



# DEO

Development  
Effectiveness  
Overview  
2016





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Effectiveness  
Overview  
2016



“No matter how much we do, how much capital  
we get, we are always going to be a drop in the water.

The question is how do we have the radiation  
capacity, to really change things.”

—Luis Alberto Moreno, [remarks](#) at the 2017 Global Infrastructure Forum

# **LESSONS IN DEVELOPMENT**

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ASR	Annual Supervision Report
CAF	Development Bank of Latin America
CARICOM	Caribbean Community
CRF	Corporate Results Framework
CSM	Country Selectivity Matrix
DEA	Development Effectiveness Analytics
DEF	Development Effectiveness Framework
DELTA	Development Effectiveness Learning Tracking and Assessment Tool
DEM	Development Effectiveness Matrix
DEO	Development Effectiveness Overview
ECLAC	Economic Commission on Latin America and the Caribbean
EDGE	Economic Dividends for Gender Equality
EFS	External Feedback System
EPM	Empresas Públicas de Medellín
FCR	Financial Contribution Rating
GDP	Gross Domestic Product
GFI	Global Financial Intermediary
IDB	Inter-American Development Bank
IDB-9	Ninth General Capital Increase
IDBG	Inter-American Development Bank Group
IES	Impact Evaluation Strategy
IIC	Inter-American Investment Corporation
LAC	Latin America and the Caribbean
LACFI	Latin America and the Caribbean Financial Intermediary
LTFP	Long-Term Financial Projection

MDG	Millennium Development Goal
MIF	Multilateral Investment Fund
MOPAN	Multilateral Performance Assessment Network
MSME	Micro, Small, and Medium-sized Enterprises
NDC	Nationally Determined Contribution
NSG	Non-sovereign guaranteed
OECD	Organisation for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight
PAGRICC	Environmental Program for Disaster Risk and Climate Change Management (Nicaragua)
PCR	Project Completion Report
PMR	Progress Monitoring Report
PPP	Purchasing power parity
PSR	Project Supervision Report
RICyT	Red de Indicadores de Ciencia y Tecnología Iberoamericana e Interamericana
SDG	Sustainable Development Goals
SG	Sovereign guaranteed
SIEPAC	Central American Electrical Interconnection System
SINEA	Andean Electrical Interconnection System
SMART	Specific, Measurable, Achievable, Relevant, and Time-Bound
SME	Small and Medium-sized Enterprise
TFFP	Trade Finance Facilitation Program
UIS	Update to the Institutional Strategy
UN	United Nations
USAID	United States Agency for International Development
WIPO	World Intellectual Property Organization
XSR	Expanded Supervision Report



Gender, the Missing Link in  
Youth Development. Bolivia.  
(RG-T1646)

# MESSAGE FROM THE PRESIDENT

I am pleased to present the 2016 edition of the Development Effectiveness Overview (DEO), our first one reporting on progress toward implementing the Update to the Institutional Strategy as the IDB Group (IDBG), as measured by the updated Corporate Results Framework 2016-2019 (CRF). This report reflects results supported by the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC), and the Multilateral Investment Fund (MIF).

Inclusion of the IIC and MIF in this report represents a significant milestone. Each year since the IDB's first DEO, we have improved how we approach development impact. The IIC's introduction of its new DEF in 2016 is another major step toward the operational excellence to which we all aspire.

In its first year of operations post merge-out, the IIC seeks to position itself as a clients-first solutions bank. It offers an increasing array of flexible products and services, does business in more sectors and has expanded its client-service through increased field

presence. All of these actions allow it to fulfill its mission of achieving development impact through the private sector.

This report sheds light on results obtained and serves to foster debate about the strategic direction of our institution to continue providing the best possible support to our member countries and clients throughout the region.

Proactively identifying how the IDBG can improve our effectiveness is critical to our relevance as an institution. We must always be prepared to adjust course in response to changing circumstances. In 2016, for example, we were buoyed by optimism stemming from international agreement on tackling climate change, while also witnessing the emergence of new challenges and uncertainty in the political arena, which could impact the economic and social advances we have achieved over the past decade.

Such challenges underline the importance of our partnership with a region that has a long history of extraordinary resilience. Now,

more than ever, our role as a multilateral development bank is critical to catalyzing private capital to support the 2030 Sustainable Development Agenda. This is particularly important given a tight fiscal outlook and a growing need for sustainable, inclusive and high-quality infrastructure throughout the region.

We see these challenges as opportunities for our institution to offer value-added support to our countries and clients. Our Institutional Strategy and Corporate Results Framework allow us to take stock of what we've accomplished, and learn lessons about what works and what doesn't, so that we can help fulfill the region's immense potential.

**Luis Alberto Moreno**

*President*

Inter-American Development Bank  
Washington, D.C. July 2017

# EXECUTIVE SUMMARY



**2 million students** benefited by IDBG-supported education projects



**3.5 million beneficiaries** of targeted anti-poverty programs



**770,000 beneficiaries** of improved management and sustainable use of natural capital



**80,000 jobs** created by supported firms





**300,000 women**  
beneficiaries of economic  
empowerment initiatives



**530,000** micro, small, and medium **enterprises** financed

2016 was a noteworthy year for the Inter-American Development Bank Group (IDBG) in many ways. On the global stage, the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change went into effect in 2016, ushering in a new era in global development cooperation focused on overcoming poverty while achieving sustainable growth. At the same time, changes in the global political scene brought growing uncertainty with respect to economics, trade, and commitments of major players to some development agendas, which have the potential to impact countries in Latin America and the Caribbean in the years to come.

Several institutional developments aimed at improving the way that the region is supported also took place at the IDBG during 2016. Their aim is to provide an efficient and effective results-

driven institution that can support the efforts carried out by public and private sector clients in Latin America and the Caribbean to overcome their main development gaps in a constantly changing world. Among them are the Update to the Institutional Strategy (UIS), the consolidation of IDBG private sector activities in the new Inter-American Investment Corporation (IIC), and the definition of a new mandate for the Multilateral Investment Fund (MIF) for the 2019-2023 period. Also, for the first time, under the [Corporate Results Framework \(CRF\)](#) for 2016-2019 the IDB, the MIF and the IIC results reporting is consolidated under a single results framework with common indicators and many joint targets.

Against this backdrop, the purpose of this year's Development Effectiveness Overview (DEO) edition is to take stock of the re-

sults of the interventions supported by the IDBG as well as to learn what is working and what isn't working in meeting the development challenges of the region. At the same time, this DEO includes reflections on how changes in the global and regional context may impact IDBG's ongoing efforts to advance on the strategic priorities in the UIS and other key global commitments. As always, the DEO aims to serve as a gateway to other resources, including the development effectiveness homepages of the [IDB](#) and [IIC](#) and the newly-launched [CRF website](#), which allows users to dive deeper into the data at each of the three levels of the CRF.

At the Regional Context level, the CRF measures the region's progress in key indicators related to each of the strategic priorities outlined in the UIS, which include three key development challenges for the

Figure E.1 Update to the Institutional Strategy Challenges and Cross-Cutting Issues



region and three cross-cutting issues (see Figure E.1). At the Country Development Results level, the CRF tracks how projects from across the IDB, IIC, and MIF contributed to progress towards the expected results established in the CRF for each of these strategic priorities.

While the challenging global scenario may require fine-tuning of the Group’s approach in a number of areas, 2016 saw progress against many UIS objectives and CRF expected results, ranging from 3.5 million [beneficiaries of anti-poverty programs](#) and 300,000 [women beneficiaries of economic empowerment initiatives](#) to 18,000 [professionals trained or assisted in economic integration](#) and 530,000 [micro, small, and medium enterprises financed](#).

Addressing the region’s development challenges requires adapting to the current economic and political circumstances. Under the umbrella of the UIS and in align-

ment with key objectives from the 2030 Sustainable Development Agenda and other global commitments, such as the Billions to Trillions Agenda and mandates from the G20 and the G7, continued efforts in a number of areas will be important to the region’s advances in the priority areas of the UIS. These range from mobilizing resources to address the region’s sustainable infrastructure needs and improving the scale and efficiency of the regional market to supporting sustainable solutions to the region’s social needs and employing a multi-disciplinary approach.

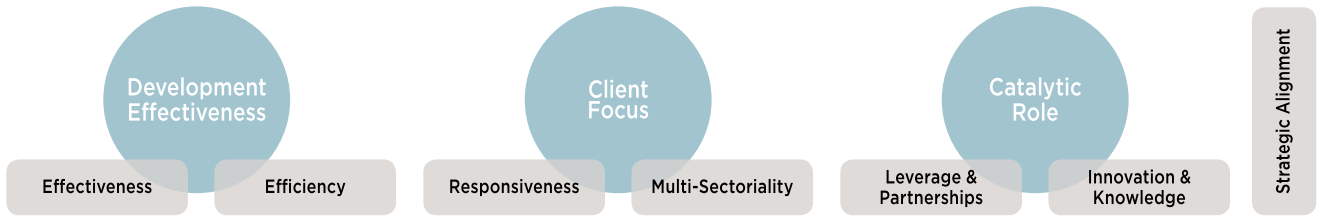
In facing the challenges that lie ahead for the region, the IDBG also needs to monitor its institutional performance to ensure it continues to be well-positioned to address its member countries’ current and future needs and leverage its comparative advantages. To do so, the UIS identifies three

comparative advantages that reflect the key areas where the IDB Group provides added value to its stakeholders as well as several associated guiding principles around which the final level of the CRF—IDBG Performance—is structured (see Figure E.2).

As part of the IDBG’s continued focus on development effectiveness, in 2016 the IIC launched a new Development Effectiveness Framework (DEF) to enhance the quality and impact of operations and monitoring as well as evaluate their performance and results and the IDB launched a new Technical Cooperation Monitoring and Reporting System. The IDBG also maintained its client focus, taking action on feedback from surveys of country counterparts, private sector clients, and other stakeholders. Finally, the IDBG played a catalytic role in bringing public and private sector actors together to address the region’s development needs

Figure E.2 The IDB Group's Comparative Advantages and Operational Guiding Principles

Comparative Advantages



Operational Guiding Principles

and mobilizing resources to support the 2030 Sustainable Development Agenda.

