

DEO

Development
Effectiveness
Overview
2021



DEO

Development
Effectiveness
Overview
2021



LESSONS IN DEVELOPMENT

DEO

Development
Effectiveness
Overview
2021

GENERAL COORDINATION

Viviane Azevedo
Erin Bautista
Norah Sullivan

ART DIRECTION

María Lucía Angulo
Carlos A. Bernal Barrera
Andrés Gómez-Peña
Paula Sáenz

© 2021 Inter-American Development Bank
1300 New York Avenue, N. W.
Washington, D.C. 20577
publications.iadb.org

Cataloging-in-Publication data provided by the Inter-American Development Bank Felipe Herrera Library

Development effectiveness overview 2021 / Inter-American Development Bank.

p. cm. 1. Economic development projects-Latin America-Evaluation. 2. Economic development projects-Caribbean Area-Evaluation. 3. Economic assistance-Latin America-Evaluation. 4. Economic assistance-Caribbean Area-Evaluation. I. Inter-American Development Bank. Office of Strategic Planning and Development Effectiveness. II. IDB Invest. III. IDB Lab. IDB-AN-00302

Copyright © 2021 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<https://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed. Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license. Note that link provided above includes additional terms and conditions of the license.



The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IDB Invest), their Board of Directors, the Donors Committee of the Multilateral Investment Fund (IDB Lab) nor the countries they represent.

Acknowledgments

The 2021 DEO is a joint report of the IDB Group. Its preparation was carried out by the Office of Strategic Planning and Development Effectiveness (SPD) of the IDB, the Strategy and Development Department (DSP) of IDB Invest, and the Strategy and Impact Unit of IDB Lab under the leadership of Francesca Castellani, Alessandro Maffioli, and Yuri Soares. Hugo Flórez Timorán and Alexandre Meira da Rosa provided strategic input and guidance. Viviane Azevedo, Erin Bautista, and Norah Sullivan led the production of this report, with valuable support from Renata Mercado López. María Lucía Angulo, Carlos Alberto Bernal Barrera, Andrés Gómez-Peña, and Paula Sáenz led the creative direction of the report. The Spanish translation was carried out by the IDB's Office of the Secretary.

This effort would not have been possible without valuable contributions from: Carola Álvarez, Gaston Astesiano, Gabriela Aparicio, Leopoldo Avellán, Irani Arráiz, Bertha Briceño,

Rodrigo Calloni, Mattia Chiapello, Laila Choe, Leonardo Corral, Lorena Corso Figueroa, Shakirah Cossens, Paola Fernandez, Sylvia Garcia Andrade, Maria Isabel Gomez-Pineda Puebla, Jozef Henriquez, Ria Jordan, Galia Rabchinsky Krawetz, Fanxiao Kong, John Jairo Leon Diaz, Giulia Lotti, David Margolis, Claudia Marquez, Sarene Marshall, Favio Martínez, José Martínez, Angela Miller, Laureen Montes Calero, Tetsuro Narita, Emma Naslund-Hadley, Maria Elena Nawar, Luara Oliveira, Diana Ortiz, Stephanie Oueda, Enrique Palacios, Cristina Parilli Lozada, Ignacio Pezo, Vania Pizano, Fazia Pusterla, Andrés de Jesus Restrepo Restrepo, Lorena Rodríguez Bu, Mario Rodríguez Guevera, Raul Sanchez, Luciano Sanguino, Andrea Schirokauer, Cecilia Seri, Griselda Soto, Rodolfo Stucchi, Isabel Berdeja Suarez, Christian Schneider Talavera, Alice Tavares, Estefanía Torres Barrera, Marielle del Valle, Alejandra Villota, Patricia Yáñez-Pagans, Anne-Marie Urban, and Christine Yerg.

Contents

Acknowledgments	iv
Contents	v
Acronyms.....	vii
Message from the President	viii
Executive Summary.....	ix
Introduction	1
Responding to the Crisis.....	2
The 2021 DEO	3
Chapter 1. Measuring Progress towards Corporate Targets.....	2
Strategic Alignment.....	7
Development Effectiveness.....	9
Leverage and Partnerships	14
Efficiency	18
Knowledge and Innovation.....	19
Internal Alignment to Cross-cutting Issues.....	21
Institutionalizing a Focus on Results	22
Chapter 2. Assessing Achievement of Project Results	23
IDB Project Completion Reports.....	24
IDB Invest Expanded Supervision Reports	27
IDB Lab.....	33
Chapter 3. Contributions to the SDGs.....	36
People	39
Planet.....	40
Prosperity	41
Peace, Justice and Strong Institutions.....	44
Partnership.....	45
Reflections.....	47
Chapter 4. Generating and Applying Knowledge.....	48

Learning in Times of Crisis	49
Impact Evaluations	53
Systematizing knowledge and creating feedback loops	56
Reflections.....	59
Chapter 5. Women’s Economic Empowerment: Lessons & Applications.....	60
Overview	61
Scope.....	61
Lesson 1. Strengthening women’s economic empowerment requires first understanding their needs	61
Lesson 2. WEE initiatives should utilize tailored approaches.....	63
Lesson 3. Increasing women’s workforce participation requires breaking down structural and cultural barriers	65
Lesson 4. Having women in decision-making roles helps to empower other women.....	67
Reflections.....	68
References.....	70

Acronyms

CAF	Development Bank of Latin America
CRF	Corporate Results Framework
CTF	Clean Technology Fund
DEA	Development Effectiveness Analytics
DELTA	Development Effectiveness, Learning, Tracking, and Assessment Tool
DEO	Development Effectiveness Overview
DFI	Development Finance Institution
EFS	External Feedback System
EOM	Early Operating Maturity
ERR	Economic Rate of Return
EROIC	Economic Return on Invested Capital
ESG	Environmental, social, and corporate governance
FSR	Final Project Supervision Report
GDP	Gross domestic product
HIPSO	Harmonized Indicators for Private Sector Operations
IDB	Inter-American Development Bank
IFD	Institutions for Development Sector
INE	Infrastructure and Energy Sector
IpT	Internet para Todos
LAC	Latin America and the Caribbean
LGBTQ+	Lesbian, gay, bisexual, transgender and other sexual orientations and gender identities
MDB	Multilateral development bank
MSME	Micro, small, and medium enterprise
NPS	Net Promoter Score
OVE	Office of Evaluation and Oversight
PCR	Project Completion Report
PMR	Progress Monitoring Report
PPP	Public Private Partnership
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
TC	Technical Cooperation
TFFP	Trade Finance Facilitation Program
WeB	women entrepreneurship Banking
WEE	Women's economic empowerment
WSA	Water and Sanitation Division
WSME	women-owned or led MSME
XSR	Expanded Supervision Report

Note: All dollar amounts are in U.S. dollars, unless otherwise noted.

Message from the President

Latin America and the Caribbean is at a crossroads as it strives to overcome the worst socioeconomic crisis it has faced in more than a century. In doing so, the region is showing the will, determination, and creativity to build a more sustainable, inclusive, and resilient future. The IDB Group is working hand-in-hand with our member countries and clients to seize the opportunities borne out of crisis. A critical component is development impact and effectiveness.

The Group's work over the next five years will be guided by the institutional strategy and Vision 2025 with the aim of achieving strategic goals in the near-term. This is the blueprint for spurring investment, growth, and recovery in the region. By focusing our efforts on key areas, we increase our ability to generate impact, including through the creation and strengthening of regional integration and value chains, the digital economy, support for small and medium enterprises, climate change action, and fostering gender equality, diversity, and inclusion. It also means looking inside the IDB Group to strengthen our value proposition for the region by operating in a more dynamic, efficient way, with a focus on results. Making better use of our resources—both in terms of financial resources and expertise, and the unique tools and technical capacities of each IDB Group member—will

enhance our responsiveness, transparency, and accountability to all stakeholders as well as our capacity to deliver sustainable results.

The 2021 edition of the Development Effectiveness Overview (DEO) marks the first DEO reporting on the updated Corporate Results Framework (CRF), covering 2020-2023. While a lot has changed since the CRF was developed, many of the targets are even more critical in a post-pandemic world. As always, the DEO highlights progress towards corporate targets, results achieved and support for the Sustainable Development Goals, and how we are applying lessons learned to our work. This year's report also includes an overview of learning from IDB Group operations supporting women's economic empowerment, a timely topic that is a key driver of our Vision 2025 for a more inclusive region.

Taking stock of results achieved and sharing our goals as well as this knowledge widely is an important part of the IDB Group's role as a strategic partner for the region. As we work together to meet today's unprecedented challenges, I am optimistic that our results-orientation coupled with bold, strategic action will pave the way for both recovery and renewal.

Mauricio Claver-Carone

President

IDB Group

Washington DC, July 2021

Executive Summary

Each year, the IDB Group takes stock of the results of the interventions it supports in its Development Effectiveness Overview (DEO), reviewing where the Group has successfully met its strategic objectives and where gaps remain. This is the first DEO that reports on progress made during a new Corporate Results Framework (CRF) cycle, covering 2020 to 2023. The DEO is focused on reporting on 2020 results and lessons in development effectiveness, guided by the institutional strategy and CRF.

The highest-level targets for the IDB Group are those set through the CRF, covering aspects of organizational management and operational results. Progress towards these targets is driven by a range of action plans and initiatives focused on supporting institutional priorities and driving improvements over time, but it is also impacted by contextual factors, which played an outsized role in 2020 with the onset of the COVID-19 pandemic. For 2020, 51 percent of CRF indicators are on track to meet their targets, 24 percent are on watch, and 25 percent are off track. These results for the first year of the new CRF indicate that efforts in many areas must be redoubled in 2021 for the Group to reach its targets for the end of the CRF period in 2023. The IDB Group is taking targeted actions to enhance performance on these areas, such as maintaining its emphasis on incorporating cross-cutting issues in the development of new projects and enhancing tools and processes to regularly evaluate progress against CRF metrics and channel efforts to achieve their targets.

As a development institution, the most critical commitment of the IDB Group is driving toward development results. All IDB Group projects are evaluated at maturity or completion with regard to four core criteria: relevance, effectiveness, efficiency, and sustainability. For the 2020 exercise, 52 percent of completed IDB projects and 61 percent of IDB Invest projects reaching early operating maturity were rated positively by the Office of Evaluation and Oversight. Factors such as design issues, changes during execution, and measurement issues all affected performance on this indicator. Although a negative rating does not necessarily mean that a project had no development impact, the IDB Group aims to maximize the percentage of operations with positive ratings and has taken action to address these gaps, including through the IDB's new Operational Excellence initiative and IDB Invest's Impact Management Framework.

In addition to assessing achievement of planned results at completion, the IDB Group reports on results during project execution through the standardized indicators established in Level 2 of the CRF. These indicators track the magnitude of the Group's contributions to a range of development topics—from 14 million beneficiaries receiving health services and 1.1 million beneficiaries of enhanced disaster and climate change resilience to 960,000 micro, small, and medium enterprises financed and 19 million annual tons of CO₂ equivalent emissions

avoided. Project cases help illustrate how aggregated results for the portfolio relate to higher-level outcomes. For example, a project in Belize that benefited 30,000 students led to significant improvements in both math and science learning.

A critical challenge faced by all development institutions and the IDB Group is systematizing lessons learned from operations and using this knowledge to inform future interventions, especially when addressing the rapidly evolving needs of the region and the world. To improve its approach, the IDB Group uses its development effectiveness tools to identify lessons throughout the project cycle, conducts impact evaluations to determine project effects, and establishes feedback loops to help institutionalize the application of learning into new projects.

Finally, periodic reviews of lessons learned by country, sector, and thematic area can help build a common understanding of leading practices and promising approaches as well as potential pitfalls that can hinder achievement of results. In this year's DEO, women's economic empowerment (WEE) was selected for a deeper dive into lessons learned given the importance of this line of work in addressing the region's development gaps. Some of the lessons learned from the IDB Group's work supporting WEE in recent years include: (i) strengthening WEE requires first understanding women's needs; (ii) WEE initiatives should utilize tailored approaches; (iii) increasing women's workforce participation requires breaking down structural and cultural barriers; and (iv) having women in decision-making roles helps to empower other women.

Introduction



Achieving development results requires adapting to evolving circumstances. The year 2020 brought immense challenges to Latin America and the Caribbean and across the world. An over seven percent drop in gross domestic product (GDP) (IDB, 2021a). Thirty-one million jobs lost (Aguerrevere et al, 2021). Estimates of up to 44 million people falling back into poverty as a result of the crisis (Acevedo et al, 2020). These are just a few figures to illustrate the heavy toll that the COVID-19 pandemic took on the region in 2020. Underlying these numbers are entrenched structural problems such as low productivity, labor market informality, and inequality that have been further underlined within this challenging context.¹ Addressing these issues must be part of the region's road to a sustainable, inclusive, and resilient recovery.

As the leading source of development finance for Latin America and the Caribbean, the IDB Group has a critical role to play in addressing such emerging and enduring regional challenges through financial solutions and development expertise.² Each year, the IDB Group takes stock of the results of its support in its Development Effectiveness Overview (DEO), reviewing where the Group has successfully met its strategic objectives and where gaps remain. While it is too soon to evaluate the impact of many aspects of the Group's COVID-19 response, it is important to contextualize the 2020 results captured in this DEO within the crisis.

Responding to the Crisis

The IDB Group's [response to the COVID-19 pandemic](#) was wide-ranging and touched all borrowing member countries—from approving new projects and reformulating projects in the portfolio [to updating instruments to address COVID and future public health emergencies](#) and providing technical assistance in adapting to the immediate impacts of the pandemic.

The IDB Group approved a record \$21.6 billion in financing in 2020, with \$7.9 billion of IDB approvals and reformulations directly targeting the COVID-19 response (see [IDB's COVID-19 operational response dashboard](#)). Following the approval of IDB Invest's COVID-19 Response, 100 percent of approvals—totaling \$5.5 billion—were redirected using a COVID-19 lens. For its part, IDB Lab moved quickly to deploy its nimble financial toolkit, approving \$20 million to support innovative COVID-related solutions.

To deploy resources quickly, the Group accelerated project structuring and approval, bolstering its responsiveness to the region's needs. At IDB, replicable project design concepts were developed to facilitate this process, while ensuring critical development effectiveness. The IDB's response focused on support for the immediate public health emergency, vulnerable populations, the productive fabric and employment, and public policy and fiscal management.

¹ See the IDB's [2021 Latin American and Caribbean Macroeconomic Report](#) for a deeper look at the challenges the region faces and opportunities for post-pandemic growth.

² The Group is comprised of the IDB, which works with governments throughout the region; IDB Invest, which works through the private sector; and IDB Lab, which works with the innovation ecosystem. While IDB Lab is a trust fund that is administered by the IDB, information on IDB Lab operations is presented separately throughout this report due to its distinct business model, priorities, and tools.

IDB Invest also swiftly embedded its response strategy into the project cycle thanks to the adaptability of its Impact Management Framework.³ The DELTA impact scoring system integrated a COVID lens to ensure project alignment with the objectives to protect and alleviate the urgent effects of the crisis for vulnerable populations and micro, small, and medium enterprises (MSMEs), and reignite economic activity. In addition, IDB Invest adopted a series of temporary measures to streamline approval processes and deploy more resources, more quickly to address the urgent liquidity needs of clients in the region. These included a \$500 million Crisis Management Facility for lending to existing clients and significantly expanding short-term trade finance operations.

In parallel, IDB Lab launched an emergency financing line for early-stage firms in its investment fund portfolio and a local currency financing vehicle for microfinance institutions to ensure continuity of financial services for vulnerable populations. IDB Lab also tapped into its networks in the region's entrepreneurial ecosystems to identify and finance innovative solutions for fighting the effects of the pandemic, including a [mapping of LAC innovators](#) and a [region-wide call](#) for COVID-19 health tech solutions using its unique fast-deploying prototype financing instrument to support very early-stage innovations.

The 2021 DEO

While maintaining its focus on reporting on 2020 results and lessons in development effectiveness, the IDB Group's COVID-19 response is a guiding thread throughout the document as are the [institutional strategy](#) and [Corporate Results Framework](#) (CRF). The CRF

is used to measure progress on the strategy, and this is the first DEO to report on a new CRF cycle. The CRF 2020-2023 consists of three levels of indicators: Level 1 monitors development progress in Latin America and the Caribbean; Level 2 indicators track the IDB Group's contribution to specific development topics; and Level 3 indicators assess the IDB Group's operational and organizational performance against its targets.

Chapter 1

Chapter 1 reviews the IDB Group's 2020 performance against its CRF targets (Level 3 indicators) to identify where the Group has done well and where gaps remain.

Chapter 2

Chapter 2 focuses on measurement of development results at project completion or maturity, highlighting results from IDB's Project Completion Reports (PCRs) and IDB Invest's Expanded Supervision Reports (XSRs), as well as results from the scaling up of IDB Lab-supported projects.

Chapter 3

Chapter 3 centers on IDB Group contributions to the SDGs, organizing examples of operational results around the five critical areas of the 2030 Agenda for Sustainable Development: people, planet, prosperity, peace, and partnership.

³ For more information on IDB Invest's framework, see the 2020 report, [Managing a Portfolio for Impact](#).

Chapter
4

Chapter 4 presents an overview of how the Group learns from its successes and failures and applies this learning, with a focus on adapting to the COVID-19 crisis and lessons learned from impact evaluations.

Chapter
5

Chapter 5 includes a brief thematic review of learning from IDB Group support for women's economic empowerment in the public and private sectors to help build the knowledge base of effective development solutions.

As in previous years, this DEO aims to serve as a gateway to knowledge and resources about development effectiveness and the IDB Group. Readers can dig deeper into specific areas of interest using links throughout the publication as well as the development effectiveness homepages of the [IDB](#) and [IDB Invest](#) and IDB Lab's [impact page](#).

Chapter 1

Measuring Progress towards Corporate Targets



Having impact requires setting targets. The highest-level targets for the IDB Group are those set through the Corporate Results Framework (CRF), covering aspects of organizational management and operational results. Progress is driven by a range of action plans and initiatives focused on supporting institutional priorities and driving improvements over time.⁴ Progress is also impacted by contextual factors, which played an outsized role in 2020 with the onset of the COVID-19 pandemic.

This chapter takes stock of progress toward each CRF target in 2020, recognizing that the achievement of targets is a shared responsibility across the Group. Overall, 51 percent of CRF indicators are on track to meet their targets, 24 percent are on watch, and 25 percent are off track.⁵ These results after the first year of the CRF indicate that efforts in many areas must be redoubled in 2021 for the Group to be able to reach the targets for the end of the CRF period in 2023.

Strategic Alignment

While 2020 was challenging, the IDB Group was consistently guided by its mandate and maintained emphasis on its strategic priorities. Nonetheless, the alignment of new projects to country strategies and some cross-cutting issues was partly overshadowed by the urgency of addressing the COVID-19 emergency, affecting progress towards some

CRF targets. In addition to addressing COVID-19, the IDB Group also responded to the damages caused by Hurricanes Eta and Iota in Central America and the Caribbean [in collaboration with other MDBs](#).

Table 1.1 reports on the 2020 progress on the strategic alignment indicators. In the case of IDB, 2020 support for cross-cutting issues was consistent with the targets for all areas except for those associated with climate change mitigation and/or adaptation and institutional capacity and rule of law.⁶ When only non-COVID-19 operations are considered, however, progress on several of these indicators was in line with the CRF target—for example, 71 percent of non-COVID-19 projects supported climate change mitigation and/or adaptation ([indicator 3.6](#)). In the case of IDB Invest, new commitments achieved targets for all areas except for climate finance ([indicator 3.5](#)) and support for agriculture, forestry, land use, and coastal zone management ([indicator 3.6.a](#)). Nonetheless, IDB Invest exceeded its 40 percent target for projects supporting climate change mitigation and/or adaptation, reaching 48 percent of new commitments.⁷ For its part, IDB Lab fell short in support for [gender equality](#), [diversity](#), and [climate change](#) largely due to its rapid pivot to supporting projects targeting the COVID-19 response (36 percent of approvals). Of total approvals, 21 percent were direct responses to the health aspects of the crisis in particular, such as prototypes to develop testing kits, contact tracing apps, and telemedicine platforms.

⁴ See, for example, the [IDB Group Climate Change Action Plan](#), IDB Group Mobilization Roadmap, IDB [Mainstreaming Action Plan for Environmental and Social Sustainability](#), IDB Gender Action Plan for Operations, and IDB Diversity Action Plan for Operations.

⁵ For each indicator for which a target has been established, 2020 progress is assessed against the target based on the unique circumstances of each indicator. Whereas some targets reflect an ambition to make progress over time toward a 2023 target, other targets apply to the entire period, reflecting an ambition to sustain a particular threshold of performance throughout 2020 to 2023. The [traffic light methodology](#) provides greater details on the status assessment for 2020 for each indicator.

⁶ Opportunities for climate finance were affected in 2020 by urgent support to countries to deal with the COVID-19 emergency as the sector composition of new approvals shifted toward social and fiscal sectors and policy-based lending was emphasized to provide fast liquidity. For more information, see the [2020 Sustainability Report](#).

⁷ Note that the 23 percent climate finance reported for IDB Invest is based on commitments, consistent with the definition for this CRF indicator. For 2020, IDB Invest also reported climate finance based on approvals for consistency with the target in the Bahamas Resolution. Nearly 29 percent of IDB Invest approval amounts in 2020 was climate finance.

