

The Board of Executive Directors is responsible for the conduct of the general operations of the Bank and performs its duties under powers delegated to it by the Board of Governors. As provided in the Articles of Agreement, five of the twenty-four executive directors are appointed by the five member governments having the largest number of shares; the rest of the board is elected by the other member governments, who form constituencies in the election process every two years.

The executive directors consider and decide on the IBRD loan and IDA credit proposals made by the president, and they decide policy issues that guide the general operations of the Bank and its direction. The executive directors 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 on the operations and policies of the Bank, as well as any other matters that in their judgment require submission to the Board of Governors.

During fiscal 1997 the executive directors met eighty times in formal board meetings and another eighty-one times in seminars, informal sessions, and as the Committee of the Whole. In addition, most of the executive directors serve on one or more of five standing committees: Audit Committee, Committee on Development Effective-

ness, Budget Committee, Personnel Committee, and Committee on Executive Directors' Administrative Matters. The executive directors' Steering Committee, an informal advisory body, also meets regularly.

In addition to the meetings and committee work, groups of executive directors and alternate executive directors at times make special trips to borrowing countries to observe Bank-supported operations and its assistance strategy firsthand. They meet with a wide range of people, including staff of the Bank's resident missions or field offices, government officials, project managers, NGOs and project beneficiaries, and the business community. In fiscal 1997, groups of executive directors visited East Asia (Cambodia and China), South Asia (Bangladesh and India), Western Africa (Burkina Faso, Guinea, Niger), and Europe and Central Asia (Bosnia and Herzegovina and Russia).

Shaping policy

The Board of Executive Directors' oversight responsibility covers virtually all Bank policy, so its role cannot be clearly separated from most of the Bank activities and initiatives covered in this *Report*. This oversight responsibility is exercised in part through the process of board approval of each Bank or IDA lending operation and the annual budget process. However, the executive directors also exercise an

important role in shaping Bank policy and its evolution as they work for changes in direction, emphasis, and/or improvements in Bank results. It is in this role that the directors represent the changing perspectives of their shareholder governments vis-à-vis the Bank's role. These policy initiatives normally reflect needs perceived by shareholders and involve a process of consensus building, both among executive directors and with Bank management. Many of the changes in Bank policy grow from initiatives by the executive directors and occur gradually over a period of years, such as the increasing emphasis on social development issues, capacity building in Africa, anticorruption programs, and postconflict assistance.

The executive directors have increasingly encouraged closer linking of the operations of the Bank, IFC, and MIGA. In fiscal 1997, for example, the board held a seminar on the Bank Group's existing and planned guarantee and risk-mitigation products in the context of its strategic goals. The executive directors broadly supported the outlined approach to expand and strengthen these catalytic activities and urged management to move forward with concrete proposals to the board. Similarly, at a board seminar on a Bank Group financial sector framework, executive directors emphasized the need for a coordinated approach with other agencies, including the IMF.

In a sense, the executive directors' oversight role seeks to ensure that Bank policies are interpreted and implemented correctly. The executive directors review major policy areas in order to keep them current. For example, in fiscal 1997 the board endorsed a Bank policy to renew emphasis on rural development as a vital element of the objective of reducing poverty and promoting economic growth, food security, and sustainable resource management.

Strategic Compact with shareholders

In fiscal 1997 the executive directors unanimously endorsed the Strategic Compact between the Bank and its shareholders—a plan for reform and renewal of the Bank to make it more effective in achieving its overriding objective of poverty reduction. The Strategic Compact's objective is to transform the way the Bank conducts its business by improving its products, speeding up its processes, lowering its costs, making it more demand driven, and increasing its development impact. Clear performance criteria will be set, against which progress will be measured. The compact builds upon the strategic guiding principles laid out in the 1994 vision statement prepared in connection with the Bank's fiftieth anniversary. The board committees are expected to play a major role in assisting the board in discharging its oversight responsibilities in monitoring the compact.

Heavily indebted poor countries

The process of finding a solution to the official debt problem of the heavily indebted poor countries (HIPC) continued in fiscal 1997. The boards of the Bank and the IMF endorsed a program of action for reducing the debt burden of eligible HIPC to a sustainable level and established the HIPC Debt Initiative Trust Fund (see *box in the Overview*). Other donors are also expected to contribute to the trust fund. Preliminary country documents have been prepared for a number of countries. They form the basis for consideration of eligibility for assistance under this initiative; Uganda was the first country to benefit from this initiative.

Country assistance strategies

The country assistance strategy (CAS) is the central vehicle for change in the Bank. The executive directors in fiscal 1997 continued their efforts to see poverty reduction, the Bank's overriding objective, more comprehensively integrated into CASS. Although recognizing considerable progress in the past few years, the directors stressed that further work is needed to build the results of poverty assessments into CASS.

In their consideration of CASS, the directors increasingly emphasized selectivity in setting country priorities for Bank support through lending and nonlending services and on the tradeoffs implicit in the Bank program. They emphasized that CASS should discuss the Bank's partnerships in a country, where appropriate, with the IMF, other multilateral institutions, bilateral donors, and NGOs in a strategic context to maximize the development impact and increase cost-effectiveness. The treatment of country risk has also been receiving more attention in CAS discussions.

As a result of the executive directors' work, there has been a visible refocusing on evaluating the impact of Bank efforts and results on the ground, building on lessons from past performance, consulting with civil society, and strengthening the Bank's presence in the field. Another direct outcome of the board's efforts is the increasing focus on the vital importance of client ownership of the country strategy and on the need to reflect adequately the client's perspective in the CAS.

Development effectiveness

The Executive Board's Committee on Development Effectiveness deals with the issues related to the effectiveness of on-the-ground results of Bank operations. The committee also oversees the responses of Bank management to the Operations Evaluation Department's findings and recommendations.

The committee continued to stress the need to improve self evaluation by the Bank and to

ensure that evaluation results were routinely and rapidly fed back into the formulation of new directions, policies, and procedures. For example, the committee considered Country Assistance Reviews for Morocco, Poland, and Zambia and reported on its deliberations to the Executive Board prior to its consideration of the CASS for those countries. It followed up on the board discussion of the social development task group report¹ by reviewing recommendations and actions taken and a proposed work program on social development. The committee also reviewed an update of the report on mainstreaming gender into Bank lending. The committee welcomed the creation of an evaluation learning group, co-chaired by the Operations Evaluation Department and the Bank, and the new quality assurance program to strengthen the design of new projects and programs and implementation of existing ones. Measurement and evaluation of the Bank's impact remain a major challenge.

New auditors

On the recommendation of the Audit Committee, the board in fiscal 1995 decided to rotate external auditors periodically. In fiscal 1996, procedures for obtaining bids from five international firms were decided on. The bidding process and the selection of the new auditors took place in fiscal 1997.

1. World Bank. 1996. "Task Group Report: Social Development and Results on the Ground." October. Washington, D.C.