ANNUAL REPORT OF THE CHAIRPERSON OF THE PROGRAMMING COMMITTEE OF THE BOARD OF EXECUTIVE DIRECTORS  
1 JULY 2014 TO 30 JUNE 2015
Annual Report of the Chairperson
Programming Committee of the Board of Executive Directors
1 July 2014 to 30 June 2015

During the year from 1 July 2014 and 30 June 2015, the Programming Committee met on 22 occasions, of which three were informal meetings.

Over this period, the Committee considered six country program evaluations (Honduras, Jamaica, El Salvador, Costa Rica, Colombia and Panama); and three country strategies (Chile, Honduras, and Barbados). The Committee also met on two occasions to receive reports on the Bank’s program in Haiti and held four meetings to hear reports on non-sovereign guaranteed (NSG) operations.

In addition, the Committee considered the following items:


1.1) The Committee met on 24 July 2014 to consider the Initiative for the Promotion of Regional Public Goods: 2014 Recommendations for Financing (document GN-2275-32), which contained the results of the 2014 call for proposals for the Initiative and to review the list of proposals recommended by Management for financing. The allocation for this special program totaled US$8,000,000 from the 2014 budget, with an additional US$743,279 in unused resources carried over from 2013 due to cancellations for completed projects.

The Committee Members unanimously supported the list of proposals recommended by Management for financing in 2014. The Executive Directors commended Management for the concise report and expressed appreciation for the incorporation of OVE’s recommendations; and the coordination efforts among all Bank units involved in the proposal review process.

The list of proposals recommended for financing, as set forth in document GN-2275-32, was approved by the Board of Executive Directors on 30 July 2014.

1.2) At its 22 June 2015 meeting, the Committee received Management’s presentation on the Initiative for the Promotion of Regional Public Goods – 2015 Recommendations for Financing (document GN-2275-34). The document reported on the results of the 2015 call for proposals for the Initiative for the Promotion of Regional Public Goods, and requested approval for the list of proposals recommended for financing. The allocation for this special program totaled US$6,999,720 from the 2015 budget. Also available to the 2015 programme, was an additional US$418,072 of 2014 resources, left over due to cancellations for completed projects.

Committee members unanimously supported the list of proposals recommended for financing and commended Management for the increasing awareness and interest in the Initiative, evidenced by the number of proposals received. They gave recognition to the initiative as a concrete expression of south-south cooperation. Directors also welcomed the incorporation of OVE’s recommendations into the program.
2.1) The Committee met on 8 December 2014 to consider the document Fund for Special Operations. Proposal for the Allocation of Resources 2015-2016 (document GN-2442-46), which contained Management’s proposal for the allocation of concessional resources for the 2015-2016 period.

The Committee Members unanimously supported the recommendations and allocation of resources as proposed by Management (annual allocation for the D2 countries (except Haiti) of US$277.6 million in FSO financing). The Executive Directors also commended the countries whose estimated per capita GDP had increased to levels exceeding the threshold for FSO eligibility.

On 15 December 2014 the Board approved the recommendations, as set forth in document GN-2442-46: (a) the updated FSO portfolio performance indicator; (b) the updated eligibility threshold for C and D1 countries; and (c) the allocation of FSO and OC resources among D2 countries.


Committee members were pleased to note that debt sustainability indicators have been improving or been maintained under the DSF. Directors from FSO borrowing countries highlighted the improvements in the portfolio performance and the pace of disbursements in the FSO-IV countries. They however expressed concerns over the long-term sustainability of the FSO, the decreasing trend in the ex-post or realized concessionality of blended loans, and the exchange rate risk to which FSO countries would be exposed when loans are disbursed in non-USD convertible currencies. Both Management and Committee members agreed on the need to have a discussion on potential solutions to ensure the long-term sustainability of the FSO.

On 12 March 2015 the Board of Directors took note of the report and authorized its submission for information, to the Board of Governors.