Table 1.1 Strategic Alignment Indicators, 2020

Indicator	Institution	2020 Progress	Status	Target 2020-2023
3.1 Projects supporting social inclusion and equality (% of new approvals/commitments)	IDB	78%	-	
	IDB Invest	56%	-	-
	IDB Lab	69%	-	
3.2 Projects supporting productivity and innovation (% of new approvals/commitments)	IDB	60%	-	
	IDB Invest	49%	-	-
	IDB Lab	85%	-	
3.3 Projects supporting economic integration (% of new approvals/commitments)	IDB	12%	-	
	IDB Invest	8%	-	-
	IDB Lab	5%	-	
3.4 Support for small and vulnerable countries (%)	IDB	56%	🟢	≥ 35%
	IDB Invest	40%	🟢	≥ 40%
	IDB Lab	44%	🟡	≥ 45%
3.5 Climate finance in IDB Group operations (% of approved/committed amount)	IDB	15%	🔴	≥ 30%
	IDB Invest	23%	🔴	≥ 30%
	IDB Lab	24%	🟡	≥ 30%
3.6 Projects supporting climate change mitigation and/or adaptation (% of new approvals/commitments)	IDB	41%	🔴	≥ 65%
	IDB Invest	48%	🟢	≥ 40%
	IDB Lab	32%	🟡	≥ 40%
3.6.a Projects supporting agriculture, forestry, land use, and coastal zone management (% of new approvals/commitments)	IDB	1%	🔴	≥ 10 %
	IDB Invest	4%	🔴	≥ 8 %
	IDB Lab	18%	🔴	≥ 25 %
3.7 Projects supporting gender equality (% of new approvals/commitments)	IDB	54%	🟢	≥ 70% (2023 target)
	IDB Invest	29%	🟢	≥ 25%
	IDB Lab	53%	🟡	≥ 60%
3.8 Projects supporting diversity (% of new approvals/commitments)	IDB	20%	🟢	≥ 20%
	IDB Invest	8%	🟢	≥ 5%
	IDB Lab	10%	🔴	≥ 20%
3.9 Projects supporting institutional capacity and rule of law (% of new approvals)	IDB	58%	🟡	≥ 60%
3.10 Projects aligned to country strategies (% of new approvals/commitments)	IDB	83%	🟡	≥ 90%
	IDB Invest	86%	🟢	≥ 79%
	IDB Lab	84%	🟡	≥ 90%
3.11 New country strategies considering country's official commitments on climate (%)	IDB Group	-	-	≥ 100%

Progress is classified as: 🟢 On Track; 🟡 On Watch; or 🔴 Off Track. A dash signals that the indicator did not have a target or that 2020 progress data is not available. Indicator 3.11 was not assessed as the IDB Group did not approve any new country strategies in 2020. Note that the progress classification is tailored to each indicator's unique circumstances, including whether the target applies to a single year or to the four-year period. The [traffic light methodology](#) provides greater details.

IDB and IDB Invest both exceeded their targets for support to small and vulnerable countries, whereas IDB Lab fell just below its target of 45 percent. Regarding the *percentage of new approvals that were aligned to country strategy priorities* ([indicator 3.10](#)) IDB Invest exceeded its target in 2020. In the case of IDB and IDB Lab, the relatively lower alignment as compared to recent years is largely attributable to the prioritization of projects to address the COVID-19 pandemic and associated emergency. For example, 10 of the 14 IDB projects that were not found to be aligned to country strategies were projects

supporting the COVID-19 response that were processed through expedited approval procedures.

Development Effectiveness

The development effectiveness indicators in the CRF aim to provide insight into the extent to which projects are effectively mitigating risks, executing according to plan, and achieving development results (see Table 1.2).

Table 1.2 Development Effectiveness Indicators, 2020

Indicator	Institution	2020 Progress	Status	Target 2020-2023
3.12 Active projects with satisfactory performance classification (%)	IDB (loans)	83%		≥ 80%
	IDB Invest	61%		≥ 70%
	IDB Lab	77%		≥ 60%
	IDB (TC operations)	54%		≥ 75%
3.13 Projects with satisfactory development results at completion (%)	IDB	52%		≥ 70%
	IDB Invest	61%		≥ 65%
3.14 Projects with higher environmental and social risks rated satisfactory in the implementation of mitigation measures (%)	IDB	90%		≥ 84% (2023 target)
	IDB Invest	83%		≥ 90%
3.15 Projects with considerable disaster and climate change risk that applied risk analysis to identify resilience actions (%)	IDB	22%		100% (2023 target)

Progress is classified as: On Track; On Watch; or Off Track. Note that the progress classification is tailored to each indicator's unique circumstances, including whether the target applies to a single year or to the four-year period. The [traffic light methodology](#) provides greater details.

Execution

IDB

During execution, the IDB tracks project performance using the Progress Monitoring Report (PMR)—the Bank's principal instrument for monitoring its operations and strengthening overall management for results

at a project level. The PMR captures both quantitative and qualitative information on project implementation to monitor the activities and outputs that are being generated and compares this information with the expected costs and timeframe set at the beginning of execution along with country benchmarks. The PMR annually rates the

execution of outputs as “satisfactory,” “alert,” or “problem” using this information. The quantitative and qualitative data on project progress in the PMR aims to help management improve its decision-making and accountability by supporting targeted course corrections during the execution of a specific project as well as improved systematization of lessons learned to improve the design and implementation of future projects.

In 2020, 83 percent of the 490 operations classified via the PMR were rated as having “satisfactory” performance. The percentage of projects rated satisfactory ranged from 88 percent for the Institutions for Development (IFD) department to 78 percent for the Infrastructure and Energy (INE) department. By region, the percentage of projects rated satisfactory ranged from 86 percent for the Country Department Central America, Haiti, Mexico, Panama and Dominican Republic to 78 percent for the Andean Group. Understanding the most common issues and lessons learned that affect project performance is important to provide insights on the preparation and execution of similar operations. In this period, the most common dimensions used by project teams to register lessons learned were centered around the Organizational and Managerial (40 percent) and Technical-Sectorial (28 percent) dimensions. Of the operations not rated as satisfactory in 2020, lessons learned related most often to project management capacity (21 percent), coordination (12 percent), and project design (12 percent).

Progress during execution is also monitored for technical cooperation (TC) operations. In 2020, 54 percent of active TC operations achieved a satisfactory classification.⁸ Although this figure is well below the 75 percent target, it remained unchanged from 2019 progress, despite unprecedented interruptions in planned activities due to the challenges posed by the pandemic. More deliberate deliverable planning and increased attention to results matrix quality during preparation as well as more frequent reviews of deliverable progress during execution helped foster this result.

IDB Invest

During supervision, each project’s Development Effectiveness Learning Tracking and Assessment (DELTA) score is updated annually. This allows IDB Invest to identify which projects in the portfolio are on or off track in terms of development impact targets and help clients take action accordingly. The monitoring process also facilitates learning loops to improve performance at the project and portfolio levels. Operations are classified as “satisfactory,” “alert,” or “problem”⁹ based on both the absolute DELTA score in supervision and the deviation between that score and the DELTA score at approval.¹⁰

In 2020, a total of 192 operations were under supervision.¹¹ The portfolio is composed mostly of projects approved since the launch of the DELTA tool in 2016 (79 percent; 152 projects). In 2020, 61 percent of operations in supervision were “satisfactory,” 22 percent

⁸ To be classified as satisfactory, active TC operations must have delivered at least 75 percent of planned outputs, cumulatively, from the first year of execution to the reporting year.

⁹ An “alert” classification refers to projects that are mostly on track but may be facing delays or are not meeting certain development targets. When a project is at high risk of not reaching its development goals, it is classified as “problem.”

¹⁰ The final classification also considers relevant DELTA sub-scores, results matrix performance, sector trends, macroeconomic performance, and other complementary information as needed.

¹¹ The supervision universe includes all operations that have already disbursed and have not yet reached the Expanded Supervision Report (XSR) stage. As projects reach the XSR stage during the course of the year, they leave this universe. In order to provide a more complete picture of annual performance, the figures reported above include all projects that received a supervision classification at any point in 2020, regardless of whether or not they were part of the supervision universe at year-end.

were “alert,” and nine percent were “problem.”¹²

As expected, the COVID-19 crisis has impacted overall portfolio performance in terms of projects meeting their development objectives: projects classified as “alert” and “problem” increased from 22 percent of the portfolio in 2019 to 31 percent in 2020. However, these figures may not fully reflect the effects of the pandemic, as some operations had their annual review in early 2020 before the crisis emerged. According to IDB Invest’s simulation-based estimates,¹³ the crisis could result in 40 percent of the portfolio being classified as “alert” or “problem.” Given ongoing uncertainty about the magnitude and duration of the effects of the pandemic on the portfolio, a full picture of performance will not be clear until the end of 2021 when all supervision assessments have been conducted. Nonetheless, it is likely that the longer the crisis lasts, the higher the probability that the effects become permanent.

By the end of 2020, the corporate segment of the portfolio was the most affected by the crisis.¹⁴ Corporate projects classified as “alert” increased from 13 percent in 2019 to 29 percent in 2020 (those classified as “problem” remained the same at four percent). For example, some agribusiness projects are falling short of development impact targets aiming to benefit smaller producers in their supply chains due to COVID-induced drops in local sales and exports. Other projects have experienced decreased production and lower market prices for their products due to the crisis. While the pandemic is a key driver of these results, ongoing challenges related to climate change,

social unrest, and political instability have also played a role in underperformance.

For the infrastructure and energy segment of the portfolio, projects classified as “problem” went from none in 2019 to nine percent (four projects) in 2020 (those on “alert” remained similar). This is due to a combination of construction delays triggered by the pandemic and other factors such as shifting government priorities.

For financial institution projects, downward performance trends were not as pronounced as in the other business segments. Thirty-three percent of projects were classified as “alert” or “problem,” up from 30 percent in 2019. This suggests that the effects of the COVID-19 crisis on the ability of financial institutions to deliver on development impact have been relatively mild. However, this may change as countries begin easing relief measures provided to financial intermediaries, and banks end loan payment extensions.

Finally, IDB Invest continued to streamline supervision and approval data into a comprehensive project management system. The system now incorporates each project’s development indicators, identifying those that contribute to CRF reporting and business priorities as well as its contribution to the SDGs. Information is updated annually, complementing supervision assessments and facilitating the aggregation of results at the portfolio and sector level. Additionally, IDB Invest launched the [Client Impact DEBrief](#), a new knowledge product designed for clients to showcase the SDG-aligned impact achieved by their operations during supervision, as well as how they compare to peers in the broader portfolio in terms of development impact.

¹² Sixteen operations (eight percent) were unable to be classified due to evaluability issues or unclear or incomplete data from clients (down from 10 percent in 2019).

¹³ A stress test on DELTA scores in supervision was performed in April 2020, considering four different shock scenarios, as well as country- and sector-specific contexts.

¹⁴ The corporate segment refers to loans to agribusiness, manufacturing, telecommunications, and tourism companies.

IDB Lab

In 2020, IDB Lab continued to strengthen its portfolio management processes, incorporating recommendations made by the IDB's Executive Auditor in 2019. This included establishing new guidelines for portfolio management outlining clear roles and responsibilities to ensure accurate and timely monitoring of portfolio performance and promote agile learning loops in line with its experimental nature. IDB Lab also improved how it manages underperforming operations by updating cancellation criteria for grants and implementing a new "special assets" function for loan and equity operations to minimize financial losses and allow investment officers to focus on higher performing operations. Efforts to unify grant and supervision systems as part of IDB Lab's digital growth plan are also ongoing. Finally, IDB Lab launched a new integrated risk management framework in 2020 to instill a dynamic risk management culture fitting its mandate as an innovation laboratory.

Regarding IDB Lab's grant operations, the portfolio consisted of 323 active operations as of end-December 2020. Ongoing efforts to improve the efficiency of grant project execution have paid off: from 2018 to 2020, the time between project approval and first disbursement decreased by 40 percent on average. To manage the effects of COVID-19 on the grant portfolio, IDB Lab reoriented project activities to either respond directly to the pandemic or mitigate its effects, while maintaining overall development objectives. For example, in Guatemala, the Catalyzer Fund project ([GU-T1273](#)), which provides seed capital for start-up acceleration, allocated funds to help these enterprises mitigate the

economic effects of the pandemic. In Chile, resources from the Productivity Pact project ([CH-T1224](#)) were reallocated to create a platform to channel urgent supplies to social organizations supporting vulnerable people affected by the crisis. In addition, to help clients weather the storm, IDB Lab took actions as needed to adjust project execution periods and key milestones, expedite disbursements, and alleviate payment schedules in the case of reimbursable operations.

Regarding IDB Lab's loan and equity investment operations, performance is monitored through the Project Status Update. As of December 2020, IDB Lab had an outstanding loan and equity investment portfolio of \$182.6 million, distributed among 100 operations. In terms of portfolio quality, 77 percent of operations were classified as green flag ("on track to high performance"); nine percent as yellow flag ("underperforming, minor losses expected" for equity investments and "in breach of covenant and likely to default" for loans); and 14 percent as red flag ("underperforming, major losses expected" for equity investments and "in default with risk of principal loss" for loans).

The portfolio quality remained stable throughout the year, despite the COVID-19 crisis.¹⁵ Red flag operations represented \$32.2 million in risk exposure, or 18 percent of the outstanding amount at the end of 2020. Performance as of December 2020 reflects IDB Lab's risk appetite and continues to be consistent with its current provision policy and long-term financial projections.

¹⁵ However, these figures may not fully reflect the effects of the crisis, as some clients faced delays in completing their audited financial statements and IDB Lab was not able to conduct any in situ supervision visits in 2020.

Completion

The indicator *projects with satisfactory development results at completion* ([indicator 3.13](#)), is used to measure whether projects fulfilled their objectives. For 2020, 52 percent of IDB projects and 61 percent of IDB Invest projects reviewed satisfactorily achieved their results.¹⁶ Given the critical importance of this indicator and lagging performance as compared to its targets, it is discussed in detail in Chapter 2.

Mitigating Risks

With regard to the *mitigation of environmental and social risks during execution* ([indicator 3.14](#)), the performance of IDB operations in 2020 exceeded the 2023 target, reaching 90 percent for the first time. This improvement can be attributed to closer monitoring and strengthened support for higher risk operations in recent years as a result of increased field presence of environmental and social specialists as well as increased awareness of safeguard issues within project teams due to quarterly environmental and social risk reports, capacity-building efforts, and integration of these topics into portfolio reviews. Finally, it is worth noting that the COVID-19 pandemic restricted the use of on-site validation to verify implementation of corrective actions and environmental and social compliance. As such, in some cases, ratings for 2020 relied primarily on information provided by Executing Agencies and the use of remote sensing tools.¹⁷ In 2020 the IDB developed and

disclosed guidelines for external clients and third parties on [virtual consultation](#) and [worker's health and safety](#) that supported them in the context of the pandemic.

At IDB Invest, 83 percent of projects had satisfactory environmental, social, and health and safety performance in 2020. This is the first time in five years that IDB Invest has not met or exceeded its 90 percent target for this indicator. This is largely due to delays by clients in submitting required environmental and social deliverables, which may be linked to their increased focus on managing the effects of the pandemic. To continue building clients' environmental, social, and corporate governance (ESG) capacity and help them respond to the crisis, IDB Invest produced a series of guidance documents on COVID-19-related risks regarding worker and community health and safety,¹⁸ and provided virtual training throughout the year. IDB Invest also produced a comprehensive [Implementation Manual](#) for clients for the new [Environmental and Social Sustainability Policy](#) that became effective in December 2020. As part of ongoing efforts to enhance project supervision, IDB Invest hired three new environmental and social specialists in the region and an additional social specialist at headquarters.

The indicator *projects with considerable disaster and climate change risk that applied risk analysis to identify resilience actions* ([indicator 3.15](#)) reached 22 percent (four out of 18 projects) in 2020 as compared to the baseline of 16 percent. This indicator reflects the extent to which IDB operations approved

¹⁶ Note that the percentage of projects achieving development results at completion (indicator 3.13) is not directly related to the percentage of active projects with satisfactory performance classification (indicator 3.12). As indicator 3.13 is focused on the achievement of intended project outcomes after completion, it reflects projects closed in 2019 and earlier, whereas indicator 3.12 measures the execution of outputs compared to planned execution and country benchmarks for projects that were in the active portfolio in 2020. In the case of IDB Lab, there is no CRF target associated with Final Project Supervision Report (FSR) performance. See Chapter 2 for more information.

¹⁷ Remote sensing tools can allow for effective remote supervision and also facilitate enhanced multisectoral collaboration by favoring the simultaneous participation of environmental and social teams and infrastructure teams in supervision activities.

¹⁸ For example, this note on [Health Risk Management and Resiliency in Private Sector Projects: IDB Invest Clients' Responses to the COVID-19 Pandemic, Early Lessons and a Road Map for Action Decision Framework](#), and specific guidance for the [infrastructure](#) and [agriculture](#) sectors, [virtual stakeholder engagement](#), and [corporate governance](#).





in the year that have considerable disaster and climate change risk have conducted a diagnostic and defined a strategy for mitigating those risks.¹⁹ The target of 100 percent in 2023 reflects an ambition to increase the percentage of high and moderate risk operations applying this analysis throughout the CRF period. In 2020, the COVID-19 pandemic led to delays in contracting support for this analysis as part of the Disaster and Climate Change Risk Assessment Methodology, affecting




performance on this indicator, but progress has now resumed.²⁰

Leverage and Partnerships

The indicators that measure *leverage and partnerships* provide insight into the extent to which the IDB Group mobilizes additional resources for development and supports effective public-private synergies (see Table 1.3).

Table 1.3 Leverage and Partnerships Indicators, 2020

Indicator	Institution	2020 Progress	Status	Target 2020-2023
3.16 Direct third-party financing deployed (\$ billion)	IDB Group	\$2.8		≥ \$9.0
3.16.a Private direct third-party financing deployed (\$ billion)	IDB Group	\$1.7		≥ \$6.0
3.17 Indirect third-party financing deployed (\$ billion)	IDB Group	\$3.5		≥ \$16.5
3.18 Stakeholders that consider the IDB Group to be effective in fostering public-private synergies (%)	IDB Group	67%		≥ 75% (2023 target)

Progress is classified as:  On Track;  On Watch; or  Off Track. Note that the progress classification is tailored to each indicator's unique circumstances, including whether the target applies to a single year or to the four-year period. The [traffic light methodology](#) provides greater details.

Resource Mobilization

The CRF 2020-2023 measures mobilization through two indicators that are aligned to the definitions used in the MDB joint reporting on direct and indirect mobilization of private finance.²¹ They include direct third-party financing deployed—with a disaggregation for private resources—and indirect third-party financing deployed.²² The IDB Group works to address market failures as

well as de-risk projects to attract additional investors, enable transactions, and make riskier operations and lower-income clients and countries commercially viable. The Group's regional expertise, early project access and seal of approval secure an entry point to Latin America and the Caribbean for investors interested in sharing in the region's growth. As a result, the Group helps to

¹⁹ Specifically, this indicator measures the application of the third step of the IDB's Disaster and Climate Change Risk Assessment Methodology, consisting of an initial qualitative diagnosis. This methodology recognizes that the most effective leverage point for investments related to disaster and climate change risks is upstream, by adequately accounting for these risks and increasing resilience of development investments to these risks starting in the design phase. For more information on the methodology, see the [2020 Sustainability Report](#).

²⁰ While IDB Invest does not have a target associated with this indicator, it updated its [Climate Risk Assessment](#) methodology for assessing both disaster and physical climate risks, as well as risks related to the low carbon transition. The methodology and corresponding tools are embedded into the Environmental and Social Due Diligence process. In 2020, IDB Invest screened 22 projects for exposure to such risks and built capacity both internally and with clients to address them.

²¹ The definitions for these indicators are mostly aligned to the MDB methodology for reporting on mobilization of private resources, but are not identical due to the need to capture public sector resources mobilized in CRF reporting as well. For more information, see the CRF indicator definitions.

²² Third-party financing refers to the mobilization of funds from external actors, including investors, bilateral government partners, multilateral partners, corporations, philanthropic entities, and others.

develop markets and creates demonstration effects that can catalyze additional private investment.²³

Even with the challenging financial conditions created by the COVID-19 pandemic and its consequent social-economic crisis, the IDB Group was able to mobilize \$2.8 billion in direct third-party financing deployed (of which \$1.7 billion was private) and \$3.5 billion in indirect third-party financing deployed. As such, progress on the indicators measuring direct third-party financing deployed as well as private direct third-party financing deployed both exceeded 25 percent of the four-year cumulative target and are classified as on track. In the case of indirect third-party resources deployed, 2020 levels fell slightly short of 25 percent of the four-year target.

In the case of IDB Invest, direct third-party financing deployed (core mobilization) reached a high of \$2.3 billion, the largest volume in the Group's history, which included 25 banks, two managed funds, nine insurers, one impact investor, three asset managers, and four DFIs. IDB Invest's resource mobilization increased 61 percent year-over-year despite the higher risk aversion by international commercial banks toward emerging markets in 2020. The growth of Unfunded Credit Protection products was considerable—from \$57 million in 2019 to \$615 million in 2020—offsetting the lower demand from commercial banks due to the pandemic. Although commercial banks remain the principal source of co-financing, IDB Invest has expanded its investor base of over 400 partners (164 of which are active) to include 12 new active investors in 2020, including B-lenders, co-lenders, and insurers, representing \$235 million in mobilization. Looking ahead, IDB Invest will continue innovating to add to its resource mobilization products (for more

information on these products, see [IDB Invest's resource mobilization page](#)). IDB Invest's largest transaction of 2020 was [LD Celulose](#), a pulp processing project in Brazil that mobilized a \$250 million B Loan between seven commercial banks and a \$50 million parallel loan from the China Co-Financing Fund for Latin America and Caribbean. The deal was syndicated alongside the International Finance Corporation (IFC) for a total B Loan of \$500 million. LD Celulose was the fourth largest transaction in the syndicated loan market for the year, winning several [awards](#).