Based on progress on the IDBG Performance indicators, key areas of action to better leverage IDBG's comparative advantages emerge, including continued attention to Executing Agency capacity and other factors that affect successful project execution,

and addressing partner needs with respect to sharing experiences from other countries, and bringing public and private sector actors together to address local development challenges.

Finally, taking stock of the lessons drawn from individual projects after completion and impact evaluations can shed light on what works and what doesn't in develop-

ment and add to the IDBG's growing body of knowledge to support development effectiveness. Among other uses, the findings from IDB's Project Completion Reports, IIC's Expanded Supervision Reports, and MIF's Project Supervision Reports can inform the design of future development projects.

Furthermore, impact evaluations, as the most rigorous and



**2,000 km of roads**  
built or upgraded



**4.5 million metric tons of emissions** (CO<sub>2</sub> equivalent)  
expected to be reduced per year

powerful tools to estimate the causal effect of a project or investment, are a valuable source of learning. Of note, all of the knowledge the IDBG has acquired on program evaluation since 2008 has been centralized on a [web](#)

[platform](#) providing public access to resources on project evaluation and complementing IDBG's Development Effectiveness Series to foster knowledge sharing with partners and across the region.

For additional highlights from IDBG's work in 2016, visit the [Highlights page](#) of the CRF website. For complete CRF progress tables, visit Annex A.



**18,000 professionals** from public and private sectors trained or assisted in economic integration



**4.5 million beneficiaries** receiving health services



**190,000 households** benefited from housing solutions



**300,000 households** with new or upgraded access to sanitation

For the first time, under the Corporate Results Framework (CRF) for 2016-2019 the IDB, the MIF and the IIC results reporting is consolidated under a single results framework with common indicators and many joint targets.



Expansion of the Comprehensive  
Security of Panama (APROSI).  
Panama ([PN-X1011](#))

# INTRODUCTION

The year 2016 was noteworthy in many ways. On the global stage, both the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change went into effect in 2016, ushering in a new era in global development cooperation focused on overcoming poverty while achieving sustainable growth. In parallel, changes in the global political scene brought growing uncertainty with respect to economics, trade, and the commitments of major players to some development agendas that has the potential to impact countries in Latin America and the Caribbean.

At the same time, the fiscal situation of countries in the region tightened in 2016 in the face of slow growth in the world economy and lower commodity prices, presenting challenges for sustaining previous social gains and financing future development-related projects. While countries of the region have shown resilience in

adjusting to recent external economic shocks, a potential backlash against globalization among key trading partners represents a mounting risk for growth and prosperity in Latin American and Caribbean economies.

The Inter-American Development Bank Group (IDBG) undertook several institutional changes in 2016 aimed at improving the way in which it supports the region. Among them are the Update to the Institutional Strategy (UIS), the consolidation of IDBG private sector activities in the new Inter-American Investment Corporation (IIC), and the definition of a new mandate for the Multilateral Investment Fund (MIF) for the 2019-2023 period. The purpose of these changes is to provide an efficient, effective, and results-driven institutional group that can support the efforts by public and private sector clients in Latin America and the Caribbean to overcome their main

development gaps in a constantly changing world.

Against this backdrop, the purpose of this year's Development Effectiveness Overview (DEO) edition is to take stock of the results of interventions supported by the IDBG as well as to learn what is working and what isn't working in meeting the development challenges of the region. At the same time, this DEO includes reflections on how changes in the global and regional context may impact IDBG's ongoing efforts to advance on the strategic priorities in the UIS as well as other key global commitments.

## The New Global Context for Multilateral Development Banks

The coming into force of both the SDGs and the Paris Agreement on action against climate change in 2016 marked a historic success for global cooperation, reflecting countries' universal pledge to "leave no one behind" in pursuing an unprecedentedly ambitious agenda.

Succeeding the Millennium Development Goals (MDGs), the SDGs reflect the development community's broad strategic vision for the next 15 years in the [2030 Sustainable Development Agenda](#) ("2030 Agenda"). This agenda is based on the recognition that both developing and developed countries alike must take action along economic, social, and environmental fronts to advance sustainable development around the globe. Inclusion is central to the new global development paradigm embodied in the 2030 Agenda—both in terms of involving a broad range of public and private sector stakeholders in contributing to the SDGs and in ensuring that

the benefits of development are enjoyed by all.<sup>1</sup>

As a core principle of the 2030 Agenda, countries must remain in the driver's seat in establishing the national frameworks to take the agenda forward in accordance with their specific development needs. The IDBG is committed to supporting its shareholders in Latin America and the Caribbean in meeting these needs and in helping them meet the massive financing demands that are critical to the 2030 Agenda's success (see Box 1.1).

In addition to the SDGs, the Paris Agreement on action against climate change also came into effect in 2016. It aims to limit the rise in global temperatures to 2°C above pre-industrial times, and seeks the mobilization of US\$100 billion per year by 2020 to achieve it. Nearly all IDBG member countries signed the Paris Agreement and presented Nationally Determined Contributions, which are specific, quantitative commitments regarding their own contribution to climate change mitigation and adaptation.

## Recalibrating the IDB Group's Strategic Direction

As the 2030 Agenda was under development in the lead-up to 2016, several important changes were also taking place in the IDBG that came to fruition during the year.

The Update to the Institutional Strategy outlines the strategic direction for the IDBG through the end of 2019. The UIS outlines six strategic priorities for continued development progress in the region. These include addressing the three development challenges of social inclusion and equality, productivity and innovation, and economic integration, as well as the three cross-cutting issues of gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law (see Figure 1.1).

The UIS benefited from being developed while the international community was discussing and developing the SDGs. As such, it is no coincidence that each of the development challenges and cross-cutting issues of the UIS is aligned

---

1. For the many middle-income countries in Latin America and the Caribbean, the focus on inclusion is particularly relevant given the high levels of poverty and inequality that persist in the region, persistent lags in economic growth, and the continued vulnerability of even high-income and upper-middle-income countries to external shocks and institutional challenges. As such, all IDBG member countries were among the 193 members of the United Nations that agreed to pursue the SDGs.



## Box 1.1

# FROM BILLIONS TO TRILLIONS

Achieving the Sustainable Development Goals (SDGs) will be challenging, particularly because doing so will demand far greater financial flows than what is currently being provided for development. The United Nations estimates that developing countries will face an average funding shortfall of US\$2.35 trillion per year over the SDG period (2016–2030) as compared to what is needed to achieve the goals, or a total of US\$37.5 trillion by 2030.

The IDB and several other multilateral development banks and the International Monetary Fund articulated their vision for contributing to implementation of the 2030 Sustainable Development Agenda in a joint statement and discussion note entitled [From Billions to Trillions: Transforming Development Finance](#), and a subsequent document entitled [Ideas to Action](#). These documents outline the practical steps needed to realize this vi-

sion. In taking this vision forward, a select group of multilateral development banks, including the IDBG, has been working on maximizing their financial capacity to provide more than US\$400 billion during the first three years of the SDG period (2016–2018) (see Box 3.4 in Chapter 3 for more details). However, this alone will not be enough. Funding to realize the 2030 Agenda must also come from increased mobilization of public resources and catalyzation of private finance and investment.

With a renewed strategic focus on priorities that closely align with the 2030 Agenda, as well as the growing collaboration between the public and private sector arms of the IDBG, the IDB and IIC can be instrumental in both increasing mobilization of public resources and catalyzing private finance and investment. For example, providing funding and technical advice to countries to reform tax and expen-

diture regimes and enhance the investment climate can help unlock, leverage, and catalyze both domestic resources and private flows. At the same time, direct support to private sector investments can play an important role in supporting the SDGs not only for the immediate development results they may yield, but also for the demonstration effects and systemic effects they may generate in the medium and long terms.

to at least one of the 17 SDGs, and all 17 SDGs are covered by the UIS. For example, the UIS priority of increasing social inclusion and equality is aligned to SDG 1 (*End poverty in all its forms everywhere*) and SDG 10 (*Reduce inequality within and among countries*). Similarly, the three cross-cutting issues in the UIS are closely aligned to SDG 13 (*Take urgent action to combat climate change and its impacts*), SDG 5 (*Achieve gender equality and empower all women and girls*), and SDG 16 (*Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*). It should be noted, however, that given the inter-related nature of the region's

development challenges, there is not a one-to-one relationship between the UIS priorities and the SDGs. Thus, the relationship shown in Figure 1.2 is purely for illustrative purposes.

Along with this new strategy period, a new results reporting period also began in 2016. Box 1.2 summarizes the main features of the Corporate Results Framework (CRF), which will be discussed in greater detail throughout the rest of this document.

### A Renewed Vision for the IIC and the MIF

Another major strategic change that took place at the start of 2016 was the launch of the new IIC, which signaled the IDBG's commitment to implement a "renewed

vision" to improve lives through the private sector.<sup>2</sup>

Aligned to the UIS and tailored to the realities of the private sector, the IIC has established a strategic framework aimed at making a greater impact in the region through improved efficiency, increased coordination with public sector operations, and catalyzation of private finance—all while promoting sustainable development. The IIC business plan approved in 2016 provides further details on the practical implementation of this strategic guidance through four strategic segments (see Box 1.3 on page 28).

