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Enabling poor rural people
to overcome poverty

Comparison of Multilateral Development Banks Board Approval Procedures for Project Loan and Grants

The attached comparison was shared with Convenors and Friends on 17 April 2008.

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For: **Information**

A comparison of MDB Board Approval Procedures for Project Loan and Grants

1. In response to the discussion at the Convenors and Friends meeting of 10 March 2008, Management agreed to prepare a table that provides an overview of the engagement opportunities during design of projects and approval procedures of projects. The comparison included the following Multilateral Development Banks (MDBs): *World Bank (WB)*, *Asian Development Bank (AsDB)*, *African Development Bank (AfDB)* and *Inter-American Development Bank (IDB)*.
2. MDBs such as the World Bank, the Inter-American Development Bank and the Asian Development Bank, have been implementing ***models of operations approval frameworks similar to those of IFAD***. All of the MDBs, except IFAD, have however simplified their Board approval procedures. Most recently, the AfDB¹, adjusted its Board approval procedures to harmonize with the other MDBs. The models for all of the other MDBs include the following (shown in more detail in the attached table):
 - *Standard procedure*, which requires full Board discussion and approval. Applicability of this procedure to loans and grants is determined based on a set of criteria, which includes predetermined loan and grant thresholds and the policy content of the operation. Thus, this procedure usually applies to loans and grants above certain threshold amounts; to complex operations; operations with significant adverse environmental, economic and/or social impacts; or operations involving exceptions to established policy or strategies.
 - *Streamlined procedure*: Under this procedure, the operation is placed on the agenda of the Board of Directors. It is considered approved without prior discussion, unless an Executive Director requests that it should be discussed.
 - *Lapse-of-time approval*: Under this procedure, the operation is not placed on the agenda of the Board of Directors but circulated to the Executive Directors for approval on a lapse-of-time basis. It is considered approved if there is no objection from a Board member within a specified period.
 - *Delegation to Management*: The MDB Boards also delegate authority to Management to approve certain operations. For example, at the IDB, this applies to loans under the Emergency Reconstruction Facility for Natural Disaster Support and to certain non-reimbursable technical cooperation operations. At the World Bank, this applies to learning and innovation loans of up to USD 5 million, if included in the Country Assistance Strategy, and to subsequent Adaptable Program Loans (APL).
3. The following lessons can be drawn from the experience of other MDBs with respect to operations approval authority:
 - Most MDBs have streamlined their operations approval frameworks with the view of enhancing their responsiveness to client needs and also contributing towards increasing the efficiency of Board proceedings.
 - Streamlining of the frameworks for approval has led to focusing Board discussions on broad operational issues or policy related matters.

¹ In December 2007 the Board of AfDB approved a proposal to streamline approval procedures of projects. The document that was prepared and submitted to the Board constitutes a source of information for this note and table. Reference document: ADF/BD/WP/2006/127/Rev.33, December 2007, "Simplification of operations approval procedure of Board of Directors".

Discussions on operations are focussed on a limited set of loans and grants, which meet certain specified criteria, while resorting to procedures not involving Board discussions and to delegated approvals for small size and non complex operations.

- The size of loans and grants, and the complexity of operations, therefore, appear to be the key determinant of whether approval will require discussion at the Board.
4. As can be deduced from the attached table, IFAD's Executive Board has been working since its establishment in 1978 under the standard approval procedure, which means that the Board discusses and approves all project loans and grants during its three annual sessions.
 5. In addition to the approval procedures, we also analysed procedures for engagement of Board members *during the design process of projects*. Amongst the four MDBs, the World Bank provides Executive Directors with earlier information on a project design safeguard policies such as the environment, resettlement or indigenous people. The other three do not provide any formal opportunity for engagement during the design process. Informal contacts between Board members and staff, regarding upcoming projects, occurs in the other MDBs – as in IFAD – based on early information circulated.
 6. A new procedure was recently introduced² by IFAD Management that provides Executive Board members periodic information on planned country meetings for COSOP or project design. This new procedure, that enables Board members to participate and facilitates their earlier contributions to the design of COSOPS or projects, is unique among MDBs. In addition, under its new internal project review procedures, IFAD invites members of borrower governments to peer review projects. It also invites outside experts to participate in peer reviews.
 7. Based on this comparison of procedures used by the MDBs, IFAD's existing procedures provide substantive opportunities for Board engagement during design of all MDBs. IFAD is the only institution that presents *all its project loans and grants to the Executive Board for discussion and approval*. Early engagement in-country, for both borrower and for those countries having representation in-country, provides for early involvement of Board members or their government.