In the case of IDB, private third-party financing deployed increased 45 percent year-over-year, channeling important resources in a fiscally constrained environment. Nine of the 11 projects with private co-financing were aimed at responding to the COVID-19 pandemic—a departure from traditional private sector mobilization, which has often targeted infrastructure projects. As one example, in El Salvador, a \$200 million loan ([ES-L1138](#)) will mobilize an estimated \$24 million in additional resources from private financial institutions and their clients to support investments for MSMEs to combat the pandemic and safeguard employment. Amid a context of difficult access to foreign sources of finance, the program will provide resources to the Development Bank of El Salvador (BANDESAL), which will then channel these resources through financial institutions lending to MSMEs. The project is expected to have a catalytic role in contributing to economic recovery and promoting private sector participation through a second-tier structure that combines public long-term financing with private capital. Public third-party financing deployed via IDB projects was also important in addressing the region's financing gap and capital constraints in 2020.

²³ More information on the IDB Group's mobilization efforts and ambition is available in the Mobilization Roadmap developed in 2020.

For example, the IDB joined forces with the Government of Sweden to develop a first-of-its-kind risk transfer mechanism. The mechanism provides a guarantee of \$100 million from Sweden on the IDB's lending portfolio to Brazil, where it has a high percentage of total lending, as the capacity generated allows the Bank to increase lending by \$300 million in Bolivia, Colombia, and Guatemala—countries with less exposure. The first operation financed by this risk transfer mechanism targeted COVID-19 relief efforts in Guatemala, unlocking financing to support the *Fondo Bono Familia* to sustain quality of life and incomes of vulnerable populations impacted by the pandemic.

IDB Lab also hit a record high in resource mobilization in 2020. With \$75.5 million in resources of its own, IDB Lab mobilized \$37.7 million directly and \$466.3 million indirectly from third parties. Compared to 2019, direct mobilization per dollar invested surged from \$0.05 to \$0.50. Indirect third-party mobilization per dollar also increased from \$4.60 to \$6.20. For example, Google is investing \$8 million in [LocFund Next](#) to channel local currency and digital transformation support to over 60 microfinance institutions that provide essential financial products and services to vulnerable populations and MSMEs both in the short-term, and to help accelerate the region's economic recovery. Reflecting its catalytic mobilization capacity, IDB Lab's \$4.5 million equity investment has been key to reaching the minimum capitalization for the initial closing of the fund.

The mobilization figures and examples presented thus far are based on mobilization identified at project approval (in the case of IDB) or closing (in the case of IDB Invest). However, mobilization can also occur later in the project cycle and mobilization at project approval or closing can also carry future

impacts that increase the total resources. For example, in 2020, Ecuador carried out a bond issuance tied to a 2018 approval of a partial credit guarantee from the IDB that provided assurance for investors and enhanced its credit rating. The bond issuance was the first sovereign social bond in the world and achieved a 15-year tenor, despite conditions that led to a sovereign downgrade just a few days later. As another example, the IDB supported Chile's Ministry of Finance (through [RG-T2956](#), approved in 2017) in issuing the first sovereign green bond in the region to channel investment toward green assets and attract international investors as the country sought to align financial flows with its ambitious climate change goals. The IDB helped Chile structure the bond issuance framework, the expenditure eligibility criteria, and the monitoring and reporting mechanisms. Chile had two highly successful issuances in 2019, followed by further issuances in 2020 and 2021, resulting in a total of \$7.5 billion as of March 2021. Thanks to these and other efforts, Chile is quickly emerging as a leader in the global transition toward a low-carbon and climate-resilient financial system.

Public-private Synergies

In terms of public-private synergies, the IDB Group strategy focuses on fully leveraging the Group's collective strengths and capacity to deliver added value by working together. The indicator *stakeholders that consider the Group to be effective in fostering public-private synergies* aims to measure stakeholder and client perceptions of how the IDB Group is doing in this regard. This is based on data captured through the External Feedback System (EFS).

In 2020, 67 percent of respondents indicated that the IDB Group was effective in fostering public-private synergies as

compared to 68 percent in 2019 and the 2023 target of 75 percent. Notwithstanding the lack of improvement on the CRF indicator, public-private coordination within the IDB Group has expanded substantially in recent years, particularly regarding enhanced client service and solutions as well as the enabling environment and market development.²⁴ The lack of improvements in stakeholder perception following this expansion of public-private coordination indicates that additional work is still needed to improve the Group's efforts on public-private synergies and better understand where stakeholders perceive that the Group is falling short. The following paragraphs highlight examples of recent Group support for public-private synergies.

The Group targets enhanced client service and solutions through the creation of joint financial initiatives, the provision of financial solutions to shared clients, and the cross-fertilization of IDB Invest, IDB, and IDB Lab project teams for origination of specific transactions and initiatives. For example, the Group leveraged the health sector expertise of public and private sector specialists to develop the IDB invest [operation with the Albert Einstein Hospital in Brazil](#), which will finance long-term investments in healthcare capacity and services to bolster the hospital's response both during and after the pandemic. IDB Invest is also supporting Farmalisto ([13020-01](#))—a leading healthcare technology platform in the region—to finance the company's operations and promote its regional expansion in order to support access to medical services, contribute to reducing the cost of medicines, and support the growth of the digital economy. This investment is complemented by technical assistance provided by the IDB to Colombia in relation to

its regulatory framework for digital pharmacies. As another example, in 2020 IDB Invest began disbursing on a \$25 million loan in Uruguay ([12340-01](#)) to support a PPP to upgrade the country's education infrastructure. This loan builds on previous IDB Group support to strengthen Uruguay's capacity to manage school infrastructure PPPs, which resulted in the creation of a dedicated PPP management area. Likewise, efforts to infuse IDB Lab-supported innovations into public sector initiatives have borne fruit. For example, Satellogic, an Argentinian geospace solutions firm that received financing through an IDB Lab-supported venture capital fund, began working with the INE and IFD Sectors on applications for agriculture and disaster prevention.²⁵ And data analysis firm Citibeats is working with the Vice Presidency for Countries on monitoring citizen perceptions to enhance the design of responses to the crisis. Overall, 18 percent of IDB Lab projects approved in 2020 will be deployed alongside IDB Group resources, a result of systematic efforts to build synergies across operations at both the design and execution stages.

The Group also supports the establishment of strong enabling environments and market development through regulatory reviews advocating for the removal of regulatory constraints to the private sector, joint knowledge products that help identify and develop markets, continuous policy dialogue with both public and private counterparts, and advancement of best practices. In addition, the IDB plays an active role in the promotion of public-private dialogues and partnerships, with initiatives such as [ConnectAmericas](#), the first social network for businesses in the Americas, and

²⁴ The establishment of a Group-wide public-private partnership (PPP) team in 2017 has fostered relationships with PPP units in the region as the Group has advised on business development, attraction of financing, the enabling environment, and other areas to help facilitate projects in the transport, health, energy, education, and water and sanitation sectors. In addition, the unit has developed a PPP Country Profile for each borrowing member country to provide a consolidated diagnostic of the regulatory framework and institutional capacity for PPP implementation.

²⁵ See, for example, the project Obtaining Social and Environmental Gains through Satellite Imagery and Solutions ([RG-L1139](#)).

the Americas Business Dialogue, which is driven by the private sector to foster high-level public-private policy dialogue among business and government leaders of the hemisphere. As a country level example, in 2020 the Group continued ongoing support to Chile regarding the financial sustainability of its electricity sector through public and private sector operations (e.g., [CH-L1159](#), [12995-01](#), [12380-02](#), [12718-04](#)).

Efficiency

The efficiency indicators look at the degree to which the IDB Group is financially sustainable and efficient in its use of resources. Part of this is maintaining the targeted ratings for IDB and IDB Invest from the credit rating agencies, which both entities continued to do in 2020 (See Table 1.4).²⁶

Table 1.4 Efficiency Indicators, 2020

Indicator	Institution	2020 Progress	Status	Target 2020-2023
3.19 Cost to income ratio (%)	IDB	39.9%		< 40%
	IDB Invest	64.8%		< 60%
3.20 Cost to portfolio ratio (%)	IDB	0.71%		< 0.8%
	IDB Invest	1.30%		< 1.3%
	IDB Lab	5.67%		< 7.3%
3.21 Credit rating agencies granting targeted ratings to IDB Group entities (#)	IDB	3		3
	IDB Invest	3		3

Progress is classified as: On Track; On Watch; or Off Track. Note that the progress classification is tailored to each indicator's unique circumstances, including whether the target applies to a single year or to the four-year period. [The traffic light methodology](#) provides greater details.

The CRF also includes two cost ratios: (i) the *cost to income ratio*, which compares administrative costs to operating income; and (ii) the *cost to portfolio ratio*, which compares administrative costs to the size of the portfolio. The combination of both metrics provides insight on the level of operational efficiency and productivity of the IDB Group entities.²⁷ The purpose of monitoring these ratios is to ensure that each remains within a

healthy range given each institution's business model. These ratios are influenced not only by how efficient and productive the institution is but also by external factors—such as interest rates—as well as important aspects of the Group's development mission, such as reaching small and vulnerable countries, and applying social and environmental safeguards. In 2020, the IDB remained on track with respect to both ratios and IDB Lab was also on

²⁶ Credit ratings are indicators of creditworthiness used by investors in making investment decisions. They help determine an entity's access to capital markets and the pricing of its debt issuance. As credit ratings underpin the IDB Group's capacity to lend and mobilize, Governors have established specific rating mandates for IDB (AAA) and IDB Invest (at least AA) and have instructed management to establish regulations, policies, guidelines, and related initiatives to maintain these ratings.

²⁷ Given the nature of IDB Lab, the cost to income ratio is only used to measure the IDB and IDB Invest. IDB Invest includes provision expense in the cost to income calculation, which incorporates undisbursed commitments and future expectations of market and macroeconomic conditions introduced with the current expected credit losses accounting standard.




track with regards to its target for cost to assets. IDB Invest was on track in terms of its cost to portfolio ratio, but on watch with regards to cost to income. Given the growth of the portfolio and the deteriorating macroeconomic conditions, this number is higher than expected. More information is available in the financial statements of each entity.

Knowledge and Innovation

The knowledge and innovation indicators capture both the reach of the Group’s knowledge products as well as stakeholder perceptions (see Table 1.5).

Table 1.5 Knowledge and Innovation Indicators, 2020

Indicator	Institution	2020 Progress	Status	Target 2023
3.22 Average downloads of IDB Group publications (#)	IDB Group	2,219	✖	≥ 3,000
3.23 Total IDB Group blog readership (# million)	IDB Group	11.4	○	≥ 5.5
3.24 Net Promoter Score: IDB Group as a provider of relevant knowledge (NPS)	IDB Group	34	○	≥ 38
3.25 Net Promoter Score: IDB Group as a provider of innovative solutions (NPS)	IDB Group	16	✖	≥ 27

Progress is classified as:  On Track;  On Watch; or  Off Track. Note that the progress classification is tailored to each indicator’s unique circumstances, including whether the target applies to a single year or to the four-year period. The [traffic light methodology](#) provides greater details.

In 2020, the IDB Group blogs reached 11.4 million pageviews, which is more than double the 2023 target of 5.5 million. This increase can be attributed to two critical factors. First, in 2019 the IDB Group upgraded its blogs platform, resulting in an improved search engine optimization rank of blog posts, making it easier for audiences to find them. Secondly, the Group increased the number of blogposts to share knowledge about the COVID-19 pandemic and these had a large amount of traffic. For example, a March 2020 [post on using technology to address the COVID-19 crisis](#) had more than 260,000 views.

By contrast, the *average downloads of IDB Group publications* reached 2,219 per publication in 2020, failing to show progress towards the 2023 target of 3,000. This indicator sheds light on demand for key knowledge products by capturing the average

downloads within the one-year period following the release of books, monographs, working papers, and policy briefs. As such, the value reported for 2020 corresponds to publications released in 2019—prior to the pandemic—and downloaded in the first 365 days following their release. These publications were overshadowed as the Group pivoted its efforts towards publishing and promoting knowledge products to respond to the pandemic emergency and meet the interests of the audience and needs of the region. Early data on downloads of publications released in 2020 indicates that progress on this indicator is likely to be substantially higher in 2021, with an average of 7,035 downloads in the year since publication for products released in the first quarter of 2020.

The IDB Group measures stakeholder perception regarding knowledge and innovation through two Net Promoter Scores captured via the External Feedback System's Satisfaction Survey. The Net Promoter Scores are based on questions about stakeholders' likelihood of recommending the IDB Group.²⁸ In 2020, the Net Promoter Score for the IDB Group as a provider of relevant knowledge was 34 as compared to its 2019 value of 28 and 2023 target of 38. Areas of improvement noted by stakeholders include offering greater accessibility to the organization and its people and providing more practical knowledge and

insights versus focusing on the theoretical. The Net Promoter Score for the IDB Group as a provider of innovative solutions was 16 as compared to its 2019 value of 14 and 2023 target of 27. While both scores increased from their baseline, additional efforts appear to be needed to enhance the IDB Group's reputation as a provider of innovative solutions. Respondents expressed particularly limited awareness of the value offered by IDB Lab and IDB Invest, in spite of these entities' substantial emphasis on these topics. See Box 1.1 for examples of IDB Lab's knowledge work around innovative technologies in 2020.

Box 1.1

Sharing Knowledge from the Frontier of Innovation for Inclusion

Since IDB Lab works on the cutting edge of innovation for inclusion, many of the projects it supports are pioneering the use of fast-moving new technologies and grappling with hot topics such as data management and privacy. Based on these experiences, in 2020 IDB Lab produced a series of knowledge products to help inform broader, evolving conversations on the region's digital transformation. For example, a [study](#) explores regulatory frameworks for digital identity, blockchain, and cryptocurrencies in 20 Latin American and Caribbean countries, stemming from the challenges faced by an ongoing [project in Argentina](#) to create a self-sovereign digital identity solution for vulnerable communities using blockchain. Another [study](#) produced by the [LACChain](#) platform focuses on broader concepts surrounding self-sovereign identity, digital wallets, and blockchain. Finally, as part of the IDB Group's [fAirLAC](#) initiative, IDB Lab convened a [webinar](#) on the experiences of digital enterprises with the responsible use of data, based on a [report](#) analyzing how IDB Lab evaluated the ethical use of data among the innovations it selected for financing through the Regional COVID-19 Challenge.






²⁸ The Net Promoter Scores are calculated by subtracting the percentage of "detractors" – that is, those who are unhappy with the IDB Group and can damage its reputation through negative word-of-mouth (defined as those responding zero to six on a scale from zero to ten)—from the "promoters"—that is, loyal, enthusiastic supporters of the IDB Group (defined as those who answer nine and ten).




Internal Alignment to Cross-cutting Issues

The internal alignment indicators look at the extent to which the IDB Group internally

aligns to its strategic priorities for the region of climate change mitigation, gender equality, diversity, and transparency (see Table 1.6).

Table 1.6 Internal Alignment to Cross-cutting Issues Indicators, 2020

Indicator	Institution	2020 Progress	Status	Target 2023
3.26 IDB Group facilities and fleet emissions (tons of CO ₂ equivalent)	IDB Group	7,135		≤ 9,600
3.27 Mid and senior-level IDB Group staff who are women (%)	IDB and IDB Lab	41%		≥ 43%
	IDB Invest	38%		≥ 38%
3.28 Actions to promote diversity and inclusion at the IDB Group (#)	IDB Group	38		≥ 80 (target 2020-2023)
3.29 Aid Transparency Index score	IDB	95		≥ 90

Progress is classified as:  On Track;  On Watch; or  Off Track. Note that the progress classification is tailored to each indicator's unique circumstances, including whether the target applies to a single year or to the four-year period. The [traffic light methodology](#) provides greater details.

Regarding climate change, the IDB Group targets reducing its facilities and fleet emissions (tons of CO₂ equivalent) ([indicator 3.26](#)) to less than 9,600 by 2023. In 2020, the value of these Scope 1 and Scope 2 emissions was 7,135 tons of CO₂ equivalent, falling well below the 2023 target.²⁹ However, 2020 was a very atypical year in many ways, including for greenhouse gas emissions, which were reduced globally. At the IDB Group, the closure of most offices since March 2020, mandatory telework for most employees, and the cancellation or significant scale back of missions led to substantial, but temporary, reductions in office energy consumption and vehicle usage.³⁰ In 2020, the IDB began to implement a multiyear plan to expand solar installations in eight country offices and the

Board approved plans to invest in energy efficiency measures and green transportation. Such continued investments to reduce carbon emissions from its buildings and fleet will help drive IDB Group progress towards the 2023 target. More information on the IDB Group's corporate sustainability efforts is available in the IDB's [2020 Sustainability Report](#).

With regard to gender equality, both IDB and IDB Invest are on track to meet their 2023 targets for *mid and senior-level IDB Group staff who are women* ([indicator 3.27](#)) and continue advancing toward their long-term ambition of full gender parity. This indicator reached 41 percent for IDB in 2020, progressing toward the 2023 target of 43 percent, while IDB Invest nearly reached its

²⁹ A portion of the reductions observed in 2020 (450 tons) is attributable to an update to the emissions factors used based on the latest available science and market data.

³⁰ Nonetheless, the reduced energy consumption within IDB Group facilities is partially offset by employees' household energy consumption while teleworking.

2023 target, increasing from 33 percent in 2018 to almost 38 percent in 2020. In 2020, the IDB Group continued with its targeted social media campaigns, livestream events, and job fairs in support of achieving these targets. Most notably, the organization modernized its job application website to make it more user-friendly and to include additional personal accounts of women working in the IDB Group.

In the case of diversity, the Group is also on track for the indicator *actions to promote diversity and inclusion*, implementing 38 actions in 2020 that capture a range of efforts to attract a diverse workforce and foster an inclusive work environment, such as sourcing and recruitment events, diversity and inclusion campaigns, and training events on diversity and inclusion for IDB Group employees. All diversity, equity and inclusion learning and awareness programs were converted into virtual programs to adapt to the remote working format. One of the major achievements in 2020 was the launch of an ethnicity and inclusion dashboard to track dimensions of race and ethnicity in the IDB Group workforce. This information will allow a greater understanding of talent gaps which will lead to more targeted actions and initiatives to recruit and retain more diverse talent.

Regarding transparency, the [IDB's performance on the Aid Transparency Index](#) in 2020 exceeded the 2023 target of 90, reaching 95.4 on a 100-point scale. The Aid Transparency Index is a measure of the transparency of development cooperation that is conducted periodically by the non-governmental organization Publish What You Fund. The IDB's score in 2020 put it in the top performance category for the index, receiving a perfect score on several sub-elements.

Institutionalizing a Focus on Results

The IDB Group is taking targeted actions to enhance performance on areas for which 2020 progress lagged as compared to the CRF targets. This includes maintaining emphasis on incorporating cross-cutting issues in the development of new projects, particularly climate change. In addition, it includes acting on the feedback from the 2020 Satisfaction Survey to improve stakeholder perceptions of critical topics, such as innovation and public-private synergies.

The updated CRF marks an important shift in the IDB Group's corporate results monitoring, with increased consistency in measurement across the IDB Group and a focus on key metrics. These indicators are also increasingly aligned with and integrated into key action plans and planning tools, such as the IDB Group's [Climate Change Action Plan](#), IDB Administrative Budget, and IDB Invest Business Plan, among many others.

The Group is also building a culture of regularly evaluating progress against these metrics to help continue to drive toward reaching targets. The Group has implemented a CRF Tracker, which is updated quarterly with data for each of the IDB Group entities and with progress for many indicators broken down by project and/or business unit. Furthermore, the Group's public-facing website also includes greater details on indicator progress, including a dedicated page for each Level 3 indicator. Where applicable, the availability of data by country and project allows both internal and external users to dig into the numbers to better understand what is driving progress and where targeted efforts may be needed to enhance performance.

Chapter 2

Assessing Achievement of Project Results



All IDB Group operations are evaluated at project maturity or completion, with findings summarized in Project Completion Reports (PCRs) at the IDB, Expanded Supervision Reports (XSRs) at IDB Invest, and Final Project Supervision Reports (FSRs) at IDB Lab. These reports aim to determine whether operations met their objectives and how effectively and efficiently they performed, as well as the sustainability of achieved results. They also capture lessons learned to inform future project design and monitoring.

In this chapter, we review the results of the 2020 exercise for PCRs and XSRs in the case of IDB and IDB Invest, respectively. For IDB, this exercise was based primarily on projects that were closed in 2019.³¹ IDB Invest also looks at XSR trends over time based on an analysis of data from projects evaluated from 2016 to 2020. IDB Lab’s analysis focuses on selected key performance indicators and examples of scale from projects completed in 2020.