3.1) The Committee met on 21 July 2014 to receive the 2014 Operational Program Report Update, which complemented the information contained in the 2014 Operational Program Report presented to the Board at its 5 March 2014 meeting. The document described the sovereign-guaranteed loans and guarantees to be submitted for approval during the second semester of the year, and updated the sovereign and non-sovereign lending program (loans and guarantees) for the year, as of the cut-off date May 13, 2014.
Directors requested further clarification on issues including the following: (i) the advantage of dividing the information presented on sovereign-guaranteed operations into six-month periods; (ii) the trends observed in alignment with the GCI-9 lending program priority areas including the projected proportion of total lending in the area of “Poverty Reduction and Equity Enhancement” which seemed to be falling below the target level; (iii) the endogenous factors contributing to bottlenecks in project preparation and approval; (iv) the rationale for having a second - Pipeline B - list of operations; (v) the impact of the new macroeconomic safeguards on the pipeline; and (vi) the strategy to increase the NSG pipeline in the Caribbean.

On 30 July 2014 the Board: (i) took note of document GN-2756-2 (2014 Operational Program Report Update), and (ii) approved the 2014 indicative project pipeline, Annex I of the report.

3.2) The Committee again met on 16 March 2015 to review the 2015 Operational Program Report (document GN-2805), which describes the Bank’s projected operational program for the year. Management explained that based on feedback received, the decision was made to revert to the original practice of submitting one consolidated OPR at the beginning of the year, instead of submitting a midyear update.

Directors requested clarification on aspects including the following: (i) understanding the potential impact of the higher level of approvals on the Bank’s financial and risk indicators, in particular with relation to the Risk Adjusted Capital (RAC) ratio and the income management model; (ii) the trends observed in the alignment to the GCI-9 lending program priority targets, noting with concern that the programme remains below the target set for the level of “Poverty Reduction and Equity Enhancement” operations; (iii) the degree of strategic alignment between current Country Program Documents, Country Strategies and the OPR; (iv) the overall reduction in the lending program relative to previous years, and the potential risk in maintaining the countercyclical role of the Bank; (v) the impact and number of expected Policy Based Loans to the C & D vs the A and B groups of countries; and (vi) the current low level of, and efforts needed to increase the NSG pipeline in certain regions, such as Central America and the Caribbean.

Regarding the 2015 indicative project pipeline in Annex III that lists the operations by country for future consideration by the Board, in some cases by simplified procedure, some Executive Directors underscored the informative nature of the document, and noted that they reserved the right to abstain or refuse approval, and/or the use of simplified procedures, for any of the operations when individually presented to the Board for consideration.

On 15 April 2015 the Board: (i) took note of document GN-2805 (2015 Operational Program Report), and (ii) approved the 2015 indicative project pipeline, as it appears in Annex III of the document.


The Programming Committee met on 12 February 2015 to consider a revised version of the document “Incorporating Capital Adequacy Parameters into Financial Planning:
The proposal to incorporate IDB's capital adequacy parameters into the sovereign guarantee programming process is based on three components: (i) the Long Term Financial Projections (LTFP) framework; (ii) A Two-Tier Exposure-Based Country Limit framework; and (iii) a price differentiation scheme. Under this framework, the maximum level of concentration allowed any borrowing member country, expressed as a proportion of the exposure at default would be 22% (the “hard limit”); and the lower limit (“soft limit”) was suggested to be set in the range 17.5%-18.5%, except for Brazil.

During the February 12 meeting, Committee members overall expressed their support for the document. Regarding the definition of the soft limit, the Directors endorsed the proposal made by the Director for Chile to use a sliding scale to gradually reduce the level from 18% to 17.5% over a period of two to three years. Directors also agreed that the proposal regarding review of this framework after three years of implementation, needed further clarification. In this context, Management prepared a revised version of document, which was submitted to the Programming Committee by Streamlined Procedure (document GN-2755-3). Nonetheless, in response to a proposal put forth by the Director for Mexico after the meeting, there was consensus support among Directors to set the level of the “Soft Limit” at 18%.

On 25 February 2015 the Board approved the proposal set forth in document GN-2755-3 with one modification, changing the level of the “Soft Limit” to 18%. Subsequently, a final document reflecting this change was distributed (document GN-2755-5).

To my successor, in addition to overseeing the discussion of the regular items of the Committee, I leave the particularly important task of leading the process of analyzing, discussing, and redefining new guidelines for the preparation of Country Strategies.