For its part, the MIF—which concluded a successful capital replenishment—will continue to serve as a laboratory for inno-

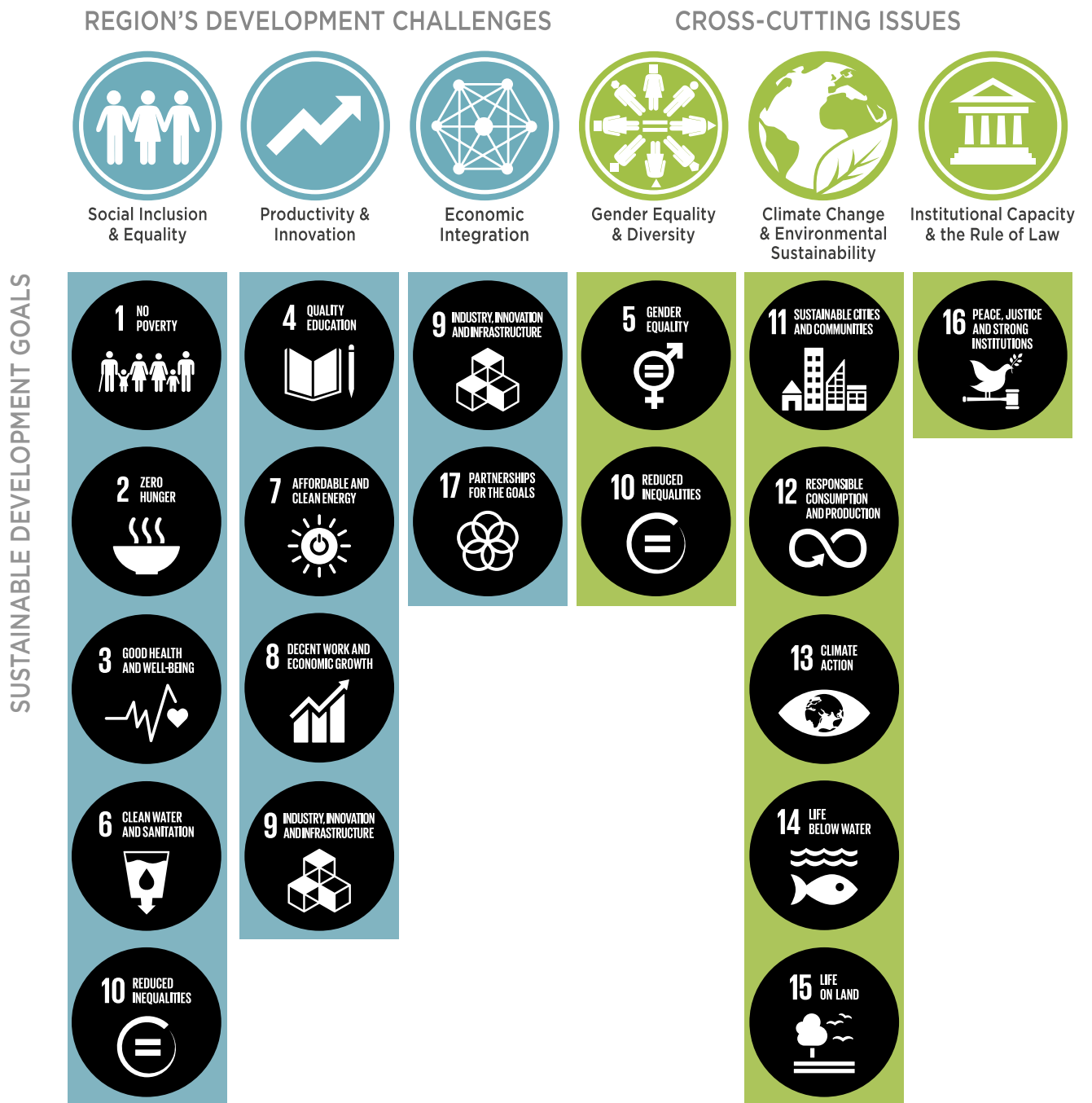
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Figure 1.1 Update to the Institutional Strategy Challenges and Cross-Cutting Issues



2. Click [here](#) to see the summary document regarding the IDBG private sector merge-out.

Figure 1.2 The IDB Group's Strategic Priorities and the Sustainable Development Goals



# THE IDB GROUP CORPORATE RESULTS FRAMEWORK

Last year's Development Effectiveness Overview (DEO) closed the IDB's first [Corporate Results Framework \(CRF\)](#) reporting cycle covering 2012–2015. For the first time, under the CRF for 2016–2019 results reporting by the IDB, MIF, and IIC is consolidated under a single results framework with common indicators and many joint targets. The IDBG's 2016–2019 CRF is structured along three levels:

- The **Regional Context** level provides a high-level picture of the region's long-term development progress toward selected key indicators related to the strategic priorities in the Update to the Institutional Strategy (UIS), such as the poverty headcount ratio, intraregional trade in goods, and research and development expenditure as a percentage of GDP.
- The second level, **Country Development Results**, provides aggregate data on outputs and outcomes generated by IDBG-financed projects in support of addressing the strategic priorities in the UIS. This level is intended to provide information on how IDBG-supported interventions are contributing to development in the region and includes a number of indicators measuring specific beneficiaries of IDBG-supported projects.
- The third level, **IDBG Performance**, measures how the IDBG supports countries and clients in achieving results, leveraging its comparative advantages. In order to measure each of the operational guiding principles outlined in the UIS, indicators at this level range from the percentage of operations with satisfactory development results at completion to the percentage of lending to small and vulnerable countries.

In addition to the main CRF indicators, which are the focus of much of the content of the DEO, the CRF also features a set of auxiliary indicators on the broader range of IDBG support to its borrowing member countries and clients. Reporting on the full set of indicators and detailed progress by country is available on the revamped CRF website at [www.iadb.org/crf](http://www.iadb.org/crf).

vation for the IDBG “to promote development through the private sector by identifying, supporting, testing and piloting new solutions to development challenges and seeking to create opportunities for the poor and vulnerable populations in the Latin American and Caribbean region.”<sup>3</sup>

The MIF will continue to focus on three thematic areas: (i) climate-smart agriculture, seeking to boost productivity in agriculture, forestry, and ocean resources while also building climate resilience and promoting mitigation of climate change; (ii) inclusive cities, seeking to foster greater quality of life in the region’s urban areas by investing in scalable private sector innovations; and (iii) the knowledge economy, promoting job creation by powering inclusive, tech-driven enterprise growth. In addition, MIF-funded projects will take into account three cross-cutting topics: gender and diversity (including indigenous and Afro-descendant populations), environmental and social sustainability, and the enabling environment.

## The 2016 Development Effectiveness Overview

A common thread throughout all the recent strategic changes at the IDBG is the importance of harmonizing efforts across the IDB, IIC, and MIF to achieve development results and maximize the synergies and administrative efficiencies of the IDBG. The content of this DEO focuses on the impact of the IDBG’s work in the region to support public and private sector partners in overcoming development gaps.

Chapter 2 provides a snapshot of the current state of the region in terms of the main development challenges and cross-cutting issues identified in the UIS, with a focus on the country development results supported by IDB, IIC, and MIF projects during 2016. The chapter highlights specific areas where, given changes in the global political landscape and in the fiscal situations of the region’s countries, the IDBG may need to strengthen its current efforts in order to attain the expected development results.

Chapter 3 reviews the IDBG’s performance against the institution’s performance indicators and

highlights its work on corporate priorities ranging from continuing to strive for efficiency to catalyzing additional resources in support of the 2030 Agenda, all in the context of the changing and challenging current context of the region. Improving the IDBG’s efficiency is a key element to enhancing the use of the Group’s capital to achieve the region’s development objectives.

Chapter 4 discusses the IDBG’s culture of learning and results, highlighting a number of key lessons from projects that were recently closed or evaluated. This reflects the IDBG’s continuing efforts to expand the knowledge base of what works and doesn’t in development. In the context of tighter fiscal scenarios, the opportunity cost of each dollar of support to the region is exacerbated. Therefore, improving the quality and development effectiveness of each and every operation through a continuous learning exercise derived from previous operations is all the more critical.

Given the DEO’s role as a gateway to the IDBG’s development effectiveness resources, numer-

Continued on page 31

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3. See the MIF homepage at [www.fomin.org/about](http://www.fomin.org/about).

# IMPLEMENTING THE RENEWED VISION OF THE IIC

In 2016, the Inter-American Investment Corporation (IIC) refined its strategic framework around the concepts of “impact, innovation and capital” to guide its work throughout the next three years (2017-2019). The current business plan outlines the IIC’s commitment to four strategic segments:

**i. Infrastructure:** The IIC will focus on its portfolio in renewable energy and transport given the gaps in the region and the organization’s leadership in these two subsectors. The IIC will also address social infrastructure and water and sanitation through its infrastructure portfolio.

**ii. Building capabilities and expertise in corporate sectors:** To support the growth, development, and productivity of the region’s private sector, the IIC has identified four key pri-

ority sectors where it will focus its resources and strengthen its comparative advantage: agribusiness; telecom, media, and technology; manufacturing; and sustainable tourism. Additionally, building on its expertise supporting micro, small, and medium enterprises, the IIC will continue to improve these enterprises’ access to finance and support their development through technical assistance.

**iii. Partnering with financial institutions to scale up impact:** The IIC’s strategic approach to working with financial intermediaries aims to achieve the biggest developmental impact while ensuring the financial sustainability and growth of the organization. It will work with partners to reach more sectors and beneficiaries, build

and disseminate knowledge, impact priority business areas and cross-cutting issues, and mobilize the financial resources needed in the region.

**iv. Further leveraging additional products, services, and solutions:** The IIC is committed to developing solutions that go beyond traditional lending to drive private sector growth in the region. In this regard, the IIC provides blended finance, equity and supply chain finance, technical assistance, advisory services, and knowledge products, supports capital markets and international trade, and leverages strategic partnerships and funds to increase the scope and scale of its impact. Furthermore, the IIC is committed to innovation in financial products to better serve its clients in the region.