IDB Project Completion Reports

At completion, IDB projects are rated based on four core criteria: relevance, effectiveness, efficiency, and sustainability. An objectives-based approach is used to evaluate performance against the specific objectives the project intended to achieve, as measured at closure by the concrete results identified for each objective. The PCR document presents the results of this assessment and is prepared by the IDB unit responsible for the project, with results independently validated by the Office of Evaluation and Oversight (OVE). The

production and dissemination of PCR findings serves an important accountability function as well as a learning function to help enhance the design and execution of other projects (see Chapter 4 for more information on the application of lessons learned).³²

Results from 2020 Cycle

For the 2020 cycle, 71 PCRs were completed and submitted to OVE for validation of the overall success rating.³³ The complete list of PCRs and their associated ratings and PCR documents can be found on the CRF website page for the indicator projects achieving development results at completion. These projects were approved between 2006 and 2019 for a total amount of \$8.2 billion. They spanned a wide range of sectors, diverse lending instruments, and covered 21 countries.

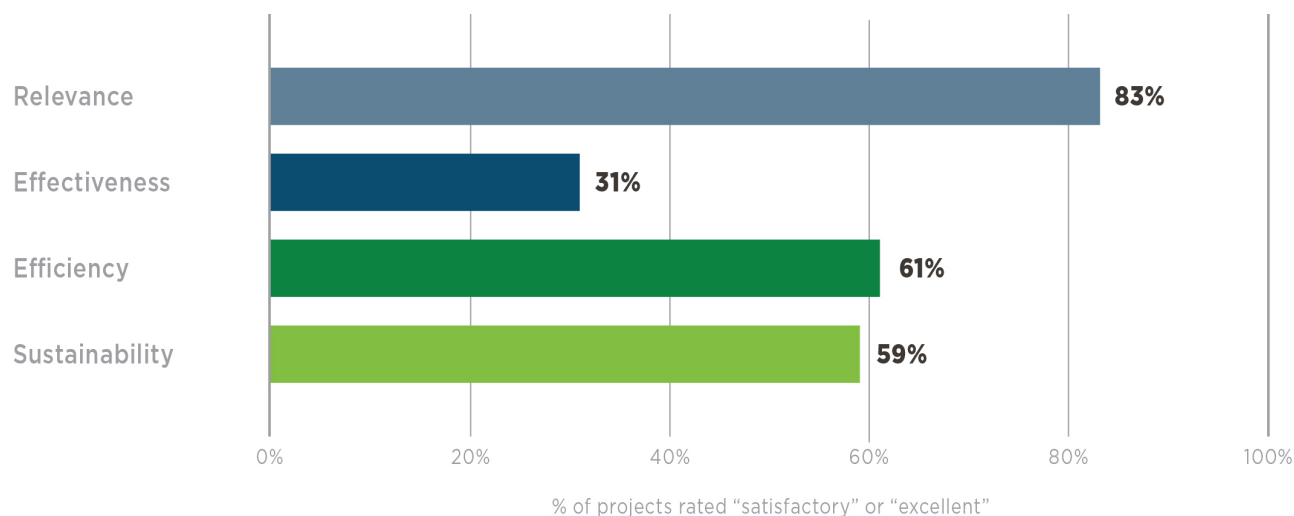
Overall, the OVE-validated rating was positive (“highly successful” “successful” or “partly successful”) for 52 percent of the projects (the same percentage as in the previous cycle), below the CRF target of 70 percent. The overall PCR rating is a result of the weighted average of scores of the four criteria, of which effectiveness is weighted the highest. IDB projects were generally rated most positively on relevance and least positively on effectiveness (see Figure 2.1). As such, this component of the score is discussed in greater detail in the following section. It is important to note that a negative PCR rating does not mean that a project did not achieve any of its intended objectives or outcomes.

³¹ 69 of the 71 PCRs included in this cycle were closed in 2019. The remaining were closed in 2016 and 2018.

³² In addition to information on results achievement, the PCR also includes information on environmental and social safeguards performance, including safeguards implementation, actions taken to address compliance, and pending safeguards measures, among other details.

³³ This review was based on guidelines for evaluation of projects at completion that were established in 2018 and revised in 2020.

Figure 2.1 Projects with PCR Performance Rated “Satisfactory” or “Excellent” by Dimension, 2020



A Deeper Look at Effectiveness

A critical element of the PCR methodology is effectiveness. In this cycle, 31 percent of PCRs were rated positively (either “satisfactory” or “excellent”) in terms of effectiveness. In total, OVE validated 173 specific objectives and 597 associated result indicators. Forty-three percent of specific objectives were rated positively, with 52 percent of project result indicators achieving at least 80 percent of their target. Nearly seven percent (39) of result indicators were not attributable. Of the 41 percent (249) of attributable result indicators that met less than 80 percent of their target, the main issues were design and execution related, such as the setting of unrealistic targets, the cancellation of funds and key outputs, and monitoring failings that impeded the reporting of achievement of indicators.

These findings are in line with those of previous PCR cycles. In light of PCR ratings in recent years, the IDB analyzed the factors affecting project performance and released the technical note [Project Completion Report Analysis: Factors Behind Project Success and Effectiveness](#), with an eye for identifying

opportunities for improvement. Project effectiveness ratings in recent years have been negatively affected by issues associated with project design and execution, as well as methodological issues related to the rating process.

In terms of project design, the quality of the results matrix at approval and the quality of the evaluation plan have been found to be strong determinants of project effectiveness at closure. The setting of realistic targets that are measurable and attributable at project completion is important as is the capacity to monitor, report, and attribute each result indicator during execution.

Recent PCR cycles also demonstrate the importance of maintaining the underpinnings of the causal results chain throughout project execution by limiting or avoiding cancellation of components, products, or significant resources from the amount originally approved. Projects that execute a lower share of their approved loan amount or are classified as “alert” or “problem” in the PMR in their first years of execution tend to experience a higher

share of discontinuation of outputs and are more likely to fail to achieve their objectives.

As a final factor, it is worth noting that the objective-based evaluation used in the PCR Guidelines, relies on clear statements of specific objectives and their associated results indicators. In the past, results matrices of projects were not necessarily structured around specific objectives with associated results indicators. As a result, even when specific objectives were clearly stated, they did not always have valid indicators to assess their achievement. This discrepancy in how projects were designed and how they will be evaluated at closure will affect the effectiveness and success of projects into the future.

Looking Forward

Closing the gap between expected performance and results at completion remains a critical priority for IDB. In 2020, IDB Management undertook several reforms and actions to address the findings of recent PCR reviews and improve performance in future years.

First of all, the development effectiveness framework instruments have been modified to align them to the requirements of the PCR methodology. Specifically, project results matrices are now structured around specific objectives and the Development Effectiveness Matrix now requires the inclusion of at least one valid outcome indicator to assess achievement of each specific objective. An explicit monitoring and evaluation proposal for assessing each specific objective is also required as part of projects' monitoring and evaluation plans. New protocols have been established to assure that changes in project development objectives or indicators resulting

from the startup workshop do not affect the soundness of its vertical logic. In addition, new protocols apply for the introduction of additional validated results indicators to support the demonstration of the achievement of development objectives, where warranted.

Management further revised the PCR guidelines in 2020 to enhance clarity on the expectations regarding the analysis presented for the criteria and to adapt the timing for preparing PCRs by project type. For example, PCRs for policy-based loans may be prepared up to 24 months after project closure to allow adequate time for policy results to take effect and be measurable. Furthermore, new courses have been introduced into the Operations Learning Program regarding such areas as designing evaluable projects, identifying and managing project risks, and documenting lessons learned.

Finally, the IDB is also undergoing a review of its project preparation and portfolio management processes to enhance the focus on results throughout the project lifecycle, starting from design. This Operational Excellence initiative is a results-focused agenda for improving management of IDB projects that is underpinned by a risk-based approach to decision-making. This initiative aims to increase the IDB's response capacity to country needs using a consistent approach, under the principles of effectiveness, efficiency, objectivity, comprehensiveness and accountability.³⁴ This agenda focuses on two main initiatives: (i) reducing preparation times while maintaining technical soundness, effectiveness, and efficiency of projects; and (ii) implementing a comprehensive portfolio management model that contributes to maintaining portfolio health and achieving development objectives. The latter proposes a close monitoring of the main factors that

³⁴ IDB's Operational Excellence initiative is distinct from IDB Invest's Operational Excellence initiative launched in 2018, which focused on generating efficiencies through streamlined processes, speed of delivery for clients and fostering a strong culture.

affect project success and results, based on the findings of recent PCR cycles and existing literature.

IDB Invest Expanded Supervision Reports

IDB Invest conducts a mandatory final self-evaluation, the Expanded Supervision Report (XSR), for each operation in the portfolio once it reaches early operating maturity.³⁵ The XSR compares the expected and actual impact of each project through a systematic assessment of its relevance, effectiveness, efficiency, and long-term sustainability, as well as the main lessons learned. The final rating of each evaluation is validated by OVE. XSRs serve as both an accountability tool for stakeholders as well as a learning tool to help guide the origination and structuring of new operations.

Results from the 2020 Cycle

In 2020, IDB Invest prepared 38 XSRs covering 42 projects that reached early operating maturity and were approved from 2007 to 2017 for a total amount of \$1.2 billion (plus an additional \$1.6 billion in mobilized resources: \$215 million in funds and \$1.4 billion in B loans). Overall, the OVE-validated project development outcome rating was positive for 61 percent of these projects (compared to 58 percent in 2019). Relevance was the highest rated dimension, with 79 percent of XSRs rating positively, while effectiveness was the lowest with 39 percent of XSRs rating positively (see Figure 2.2).

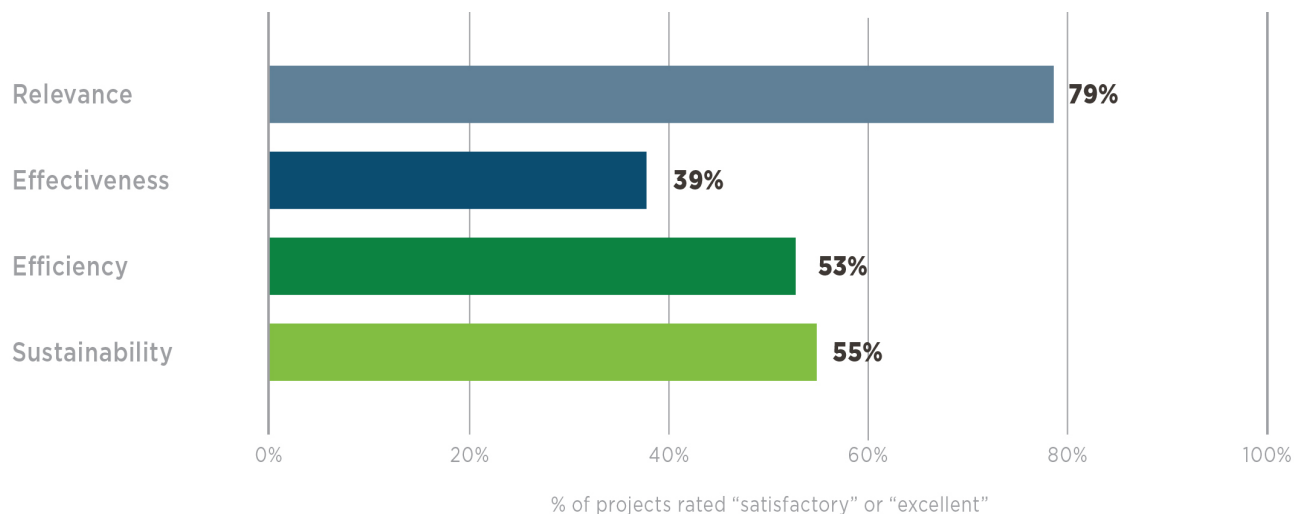
To improve performance, it is crucial to learn from past operations, particularly from those that received negative ratings. In the

infrastructure segment, the 2020 XSR cohort highlighted how unforeseen changes in market conditions on both the supply and demand sides can significantly impact project performance. For instance, a hydropower project fell short of achieving its energy generation target due to higher than expected production of wind energy in the country. Since in this case wind energy enters the grid first, this decreased the demand for hydropower. This experience signals the need to further reinforce the industry assessment performed for operations ex-ante and sharpen sensitivity analyses of both supply and demand trends, as operational performance and sustainability are highly linked to market dynamics.

In the financial institution segment, challenges related to launching new products, forecasting market trends, and defining adequate investment targets affected the effectiveness and, in some cases, sustainability of operations. For example, an operation to support a new line of financing for women-owned microenterprises failed to consider the ramp up period needed to launch the product, as well as the technical complexity of doing so. In other cases, forecasting problems affected the ratings of operations that actually yielded good results. For instance, a financial institution expanded its MSME portfolio significantly, more than three times the country's average MSME loan growth rate, but still failed to reach its ambitious targets for that segment. These experiences not only reconfirm the importance of adequate industry assessments, but also the need to consider the time required to build new portfolios and ensure that clients have the technical capacity to introduce novel inclusive business models, and if not, support them as needed.

³⁵ Following the Good Practice Standards, Early Operating Maturity (EOM) is defined as the earliest date when a loan has been fully disbursed, the project has been implemented, and it has started having development impact. An XSR is prepared one year after reaching EOM (e.g., projects that achieved EOM in 2019 had their XSR prepared in 2020).

Figure 2.2 Projects with XSR Performance Rated “Satisfactory” or “Excellent” by Dimension, 2020



Finally, the oldest corporate projects still have significant design issues, as they failed to quantify direct benefits for key stakeholders. To address the limitations of such projects, whenever possible IDB Invest has been retroactively requesting data to quantify project benefits not properly defined at the design stage. For operations approved under the current Impact Management Framework, such design flaws are very unlikely to occur, and would be immediately detected and corrected in supervision.

Following a continuous improvement approach, these lessons have been fed back into IDB Invest’s operational work. For projects approved with the DELTA ex-ante assessment, projections are produced

considering a broader range of scenarios and with more careful benchmarking against overall economic trends. In recent years IDB Invest has also more actively supported clients’ capacity to measure and manage their contribution to societal goals, reinforcing their ability to forecast and plan for such contributions. Through its advisory services, IDB Invest is also more proactively building clients’ capacity to design and execute innovative products and services that foster social inclusion. Finally, efforts to strengthen the supervision of development outcomes have allowed IDB Invest to engage in earlier and more continuous dialogue with clients on why projects may deviate from initial plans and on potential corrective measures.

XSR Trends Over Time

Annual XSR results can vary greatly from year-to-year due to small sample sizes and changes in the composition of projects in each cohort. Therefore, to help put the results of the 2020 XSR exercise into perspective and considering 2020 marks the five-year anniversary of IDB Invest, they are discussed in the following sections as part of a broader analysis of data on trends and key drivers of project performance observed among projects evaluated since 2016.

Overall, between 2016 and 2020, IDB Invest produced 194 XSRs, accounting for a total of \$4.2 billion in financing. Financial institution projects make up more than half of the XSR sample (56 percent), followed by corporate projects at 27 percent, and infrastructure at 17 percent.

In 2020, there was a notable shift in the segment composition of XSRs. Between 2016 and 2019, the majority of XSRs were from the financial institutions segment (on average 61 percent of the sample). In 2020, most XSRs were from the infrastructure segment (45 percent), mainly for renewable energy projects. This change reflects new institutional priorities and the consequent growth of certain parts of the portfolio since the launch of IDB Invest.

Regarding overall project performance on average, 53 percent of XSRs evaluated in the past five years were positively rated.³⁶ In terms of the four dimensions that the XSR evaluates (see Box 2.1 for dimension descriptions), the efficiency and effectiveness categories have the lowest ratings (44 percent of projects rated positively in both dimensions), followed by sustainability (55 percent), and relevance (71 percent).

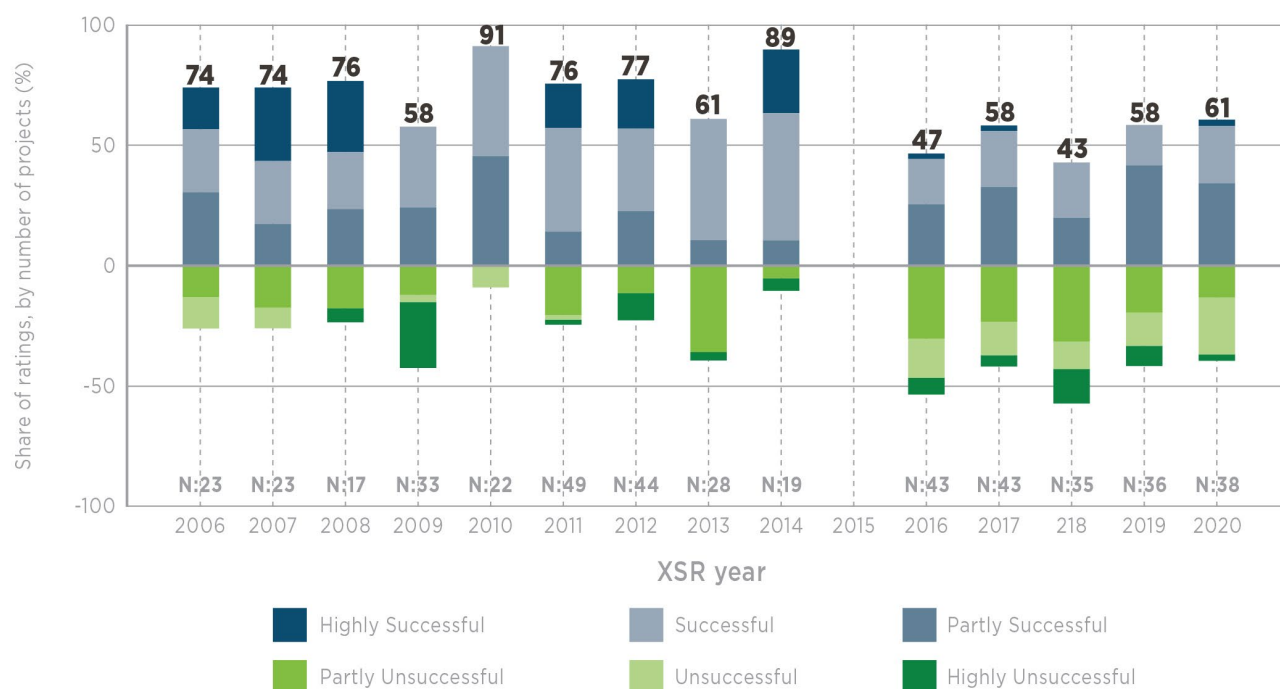
It is worth looking even further back to 2006 to note the sharp change in project performance scores before and after 2016. As shown in Figure 2.3, on average, 75 percent of projects evaluated between 2006 and 2015 were rated positively, dropping to 53 percent since 2016. Such a shift is mostly explained by changes in evaluation criteria since the sample continues to be mostly composed of projects approved before 2016. For instance, prior to 2016, the XSR evaluation criteria did not include the effectiveness and relevance dimensions.³⁷ Currently, effectiveness, which measures the extent to which a project achieved its expected development outcomes, has the highest weight in the overall project score (see Box 2.1 for more information on the effectiveness dimension). In addition, multiple adjustments were made to the evaluation standards for projects with financial institutions following OVE's evaluation of this segment in 2016.³⁸

³⁶ The Overall Project Outcome is considered "positive" when the rating is Highly Successful, Successful or Partly Successful, and "negative" when the rating is Partly Unsuccessful, Unsuccessful or Highly Unsuccessful.

³⁷ All data reported corresponds to OVE-validated scores whenever OVE conducted a validation of the XSR. However, it is important to keep in mind some key differences in the figures reported before and after 2016 given the consolidation of IDB Group private sector operations into IDB Invest, which entailed merging the Inter-American Investment Corporation (IIC) with the IDB's Structured Corporate Finance (SCF) and Opportunities for the Majority (OMJ) Departments. XSRs produced by the IIC have been validated by OVE since 2002. Before 2016, IIC and SCF projects were validated separately by OVE, so criteria and years of validations available for each institution may differ. OVE did not start validating OMJ projects until after 2016. In addition, data before 2016 is reported at the project level (as it was only available through the DEA platform), while data after 2016 is at the XSR level. This distinction matters to the extent that there are some cases where one XSR covered multiple projects or phases of a project. Differences between aggregated ratings at the XSR level versus those at the project level should be marginal and do not always follow a monotonic relationship. For example, an XSR covering two projects that were rated unsuccessfully brings down the total average, while an XSR covering two or more projects with positive ratings could bring up the average. Finally, some figures from years prior to 2016 may differ from those in official OVE reports as the sample includes some XSRs that were not validated by OVE. Despite this, numbers reported by OVE seem even higher. For example, for XSRs in 2014 OVE reported 93 percent of positive projects, while here the number is 89 percent.

³⁸ [Evaluation of IDB Group's Work through Financial Intermediaries.](#)

Figure 2.3 Evolution of Overall Project Outcome Ratings (OVE-validated)



Note: Own elaboration based on data reported in the Development Effectiveness Analytics Platform. The year 2015 is excluded from the sample; it was an atypical year with most XSRs not validated by OVE given the merge-out of IDB Group private sector operations into IDB Invest.