² During the EB of December 2007, Management informed the Board that it would provide information on planned country meetings in which Board members could participate. This information is provided through IFAD's website and through the Planned Project Activities document that is submitted to each Executive Board.

Comparison table of Board engagement during design and Board approval procedures of projects

Organization	IFAD	World Bank	Asian Development Bank	African Development Bank	Inter-American Development Bank
Board members Engagement during design	Yes ³	Partially ⁴	No	No	No
Board approval procedures	<p><u>Standard procedure</u> All projects are discussed and approved during the three Executive Board meetings, independent of size or type of loan or complexity etc.</p>	<p><u>Standard procedure.</u> Projects with a cost of more than 10% of the country program in the approved three-year lending allocation or 30% of the current year lending program are discussed and approved at a Board meeting.</p> <p><u>Streamlined procedure.</u> A project is placed on the agenda of the Board. It is considered approved without prior discussion, unless an Executive Director requests that it should be discussed. This applies to loan and grant operations that do not qualify for the standard procedure, such as tranche releases under policy-based operations or follow-up programmatic loans, if there are no substantive programmatic changes in the program and if country performance is satisfactory and for repeater projects.</p> <p><u>Lapse-of-time procedure.</u> The operation is not placed on the agenda of the Board. It is circulated to the Executive Directors for approval on a lapse-of-time basis. It is considered approved if there is no objection from a Board member within a specified period.</p> <p><u>Delegation to Management.</u> Board has delegated authority to Management to approve Learning and Innovation loans of up to USD 5 million, if included in the Country Assistance Strategy; and subsequent Adaptable Programme loans (APL).</p>	<p><u>Standard procedure</u> Projects with a cost of more than USD 200 million for public sector loans and USD 50 million for private sector loans are discussed and approved at a Board meeting.</p> <p><u>Streamlined procedure.</u> A project is placed on the agenda of the Board. It is considered approved without prior discussion, unless an Executive Director requests that it should be discussed. This applies to loan and grant operations that do not qualify for the standard procedure.</p> <p><u>Lapse-of-time procedure</u>⁵. The operation is not placed on the agenda of the Board. It is circulated to the Executive Directors for approval on a lapse-of-time basis. It is considered approved if there is no objection from a Board member within a specified period.</p>	<p><u>Standard Procedure</u> Project with a cost above the threshold of USD 15 million or which are complex in nature are discussed and approved at the Board meeting.</p> <p><u>Lapse-of-Time procedure</u> The operation is not placed on the agenda of the Board. It is circulated to the Board of Directors for approval on a lapse-of-time basis. It is considered approved if there is no objection from a Board member within a specified period. It applies to projects with a cost of less than USD 15 million and of a non-complex nature.</p>	<p><u>Standard procedure.</u> All investment loans with a cost ranging from 25 million to USD 100 million are discussed and approved at a Board of directors meeting.</p> <p><u>Streamlined procedure</u>⁶. The operation is placed on the agenda of the Board. It is considered approved without prior discussion, unless an Executive Director requests that it should be discussed. This applies to loan and grant operations that do not qualify for the standard procedure.</p> <p><u>Lapse-of-time procedure.</u> The operation is not placed on the agenda of the Board. It is circulated to the Executive Directors for approval on a lapse-of-time basis. It is considered approved if there is no objection from a Board member within a specified period. It applies to non-reimbursable technical cooperation loans; and innovation loans below the threshold of USD 10 million.</p> <p><u>Delegation to Management</u> Board has delegated authority to Management to approve loans under the Emergency Reconstruction Facility for Natural Disasters Support and for certain non-reimbursable technical cooperation loans</p>

³ IFAD provides periodically(website , PPA document) information on country meetings for COSOP and project under design to facilitate EB members interaction early in the design process

⁴ World Bank sends to its Board early documentation on environment, resettlement and other safeguard materials.

⁵ At the Asian Development Bank this procedure is called 'Summary procedure'

⁶ At IDB this procedure is called 'Simplified procedure'