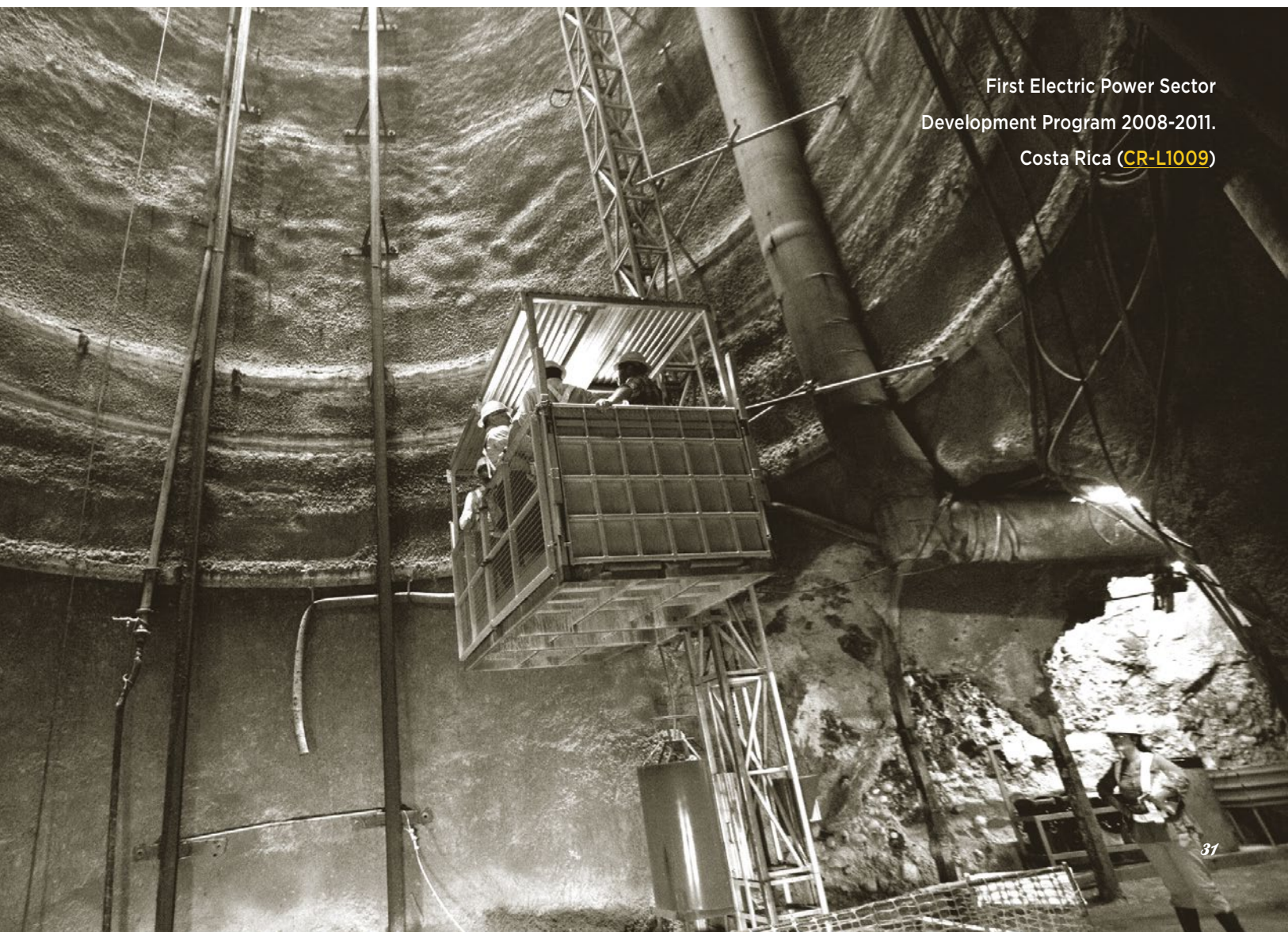
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ous links are included for ease of access to other IDBG reports and electronic content. Links to additional development effectiveness resources are available on the development effectiveness homepages of the [IDB](#) and [IIC](#), as well as on [IDB](#) and [IIC](#) blogs related to development effectiveness and the IDB's [evaluation hub](#).

Furthermore, the newly launched [CRF website](#) allows users to dive into the CRF progress data like

never before to track CRF progress over time, filter progress by country, and see the specific projects behind the numbers. The region's development ambitions require not only channeling greater resources in support of development, but also ensuring that development finance is used in those activities that yield positive outcomes. Therefore, the IDBG must continue to raise the bar on the level of detail included in its results reporting. In doing so, the

aim is to facilitate more nuanced discussions on endeavors supported by the Group and on development effectiveness more broadly.



First Electric Power Sector  
Development Program 2008-2011.  
Costa Rica ([CR-L1009](#))



Program to Improve Early Education  
in Ayacucho, Huancavelica and  
Huánuco. Peru (PE-L1062)



# PARTNERING WITH COUNTRIES TO RESPOND TO THEIR UNIQUE DEVELOPMENT NEEDS

The recent changes in the global economy and their potential impact on the region provide a natural framework to reflect strategically on the IDBG's role in supporting effective development in Latin America and the Caribbean with an eye towards continuing to implement the Update to the Institutional Strategy over the next three years.

Since the IDBG's Institutional Strategy was updated in 2016, several aspects of the global scenario have changed. Many Latin American and Caribbean economies

have slowed in response to lower-than-expected commodity prices, forcing tighter fiscal situations throughout the region. There have been recurring corruption scandals that have damaged government credibility, the global political landscape has shifted away from multi-country integration agreements, and international commitments towards global sustainability initiatives have been questioned by some key global players. In that context, and as will be discussed in the following pages, achieving the

objectives laid down in the IDBG's UIS may require fine-tuning of the Group's approach in a number of areas.

In spite of these challenges, 2016 was a year of significant progress against many UIS objectives. The IDBG's progress in 2016 included both results achieved by projects in the executing portfolio—as captured through the CRF Country Development Results indicators—as well as projects approved throughout the year that are aligned with the UIS strategic priorities.<sup>4</sup> Nearly

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4. Achievement of the expected results established for the Country Development Results indicators depends in large part on projects already in the portfolio, given the time required for projects to generate measurable results. New approvals from 2016 are closely tied to the IDBG's strategic direction and the demand of its borrowing member countries and clients.

all projects approved in 2016 were aligned to at least one of the challenges or cross-cutting themes of the UIS. See Annex A or the [CRF website](#) for details by institution and strategic priority.

At one year into the UIS, it is still early to determine the likelihood of achieving expected results for 2016-2019. As such, this chapter reflects on areas where continued effort is needed to meet the region's development objectives at a higher level. More detailed information on progress to date on each of the Country Development Results indicators is available in Annex A and on the [Country Development Results page](#) of the CRF website.

## Progress in 2016 in Addressing the Three Challenges in the Update to the Institutional Strategy

The following section highlights the IDBG's progress in supporting countries along the three challenges identified in the UIS: (i) social inclusion and equality; (ii)

productivity and innovation; and (iii) economic integration. The discussion on progress achieved in 2016 is based on the results of the combination of projects that were already in execution when the CRF was implemented in 2016, as well as on new approvals contributing to at least one of these areas. For the IIC, almost all the project-related data comes from legacy projects in the portfolio. Over time, as approvals from 2016 and beyond represent a larger percentage of the portfolio, they will better reflect the IIC's new strategy.



### Social Inclusion and Equality

Latin America and the Caribbean continues to be characterized by significant rates of poverty and in-

equality. While the poverty head-count ratio in the region has fallen significantly over the past 15 years, it increased slightly in 2015. Meanwhile, income inequality as measured by the Gini coefficient has been on the decline in recent years, but the region still has the highest levels of inequality in the world (Duryea and Robles, 2016).<sup>5</sup> The sustained growth enjoyed by the region in recent years allowed many countries to emerge from poverty and reduced the inequality gap, although this has not necessarily translated into more inclusive growth. However, social welfare goes beyond monetary income, and the region's recent performance on the Social Progress Index shows some improvement in other areas (e.g., access to water and sanitation services).<sup>6</sup>

With economic growth often considered the most powerful instrument for reducing poverty, the negative growth experienced in 2015 and 2016 posed a threat to the decline in poverty and inequality in recent decades and progress

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5. The Gini coefficient measures inequality on a scale of 0 to 1 where 0 corresponds to absolute equality and 1 to absolute inequality. In Latin America and the Caribbean, the Gini coefficient declined from .535 in 2005 to .480 in 2015.

6. The [Social Progress Index](#) captures three dimensions of social progress: basic human needs (including indicators on nutrition and basic medical care, water and sanitation, shelter, and personal safety); foundations of well-being (including indicators on access to basic knowledge, access to information and communications, health and wellness, and ecosystem sustainability); and opportunity (including indicators on personal rights, personal freedom and choice, tolerance and inclusion, and access to advanced education).

in other social dimensions. While there are indications that economic prospects in the region are likely to improve in 2017, continued attention to effective programs that both protect vulnerable populations and facilitate their participation in the formal economy is important to safeguard the social gains of recent years and to address low levels of productivity in the region.<sup>7</sup>

IDBG support for social inclusion and equality in the region includes projects that seek to improve access to health and education, build human capital, promote financial inclusion, and address deficits in basic infrastructure. More than 400 projects in all 26 borrowing member countries had results related to social inclusion and equality in 2016. Click [here](#) to explore the data.

For example, in 2016, the IDBG contributed to assisting more than

3.5 million [beneficiaries of targeted anti-poverty programs](#), including 175,000 through the Integrated Support to **Jamaica** Social Protection Strategy project ([JA-L1053](#)). This project provides cash transfers to families with children and to pregnant and lactating women who comply with health and education responsibilities in order to support better nutrition, increase resilience to shocks, and protect and promote the human capital accumulation of children in poor households in Jamaica. The Bank is also testing innovative delivery mechanisms for social policy. In **Mexico** the Bank and the Government of Jalisco are implementing a results-based approach (a social impact bond) to finance the state's cash transfer program ([ME-L1263](#), [ME-T1344](#)). The project will help poor female heads of household achieve higher and more sustainable levels of income. And by

paying according to results, the Government of Jalisco's risk is mitigated, since private investors will compensate for program costs, if results are not achieved. An example of the IDBG's work to address inclusive growth and rural poverty is the IIC financing for an agribusiness project in **Guatemala** ([project GU3829A-01](#): Agropecuario El Siglo S.A.) to increase the cultivation of bananas for export. This operation will create an estimated 475 direct rural jobs for the Tiquisate community in the Department of Escuintla, where 53 percent of the population is poor.