The Nuts and Bolts of Rating Project Performance

While the objective is to maximize the percentage of operations with positive ratings, it is worth noting that a negative rating does not necessarily mean that a project had no development impact.³⁹ As explained in Box 2.1, projects rated as Partly Unsatisfactory in effectiveness may have achieved most or several of their expected development objectives. According to the data, of the XSRs in the Partly Unsatisfactory category (61), half of them achieved 50 percent or more of their development objectives and 10 percent achieved 75 percent or more. Another way to look at the value produced by

underperforming projects is from a “return to society” perspective considering the economic and social rate of return generated by each investment. For all real sector projects, IDB Invest computes an ex-ante and ex-post economic analysis including a calculation of an Economic Rate of Return (ERR) for project finance or an Economic Return on Invested Capital (EROIC) for corporate projects. In the case of the Partially Unsatisfactory XSRs in effectiveness, the average ex-post OVE-validated ERR/EROIC is 10 percent (1.4 times the Weighted Average Cost of Capital), demonstrating that these projects did generate net benefits for society.⁴⁰

³⁹ This issue was briefly discussed in the [2020 DEO](#) (see page 55 for more information).

⁴⁰ According to the [Good Practice Standards for the Evaluation of Private Sector Investment Operations](#) produced by the Evaluation Cooperation Group (EGC), in which IDB is member, the benchmark for a positive rating of a project’s economic sustainability is based on whether the ERR or EROIC is equal to or greater than the larger of either: (i) a multiple of 1.2 times the project company’s WACC; or (ii) 10 percent (see page 19). The project company’s WACC should be calculated using accepted principles also included in these standards. IDB Invest XSR guidelines follow these same standards for evaluating the economic impacts of projects.

Box 2.1

How Does the XSR Performance Rating Work?

Beyond the final number showing the percentage of IDB Invest projects rated positively at completion each year, having a full picture of project performance means understanding what is behind this number and the complexity of evaluating private sector projects.

All IDB Invest projects are rated according to four weighted criteria: relevance (20 percent), effectiveness (40 percent), efficiency (20 percent), and sustainability (20 percent). Additionality, work quality, and the profitability of the investment for IDB Invest are also assessed, but do not contribute to the overall score. The XSR concludes with lessons learned based on the evidence presented in the evaluation.

In a nutshell, relevance considers the alignment of the project to corporate and country development priorities, as well as the relevance of project design to meet the stated objectives. The assessment of effectiveness evaluates the extent to which the project achieved or is expected to achieve its stated objectives given the outputs produced. Efficiency is assessed by the extent to which the financial and economic benefits of the project exceed project costs, also considering the time-value of money. Project sustainability is determined by assessing potential threats to the continuation of development outcomes beyond evaluation (e.g., technical, financial, corporate governance), as well as environmental and social sustainability.

Given the preponderance of the effectiveness dimension in the overall score, any shortcoming in this category strongly affects a project's final performance rating. The effectiveness rating is computed as a simple average of the scores received by each evaluated objective. According to XSR guidelines, if a single objective is rated as Unsatisfactory, the effectiveness section cannot be rated higher than Partly Unsatisfactory, even if all other project objectives were met. Typically, an objective will be rated as unsatisfactory if indicators are well below expectations. Another reason is lack of data, which is not uncommon in projects approved before 2016 that were designed under different evaluability standards and sometimes did not include indicators for all objectives.

Drivers of Project Performance at Completion

To determine what factors may influence project success at completion, IDB Invest analyzed data on project characteristics, financing type and size, DELTA impact scores at approval, and supervision classifications for the sample of projects evaluated from 2016 to 2020. The results show that the updated DELTA score during supervision helps to predict project performance at exit. Specifically, projects classified as being “on alert” or “problem” during the last supervision review before the XSR is produced are less likely to receive a positive rating at completion. In addition, projects that are classified as having lack of data or evaluability issues are also less likely to be positively rated.

As far as performance across segments, the data show that the probability of project success is significantly higher for infrastructure projects. One contributing factor may be that infrastructure projects have the lowest level of financial risk at project onset, with 27 percent classified with an S&P credit rating of B or below, versus 52 percent for financial institutions, and 78 percent for corporate projects. Other plausible explanations include that, given the nature of infrastructure project finance, such investments imply deeper ex-ante economic analysis and require other in-depth studies (some commissioned externally) when compared to corporate finance projects. In addition, infrastructure projects, particularly those in the energy sector which comprise most of this sample, benefit from long-term contracts with a relatively stable revenue stream, while corporate projects may be more exposed to adverse external conditions. Finally, when it comes to data collection, monitoring, and evaluation, infrastructure projects are more standardized versus corporate finance projects which are more

bespoke, often including a wider set of development objectives and indicators that vary significantly across projects.

These results show that the tools that make up IDB Invest’s Impact Management Framework are working to anticipate project results. In particular, the updating of the DELTA score during project supervision can be extremely valuable for flagging which operations are more likely to fall short of achieving their targets. This allows IDB Invest to act on supervision knowledge to assist clients that may be underperforming or to guide the structuring of new phases of an operation. In terms of the issues of lack of data and evaluability, it is important to keep in mind that the sample is mainly composed of projects approved before 2016, which were designed under different evaluation standards. Moving forward, it is key to make sure that clients have the capacity to report on the agreed indicators and that there is clarity on their definitions. In recent years, IDB Invest has been working on standardizing and systematizing results matrix indicators by sector, which is expected to help reduce evaluability issues in the future.

Looking Forward

IDB Invest will continue strengthening the evaluability of its operations, building on recent efforts to revise XSR guidelines and solidify robust impact measurement tools at entry and during supervision through the DELTA. Work is also underway with OVE to produce more detailed guidance for evaluators on the effectiveness dimension of the XSR analysis, including parameters for updating results matrices and setting targets.

IDB Invest will also continue improving how it captures learning throughout the project lifecycle. XSRs are essential tools for

generating knowledge and lessons learned from operations (see Chapter 4 for more on systematization of lessons learned). For instance, an analysis of lessons learned pulled from the sample of projects evaluated between 2016 and 2020 reveals that, in addition to evaluability issues, more than 90 percent of XSRs included lessons in other areas such as sector or client capacity. Insights such as these can feed into the design of new operations. Furthermore, the improved integration of IDB Invest's knowledge and transaction management systems, as well as the consolidation of its supervision system allows for the generation of real-time lessons from project execution. This additional knowledge will help IDB Invest better respond to situations of project underperformance, work with clients to correct course as needed, and shorten the operational learning curve. This is particularly relevant given the impact that the COVID-19 pandemic has had, and will continue to have, on the development impact of IDB Invest's portfolio.

IDB Lab

Upon project completion, IDB Lab documents cumulative results of each grant operation in the final edition of its Project Supervision Report.⁴¹ In 2020, 79 IDB Lab projects approved from 2000 to 2020 were completed for a total amount of \$77 million.⁴²

Each year, IDB Lab measures its impact using a series of key performance indicators for the active portfolio, including three topline metrics for job creation, improved living conditions for households, and enhanced firm and farm productivity. Overall, in 2020 IDB

Lab-supported operations created roughly 140,000 jobs and improved living conditions for 452,000 households.⁴³ Fifty-eight percent of these jobs and 70 percent of the households have been supported through intermediary entities with expertise in specific sectors, such as funds, accelerators, incubators, and company builders. Regarding the productivity metric, as expected given the economic impact of the pandemic on smaller businesses, the number of firms and farms with increased productivity dropped to 20,000 in 2020 (versus 26,000 in 2019).

In addition, one of IDB Lab's key measures of success is the extent to which the innovations it supports are replicated or scaled up by the IDB Group or others. Of projects completed in 2020, 35 percent were replicated or scaled (compared to 29 percent in 2019), surpassing IDB Lab's 20 percent target for the third consecutive year. The following examples highlight different paths to scale recently taken by IDB Lab-supported enterprises and programs.

The potential for scaling IDB Lab investment operations through IDB Invest is particularly notable as the region's entrepreneurial ecosystem continues to mature. The synergistic continuum of financing from within the IDB Group mirrors the evolving capital needs of entrepreneurs throughout the business development lifecycle, from startup to scaleup. In turn, the Group's ability to provide sequential financing to innovative enterprises with the highest growth and impact potential helps magnify development impact in the region, spurring greater inclusion of vulnerable populations and job creation.

⁴¹ Due to the small ticket size and innovative nature of operations, OVE does not conduct a validation of these instruments. Rather, OVE provides periodic evaluations of IDB Lab operations, the third of which is underway and will be completed in 2021.

⁴² Given the long-term horizon of equity investments in VC funds, the earliest approval in this cohort was in 2000.

⁴³ IDB Lab clients mainly reported improvements in household living conditions regarding better ability to deal with disasters and climate change, better health services, and better environmental amenities.

On the direct equity investment side, an example of this financing continuum is Kingo Energy, a Guatemalan-founded company that provides pay-as-you-go solar energy to homes and businesses in off-grid rural communities in Guatemala and Colombia. An initial IDB Lab grant in 2014 ([GU-M1053](#)) to pilot Kingo's business model led to a \$1.5 million investment in the company through an IDB Lab-supported portfolio fund in 2017 ([HO-M1048](#)) to back its consolidation and expansion. Fast forward to 2020 and IDB Invest made a \$5 million equity investment in Kingo ([I2332-01](#)) to finance its growth plan—aiming to expand from 50,000 homes reached to 550,000 by 2026— and improve its business model with the launch of new products and services for underserved rural communities. Another example is CargoX, a Brazilian digital freight broker and logistics platform that connects shippers with long-haul carriers, helping truck drivers avoid empty return trips. An IDB Lab-supported fund, NXTP ([RG-M1229](#)) invested in the startup in 2012, followed by a \$15 million equity investment by IDB Invest in 2020 ([I3095-01](#)) aiming to accelerate its growth through technology improvements, particularly related to the safety features of its platform. More efficient matchmaking between shippers and carriers means less idle time for truck drivers, translating into higher incomes and lower emissions.

While in the previous cases the extension from IDB Lab to IDB Invest occurs over a number of years, sometimes the connection happens in “real-time”. Valor Capital is a leading fund manager in Brazil, with a strong track record of investing in both early-stage and maturing tech startups. In 2020, IDB Lab invested \$4 million in Valor Venture Fund III ([RG-Q0060](#)), a fund focusing on highly innovative early-stage tech startups. To support the growth of the best-performing companies from this fund, Valor also launched

a companion vehicle in 2020, the Valor Opportunity Fund I, in which IDB Invest made a \$10 million equity investment ([I2851-01](#)). This allows the Group to build a strategic relationship with the fund manager, offering a more comprehensive solution for emerging tech startups at different stages.

As another example, the pathway to scale often requires projects to adapt to new circumstances as they expand. The IDB Lab and IDB-supported Regional Initiative for Inclusive Recycling ([RG-M1179](#), RG-G1010, [RG-T2699](#)) set out in 2011 to formalize grassroots recyclers across Latin America and the Caribbean by strengthening collaboration among key stakeholders, including policymakers, municipalities, large companies, and civil society organizations. The initiative has been instrumental in changing regulations to formalize recycling jobs and integrate them into municipal waste management systems. As of its completion in 2020, the program helped formalize 280 recycler organizations and nearly 18,000 recyclers across 15 countries, generating greater income and social benefits. The initiative has now evolved into a broader “circular economy platform” called [Latitud R](#) ([RG-G1037](#), [RG-T3795](#), [RG-T3775](#)), becoming one of the most renowned brokers in the region, connecting activities, resources, and knowledge across the public and private sectors, and bringing in new corporate partners including Dow Chemicals and Nestlé. The type of financing provided by the IDB Group to support this expanding platform has also evolved, with a combination of non-reimbursable resources from both IDB Lab and the IDB's Water and Sanitation Division, as well as a contingent recovery investment from IDB Lab.

Finally, public policies and programs continue to be fundamental for scaling, as they provide the opportunity to reach large number of beneficiaries though services provided by

the state. A recent example is a project with Fundación Monge in Costa Rica ([CR-T1151](#)), aiming to equip at-risk youth with the skills needed for knowledge economy jobs. Fundación Monge deployed its teaching tools using augmented and virtual reality in several ongoing educational programs with the *Centros Comunitarios Inteligentes* of the Ministry of Science, Technology and

Telecommunications, the Ministry of Education, and the Costa Rican Cultural Center. At the same time, in response to the limitations on face-to-face learning brought by the pandemic, Fundación Monge has pivoted its approach to include completely virtual life skills training for 21st century jobs, a digital adaptation with the potential to reach even more youth moving forward.

Chapter 3

Contributions to the SDGs



The IDB Group is committed to maximizing the development impact of its projects in Latin America and the Caribbean. Its approach to development effectiveness recognizes that achieving results and meeting the Sustainable Development Goals (SDGs) requires collective efforts, support for country priorities, transparency, and continued knowledge generation and learning. A focus on partnerships, public-private synergies, and resource mobilization is now more important than ever given how the pandemic has significantly set back progress towards meeting the SDGs over the next decade.

The SDGs represent a holistic development agenda that is fully [aligned with the IDB Group's strategic priorities](#) and the development challenges faced by Latin American and Caribbean countries. The Group classifies each of its new approvals based on its expected contributions to specific SDGs using a [Group-wide SDG classification methodology](#). The cornerstone of this approach is that projects must be able to

measure their contribution to a given SDG target through an indicator that will be monitored throughout the life of the project. These classifications as well as a snapshot of Group-wide results from projects during execution are presented on the IDB Group's [SDG website](#).

This chapter highlights specific development results supported by IDB Group projects in 2020 as well as project case studies related to each of the “P’s” of sustainable development: people, planet, prosperity, peace, and partnership (see Figure 3.1). The showcased results are based on the standardized indicators established in [Level 2](#) of the CRF to track the magnitude of the Group’s contributions to specific development topics.⁴⁴ The project cases help illustrate how results reported through the CRF relate to higher-level outcomes, focusing on projects that have closed or generated substantial results in recent years in a range of countries and sectors.



The IDB Group's approach to development effectiveness recognizes that achieving results and meeting the SDGs requires collective efforts, support for country priorities, transparency, and continued knowledge generation and learning.

⁴⁴ See the [CRF website](#) for more information, including details by country and IDB Group entity.

Figure 3.1 Selected Results Supported by the IDB Group in 2020

SUSTAINABLE DEVELOPMENT GOALS



PEOPLE

2.6 million
students benefited by education projects

14 million
beneficiaries receiving health services

1.8 million
beneficiaries of targeted anti-poverty programs

360,000
households with improved access to water and sanitation

260,000
households with improved access to energy services

95,000
beneficiaries of employment support initiatives

2
countries with strengthened gender equality and diversity policy frameworks

10,000
targeted beneficiaries of public services that have been adapted for diverse groups

210,000
beneficiaries of initiatives that support migrants and their host communities

160,000
women beneficiaries of economic empowerment initiatives



PROSPERITY

580,000
jobs supported

970,000
micro, small, medium enterprises financed

32,000
enterprises provided with technical assistance

93,000
farmers with improved access to agricultural services and investments

2,000
kilometers of roads built and upgraded



PEACE, JUSTICE AND STRONG INSTITUTIONS

8,700
public officials trained on citizen security and justice

56
agencies with strengthened digital technology and managerial capacity

7
agencies with strengthened transparency and integrity practices

12
countries with strengthened tax and expenditure policy and management



PLANET

19 million
annual tons of CO₂ equivalent emissions avoided

1.1 million
beneficiaries of enhanced disaster and climate change resilience

3.6 million
hectares of habitat that is sustainably managed using ecosystem-based approaches

1,000
megawatts of installed power generation capacity from renewable sources

\$304 million
of investments in resilient and/or lowcarbon infrastructure



PARTNERSHIPS

\$1.9 billion
of international trade supported

14
regional integration agreements and cooperation initiatives supported

Note: Figure 3.1 shows Level 2 indicators of the CRF with progress data for 2020. For details by indicator, see the [Level 2 page](#) of the CRF website.

People

The SDGs include a commitment to end poverty and hunger, improve well-being, and ensure that all humans can fulfill their potential with dignity and equality. In Latin America and the Caribbean, progress in reducing poverty had largely stalled prior to the COVID-19 crisis, and has since reversed. It is estimated that up to 44 million more people may fall into moderate and extreme poverty as a result of the crisis (Acevedo et al, 2021). At the same time, inequality remains entrenched across many dimensions, from race and gender to unequal access to education, health, housing, and decent job opportunities, among others. The pandemic is deepening these fault lines, with prolonged school closings increasing the risk of learning loss and drop-outs for a generation, and women disproportionately exiting the workforce.

The IDB Group's strategic priorities of social inclusion and equality and gender equality and diversity articulate its commitment to support countries in ensuring that all people can improve their well-being, develop their potential, and participate in the social, political, and economic aspects of life. As a response to the COVID-19 crisis, the Group placed heavy emphasis on strengthening the public health response, supporting social safety nets, and fostering economic productivity and employment, while continuing its efforts to improve basic and social services. The Group also [renewed its commitment to supporting migrants and their host communities](#) in 2020, and continued supporting gender equality and addressing the needs of indigenous peoples, African descendants, people with disabilities, and LGBTQ+ individuals. Box 3.1 highlights the IDB's support for quality education in Belize.

Box 3.1

Improving Education Quality in Belize



High quality education is critical for social progress and economic development. Between 2010 and 2014, the Government of Belize prioritized its investments in education. Despite 92 percent of school-aged children receiving a primary education by 2009, student learning outcomes were very poor, with high repetition and low completion rates. Only 48 percent of female students and 38 percent of male students completed primary education; and only 39 percent of students graduating primary school had satisfactory performance on the Primary Education Exam in 2011 (Näslund-Hadley et al. 2013). An analysis pointed to two main challenges driving these discouraging results: the low quality of instruction, particularly in primary education; and the lack of governance mechanisms to monitor the quality and equity levels of education throughout the system (Arcia, 2012).

To address these dual challenges, the IDB supported the Government of Belize through the Education Quality Program ([BL-L1018](#)) from 2014 to 2020. The project included teacher training, the creation of a quality assurance system to improve education policy, and an evaluation to understand the effect of teacher training on improving education quality. An Education Management Information System was also launched to collect information from all primary and secondary schools and guide decision-making.

By the end of the program, half of the primary schools in Belize had benefited from the training provided, with 320 principals, and more than 1,500 teachers participating. The proportion of in-service primary education teachers with an overall grade of B or higher in the training exam increased from 69 percent to nearly 80 percent, and the proportion of teachers who reported that they were not appraised by their principal decreased from 66 percent to one percent. In total, more than 30,000 students benefited from improvements to the learning model and student learning improved by .16 standard deviations in mathematics and .29 standard deviations in science. The success of the program led to the approval of a second phase in 2020 ([BL-L1030](#)) to expand the project's inquiry and problem-based pedagogical approach nationwide. For more information, see the project [PCR](#).

Planet

The SDGs aim to build healthy and prosperous societies, which calls for protecting the planet on which they depend. Climate change and biodiversity loss threaten social and economic outcomes across Latin America and the Caribbean. The region's vulnerability to increasingly frequent and destructive extreme weather events was underscored by back-to-back hurricanes Iota and Eta in Central America in 2020. Similar to the fallout of the COVID-19 pandemic, the negative effects of climate events fall disproportionately on the poor who are more exposed, suffer greater losses, and have fewer resources to help them recover (Busso and Messina, 2020).

To further integrate climate change and environmental sustainability into its work, the

IDB Group launched an updated [Climate Change Action Plan](#) covering 2021-2025 to help guide the region's path to a sustainable recovery that is green, inclusive and resilient. Recognizing that the pathway to net zero carbon emissions and climate-resilient economies varies across countries, the Group is continuing to provide flexible support to countries and clients for investments in renewable energy, energy efficiency, low-carbon transportation, and sustainable urban development and agriculture. Engaging with countries to develop policies for long-term climate action is a key priority, as is leveraging partnerships to mobilize additional resources towards tackling climate change in the region. For more information on the IDB's support for sustainability in 2020, see the [Sustainability Report](#). Box 3.2 highlights IDB Invest's efforts to promote innovative approaches to clean energy generation in Chile.

Box 3.2

Supporting Geothermal Power in Chile



On its path to becoming carbon neutral by 2050, Chile reached a key milestone earlier than expected last year: producing a fifth of its energy from renewables (Financial Times, 2021). While this is mostly thanks to solar and wind power, geothermal energy is also proving its worth.

Despite the country's huge potential for geothermal energy generation, investors have historically been skittish due to the high cost and uncertainty associated with the exploration and development of these resources. Cerro Pabellón is the first privately-operated, large-scale geothermal power plant in South America, located in Chile's Atacama Desert. In 2017, IDB Invest provided financing for an exploratory phase of this project through the Clean Technology Fund's (CTF) Geothermal Risk Mitigation Program. If drilling efforts were not successful, the CTF loan would convert to a grant; if they were successful, the loan would have to be replaced by long-term debt or repaid by the sponsors. This risk-sharing mechanism was especially critical at a time when no public sector support, subsidies, commercial or DFI financing was available for this innovative project.

Drilling was a success, allowing Cerro Pabellón to connect two functional units with a combined capacity of 48 megawatts to Chile's national electricity system in 2017. In its first three years of full operation, the plant has generated an average of 219,000 megawatt hours of clean energy per year, resulting in the avoidance of approximately 91,000 tons of CO₂ equivalent emissions annually. Moreover, given the success of the risk mitigation facility, an additional drilling program was effectively executed, with an additional 33-megawatt functional unit expected to be finalized in 2021. With a total installed capacity of 81 megawatts, Cerro Pabellón will be able to generate approximately 600,000 megawatt hours per year, avoiding more than 251,000 tons of CO₂ equivalent emissions annually.

