the design, preparation, and implementation of a project. In fiscal 2000, the Panel processed five requests for inspection, including one on the China Western Poverty Reduction Project, on which the Panel issued a report to the Board in April 2000.