In recognition of the multidimensionality of poverty, IDBG support for social inclusion also includes efforts to improve access to basic services. For example, in 2016, the IIC approved the Interagua Project ([EC-L1159](#)) that provided finance to Interagua C. Ltda., the water concessionaire in Guayaquil,

## In 2016, 4.5 million people benefited from health services.

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7. Check out [Social Pulse 2016](#) for more information on social conditions in the region.

**Ecuador**, to carry out an investment program to increase access to water and sanitation services for over one million residents in vulnerable neighborhoods, improving their quality of life and reducing their risk of exposure to waterborne diseases. In 2016, more than 280,000 [households benefited from new or upgraded access to drinking water](#) and more than 300,000 [households benefited from new or upgraded access to sanitation](#) through IDBG-supported projects in a wide range of countries, including **Barbados, Costa Rica, Guyana, Trinidad and Tobago, and Venezuela.**

The IDB also provided support for more than 4.5 million [beneficiaries of health services](#) through programs such as Strengthening Management for Results of the Health Sector in the **Dominican Republic (DR-L1067)**. Among other objectives, this project is working to reduce maternal mortality by 30 percent in six hospitals over the course of the project. (See Box 2.1 for more information on the IDBG's support for reducing maternal mortality in the region.) In addition, the Salud

Mesoamerica Initiative continued supporting countries to provide health services to the poorest segments of the population in Mesoamerica and reduce infant mortality, maternal mortality, and other key health indicators.<sup>8</sup>

In addition to services such as health, education, and basic utilities, poor and vulnerable populations need access to financial services in order to benefit from economic growth. Initiatives such as the IIC's Bancamía Project (project [11619](#)) aim to support just such access.

By providing support for Bancamía, the largest microfinance institution in **Colombia**, the IIC is helping provide access to credit for up to 35,000 microentrepreneurs and small agricultural producers for commercial and agricultural activities. It will support the productive activities of this vulnerable population segment, increasing opportunities to generate income and improve livelihoods.

More than 80,000 [jobs were created by firms supported through IDBG-backed projects](#) in

2016, including 2,000 through the Productive Infrastructure Program ([HA-L1076](#)) in **Haiti** through the establishment of manufacturing firms in the Caracol Industrial Park. At the same time, this project helped strengthen the government's capacity to manage and attract investors to industrial parks, which can be an important source of economic growth.

These and other projects that support vulnerable populations by addressing their needs, while also promoting long-term productivity and growth, are essential to addressing social inclusion and equality concerns in the region. With the slow growth in recent years, the IDBG must continue to help the region not only through direct support to specific projects, but also by advising on strategies to ensure the long-term sustainability of those projects.

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8. The Salud Mesoamerica Initiative is a public-private partnership formed in 2010 between the IDB, the Bill and Melinda Gates Foundation, Carlos Slim Foundation, the Government of Spain, the countries of Central America, and the state of Chiapas, Mexico to reduce health equity gaps in Mesoamerica faced by those living in extreme poverty. To date, the initiative has directly benefited 1.8 million women of reproductive age and children under age 5. For more information, visit the [Salud Mesoamerica homepage](#).

## Box 2.1

# DECLINING MATERNAL MORTALITY IN THE REGION: LINKING OUTPUTS TO OUTCOMES

The Corporate Results Framework (CRF) includes several intermediate outcome indicators to show how CRF outputs and immediate outcomes—which come directly from IDB Group projects—contribute to higher-level outcomes (e.g., improvements in learning outcomes, reduction in maternal mortality). While it is only possible to quantify the IDBG contribution to these intermediate outcomes with rigorous analyses (as discussed in Chapter 4), it is nonetheless important to make this link to maintain a focus on the higher-level objectives of the IDBG’s work.

In the case of maternal mortality, the decline in the region over the past few decades from 99 per 100,000 births in 2000 to 67 per 100,000 births in 2015 (United Nations, 2017) has resulted from the concerted efforts of a wide range of actors, including the IDBG. For example, the Health Equity Improvement and Services Strengthening Program (PN-L1068) in **Panama** addressed maternal mortality rates in indigenous autonomous regions (*comarcas*) and adjacent rural areas in the country that were five to 10 times higher than the national average. By increasing both

access to and use of quality health services, the program contributed to reducing the maternal mortality rate from 269 per 100,000 births in 2008 to 219 per 100,000 births in 2016.

Visit the [maternal mortality page](#) on the CRF website for more information on ongoing IDBG projects aligned to this outcome indicator and for links to the project websites containing their Progress Monitoring Reports, where project outcomes are reported when they become available.

# More than 320,000 individuals across the region benefited from on-the-job training programs.



## Productivity and Innovation

Latin American and Caribbean countries have chronically low levels of productivity and innovation. The boom in commodity prices in recent years, which led to an increase in economic growth and lifted many people out of poverty, masked the region's low productivity problem. The productivity gap, measured as a percentage of U.S. total factor productivity, has widened over the past five decades (IADB, 2014a). In addition, the growth rate of GDP per person em-

ployed declined from 2010 to 2015, increasing only slightly in 2016 to -0.9 percent, although with considerable variation among countries. The productivity outlook is particularly concerning when compared to other world regions, especially South Asia, where the growth rate of GDP per person employed was five percent in 2016 (World Bank, 2017). In terms of innovation, expenditures on research and development consistently represent less than one percent of the region's GDP (0.8 percent in 2014), with limited investment by the private sector.<sup>9</sup>

The 2016 Global Innovation Index rankings tell a similar story. Of 128 countries included in the index, only five Latin American countries (and no Caribbean countries) are ranked in the top

half, and the region performs below many other parts of the world (Cornell University, INSEAD, and WIPO, 2016). A poorly trained labor force, shallow and underdeveloped financial markets, the prevalence of informal labor, lack of access to credit, and inadequate infrastructure all contribute to low rates of productivity and innovation. At the same time, increasing automation offers opportunities for productivity growth, but also poses a threat to many lower-skilled workers.

In addition to problems with the quality of direct inputs into productive activity, the region also suffers from a sometimes-weak institutional framework that results in complex business regulations that often are opaquely enforced. This constitutes another deterrent

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9. In contrast, middle-income countries spend on average 1.4 percent of GDP on research and development, and countries such as South Korea and Israel—which are both widely recognized for their successes in innovation—spend more than four percent of GDP on research and development (OECD, 2017).

# More than 2,000 kilometers of roads were built or upgraded with IDBG support in 2016.

to investment and innovation. Tax systems and labor laws encourage informality and the persistence of low-productivity enterprises. Productivity growth is further dampened by continuing low levels of access to credit in the region. High levels of informality discourage innovation, as do barriers to entry into formal markets, which reduce competitive pressures on formal firms. These barriers are sometimes the direct or indirect result of the application of government regulations. Finally, governments are lagging in designing policies that overcome market failures that deter innovative activity (IDB 2014b).

The IDBG continues to work hand-in-hand with its borrowing member countries to find solutions to promote productivity and innovation on multiple fronts—from investments in infrastructure and human capital to the development of institutional policy frameworks to improve the business climate and access to finance as well as strengthen

public-private partnerships. More than 400 projects in all 26 borrowing member countries had results related to productivity and innovation in 2016. Click [here](#) to explore the data.

In **Mexico**, the IDBG is supporting productivity and innovation by providing access to finance through distinct mechanisms. For example, the IIC-financed project Mezzanine Mexico Uno ([11818-02](#)) is increasing the availability of mezzanine products (a hybrid of debt and equity financing) targeted to middle-market companies that are seeking leveraged structures to support long-term growth opportunities and improve productivity. As another example, the SolarCity Mexico Green Securitization Project ([11946-04](#)) is promoting an innovative financing solution for small-scale photovoltaic projects through the use of green bonds, which potentially will have a demonstration effect in the region. It is expected that end-users will benefit from lower and

more predictable energy costs. Furthermore, the project will add over 390 megawatts of renewable capacity to the Mexican grid and help prevent approximately 91,287 tons of carbon emissions equivalent per year.

The IDBG also supports efforts to improve the innovation ecosystem in countries of the region to facilitate technology creation and transfer and make invention the driver of growth. In **Colombia** the Bank is testing the country's first fintech platform for lending to early stage firms ([CO-Q0013](#), [CO-T1437](#)). The platform could disrupt how innovative firms obtain financing. And in **Guyana**, the Bank is supporting the Ministry of Business by strengthening the institutions in charge of enhancing quality and standards, as well as export and investment promotion in order to foster economic diversification and innovation.

In terms of developing human capital, in 2016, more than 320,000 [individuals across the](#)

[region benefited from on-the-job training programs](#), including 1,500 through the Program to Support the National Employment System in the **Dominican Republic** ([DR-L1036](#)). This program seeks to boost labor force participation by reducing the job search period, as well as by increasing the employability of the most vulnerable groups in the labor market. The Bank also experimented with cutting edge technologies for more effective workforce training, piloting a program that uses virtual and augmented reality technologies in both the Dominican Republic ([DR-T1152](#)) and **Costa Rica** ([CR-T1151](#)). If successful, these new pedagogic approaches could improve job placement at a much lower cost.

In terms of infrastructure, the IDBG continues to support infrastructure services in urban centers as well as rural communities that can lead to higher productivity, higher earnings for agricultural workers, and a better food supply. In this vein, more than 2,000 [kilometers of roads were built or upgraded](#) with IDBG support in 2016, including nearly 300 kilometers in **Paraguay** through the National Rural Roads Program ([PR-L1019](#)) that were built to help generate a higher level of competitiveness for national production.

IDBG support to productivity growth also includes support for

digital infrastructure to reduce the digital divide and bring connectivity to isolated areas. For example, through the Broadband Program ([NI-L1090](#)) in **Nicaragua**, infrastructure covering over 320,000 households will be deployed to increase broadband penetration in 72 municipalities and contribute to the economic and social development of these areas. This is key to preventing the region from falling behind other parts of the world with respect to the digital revolution. In this spirit, the IDB also launched an updated version of the [Digilac Platform](#) in 2016 to support the region in terms of digitalization, regulatory policy, and the availability of digital infrastructure in order to continue promoting connectivity in the region.