Prosperity

The SDGs aim to ensure prosperous lives and livelihoods and that social, economic, and technological progress develops in harmony with nature. For Latin America and the Caribbean—where 99 percent of firms are MSMEs (Herrera, 2020) and over half the workforce is informal on average (Acevedo et al, 2021)—meeting this high-level ambition is grounded in addressing the region’s persistently low productivity and innovation levels. The widespread economic and social fallout of the COVID-19 pandemic underscores the urgency of this challenge. An estimated 31 million full-time jobs were lost in 2020 (Aguerrevere, 2021), and as of mid-year, it was expected that 2.7 million formal companies in the region would close permanently (ECLAC, 2020).

An inclusive economic recovery will be driven by productive firms creating quality

jobs. The continued expansion of the region’s early-stage ecosystem—which includes over 1,000 tech-driven startups generating more than 245,000 jobs (IDB Lab, 2021)—holds great potential for sparking economic recovery and growth. Reigniting the region’s productive sector is part of the IDB Group’s commitment to productivity and innovation and the Group is increasing investments in spurring entrepreneurship and innovation, sustainable infrastructure, supporting MSME growth and financial inclusion, and deepening regional economic integration considering how the pandemic has reshaped global value chains. Helping IDB Group member countries and clients embrace the accelerating digital transformation is also paramount, including efforts to improve broadband connectivity and quality, build workforce skills for digital economy jobs, promote the digitalization of public services, and support inclusive tech-driven start-ups. Box 3.3 showcases an IDB Lab project that helped build the early-stage entrepreneurial ecosystem in Jamaica.

The IDB Group’s support for prosperity in Latin America and the Caribbean focuses on ensuring that social, economic and technological progress develops in harmony with nature.



Building the Entrepreneurial Ecosystem in Jamaica



While the entrepreneurial landscape in Latin America and the Caribbean has been booming in recent years, nearly 90 percent of startups are concentrated in Brazil and Argentina (IDB Lab, 2021). This is no coincidence as these two countries are home to the region's strongest entrepreneurial ecosystems. In order for enterprises to start up, disrupt, access financing, scale, and create jobs, a supportive, well-connected ecosystem is critical. In contrast, entrepreneurial ecosystems in Caribbean countries such as Jamaica are still emerging.

Together with the Development Bank of Jamaica, the IDB Lab-supported Jamaica Venture Capital Programme (JV Capital; [JA-M1033](#)) set out to cultivate the country's nascent entrepreneurial ecosystem and link high-potential entrepreneurs with early-stage financing. This required building awareness, capacity, and connections among the different players involved throughout the enterprise development lifecycle, from entrepreneurs and universities to private companies and private equity and venture capital investors. Since venture capital investing was very limited in Jamaica when the program started in 2016, building awareness among entrepreneurs, investors, and funds about alternative financing options other than debt and establishing appropriate legal and regulatory frameworks were key.

From 2016 to 2020, the program provided over 700 early-stage firms with business support and investment readiness training, about 20 percent of which received financing (see this [video case study](#) for more information). To create a safe space for innovation, JV Capital also developed the National Business Model Competition in partnership with the private sector and universities. Over 3,000 students have participated in the competition, 40 formal businesses have been registered, and the 2018 winner became the first Caribbean entrepreneur to be selected by Startup Chile, one of Latin America's top accelerators (for more details on the competition see this 2020 [case study](#)). The foundation laid by this project is now being taken to scale through an IDB loan ([JA-L1085](#)), further strengthening Jamaica's entrepreneurial ecosystem and leaving the country better equipped to innovate in the face of new challenges brought by the COVID-19 pandemic and ensuing recovery.

Peace, Justice and Strong Institutions

The SDGs aim to build peaceful, just, and inclusive societies, with strong institutions that support and maintain sustainable development. Despite advances in access to information reforms, improved procurement systems, and increasing use of technology to enhance transparency, Latin American and Caribbean countries face urgent transparency and integrity challenges (IDB, 2020). Leading up to the pandemic, high-profile corruption scandals sparked massive demonstrations and citizens were already largely dissatisfied with unequal access to quality public services.

Societal discontent continues as countries respond to the COVID-19 crisis, reflecting the need for strong, effective, and transparent institutions to steer the region's recovery.

The IDB Group's support to the critical cross-cutting issue of institutional capacity and rule of law includes strengthening legal frameworks, improving the effectiveness in the delivery of public services and a growing focus on promoting transparency and integrity. Support for transparency of public expenditure have been particularly critical during the pandemic as are efforts to ensure adequate controls and effective audits. Box 3.4 highlights an IDB project in Honduras that supported public safety.

Box 3.4

Supporting Police Reform and Civic Coexistence in Honduras



In 2011, Honduras faced widespread insecurity, the highest homicide rate in the world and low levels of citizen trust in the police, with 68 percent of the population believing the police was involved in crime. With the support of the IDB and the Swiss Agency for Development and Cooperation, the Government of Honduras implemented a project ([HO-L1063](#), [HO-X1021](#), and [HO-G1244](#)) to strengthen the police force, modernizing its police education and criminal investigation systems to improve crime prevention and prosecution.

The program included the revamping of the police education curriculum and trained more than 6,000 police officers, increasing the [participation of women in polices forces](#) by 18 percentage points from 2012 to 2017. In addition, it provided specialized training to other key actors across the criminal investigation system; established an integrated information platform for the efficient exchange of data

among different institutions and a crime analysis center. The program also strengthened the capacities of 10 municipalities to support local security management by creating a specialized area within the Department of Security to address local security, training local stakeholders in violence prevention, installing 30 citizen observatories on citizen coexistence and security, and developing programs supporting at-risk populations to prevent violence.

By project completion, citizen trust in the National Police had increased from 20 percent in 2011 to 30 percent in 2017 according to a Latinobarómetro survey. Also, the homicide rate was reduced by half from 93 per 100,000 in 2011 to 43 per 100,000 in 2017 (InsightCrime, 2017). Since then, the country's homicide rate has continued to decline and the IDB is supporting a related project ([HO-L1187](#)) to foster further reductions violent crime, improve police effectiveness, and improve vulnerable urban neighborhoods. For more information, see the project [PCR](#) and a related [blog](#).

Partnership

Achieving the SDGs requires partnerships and collaboration to tackle these pressing challenges. Perhaps this call for collaboration has never resonated as loudly as it has today, with the health and economic effects of the COVID-19 pandemic underscoring just how interconnected the world is. From global collaboration to tackle the pandemic to regional efforts to strengthen economic integration, working across borders has never been more critical. Similarly, multistakeholder partnerships that mobilize resources (see Chapter 1), share knowledge and expertise, and build local capacity play a critical role in the region's development.

The IDB Group has a robust partnership network consisting of governments, development financial institutions, private companies, philanthropic actors, academic institutions, and others, which were critical in tackling the pandemic and advancing the region's development. The Group also focuses heavily on building partnerships across countries of the region, strengthening regional integration through regional initiatives focused on [public health](#), [education](#), and economic integration. See the [2020 Partnerships Report](#) for more information on IDB Group's partnerships around the world. Box 3.5 highlights two projects that have brought diverse stakeholders together to solve the critical development challenge of digital connectivity.

Partnerships for Connectivity



Bringing digital connectivity to rural areas is one of the key development challenges of our time, and enhancing the reach and quality of mobile broadband can help reduce the digital divide. While mobile telephony has reached 70 percent of the region’s population, an [IDB Invest study](#) shows that mobile broadband (3G/4G) has only reached 42 percent of the population, with significantly lower penetration in rural areas. Increasing broadband penetration is a critical goal for governments across the region and partnerships are needed to make this happen as illustrated by recent IDB Group experiences in Peru and Nicaragua.

IDB Invest, in partnership with Telefónica, Facebook, and CAF (Development Bank of Latin America), is supporting Internet para Todos (IpT) Peru to connect rural communities throughout the country by enabling any mobile network operator to use IpT’s 3G and 4G infrastructure to deliver high-quality retail mobile communication services. The goal is to bring mobile broadband to remote populations where the deployment of conventional telecom infrastructure is not yet economically feasible. Through this model, Telefónica shares its network with telecommunication operators, reducing entry barriers into remote areas. The project is expected to reach four million underserved clients by 2023. For more information see the [project’s Client Impact DEBrief](#).

Since 2015, the IDB has supported Nicaragua in the development and implementation of its Broadband Program ([NI-L1090](#)), which consists of expanding the national electric company’s broadband network by developing fiber optic backbone infrastructure and towers as well as strengthening its regulatory framework and promoting broadband use in public health and agriculture facilities. Once the backbone infrastructure is complete, the government can offer wholesale broadband connections to private telecommunication firms, which then act as providers of the service to individual clients. Because the network model relies on private providers to deliver the final service, the regulatory framework was updated to better foster competition and investment. As of 2020, at least 10 private firms have contracted with the government to utilize the broadband, 93 additional municipalities have been reached with high-speed broadband and an estimated 647,050 people were benefited with 4G/LTE mobile network coverage or better. The project has also financed the last-mile connection for 149 health centers and for 100 educational and research facilities of Nicaragua’s Institute of Agricultural Technology. For more information visit the [project page](#).

Reflections

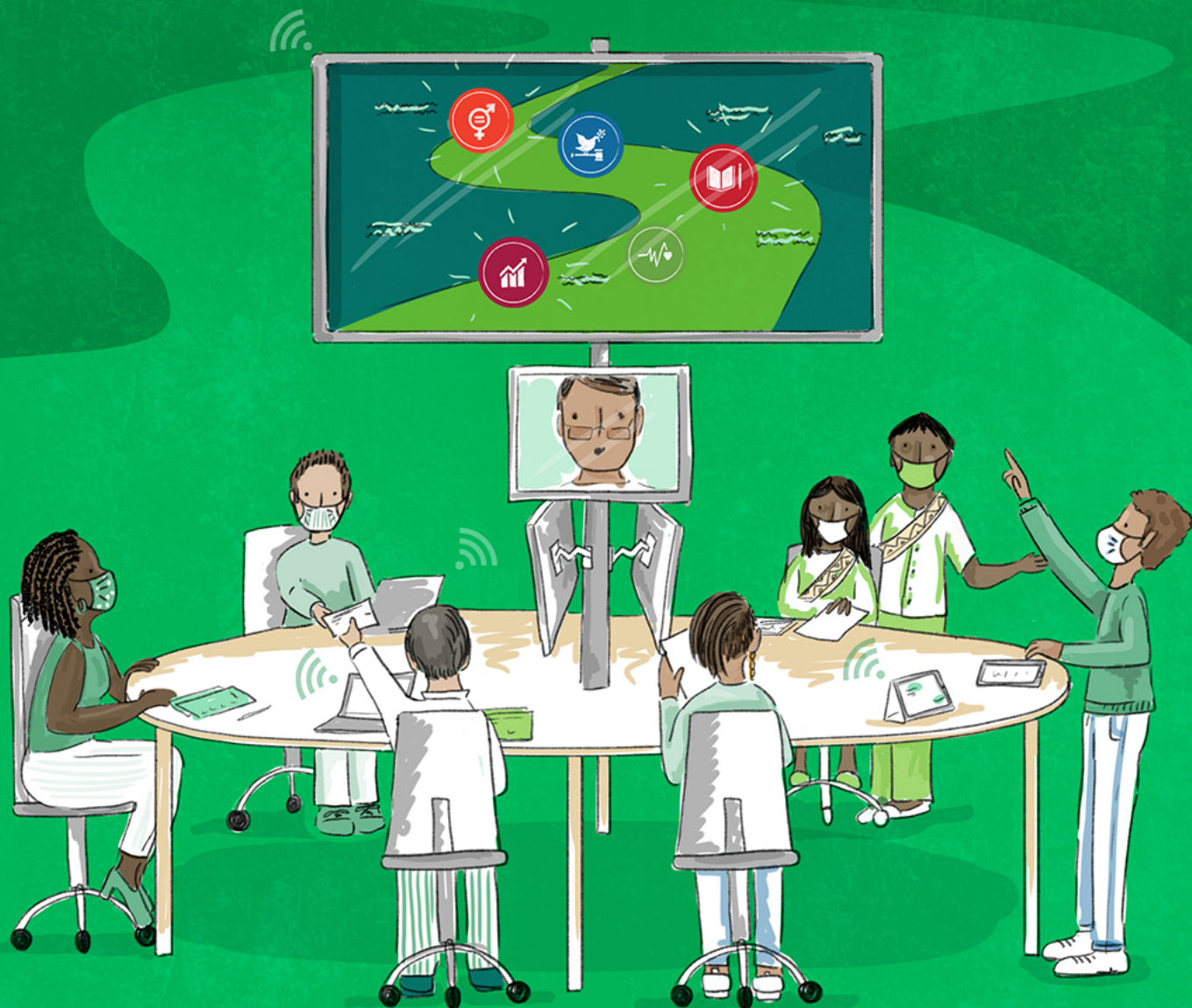
Since 2016 more than 1,300 approved projects were classified as contributing to the SDGs, worth a total approved amount of nearly \$80 billion. As such, the results described in this chapter are just a sampling of the Group's support to the region's development needs and the SDGs. Projects support a wide range of results, not all of which are captured through these standardized indicators. A deeper look at the

Group's contributions to development in the region is available on the [CRE](#) and [SDG](#) websites, including detailed contributions by project in 2020 and case studies by SDG. Recognizing that the SDGs cannot be achieved by working alone, the IDB Group continues to increase its collaboration with other MDBs to tackle these goals in the face of the evolving challenges presented by the pandemic.⁴⁵

⁴⁵ In 2020, the IDB Group contributed to a joint report under the guidance of the Heads of 11 Multilateral Development Banks and the IMF, which outlined how these organizations are supporting countries to achieve the SDGs.

Chapter 4

Generating and Applying Knowledge



Generating knowledge on what works and what does not and sharing it widely is a key part of the IDB Group's value proposition. Systematizing lessons learned from operations and using this knowledge to inform future interventions is a critical challenge faced by all development institutions and the Group is constantly seeking new ways to capture and apply learning to further the region's development. The development effectiveness tools used by each entity of the Group capture lessons throughout the project cycle and the IDB Group also conducts impact evaluations to assess the social, economic, and environmental outcomes of particular interventions in greater depth.

In 2020, the need to optimize the Group's response to countries and clients was greater than ever and it relied on both past experience and real-time learning to address the region's rapidly evolving needs. This chapter begins with a focus on operational learning during times of crisis, followed by highlights from IDB Group impact evaluations. It concludes with recent efforts to further systemize lessons learned and establish feedback loops to help institutionalize the application of learning into new projects.

Learning in Times of Crisis

Lessons from previous public health and economic crises in the region—including Zika, cholera outbreaks in Haiti, and the 2008 financial crisis—were an important starting point when COVID-19 hit, though the speed and scale at which the pandemic evolved was unprecedented. COVID-19 required a swift response, leveraging both in-house expertise within the IDB Group and mobilizing key partners for collective action. Within this context, ensuring agile learning and feedback loops was critical for addressing the health

emergency as well as its ripple effects in the region and on the IDB Group portfolio.

To tackle the immediate health crisis created by the pandemic, the IDB partnered with New York University to conduct an innovative rapid policy advising initiative, [Smarter Crowdsourcing in the Age of Coronavirus](#), which yielded 18 [recommendations](#) from global experts on tackling the crisis, such as establishing national patient identifiers, enhancing data collection capabilities (e.g., through symptom-trackers), and increasing provider capacity through innovations in training opportunities and strategies to expand workforce supply.

IDB Lab, in collaboration with the IDB's Social Protection and Health Division, also acted quickly to mount the [Regional Challenge for COVID-19 Prototypes](#) using its fast-deploying prototype grant instrument (up to \$150,000) to support early-stage tech-driven solutions with high potential for impacting the health emergency in the region. In less than a month, it launched a call for proposals, screened over 500 applications, and selected 20 innovations from 14 countries for financing, including prototypes for telemedicine, testing, and contact tracing. The ability of IDB Lab's country office specialists to tap into local entrepreneurial networks and identify promising solutions proved to be key to the success of this challenge, as did the in-house expertise provided by the IDB in the selection process.

Beyond the health crisis, the Group also prepared for the pandemic's ripple effects throughout the region's economies and the IDB Group portfolio, drawing on past experience. For instance, IDB Lab's experience with investing in emergency liquidity facilities for microfinance institutions fed into the

design of [LocFund Next](#).⁴⁶ The fund is the region's first permanent local currency financing vehicle for microfinance institutions, and was designed building on the key lesson that providing a continuum of financing options to microfinance institutions—from short-term liquidity financing to medium-term working capital—is essential for long-term economic recovery.

Similarly, IDB Invest pulled from past experience to simulate the extent to which the pandemic could affect the development impact performance of its portfolio based on different shock scenarios. While past portfolio shocks such as the El Niño phenomenon or the 2008 financial crisis were more localized in certain countries or sectors than the COVID-19 pandemic, the main takeaway from these

events is that project development performance is affected by the broader economic context. Therefore, ongoing monitoring of operations' growth projections gives a sense of the potential COVID-19 shock on development impact. In addition, IDB Invest's renewed monitoring system allowed it to manage the development impact of the portfolio better than during previous crises. Ongoing efforts to understand how clients in different sectors, industries, and countries are affected by the prolonged crisis will also generate valuable lessons moving forward. IDB Invest also learned the extent to which one of its main tools for quickly infusing liquidity to companies in the region, the Trade Finance Facilitation Program, acted countercyclically during the crisis (See Box 4.1).

Box 4.1

The Countercyclical Role of Trade Finance during the Crisis

Trade finance is a lifeline for global trade, especially for emerging markets where the risk associated with trade transactions tends to be higher. While about 80 percent of world trade relies on mostly short-term trade finance (ICC, 2020), there is an estimated \$1.5 trillion global trade finance gap, \$350 billion of which is concentrated in Latin America and the Caribbean (ADB, 2019). This gap becomes even greater during times of economic turmoil when global trade finance volumes shrink as commercial banks retreat from emerging markets. This is when the countercyclical role of MDBs is especially critical.

The drastic liquidity constraints and disruptions to global value chains brought by the COVID-19 pandemic led to a surge in demand for IDB Invest's [Trade Finance Facilitation Program](#) (TFFP). The TFFP provides short-term loans to local banks in the region to finance importing and exporting companies, as well as credit guarantees to global banks to mitigate their perceived risk of trade transactions with banks in Latin America and the Caribbean.

⁴⁶ For example, the Emergency Liquidity Facility for Microenterprise Recovery created in 2003 in the aftermath of natural disasters and the Emergency Financing for Latin American and Caribbean Microfinance Institutions established in response to the 2008 global financial crisis.

To assess the extent to which trade finance support increases during economic downturns, IDB Invest recently analyzed the relationship between historic TFFP disbursements and GDP growth in countries where the program operates.^a The results show that while the program did not play a countercyclical role following the global financial crisis in 2008-2009, TFFP disbursements have indeed acted countercyclically during the COVID-19 crisis. Overall, when quarterly GDP decreases by one percent year-on-year, TFFP disbursements increase by about 16 percent. This is mainly due to the infusion of resources into the program in 2020, which doubled in size to \$3 billion as part of IDB Invest's COVID-19 response, and the consequent 57 percent increase in disbursements compared to 2019. Another contributing factor is the program's ability to quickly tap into its growing network of client banks in the region, which has more than tripled since 2008.

The results also show that while TFFP disbursements have acted countercyclically overall, the response was stronger in countries with lower levels of financial risk, such as Panama, Peru, Brazil, and El Salvador. Ultimately, by continuing to build its network of client banks, particularly in countries with higher perceived risk levels, the TFFP will have the potential to enhance its countercyclical role in alleviating future crises.

^a The analysis includes data from 2005-2020 for the following countries: Argentina, Bolivia, Brazil, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, and Peru. Study publication forthcoming in 2021.

A critical aspect of learning during a crisis is rapid knowledge and data sharing. Amid the many unknowns in the early days of the pandemic, it was crucial for countries to obtain timely and accurate information about the effects of the crisis to help guide more effective responses. In March 2020, IDB and IDB Invest launched the [Coronavirus Impact Dashboard](#), providing real-time data on the effects of social distancing measures on people's behavior and economic activity across the region. For instance, using data from the Waze navigation app, the dashboard showed how traffic patterns were changing in real-time as countries implemented lockdowns and other measures to curtail the spread of virus.

In addition, ongoing communication with private sector clients has allowed IDB Invest to capture and share early lessons from client responses to the pandemic. For example, this [note](#) on health risk management compiles insights from clients on how to strengthen health resiliency for the benefit of workers, communities, and business operations. Similarly, to help distill innovative and potentially replicable practices, the 2020 edition of the [Superheroes of Development Award](#) focused on recognizing exceptional executing agencies and clients who devised innovative solutions to overcome challenges created by the pandemic. For instance, a female entrepreneurship project in Suriname ([SU-T1091](#)) adapted to the cancellation of face-to-face trainings and lost income from transport logistics challenges and closed

markets with virtual training materials, a new marketing and sales system through social media, and offering home deliveries to continue selling their products. With these solutions, the participants not only addressed the challenges posed by the pandemic, but

also found solutions and channels they never would have considered before. This is among the many adaptations to executing projects that took place in 2020 (see Box 4.2 for additional examples).

Box 4.2

Adapting during the Pandemic

COVID-19 required adaptations throughout the IDB Group's portfolio and business processes to respond to the new reality. The following cases provide a glimpse of some of the ways project teams adapted in 2020.

Supporting Food Security in the Amazon

When the pandemic resulted in the closure of Brazilian classrooms, children in 62 Amazonian municipalities not only lost access to in-person education, but also the place where they received nutritious food each day. The Program for Accelerating Progress of Education in Amazonas ([BR-L1328](#)) faced significant challenges in reaching 440,000 students—half of whom lived in hard-to-reach rural, indigenous, or coastal communities. The project team responded with a series of activities to continue distributing food kits to these vulnerable populations, including an application with geo-processing tools to determine student locations, 37 food kit distribution sites that were strategically positioned, and a comprehensive communications plan. As a result, 4,500 tons of food was distributed, supporting the nutrition students need to be able to learn.

Adapting supervision protocols for health projects in Nicaragua

With the onset of the pandemic, in-person site visits to verify progress on health infrastructure in Nicaragua for several IDB-supported projects—[NI-L1082](#), [NI-L1095](#) and [NI-L1143](#)—had to shift to a virtual format. The IDB's Social Infrastructure Unit and project teams in Nicaragua adapted quickly, implementing virtual tours of construction sites, through video calls with a smart phone. When connectivity did not allow for live tours, photo presentations and pre-recorded video tours were used to oversee progress. In all, 28 works in execution were successfully supervised in 2020, with 23 of those completed in the year. Furthermore, the virtual approach allowed additional team members to participate in the site visit, bringing a wider range of expertise to ensure comprehensive project oversight.

Strengthening and Integration of Health Networks in the Province of Buenos Aires

A results-based loan in Argentina ([AR-L1132](#)) aims to help improve the delivery capacity and quality of primary, secondary, and tertiary public health care services in the Province of Buenos Aires, integrating them as a service network to reduce mortality. With the onset of the pandemic, this results-based project was modified to include three additional indicators related to the emergency support for COVID-19. Project disbursements were linked to achievement of targets for each of these results in 2020, including the completion of a provincial strategic plan for the pandemic, establishment of capacity for COVID-19 diagnosis in 15 labs, and the creation of 2,000 additional intensive therapy beds for use for the COVID-19 emergency.

Supporting Execution in Honduras

In 2020, a virtual “Day of Operations” was held for Honduras to develop strategies to accelerate project execution and support the economic reactivation of the country and the vulnerable populations affected by the COVID-19 pandemic and natural disasters. During this workshop, project teams shared their experiences and lessons learned during project execution with high-level officials, helping find solutions to common challenges. For example, during the workshop, the groups identified ways to simplify administrative processes and bolster engagement with local authorities and social organizations. The plans resulting from the workshop intend to accelerate execution leading to a range of results—from educational access and conditional cash transfers to forest restoration and citizen security. For more information, see this [blog post](#).

In addition to the above examples, \$1.3 billion was redirected towards the COVID-19 response from active portfolio projects, prioritizing essential services (e.g., [telemedicine in Argentina](#)) and projects to support the economic and social recovery (e.g., [access to finance for MSMEs in Mexico](#)). The flexibility to reorient resources and use instruments such as the [deferred-drawdown policy-based loan](#) helped countries target financing to their most pressing needs during the crisis.

Impact Evaluations

Impact evaluations are a powerful learning tool as they allow for rigorous measurement of project effects in order to assess whether an outcome on a given population is attributable to a specific development intervention. The evidence

generated by impact evaluations can be fed into the design of new interventions and used to improve operations in execution. In addition, they provide important evidence to ensure the smart allocation of limited resources to solve development challenges throughout the region.

In 2020, the IDB Group completed impact evaluations spanning a wide range of sectors and countries, such as an IDB [study](#) on e-procurement in Argentina, and a joint IDB Invest-IDB Lab [study](#) on banking agents that facilitate financial inclusion. IDB studies may be accessed via the [impact evaluation repository](#) and IDB Invest's impact evaluations are published as part of its [Development](#)

[through the Private Sector Series](#). Boxes 4.3, 4.4, and 4.5 provide a few examples of impact evaluations completed in 2020 to advance knowledge on the potential impact of irrigation rehabilitation works on rural livelihoods, the impact of credit on MSME e-commerce sales, and rural electrification, respectively.

Box 4.3

Chimborazo Rural Investment Project: Irrigation Component Impact Evaluation

The Chimborazo Rural Investment Project ([EC-L1121](#)) was implemented by the provincial government of Chimborazo, Ecuador between 2014 and 2018 with IDB funding. The project aimed to improve livelihoods in indigenous highland communities by increasing agricultural productivity and access to markets and services. This included making improvements to existing irrigation systems to foster stable agricultural productivity and reduce vulnerability to extreme climate events.

Construction of irrigation systems requires a large investment as well as continued maintenance and occasional rehabilitation and improvements to maintain efficient operations. While most evaluations in the literature study only the effect of irrigation itself (i.e., comparing a situation with irrigation to a situation without irrigation), little is known about the benefits of irrigation rehabilitation projects. Using a difference in difference methodology, the IDB evaluated the extent to which irrigation improvement works benefitted the target communities. These works were aimed at increasing the efficiency of existing systems by reducing water losses and included the introduction of new technologies and associated technical support.

The findings suggest that the program increased access to irrigation, investment in productivity-enhancing agricultural inputs, cultivation of crops that required irrigation, and crop productivity. Of note, the targeted communities saw a 120-percent increase in the use of aspersion sprinklers, a more efficient irrigation technology. The program also significantly increased household access to food by reducing the number and frequency of “food insecurity” events. The impact on household income was also positive, though the results were not conclusive.

More information is available in the impact evaluation [here](#). The PCR associated with this project was included in the figures in this year's DEO, and was rated successful by OVE.

Evaluating the Impact of Digital Credit on MSME E-commerce Sales

Despite their outsized role in economic activity and employment in Latin America and the Caribbean, MSMEs receive less than 15 percent of credit provided to businesses (ECLAC, OECD 2013) and only one percent of MSMEs participate in e-commerce (IDB, 2021b). At the same time, the COVID-19 pandemic has underscored the advantages of e-commerce for both consumers and MSMEs.

IDB Invest, together with e-commerce giant Mercado Libre (MELI), carried out an evaluation to understand how access to financing can affect the level of MSME participation in e-commerce. MELI provides an ideal setting for exploring this question since it offers credit to companies who operate within its marketplace through its fintech company, Mercado Crédito. Starting with a database including the monthly sales of over 1.2 million MSMEs in Argentina from December 2018 to December 2020, a sample of 4,851 comparable firms were identified. Of these, 1,229 received the credit offered by Mercado Crédito (average loan size of \$1,700) and were compared against a control group of firms that did not receive the credit.

Overall, the results show that companies that did receive the credit increased their quarterly sales through MELI platforms for six months—by 34 percent on average during the first quarter and by 26 percent in the following quarter—compared to similar companies that did not receive the credit. In dollar terms, the average seller who received the credit sold about \$4,300 more over a six-month period than they would have sold without it. This effect was also clear in the months following the implementation of COVID-19 lockdowns and social distancing measures in Argentina: the quarterly sales of MSMEs receiving the credit in the second quarter of 2020 were 55 percent higher than those that did not receive credit, and 36 percent higher in the following quarter.

In sum, the effect of credit on MSME digital sales is positive, significant, and lasts up to six months, with firms then returning to their average sales levels. This is in line with the type of short-term working capital loans offered by Mercado Crédito. These results show how leveraging a fintech company and an e-commerce platform can help boost MSME digital sales within that ecosystem, something to keep in mind as e-commerce will likely play an even bigger role in a post-pandemic world. For more information, see the [DEBrief](#) and [blog](#) about this impact evaluation.

Box 4.5

Rural Electrification in Suriname

Energy access is fundamental to social welfare and economic opportunity. Villages in the interior of Suriname (the “Hinterland”) often depend on small, expensive diesel generators to supply electricity only a few hours a day. The IDB is supporting the government of Suriname to increase access to reliable and clean electricity in this region, financing infrastructure to connect several communities to the main grid and supporting new solar mini grids in remote villages. To shed light on the impact of these initiatives on the quality of life of village residents, the IDB conducted an impact evaluation.

The evaluation surveyed five beneficiary villages and 12 non-beneficiary villages (control group) that were not expected to receive similar interventions in the near-term. A baseline survey was conducted before project implementation and again about two years after households started receiving electricity to inquire about household income, time use, energy consumption, and subjective welfare. The evaluation compared the changes in the outcomes observed for the beneficiaries with those observed for comparable households to assess whether the program generated improvements.

The findings indicate that the rural electrification program increased annual wage income by 38 percent as compared to the control group. In addition, the program increased ownership of electric appliances and decreased expenditure on non-grid energy use. Furthermore, villagers that benefited from the electrification projects were 30 percent less likely to have household members leave the village for education or work purposes as compared to the control group. Findings from this evaluation reinforce that projects that deliver clean, reliable, and cost-effective electricity can play an important role in both social well-being and economic development. More information is available in the [study](#).

Systematizing knowledge and creating feedback loops

Sorting through vast quantities of information to obtain the right information at the right time can be a big hurdle in making the best use of knowledge gained from

development projects. In 2020, the IDB piloted two new approaches to systematize lessons learned from its projects. Both pilots leveraged the Lessons Finder, which is an intelligent search engine that consolidates lessons from impact evaluations, PMRs, PCRs, technical cooperation operations, and other sources.

One pilot was focused on lessons learned from rural water and sanitation projects with the aim of systematizing learning from the sector from projects closed in the previous 15 years. The Water and Sanitation Division (WSA) and the Knowledge, Innovation and Communication Sector reviewed project documents and interviewed sector specialists to capture and classify key challenges associated with project design and execution as well as service delivery for more than 15 projects. The team then conducted workshops with IDB specialists and Executing Agencies to exchange learning and built a knowledge-sharing platform to disseminate findings internally and to the public. This pilot methodology for systematizing and disseminating project learning was effective at distilling key lessons in the sector, which can then be incorporated into new projects. For example, a recently approved project in Honduras ([HO-L1213](#)) was designed to engage nongovernmental organizations (NGOs) in the execution of certain types of works in

recognition of a lesson learned from a previous program ([HO-X1017](#)), which found that execution by NGOs delivered good results. Furthermore, the experience in rural water and sanitation is now being expanded to other WSA projects as well as other IDB divisions targeting improvements to project design and implementation.

The second pilot tested a methodology to systematize the identification of lessons learned and strengthening feedback loops during project preparation. During the pilot, project teams in the Southern Cone Department were provided with a package of recommendations related to project design and execution that were relevant to the profile of a new project. The project teams that participated in the pilot were monitored during the project cycle to get recommendations on the effectiveness and usefulness of the recommendations received. See Box 4.6 for an example on how a project used these lessons in its design.⁴⁷

Box 4.6

Incorporating Lessons Learned to Enhance the Water and Sanitation Program for the Metropolitan Area of Asunción

In 2020, the IDB approved a project in Paraguay ([PR-L1172](#)) aiming to expand the sanitary sewer service coverage and improve the quality of the drinking water service in the Metropolitan Area of Asunción. While the project was under development, the project team received a lessons packet highlighting pertinent learning from similar projects in the region on a range of topics—from project design to acquisitions and procurement. The final project design incorporated several of the lessons identified through this process.

⁴⁷ The [note on Improving Project Execution in the Southern Cone](#) provides a summary of findings and recommendations by country and sector.

For example, a similar project in Colombia ([CO-L1028](#)) experienced an execution time significantly beyond the original plan and emphasized in its PCR findings the importance of making accurate estimates regarding execution, factoring in such dimensions as project complexity, start-up time, and borrower familiarity with IDB processes. Based on this experience, the Paraguay project planned for a six-year execution period that took into consideration the average amount of time needed for budgetary and procurement processes in the country, aiming to reduce the likelihood of extending the final disbursement date.

Other examples of lessons learned that were applied to the design of this project in Paraguay related to streamlining administrative processes, using design-build procurement arrangements, and developing a connectivity strategy before building the secondary sanitary sewer network to ensure the eventual connection of user households. Paragraph 1.15 of the loan proposal provides more information and additional lessons incorporated into the project.

IDB Lab also worked to create more regular and dynamic feedback loops across project teams and partners throughout the year. For instance, it launched its first FailFest, a space where project teams can share their experiences with failure to promote learning and greater acceptance of unsuccessful experiments. It also continued to roll out the IDB Lab Series of webinars to share the main findings and lessons from new knowledge products and launched Portfolio Talks, informal sessions with project implementers and IDB Lab officers to discuss progress to date, lessons learned, and how to improve performance going forward. Learning Briefs were also introduced as a tool for communicating emerging insights from projects in implementation with the IDB Lab Donors Committee on an ongoing basis.

For its part, IDB Invest's knowledge management system ensures that learning from project implementation and evaluation is systematized and accessible across the organization. Information on project results and impact is housed in the Development Effectiveness Analytics (DEA) platform, including a searchable repository of lessons learned from completed operations which to date includes more than 670 lessons pulled from 473 XSRs.⁴⁸ Lessons are then fed into current or new projects, through products such as sector reviews of lessons learned, as well as through a tool that automatically filters relevant lessons learned related to projects in the pipeline, making it easier for investment officers to access pertinent findings when designing new projects. The DEA is part of IDB Invest's end-to-end Impact Management Framework, which it shared widely in 2020 as described in Box 4.7.

⁴⁸ In addition, the Mountain of Knowledge digital platform managed by the Special Assets Division captures and disseminates lessons learned from underperforming projects to inform other operations.

Box 4.7

Knowledge Sharing around Impact Management

For the private sector, knowledge sharing around impact measurement and management accelerated in 2020, alongside mounting investor interest in sustainable and impact investments. For the first time, IDB Invest published a report ([Managing a Portfolio for Impact](#)) outlining the tools that make up its end-to-end Impact Management Framework. IDB Invest continued to contribute its experience-based knowledge to the impact management space through the [Impact Frontiers](#) collaboration, which produced this [handbook](#) for investors, as well as through a series of [blogs, op-eds, videos](#), and webinars with partners including the [Financial Times](#) and [Devex](#).

Similarly, IDB Invest continues to be active on the standard-setting front, participating in various working groups to define common metrics for measuring impact in areas such as [climate](#), [gender](#), and [direct jobs](#). This includes collaboration with other DFIs and the private sector to launch the [Joint Impact Indicators](#), which align the [Harmonized Indicators for Private Sector Operations](#) (HIPSO) with the IRIS+ metrics—the most widely accepted system for measuring and managing impact—and with the [SDGs](#).

Reflections

Institutionalizing a culture of continuous learning and improvement is an important aspect of driving towards development results. Likewise, adapting during implementation can be a critical strategy to improve the likelihood of achieving results. The various tools and mechanisms to generate, consolidate, and utilize lessons learned discussed in this chapter translate into knowledge that can inform the Group's work in a range of areas and can support partners

with guidance on leading practices that can be adapted to their context. See related [blog post](#) regarding learning from PCRs.

The IDB Group is also committed to sharing knowledge through online and face-to-face courses as well as open educational resources available through [BIDAcademy](#). The IDB Group has made important strides in recent years to consolidate its operational knowledge and use it to inform future investments and policymaking in the region.

Chapter 5.

Women's Economic Empowerment: Lessons & Applications



Overview

Fostering effective development requires systematizing learning from past operations. Periodic reviews of lessons learned by country, sector, and thematic area can help build a common understanding of leading practices and promising approaches as well as potential pitfalls that can hinder achievement of results. In this year's DEO, women's economic empowerment (WEE) was selected for a deeper dive into lessons learned given the importance of this line of work in addressing the region's development gaps. WEE is critical to sustainable and inclusive development and encompasses a wide range of activities supporting the equal participation of women in economic life, including labor markets, opportunities for entrepreneurship, financial services, property ownership, access to technology, and others.

Promoting WEE is more important than ever as women's lives and livelihoods have been disproportionately impacted by the effects of the COVID-19 pandemic in Latin America and the Caribbean, with [higher rates of job loss](#) and [increased caregiving responsibilities](#). Investing in women will help propel the region towards a sustainable and inclusive recovery. The objective of this chapter is to highlight a few key lessons learned from IDB Group projects supporting WEE in recent years.

Scope

The lessons learned summarized in this chapter are based on IDB Group work supporting WEE across diverse sectors. They are not meant to be comprehensive, but rather illustrate salient lessons with broad potential application for countries and clients throughout the region.

Lessons were compiled from a range of sources including the final evaluations of projects completed from 2016 to 2020, projects currently in execution, impact evaluations from projects in sectors such as transport, trade, and financial services, as well as IDB Invest advisory work with private sector clients. In total, the review covered more than 100 projects approved between 2010 and 2020 across the IDB Group as well non-project-based learning.

Lesson 1: Strengthening women's economic empowerment requires first understanding their needs

As the saying goes, “you can't manage what you don't measure.” It goes without saying that having quality data on women's needs and gender gaps is essential for designing successful WEE interventions. Nonetheless, achieving this is not always easy. This lesson highlights a few strategies the Group has found useful to fill knowledge gaps regarding WEE needs.

Capturing sex-disaggregated data regarding project beneficiaries is an essential first step. The limited availability of sex-disaggregated data in the region is a critical challenge facing public and private actors seeking to address these gaps and support the needs of women (IDB, 2020b). Collecting this data through project-based interventions—even when a project does not have an explicit gender focus—is important to understanding not only WEE and gender equality efforts, but also potential factors affecting project performance. For example, a training and employment support program in

Mexico ([ME-L1114](#)) found a significant disparity between male and female participants at project completion, with 45 percent of males vs. 26 percent of females working in formal jobs after six months. The disparity only became clear because the project collected disaggregated information and it therefore illuminated the need to further study barriers affecting female access to quality jobs in order to design future projects in such a way as to reduce such inequities. Similarly, for financial institutions aiming to reach more female clients through lending, capturing sex-disaggregated data on both the growth and performance of these loans is important. For example, in an IDB Invest project with a bank in Costa Rica ([CR-L1074](#)), the client tracked the overall growth of lending to women-owned or led MSMEs (WSMEs), but did not track the performance of the loans in this sub-portfolio (e.g., non-performing loan ratios). It was therefore difficult to measure the overall performance of loans to women and their impact on the bank's profitability.⁴⁹ Furthermore, with the rapidly growing market for thematic bonds, including gender bonds,⁵⁰ it is becoming increasingly important for financial institutions to collect sex-disaggregated data on their portfolios, and IDB Invest is working closely with clients in this regard.

Surveys and interviews can provide more nuanced information that is critical to tailoring approaches in specific sectors and industries. For example, an IDB [study](#) on gender gaps in access to credit in Argentina found that women often place higher value on the non-transactional services provided by banks, such as training, recommendations, and

counselling services, versus men. As another example, the IDB worked with the Technical Group of Gender of the Pacific Alliance to address gaps in knowledge of the obstacles faced by WSMEs when integrating into international markets. Studies were conducted in 2016 and in 2019 to retrieve inputs via survey and interview from more than 2,000 women in business in Chile, Colombia, Mexico, and Peru. Respondents cited difficulties in finding reliable business partners in other countries, limited access to financing with the high costs of exporting, and limited information about opportunities for exporting their products and/or services (see [study](#)). This information fed into public policy recommendations for these countries to foster effective participation of women in foreign trade.

Partnerships can play a key role in capturing sex-disaggregated data. Where significant data gaps exist, seeking out common interests can help build partnerships to fill those gaps. For example, the design of effective policies to foster financial inclusion of women requires data on women's use of financial services and perceptions. This information is also relevant to private sector financial institutions. In the [case of Mexico](#)—a leading country in collecting sex-disaggregated data regarding financial services—a collaboration between the National Statistical Office and National Banking and Securities Commission was critical to conduct a series of national surveys on access and use of financial services in the country, disaggregated by gender. The coordinating function of these government agencies helped facilitate private sector

⁴⁹ It is now standard practice for IDB Invest to require clients to collect performance indicators on targeted sub-portfolios, such as NPLs. In addition, IDB Invest is actively helping clients strengthen their sex-disaggregated data systems and is part of several data-disaggregation initiatives for financial institutions and the private sector, including HPSO, Data2X, 2XChallenge for gender-lens investing, and Women's Financial Inclusion Data (WFID).

⁵⁰ Gender bond issuers must demonstrate that the funds raised are being used to invest in enterprises led (owned and managed) by women, companies that promote gender equality and female leadership in the workplace, and/or companies that develop products and services that positively impact women. Since 2019, IDB Invest has structured and subscribed the issuance of four gender bonds with Banistmo in Panama, Davivienda and Banco W in Colombia, and Caja Areqquipa in Peru.

financial providers to produce gender data and use harmonized definitions to support comparability. Similarly, the IDB Group partnered with the Women's Financial Inclusion Data Initiative in Honduras to address the country's lack of sex-disaggregated data in financial services.⁵¹ This effort included an in-depth diagnosis, intervention design, and technical support aiming to achieve commitments from the public and private sector to collect this data, and use it to develop products, programs, and policies to expand access to finance for women. As a result of this pilot, the group issued a series of recommendations to disaggregate and use data for financial inclusion.

Lesson 2.

WEE initiatives should utilize tailored approaches

Women have different needs, attitudes, and preferences than men, and also face distinct challenges when accessing financial and other types of services. Failure to tailor approaches to address these needs perpetuates inequalities and gaps and may put at risk intended development results. The examples in this lesson focus on a few specific industries, but women's unique needs should be understood and addressed across all project types.