In **Paraguay**, IIC supported TIGO (project [11611-01](#)) to launch the country's first 4G/LTE network and expand the existing 3G network. TIGO projects to provide high-speed mobile broadband services to 622,000 mobile broadband subscribers and reach 407,000 3G users in rural areas. The project also involves the provision of fixed-line internet services to some 50,000 businesses. Better connectivity allows businesses to use broadband-compatible technologies, such as cloud services. Increased broadband penetration is expected to increase productivity, contribute

to economic growth and raise competitiveness. Finally, TIGO will provide high capacity internet access to public health and education institutions, the national police and underserved areas and populations through mobile "tele-centers".

The IDBG has also played a leadership role in supporting the long-term sustainability of contractual frameworks applied to the renewable energy sector in **Uruguay, El Salvador, and Argentina** as well as to the road sector in **Colombia**. This effort has helped attract private investors to meet these countries' infrastructure needs. The IDBG single window to provide technical assistance and support for the origination of public-private partnerships was also launched in 2016. This coordination mechanism is designed to optimize the allocation of the IDB Group's human and financial resources as well as the use of its sector and country knowledge with a view to meeting the growing demand for public-private partnerships in the region.

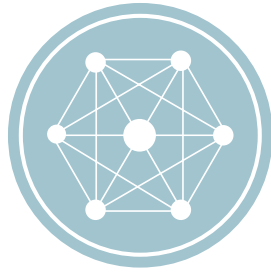
The region has a sizable infrastructure gap that requires an additional investment of US\$120 billion to \$150 billion a year (Serbrisky et al. 2015). These infrastructure deficits severely hamper the possibilities of steadily increasing productivity to close the gap with advanced econo-





Expansion and Strengthening of  
Specialized Health Services in  
Ceará. Brazil. (BR-L1177)

mies. The available amounts from multilateral lenders, including the IDBG, are insufficient to help countries in the region close their infrastructure gap. This points to the need for multilateral development banks to adjust how they support the financing of infrastructure. As such, the IDBG and other multilateral banks are currently focusing on how to develop mechanisms to mobilize both public and private sector resources to increase infrastructure financing and multiply the impact of each dollar lent. In addition, continued efforts to address frequent causes of execution delays in infrastructure projects (e.g., delays in procurement or land acquisition processes) will also be critical to reach regional and IDBG-specific goals in this area.



## Economic Integration

Deeper global and regional integration remains a key strategic objective for the countries of Latin America and the Caribbean. Regional integration delivers more growth opportunities, as firms can reap the benefits of greater economies of scale and specialization, and provide more diverse and lower-cost choices for consumers. While Latin America and the Caribbean has advanced on its integration agenda, progress has been slow due to a failure to fully harmonize trade policies and regulations, invest in cross-border infrastructure, and ultimately create

incentives for deeper integration of regional value chains.

The region lags behind East Asia and Southeast Asia in the share of intraregional trade in goods, and the indicator has been falling in recent years. This decline has been taking place in a context of overall contraction of exports, with a decline of 13 percent in total exports of goods and services from 2014 to 2015. Net foreign direct investment inflows to the region also declined to around 4.1 percent of regional GDP in 2015 (World Bank, 2017).<sup>10</sup> This challenging outlook is compounded by the mounting risk of a backlash against globalization, particularly in advanced economies. The Brexit referendum in the United Kingdom, the withdrawal of the United States from the Trans-Pacific Partnership, and initiatives to renegotiate the North American Free Trade Agreement signal a re-

More than 18,000 professionals from public and private sectors were trained or assisted in economic integration in 2016.

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10. Check out the IDBG [INTrade system](#) for more information on integration and trade in Latin America and the Caribbean.

versal of the trend towards large preferential trade negotiations, and point to the need for a new approach to economic integration in the region.

Despite the challenging context, the region is well positioned to relaunch regional integration by taking advantage of the vast web of existing agreements already in place, and to complement this effort with new initiatives already under way. The IDBG's support to the region is following suit, focusing on promoting the convergence of integration policies, facilitating the insertion of regional firms into global value chains, improving regional infrastructure, and leveraging cooperation to produce regional public goods. More than 300 projects in all 26 borrowing member countries had results related to economic integration in 2016. Click [here](#) to explore the data.

About 80 percent of intra-regional trade already occurs within the free trade agreements in force in the region. By expanding support to subregional, regional, and extra-regional integration and cooperation agreements, the IDBG is working with the region to lower the trade costs that currently weigh on private sector entities conducting business across borders. For example, the IDBG is providing technical support in such areas as trade liberalization, trade facilitation, investment at-

traction and financial integration to the Pacific Alliance, an initiative formed by **Chile, Colombia, Mexico** and **Peru** that aims to improve competitiveness as a means to achieve strong growth, reach higher levels of social cohesion, and alleviate poverty.

To complement work on addressing the fragmented trade architecture, the IDBG is also actively involved in streamlining cumbersome customs procedures, upgrading export and foreign investment promotion agencies, and, more generally, building the capacity of the public and private sectors to compete in the global marketplace. For example, more than 18,000 [professionals from public and private sectors were trained or assisted in economic integration](#) in 2016 through massive open online courses, face-to-face courses, and fora such as the Americas Business Dialogue (see Box 3.7 in Chapter 3). Noteworthy is not only the current effort to support knowledge-intensive services exports that help combat the endemic overreliance on commodities, but also the focus on programs that facilitate the insertion of small and medium-sized enterprises (SMEs) into global supply chains, such as the mutual recognition of authorized economic operators or the inter-operability of trade single windows.

In addition, the IDBG renewed, expanded, and improved the Trade

Finance Facilitation Program (TFFP) in 2016. This facility was created to promote development and economic growth through the expansion of trade finance to banks in the region, broaden the sources of trade finance available for the region's importing and exporting companies, support global and intraregional integration through trade, and ensure liquidity in periods of market volatility. The TFFP currently includes a network of over 100 Global Financial Intermediaries (GFI) in 37 countries and 104 Latin American and Caribbean Financial Intermediaries (LACFI) in 21 countries in the region. As of December 2016, it has provided loans and issued guarantees in support of 1,575 individual trade transactions (see Box 2.2).

Meanwhile, the IDBG is also redoubling its efforts to overcome deficient transport and port infrastructure that undermines the region's external competitiveness. Support for innovative modalities in cross-border infrastructure initiatives—epitomized by the Agua Negra Pass International Tunnel Structuring Program ([RG-L1074](#)) to improve border integration between **Argentina** and **Chile**—is indicative of the IDBG's long-term commitment to transformational endeavors aimed at redesigning the trade geography of the region.

In 2016, the IDB also signed a memorandum of understanding with the Caribbean Development

## Box 2.2

# THE TRADE FINANCE FACILITATION PROGRAM

The Trade Finance Facilitation Program (TFFP) was established in 2004 to support access by Latin American and Caribbean Financial Intermediaries (LACFIs) to international trade finance markets through financial products (loans and guarantees) and technical cooperation. The program aims to support financial intermediaries whose access to funding is limited due to their size and/or country conditions (e.g., trade finance and regulatory constraints). The TFFP differs from other IDBG instruments because it is a delegated facility, and the trade finance lines approved are uncommitted (i.e., the approval of a loan or guarantee is subject to credit considerations and to the operation's expected development impact). In 2016, the IIC developed a Development Effectiveness Framework to

improve the impact and evaluability of the program.

The TFFP's value added resides in its (i) ability to help LACFIs broaden their international funding base; (ii) capacity to mitigate the risk perceived by Global Financial Intermediaries (GFI) when working with LACFIs; (iii) countercyclical role to provide liquidity during economic downturns; and (iv) capacity to create new relations between LACFIs and GFIs and support regional integration. To achieve this, the TFFP offers two types of financial instruments: (i) credit guarantees issued in favor of the GFIs to cover commercial and country risks they assume by working with LACFIs, and; (ii) bilateral loans (A loans) and syndicated loans (A/B loans) to LACFIs to fund their trade finance portfolio.

The TFFP enables the IDBG to continue supporting international trade and the growth of LAC economies by:

- a. Easing market failures that affect trade finance.** The program issues guarantees to LACFIs to gain access to financing that would not be possible otherwise due to the asymmetric information faced by banks in all different markets.
- b. Enhancing the countercyclical role of the IDBG.** The program provides liquidity in times of economic turbulence. The importance of multilateral development banks' trade finance programs and their countercyclical role was evidenced during the 2008/2009 global financial crisis and in recent domestic crises in LAC countries.

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I. More information on the "Basel III" is available [here](#).

**c. Addressing current trade market finance constraints.** Despite the proven importance of trade finance in supporting trade and economic growth, market trends indicate an increasing threat to the availability of trade finance for emerging-market financial intermediaries. Global banks are currently facing compliance and regulatory constraints, including higher reporting costs related to “Know Your Customer” and anti-money laundering rules and stricter Basel III capital requirements that could reduce their trade finance loans to LACFIs.<sup>1</sup>

**d. Closing the trade finance gap faced particularly by the IDB’s lower-income borrowing member countries (classified as C and D countries by the Bank).** The need for trade finance—

and therefore the additionality of the TFFP—is greater in C and D countries. The TFFP therefore specifically targets financial intermediaries in C and D countries. Currently, 69 percent of the 104 LACFIs with approved credit lines under the TFFP are based in C and D countries and 60 percent of all TFFP trade transactions in 2016 (by volume) had been carried out in those countries. For instance, the TFFP initiated a Small Banking Outreach initiative and to date, it has added 16 small LACFIs to the network—94 percent of them based in C and D countries. The IIC will maintain C and D countries as a priority for the TFFP and will continue efforts to increase the number of issuing banks in these countries.