Financial products and services must be tailored to women's needs. To address the gender gap in access to finance, the women entrepreneurship Banking (weB) program offered both financial and non-financial support (i.e., a combination of IDB Invest loans and advisory services plus IDB Lab grants) to

help banks develop new products and services to serve this overlooked market. This experience revealed the importance of working with banks to understand WMSMEs' needs and define the bank's value proposition for this segment – that is, why they want to reach more women and how they plan to do so. Growing this segment of the portfolio entailed making organizational and technical changes within banks to better serve women, including increasing awareness among credit officers about credit gaps facing women and the characteristics of female borrowers, as well as improving tracking of sex-disaggregated portfolio information. As a result of such efforts, based on data from nine participating banks, female clients increased by 31 percent compared to an overall portfolio increase of 17 percent (for more information see this IDB Invest [report](#) on the weB program). Similarly, investors can tailor their approaches to meet women's needs and advance gender equality through gender lens investing strategies. Such strategies aim to direct capital towards WSMEs, companies with robust gender equality practices, or companies whose products and services benefit women (for more information see IDB Invest's first-of-a-kind [study](#) on gender lens investing in the region and this [blog](#)).

Increasing WMSMEs' access to credit calls for innovative lending methodologies, especially considering that many women lack a formal credit history and collateral. Experience from IDB Invest and IDB Lab shows that using low-cost alternative credit scoring approaches, such as psychometric tools that assess applicants' personality and character, is a viable way to evaluate a potential borrower's ability and willingness to repay loans. For instance, a weB project with a bank in Ecuador

⁵¹ Established in 2014 by the IDB, the Financial Alliance for Women, and the Data 2x platform of the United Nations Foundation, the Women's Financial Inclusion Data Initiative (WFID) aims to raise awareness on the importance of sex-disaggregated data in financial services and coordinate interventions to maximize data collection and use.

([EC-L1100](#)) used a psychometric tool⁵² as a supplementary risk analysis methodology to assess the creditworthiness of WMSMEs that would have otherwise not met the bank's minimum requirements. The bank also developed specific products for women in the micro and small business segments, which did not require a guarantee or a spouse's signature. These targeted strategies led to the bank's outstanding portfolio for WMSMEs growing faster than the overall MSME portfolio every year during the life of the IDB Invest loan. Another project with a bank in Peru supported by IDB Lab, and evaluated by IDB Invest, that sought to expand the bank's MSME portfolio tested the same psychometric tool with about 1,900 loan applicants, half of whom were women. The results show that the tool was especially effective at helping MSMEs without a credit history increase loan access without worsening the bank's portfolio-wide repayment trends (for more information see the full [study](#), [brief](#), and [blog](#)).

Gender inequality may produce differences in cognitive load,⁵³ which must be considered in training design. Traditional business skills training can overload the mental bandwidth of both men and women microentrepreneurs who are already overstretched by the constant demands of running a business. This is even more true for women microentrepreneurs who also often unfairly bear the brunt of household responsibilities. To see what works best for promoting the uptake of best practices among microentrepreneurs, IDB Lab, together with IDB Invest, tested different business skills training approaches with 2,400 microenterprise clients of Banco Pichincha in Ecuador.⁵⁴ Based on research in psychology

and behavioral economics, one of these approaches focused on using heuristics (i.e., rules of thumb) for tasks such as managing cash flows and inventory. Microentrepreneurs who received the heuristics training increased their sales by seven percent and profits by eight percent on average, compared to those who did not receive any training. And women did even better, experiencing a 10 percent increase in sales and profits. At the same time, women in the sample reported devoting significantly more time than men to household chores and child and elder care, while dedicating the same amount of time to their businesses as men. The unequal burden of household responsibilities suggests that the cognitive bandwidth of women entrepreneurs may be more stretched than that of their male counterparts, making the heuristic training even more beneficial for female participants. Beyond training implications, these results signal the pressing need to address the root cause of the problem by promoting a more equal distribution of caregiving responsibilities between men and women. For more information, see the [study](#), [brief](#), and [blog](#).

Opportunities to form professional relationships and join communities can be especially important for women. This was a critical preference expressed by women in a [study](#) by the IDB and the Technical Gender Group of the Pacific Alliance. Interviews with female business owners confirmed that participation in business communities that facilitate the exchange of knowledge and experience with other women could be a decisive factor to support their integration into international markets. These lessons are also seen in initiatives such as ConnectAmericas, which found that the

⁵² Developed by the Entrepreneurial Finance Lab (EFL) and implemented with support from IDB Lab.

⁵³ Evidence from the psychology literature suggests that subjects under increased cognitive load are more likely to miss unexpected task-relevant stimuli or be distracted by task-irrelevant stimuli, and thereby underperform at the task at hand (Lavie et al. 2004, Causse et al. 2016).

⁵⁴ Microentrepreneurs were randomly assigned to three evenly-divided groups: traditional training, heuristics-based training, and the control group which did not receive any training. Women represented 68 percent of the sample. The microentrepreneurs who received traditional training did not increase uptake of best practices and therefore saw no difference in sales or profits when compared to the control group.

participation of women in trainings and webinars was 67 percent higher when these events had a gender focus and were part of ConnectAmericas for Women, an IDB platform that promotes the exporting capacity of women in business in the region. Furthermore, an increase of about 10 percent in the participation of women entrepreneurs in business matching event was evidenced when the events turned to a virtual setting in 2020 during the COVID-19 pandemic, compared to 2019. Similarly, a [study](#) as part of IDB Lab's WeXchange initiative found that women entrepreneurs in the region saw the absence of appropriate networks to access key investors as one of their top challenges when fundraising. A study of an IDB agricultural project in Nicaragua (see project [PCR](#)) also found that higher levels of association have positive impacts on women's empowerment. The project supported small female producers with vouchers to access livestock assets as well as technical assistance. Positive effects on levels of empowerment and gender equality in their households were greater for women who had received technical assistance and had a higher participation in groups or associations.

Support for female entrepreneurs should factor in the sophistication of the local entrepreneurial ecosystem. Women entrepreneurs from less developed entrepreneurial ecosystems may need additional support to take full advantage of training and networking opportunities. For example, IDB Lab's WeXchange initiative is the region's largest platform for connecting women entrepreneurs, mentors, and investors. Overall, the number of women entrepreneurs participating in the initiative's annual pitch competition has increased each year, with a gradual rise in participants from regions with nascent or emerging ecosystems such as Central America and the Caribbean. To further

encourage their participation, the program is now developing activities tailored to the needs of these women, reflecting the importance of devising effective ways to ensure that women in nascent and emerging entrepreneurial ecosystems can also benefit from the training, mentoring, networking, visibility, and acceleration support provided by initiatives such as WeXchange.

Lesson 3. Increasing women's workforce participation requires breaking down structural and cultural barriers

A critical aspect of WEE is increased female workforce participation as well as skills development in areas where women are underrepresented (e.g., STEM, construction).⁵⁵ Employment programs that aim to reduce gender gaps must take into consideration the structural barriers that prevent women from accessing full-time, formal, and decent jobs, such as prevailing cultural gender roles. Even before the COVID-19 crisis, women in the region dedicated more than twice as many hours to unpaid domestic and caregiving responsibilities as men (Bustelo, et al., 2020) and faced additional barriers related to access to safe transportation and workplace culture, among others.

Offering publicly available and affordable childcare is an important strategy to address barriers to women's employment. Caregiving responsibilities are a critical factor in female work participation and the lack of quality childcare at an affordable price is often a particularly important barrier. An evaluation

⁵⁵ More information on lessons learned from IDB projects and studies regarding female workforce participation are available in a [2019 study](#) as well as the IDB Group's [Skills Development Sector Framework Document](#) (see Section IV).

of the impact of an IDB-supported center-based childcare program implemented in poor urban areas in Nicaragua (as part of [NI-L1055](#)) showed a significant positive effect (14 percent increase) in maternal workforce participation in beneficiary areas (see more of this impact evaluation [here](#)).

Policies that promote flexibility can increase female labor force participation. A second set of barriers faced by women relates to scheduling and work location in light of women's frequent role as primary caregivers for their family. A discrete choice experiment in the metropolitan area of Bogotá, Colombia to elicit women's revealed preferences regarding job schedule flexibility found that women may be willing to trade wages for a flexible schedule, particularly women with higher family income, higher levels of education, and those not currently in the labor force (see [study](#)).

Safe and convenient public transport can support female employment. Another critical barrier often faced by women when joining the labor force is limited access to safe transportation, which reduces their participation by nearly 16 percent (ILO, 2017). Lessons from a joint IDB-IDB Invest impact evaluation in Peru regarding Lima's improved urban transport system suggest that investments in infrastructure that provide convenient and safe access to public transport can positively impact women residing in benefited areas and increase their access to employment. After this program, there was a 17 percent increase in the probability of women of being employed in the communities with improved transport options (see more on this impact evaluation [here](#)).

Challenging preconceived notions of gender roles among people in leadership positions helps boost female participation in male-dominated sectors. Women working in

non-traditional sectors or roles may face additional barriers specific to those contexts, including gender stereotypes, which should be contemplated in project design. For example, an IDB pilot project in Paraguay aiming to improve women's employability in heavy machinery operation for transport construction projects included a targeted communication campaign for construction companies about the benefits of increasing female participation in the sector to complement training and internship opportunities for women. Seventy-four percent of women interns obtained job offers in non-traditional roles. Some companies expressed that the women they hired were more responsible (arriving on time every day) and better controlled the use of materials, and that the work environment improved following the pilot as respect between workers increased (see more lessons learned from this program [here](#)). Similarly, the IDB's [program for emerging women leaders](#) in Peru targeted mining—one of the most male-dominated industries. The program complemented female talent development activities with efforts to improve the enabling environment for women's advancement, including a mentoring component with male mentors and sponsors, who were provided with information to help them understand the important role they can play as champions of gender equality. These efforts combined with networking activities, individual coaching sessions, 360 evaluations, and a final capstone project contributed to promotions for 57 percent of the graduates within a year after program completion and a 10 percent increase in their self-reported confidence levels. Additionally, IDB Lab supported a project with the social enterprise Laboratoria ([PE-M1091](#)), which offers a bootcamp for low-income young women to prepare and place them in jobs in the technology sector. While the program achieved high job placement rates above 80 percent, many Laboratoria graduates faced

challenges such as being assigned more administrative tasks when they joined the workforce as the first women on technical teams. This led Laboratoria to expand its efforts to the demand side by training employers about the benefits of gender equality and diversity for technology teams (see more learning from this IDB Lab project and others related to youth digital skills training [here](#)).

Breaking down barriers within companies can make workplaces more gender-inclusive. The first step is understanding a company's status quo and looking at things from both a risk and an opportunity perspective. For instance, IDB Invest's [Gender Risk Assessment Tool](#) maps how different genders are affected by a project or company and sheds light on how to manage these risks accordingly. From a business opportunity perspective, the [Women's Empowerment Principles Gender Gap Analysis Tool](#) (WEPs tool) provides a practical, free self-evaluation for companies to assess the state of gender equality within their operations. By identifying strengths and weaknesses, companies can decide what to prioritize, set targets, and devise action plans for closing gender gaps and measure their progress accordingly. For IDB Invest, the WEPs tool has been instrumental for systematically guiding private sector clients towards developing action plans to address the identified gaps. For example, IDB Invest, together with a bank in Guatemala, found that some of the bank's policies and procedures did not promote the inclusion of female employees. As a result the bank took action to improve its work flexibility policies, be more accommodating for nursing mothers, and continue a leadership development program for female executives. Furthermore, pairing advisory support for tackling gender gaps with performance-based financial incentives can be an effective way to instill lasting change within

companies. For example, using blended finance resources, IDB Invest offers gender-based performance incentives whereby the interest rate of a loan is reduced upon the completion of key milestones set in the gender action plan, such as an increase in the number of women hired in non-traditional roles or the establishment of an internship program for women. Based on offering this incentive to 12 companies since 2015, 83 percent have effectively had their interest rate reduced by meeting their gender targets. And, ignited by this initial spark, 10 of the 12 companies have continued building on their efforts to enhance gender diversity in recruitment, sourcing, leadership, and other areas.

Lesson 4. **Having women in decision-making roles helps to empower other women**

Simply put, representation matters. Having more women in leadership positions from the boardroom to the halls of government is essential for empowering other women, yet [women continue to be underrepresented in positions of influence](#) in Latin America and the Caribbean.

Increasing female participation in investment decision-making can increase access to capital for women. Access to capital continues to be the main challenge facing women-owned or led startups in Latin America and the Caribbean. An IDB Lab-supported [survey](#) of 1,150 women entrepreneurs in the region showed that one of the main reasons behind this gap is that female founders often lack the right connections to access key investors. Those who are able to access venture capital often do so thanks to connections with other women

in the entrepreneurial ecosystem, particularly women on the fund's investment team or other female entrepreneurs backed by the fund. Investors such as IDB Lab can play a key role in promoting the inclusion of more women on fund management teams by explicitly considering a fund's commitment to gender equality, both at the fund manager level and within investee companies, as part of their investment decision criteria. An IDB [study](#) in Argentina had similar findings regarding lending institutions, with women expressing that they would be more likely to receive a loan if they worked with a female credit official and 21 percent of women perceiving that decision-makers in financial institutions discriminate against women.⁵⁶

Ample spaces for active engagement of beneficiaries of WEE initiatives can further support their empowerment. IDB's implementation of the *Ciudad Mujer* program in several countries in the region, including El Salvador ([ES-L1056](#)) has found that involving women in decision-making processes yields several benefits. *Ciudad Mujer* aims to improve the living conditions of women on a wide range of areas through centers providing integrated services in a single location, including services related to economic empowerment. The [PCR](#) for this project cites community consultations, suggestion boxes, and the creation of participant committees to provide advice or to promote services as potentially effective strategies to actively involve women in such projects and to boost project impact.

Reflections

Driving WEE is a complex and multifaceted challenge that may become even

more so for women who face compounded barriers based on their ethnic and racial identities and other factors. The lessons highlighted here showcase a few common threads observed in projects supported by the Group, but achieving results on this issue requires additional preconditions. As with other development challenges, institutional commitment is fundamental. That is, the IDB Group executing agency or client must be committed to supporting WEE in order to drive positive results. These efforts should not be viewed as part of a Corporate Social Responsibility program, but rather as fundamental to driving mission-related, core business results. At the same time, while women may require tailored approaches, that does not mean that gender equality initiatives should only be driven through projects focused exclusively on women. There is also significant potential for advancing WEE through effective mainstreaming of gender considerations throughout a wide range of projects, sectors, and industries.

To this end, the IDB Group has been working on various initiatives, taking into account these and other lessons learned, to further promote gender equality across different sectors, many of them mentioned in this chapter. For example, the [Gender Parity Accelerator](#) is an important partnership between the IDB, the World Economic Forum, and the French Development Agency that fosters public-private partnerships to proactively promote gender equality and women's leadership in the labor market. The IDB Group is also implementing funds from the multi-donor Women Entrepreneurs Finance Initiative (We-Fi) aiming to enhance access to finance, markets, skills, and networks for WMSMEs in the region, as well as foster public-private collaboration to make entrepreneurial

⁵⁶ The IDB publication [Bad Taste: Gender Discrimination in the Consumer Credit Market](#) similarly found that loan requests submitted by women in Chile were 14.8 percent less likely to be approved compared to otherwise equivalent loan requests submitted by men.

ecosystems more gender-inclusive. In addition, in early 2021 the IDB, in collaboration with private sector leaders launched [Women Growing Together in the Americas](#) to encourage female entrepreneurs to integrate their businesses into international value chains. Finally, on the investment side, in March 2021, [IDB Invest became the first MDB to issue a gender bond in Latin America and the Caribbean](#), reflecting its commitment to women's empowerment. This issuance followed its previous support to clients to pioneer four gender bonds in Panama, Colombia, and Peru since 2019, in line with mounting investor demand for such bonds.

The development of this review of lessons learned revealed another critical lesson for the IDB Group, which is the importance of documenting and systematizing information on this topic. While a wide range of projects were reviewed, relatively few had clearly documented lessons regarding what works or does not work in terms of promoting WEE. As the Group aims to accelerate progress in this area as part of the Vision 2025 and the Framework for Employment with a Gender Perspective, systematically documenting lessons learned and leading practices will help enhance results over time.

References

- Acevedo, I., Castellani, F., Flores, I., Lotti, G., Székely, M., *Social effect of Covid-19: Estimates and alternatives for Latin America and the Caribbean*, Latin American Economic Review, Vol. 29 (2020), 2021-01-22, Available: <https://ojs.latinaer.org/laer/article/view/10>. Accessed: May 2021.
- Acevedo, I., Castellani, F., Lotti, G., Székely, M., *Informalidad en los tiempos del COVID-19 en América Latina: Implicaciones y opciones de amortiguamiento*, IDB, April 2021. Available: <https://publications.iadb.org/es/informalidad-en-los-tiempos-del-covid-19-en-america-latina-implicaciones-y-opciones-de>. Accessed May 2021.
- Aguerrevere, G, Araujo, M., Bosch, M., Mendoza, M., Ortega, A., Picón, P., Ripani, L., Villanueva, M., *La Gran Oportunidad: De la Crisis a la Transformación del Empleo Femenino*, IDB, 2021. Available: <https://publications.iadb.org/publications/spanish/document/La-gran-oportunidad-De-la-crisis-a-la-transformacion-del-empleo-femenino.pdf>. Accessed May 2021.
- Arcia, Gustavo. 2012. "Institutional Analysis of the Education Sector in Belize". Unpublished Consultancy Report, Inter-American Development Bank. Washington D.C.
- Asian Development Bank (ADB) (2019). Trade Finance Gaps, Growth, and Jobs Survey. ADB Briefs NO. 113. September 2019.
- Busso and Messina, 2020. The Inequality Crisis: Latin America and the Caribbean at the Crossroads.
- Bustelo, M., A. Suaya y M. Viollaz, 2019. El futuro del trabajo en América Latina y el Caribe. ¿Cómo será el mercado laboral para las mujeres?, Washington, D.C.: Banco Interamericano de Desarrollo.
- Causse, M., J.P. Imbert, L. Giraudet, C. Jourais, and S. Tremblay. 2016. "The Role of Cognitive and Perceptual Loads in Inattentive Deafness." *Frontiers in Human Neuroscience* 10:344.
- ECLAC, 2020. Sectors and businesses facing COVID-19: Emergency and reactivation. Available: <https://www.cepal.org/en/publications/45736-sectors-and-businesses-facing-covid-19-emergency-and-reactivation>. Accessed May 2021.
- ECLAC, OECD, 2013. Latin American Economic Outlook 2013. SME Policies for Structural Change. Available: https://books.google.com.ar/books/about/Latin_American_Economic_Outlook_2013.html?id=BJ3FiLF9fhAC&printsec=frontcover&source=kp_read_button&redir_esc=y#v=onepage&q&q&f=false. Accessed : May 2021
- Financial Times, April 26, 2021. Renewables inspire Chile's dream of exporting green energy. Available: <https://www.ft.com/content/97e6b15d-4b7d-4578-8d1a-f43df77ff116>. Accessed: May 2021.
- Herrera, D., MSME Financing Instruments in Latin America and the Caribbean during COVID-19, IDB, 2020. Available: <https://publications.iadb.org/publications/english/document/MSME-Financing-Instruments-in-Latin-America-and-the-Caribbean-During-COVID-19.pdf>. Accessed May 2021.
- IDB, 2020a. Transparency and Integrity Sector Framework Document. Available: <https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-1023060505-96>. Accessed May 2021.
- IDB, 2020b. Reliable Information as A Tool for Closing Diversity Gaps. Available: <https://publications.iadb.org/en/reliable-information-tool-closing-diversity-gaps>. Accessed May 2021.
- IDB, 2021a. 2021 Latin American and Caribbean Macroeconomic Report. Opportunities for Stronger and Sustainable Postpandemic Growth. Available: <https://publications.iadb.org/publications/english/document/2021-Latin-American-and-Caribbean-Macroeconomic-Report-Opportunities-for-Stronger-and-Sustainable-Postpandemic-Growth.pdf>. Accessed May 2021.
- IDB, 2021b. [Expansión de herramientas financieras digitales para impulsar el comercio electrónico de las MiPyMEs de América Latina](https://publications.iadb.org/publications/english/document/Expansion-de-herramientas-financieras-digitales-para-impulsar-el-comercio-electronico-de-las-MiPyMEs-de-América-Latina).
- IDB Invest, 2018, Growing as Equals: Banking on Women, a Business Opportunity. Available : <https://we-fi.org/wp-content/uploads/2020/03/Growing-as-equals.pdf>. Accessed May 2021.
- IDB Lab, 2021. TecnoLatinas: The LAC Startup Ecosystem Comes of Age. Available: <https://publications.iadb.org/publications/english/document/TecnoLatinas-2021-The-LAC-Startup-Ecosystem-Comes-of-Age.pdf>. Accessed May 2021.
- InsightCrime, 2017, Available: <https://insightcrime.org/news/analysis/2017-homicide-round-up/>. Accessed May 2021.
- International Chamber of Commerce (ICC) (2020). Trade Financing and COVID-19. Priming the market to drive a rapid economic recovery.
- Lavie, N., A. Hirst, J. de Fockert, and E. Viding. 2004. Load Theory of Selective Attention and Cognitive Control." *Journal of Experimental Psychology: General* 133(3): 339-54.
- Näslund-Hadley, Emma, Haydee Alonzo, and Dougal Martin. 2013. Challenges and Opportunities in the Belize Education Sector, Technical Note, No. IDB-TN-538.

DEO

Development
Effectiveness
Overview
2021