**e. Supporting regional integration.** Trade finance has become a successful and well-integrated product within the IDBG and remains relevant to the IDB’s strategic objectives as outlined in the Update to the Institutional Strategy and the IIC’s Business Plan, specifically to overcome the challenge of limited economic integration and achieve the goal of increasing integration by inserting firms into value chains. The TFFP also contributes to the Sector Strategy to Support Competitive Global and Regional Integration by expanding the depth and coverage of private finance for the Bank.

In 2016, the TFFP program disbursed a total of \$526 million in A loans and approved \$84 million in credit guarantees.

# More than 530,000 micro, small, and medium enterprises were provided with financial support and more than 90,000 were provided with nonfinancial support.

Bank, U.S. Department of Energy, and Caribbean Community (CARICOM) to create a framework for cooperation to promote programs and activities that foster the transformation of the energy sector in the Caribbean. In this spirit, the MIF approved the Caribbean Basin Sustainable Energy Fund (RG-Q0034) in 2016—the first clean energy fund with a dedicated focus on the Caribbean. The fund will help address the region’s need for private equity and venture capital financing for SMEs and projects in the renewable energy and energy efficiency sectors in **Belize, Barbados, Costa Rica, Dominican Republic, Guatemala, Honduras, Nicaragua, and Panama**. This is part of broader IDBG efforts to support sustainable energy and energy integration in the region.<sup>11</sup>

While the IDBG is focused on the most significant obstacles to greater integration of the region into the world economy, it must

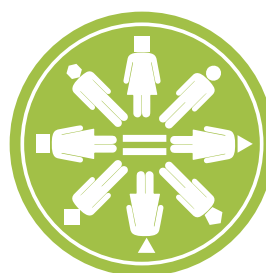
also fine-tune implementation of its support to economic integration initiatives, given the growing uncertainty over the future of globalization.

At the same time, it must continue to prioritize actions aimed at deepening the regional market, diversifying the export base, and facilitating trade and investment flows. In the current global environment, increasing efforts to enhance knowledge-sharing and strengthen the dialogue with regional authorities is critical to overcome the backlash against integration.

## Progress in 2016 in Addressing the Three Cross-Cutting Issues in the Update to the Institutional Strategy

Addressing the three development challenges described above requires a multi-disciplinary approach that gives attention to a number of common, cross-cutting

issues. What follows are highlights of the IDBG’s progress in supporting countries along the three cross-cutting issues identified in the UIS: (i) gender equality and diversity; (ii) climate change and environmental sustainability; and (iii) institutional capacity and the rule of law.



## Gender Equality and Diversity

Gender equality and the inclusion of diverse populations are important concerns in addressing each of the development challenges facing Latin America and the Caribbean and making sure the benefits of development are enjoyed by all. Women, indigenous peoples, and Afro-descendants in the

# In 2016, direct investments in gender and gender mainstreaming translated into nearly 300,000 women beneficiaries of economic empowerment initiatives.

region often face social exclusion, discrimination, and even violence because of their gender or ethnic/racial background (Paes de Barros, 2009). Poverty is also disproportionately concentrated among these groups.<sup>12</sup>

With respect to gender equality, countries in the region have achieved significant gains in recent years in such areas as female participation in the legislature, tertiary education, and the labor market. However, important challenges remain as women continue to suffer violence and be paid lower wages, and are less likely to hold leadership positions than men—for example, women represent only nine

percent of private sector executives in the region (Flabbi, Piras, & Abrahams, 2016). With respect to diversity, African descendants and indigenous peoples face wage gaps and lower rates of higher education when compared to other segments of the population, limiting not only their own development, but also the economic and social development of the region (Ferranti et al., 2004).

The specific barriers faced by women, Afro-descendants, and indigenous people vary widely by country and even subnational location, so closing these gaps requires diverse approaches tailored to the specific needs of each population

at a local level. In recognition of these diverse needs across the region, IDBG support for addressing gender and diversity concerns is tailored to each project's context.

In terms of gender, IDBG support includes projects that directly support gender equality and women's empowerment (i.e., direct investment in areas such as preventing violence and promoting female labor force participation), promoting attention to gender equality in IDBG projects in diverse technical areas (i.e., gender mainstreaming), and preventing unintended negative consequences for gender equality and women in its operations (i.e., gender safeguards).

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11. For example, in 2016, the countries of the Andean Community, with direct support from IDB, approved a regulatory framework agreement for sub-regional power trade between Colombia, Ecuador and Peru, in the first stage. This will increase energy security and bring efficiency to the power market of the sub-region. In addition, high level political decisions were taken to promote electrical interconnections among Peru-Chile and Bolivia-Peru.

12. Check out the [IDBG's Gender and Diversity portal](#) for more information.

# Check out the IDB's development effectiveness blog for the project stories behind the numbers.

More than 150 projects in 20 countries had results related to gender equality and diversity in 2016. Click [here](#) to explore the data.

In 2016, direct investments in gender and gender mainstreaming translated into nearly 300,000 [women beneficiaries of economic empowerment initiatives](#) aimed at increasing such outcomes as formal employment of women. For example, in **El Salvador**, the Ciudad Mujer Project ([ES-L1056](#)) includes in its objectives promotion of the economic autonomy of women through training and employment opportunities that help improve their incomes. In 2016, Ciudad Mujer provided services to 8,200 Salvadorian women to empower them through job counseling and employment intermediation services, training for employability, and support for entrepreneurship.

The IDBG supports women entrepreneurs because entrepreneurship represents an important

but underutilized strategy to get women to join the labor market. The number of women-led small businesses is increasing, yet these entrepreneurs often lack the credit, technology, networks, and training required to succeed and scale up their businesses. The IDBG addresses these issues through a number of initiatives aimed at providing support to micro, small, and medium-sized enterprises (MSMEs), with particular efforts to reach those that are women-owned. In 2016, more than 530,000 [MSMEs were financed](#) and nearly 90,000 [MSMEs were provided with non-financial support](#) through IDBG-supported projects.

One new operation with this objective is the IIC loan of US\$12 million to Banco Ficohsa ([12000-02](#)) in **Honduras**.<sup>13</sup> It is difficult for commercial banks in Honduras to adequately serve MSMEs, owing to the credit risk associated with this client segment. Nevertheless, through this

IIC operation, Ficohsa is expected to grow its portfolio of women-led microenterprises from 9,600 in 2016 to 12,900 by the end of 2019 and contribute to creating entrepreneurial opportunities for more women. Similarly, in **Mexico**, the IIC approved a 30 million Mexican pesos loan (project [ME4116A-01](#)) to Equipa-T, a Mexican microfinance institution whose group lending portfolio is comprised of approximately 90 percent women clients. Through cooperation with FINAFIM, Equipa-T also provides capacity-building programs that focus on women through the use of group-lending products. The main objective of the project is to support entrepreneurial activities of Mexican women by expanding the women group lending portfolio from 21,000 to 38,000 clients.

Improving economic opportunities through entrepreneurship is also a key strategy for diverse populations in Latin America. In



2016, the IDB supported the first National Program for Tourism Development specifically targeting African descendants in Salvador, **Brazil**—PRODETUR SALVADOR (BR-L1412). This operation will improve the income-generating potential of African descendants employed throughout the tourism sector with an emphasis on improving family incomes and providing greater opportunities for women. The project promotes socially inclusive practices in the tourism sector through awareness-raising for the prevention of discrimination based on race and sex, registration and organization of informal sector workers, and the generation of information and key statistics to implement inclusion strategies for Afro-descendants in the tourism sector. As another example, in Suriname and Guatemala the MIF supported programs to generate economic opportunity for disadvantaged women. In **Guatemala** the MIF project developed skills needed for knowledge-based jobs, by providing training in technology and socio-emotional skills. This project (GU-T1268) is expected to help increase the number of women employed in technology jobs and thus narrow

the gap between women and men in technology sectors. And in **Suriname** (project SU-M1021) the MIF will work with female indigenous and Maroon producers of pepper products in the interior of the country through training in cultivation, production and traceability standards, forging linkages with high value niche markets and organizing the supply chain.

In terms of mainstreaming, the IDB's approach to gender is to include it in projects where this is not the primary objective in order to help reduce gender gaps. For example, in 2016 the Bank approved the Program to Support the National Integrated Care System (UR-L1110) in **Uruguay**, which seeks to address a key barrier to women joining the labor market by providing 50 new childcare facilities and supporting gender equality through a parenting program to promote the engagement of fathers in childcare as well as increase their parental awareness and skills to raise their children in a gender-equitable way.

The IDB's mainstreaming approach for diversity is to improve the provision and quality of public services throughout the region. In

2016, this work advanced through technical cooperation operations. In **Panama**, the Reducing Poverty Gap: Improving the Quality of Services through Cultural Adaptation and Territorial Strategies Project (PN-T1147) aims to improve the quality of service provision in education, health, and regional social development for indigenous peoples through a territory-based approach. For African descendants, the IDBG is supporting the National Strategy for Public Policies for the Afro-Uruguayan and African Descendant Population 2017-2030 in **Uruguay** (UR-T1153). The aim of the strategy is to design a national plan led by the presidential budget office to improve opportunities for African descendants throughout all ministries of the government.

The IDBG also continued its knowledge work in 2016, including technical notes to support increased attention to gender and diversity issues across multiple sectors, analytical work to deepen knowledge in priority areas, and impact evaluations to assess gender-related impacts of IDB-financed lending operations as well as specific policies of countries in the region. For example, the IDB has joined with

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13. The project is a co-loan with the the OPEC Fund for International Development.

The project “Niñas Viviendo con Altura” has provided 600 young girls in El Alto, Bolivia with the opportunity to participate in sports to strengthen their leadership skills and self-esteem.

Gender, The Missing Link in Youth Development. Bolivia ([RG-T1646](#))





**BID**  
Banco Interamericano de Desarrollo

NINAS VIVIENDO CON ALTURA,  
DEPORTES PARA EL DESARROLLO  
**BID**

**Sav**  
Inter

# In 2016, more than 770,000 individuals benefitted from IDBG-supported projects to improve management and sustainable use of natural capital.

the World Economic Forum and Chile to establish a Gender Parity Task Force in **Chile**, bringing public and private sector stakeholders together to ensure more and better participation of women in the labor force, reduce the wage gap between men and women performing similar jobs, and boost the presence of women in leadership roles.<sup>14</sup> The IDB is in the process of preparing a new Gender Action Plan covering 2017-2019, with an eye toward fostering further progress in gender equality and building on lessons learned in the implementation of the recently completed Gender Action Plan covering 2014-2016.

In order to support the region's continued gains in gender equality and diversity, the IDBG must continue to expand mainstreaming in its lending operations and build evidence on promising interventions in areas where there are data gaps and where progress has been more modest.



## Climate Change and Environmental Sustainability

Latin American and Caribbean countries depend heavily on their rich natural resources to generate and sustain socioeconomic benefits. While the region constitutes just 15 percent of the world's land area, it hosts more than 40 percent of the planet's biodiversity (Bovarnick et al, 2010) and half of its remaining tropical forests. As these natural resources are increasingly threatened due to rapid demographic and economic growth, countries have established legally protected areas to conserve them, with the proportion of terrestrial and marine areas protected grow-

ing from five percent in 1990 to 13 percent in 2014 (United Nations, 2015). However, this has not been sufficient to halt, much less reverse, regional trends in biodiversity loss, deforestation, or land and marine degradation. For example, four to five million hectares of forest are cleared every year in Latin America and the Caribbean (IDB, 2017b) and the region has lost close to 75 percent of the genetic diversity of its agricultural crops in the past century (IDB, 2015a).

The region is also highly vulnerable to the harmful effects of climate change—from changes in temperatures and precipitation patterns to changes in the distribution and incidence of diseases and natural disasters. In the context of the Paris Agreement, nearly all Latin American and Caribbean countries have made specific, quantitative commitments to mitigate climate change by cutting greenhouse gas emissions and to

# 16 new cities joined the Emerging and Sustainable Cities Initiative in 2016 to receive technical assistance in support of sustainability.

adapt to climate change in order to reduce risks and vulnerability. In connection with these Nationally Determined Contributions (NDCs), greenhouse gas emissions per unit of GDP are expected to continue their current declining trend.

Despite these gains, the lack of technical capacity in the region's institutions, particularly in poorer countries, may slow the adoption and dissemination of management techniques and innovations to promote the sustainable use of natural capital. At the same time, existing policies, programs, and standards, including producer subsidies for water, fertilizer, land use, and fishing, may further exacerbate this

problem by incentivizing unsustainable practices. Coordinated efforts across ministries, institutions, and the private sector are important to ensure effective implementation of country commitments to both the SDGs and the Paris Agreement.<sup>15</sup>

Now that all countries in the region have endorsed the SDGs and nearly all adopted NDCs, it is a crucial time to support countries in ramping up their efforts to advance towards sustainable and climate-friendly development. In this spirit, the IDBG established a goal that 30 percent of financing would be climate-related by 2020. In moving toward this goal, the IDBG

made a number of advances in 2016, including increased efforts to scan the pipeline to identify projects with climate change potential early in the project lifecycle in order to facilitate the incorporation of climate adaptation and mitigation activities, where relevant.

The IDBG is supporting climate change mitigation through specific projects in areas ranging from renewable energy and energy efficiency to transport, waste and wastewater, and agriculture, forestry, and land use. More than 60 projects in 22 countries had results related to climate change and environmental sustainability in 2016. Click [here](#) to explore the data.

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14. This is the first of a series of parity initiatives in which the IDB and the World Economic Forum will join forces to create and uphold the consolidation of Gender Parity Groups in Latin America and the Caribbean. For a press release describing this initiative in greater detail, click [here](#).

15. Check out the [2016 Sustainability Report](#) for more information on the IDBG's efforts to support sustainability.

In the case of renewable energy, [100 percent of installed power generation supported by the IDBG in 2016 was for renewable energy.](#) This is also a key area of action for new approvals at both the IDB and IIC. In **Colombia**, the IIC supported the construction of one of the largest energy generation projects in the country. Once completed the Ituango Hydroelectric Project ([I1794-04](#)) will provide an addi-

tional installed capacity of 2,400 MW of renewable energy and represent 17 percent of total installed power capacity. It is also projected to prevent the release of 4.3 million tons of CO<sub>2</sub> equivalent annually into the atmosphere during its operation. Beyond providing a \$400 million loan for the project, the IIC has been mobilizing additional financing and gave technical assistance on commercial, technical, social

and environmental aspects. In **Ecuador**, the IDBG has played a significant role in diversifying the country's energy matrix, approving more than \$1.1 billion in financing since 2012 to move towards a clean and efficient electric system. In 2016, new operations were approved at both IDB and IIC—[EC-L1160](#) and [HIDROWARM, S.A \(EC3902A-01\)](#) respectively—to support the energy matrix transition as well as in-

Low carbon development projects supported by the IDBG in 2016 are expected to prevent the release of the equivalent of 4.5 million metric tons of CO<sub>2</sub> per year.

crease private sector participation in Ecuador's energy generation. In **The Bahamas**, the IIC financed an energy-efficiency project, the Caribbean Bottling Company Solar PV Project ([I1914-01](#)), that will provide the Caribbean Bottling Company's factory with cheaper, cleaner energy. The solar system will be one of the first and the largest solar photovoltaic installations in the country, which depends 100 percent on imported petroleum products to gen-

erate energy. Given the company's visibility as the owner and operator of the Coca-Cola franchise in The Bahamas, the project will have an outsized demonstration effect for other firms in the country to invest in solar photovoltaic systems to reduce emissions and improve competitiveness.

These and other investments in sustainable infrastructure and sustainable cities help support the reduction of emissions, with low

carbon development projects supported by the IDBG in 2016 expected to [prevent the release of the equivalent of 4.5 million metric tons of CO<sub>2</sub> into the atmosphere per year.](#) In recognition of the importance of sustainable infrastructure investments in meeting the Paris climate goals, the IDBG continues to engage with countries to bring the infrastructure and climate change agendas together. At the same time, the IDBG's [Emerging and Sus-](#)

[tainable Cities Initiative](#) continues to grow, with 16 new cities joining the program in 2016 to receive technical assistance in support of environmental and fiscal sustainability.

The IDBG is also supporting projects to improve sustainable use of the region's natural resources—including improving the management of terrestrial and marine areas (see Box 2.3), generating income opportunities for communities that depend on ecosystem services, managing coastal and marine resources, and supporting sustainable agriculture. For example, in 2016 there were more than 770,000 [beneficiaries of IDBG-supported projects to improve management and sustainable use of natural capital](#), including over 10,000 farmers in **Haiti** who received vouchers for technologies to improve yields sustainably through the Technology Transfer to Small Farmers Project ([HA-L1059](#)) and MiPesca ([HO-Q0003](#)), which was the first Blue Carbon project at the IDB, linking mangrove conservation, artisanal fishing, value chains, and climate mitigation for 3,100 indigenous fishermen in **Honduras**.

Through the MIF the IDB is also testing the first market mechanisms to channel private resources to land restoration and conservation activities on private lands in the region. Under the model, called a “Habitat Bank”, companies that cause environmental damage compensate by purchasing credits generated by the project ([CO-Q0014](#), [CO-T1436](#)).

The relationship of indigenous groups and African descendants to their natural environment is unique in many parts of the region, and serves as a potential source of sustainable development. This is why the IDBG has prioritized strategies for adaptation and mitigation in **Honduras**, where four new technical cooperation operations ([HO-G1242](#), [HO-G1243](#), [HO-G1245](#), and [HO-X1019](#)) were approved to support the capacity of indigenous peoples to protect their natural forests through community forest management and agroforestry; community-based climate change adaptation in indigenous territories that recognizes traditional knowledge; and watershed restoration and protection. It is anticipated

that these projects will provide additional support to the Sustainable Forest Management loan ([HO-L1179](#)) also approved in 2016 by providing examples of community-based forestry management.

In addition to work at the project level in 2016, the IDBG launched [NDC Invest](#), a one-stop shop to help countries meet their climate plan goals and deliver flexible support to address the unique needs of each country. The shop includes a variety of elements to support countries—from helping them analyze policies and carry out project preparation studies to accessing concessional resources and developing mobilization strategies. Leveraging public and private sector expertise, the IDBG must continue to help countries address their unique barriers to successful implementation of their climate change and sustainable development commitments, both through climate finance and technical assistance, while adapting to the evolving and uncertain global landscape.

## *Box 2.3*

# REDUCING VULNERABILITY TO CLIMATE CHANGE IN RURAL COMMUNITIES IN NICARAGUA

Nicaragua is rich in natural resources, but it is also highly vulnerable to hurricanes, earthquakes, volcanic eruptions, and the effects of climate change. As roughly 15 percent of the country's GDP is generated through agriculture, livestock, forestry, and fishing (Banco Central de Nicaragua, 2016), these natural phenomena cause significant economic losses and can exacerbate food insecurity for the nation's poor. At the same time, the conversion of forest lands to agricultural or livestock use further increases the risk of on-farm landslides and erosion problems. With more than 50 percent of rural incomes generated through rainfed agriculture, climate change poses major challenges for the country's farmers in terms of reductions in production

and yields and declining land values (USAID, 2017).

To address these challenges for small-scale farmers, the Environmental Program for Disaster Risk and Climate Change Management (PAGRICC) (NI-L1048) was carried out between 2011 and 2016. The program aimed to reduce the vulnerability of rural communities in Nicaragua to phenomena associated with climate change by implementing risk management actions based on the management and conservation of natural resources in watersheds prioritized for their vulnerability. The area of influence included seven municipalities (Sébacho, San Isidro, Ciudad Dario, La Trinidad, La Concordia, San Rafael del Norte, and Jinotega) in two basins (Rio Viejo and Lago de Apanás).

The program supported these communities by financing vouchers and technical assistance to farmers, infrastructure works for disaster loss reduction, and capacity-building in disaster risk management, climate change adaptation, and environmentally friendly practices.

By the time it ended in 2016, the program had strengthened the resilience of small producers with less than 35 hectares to adapt their productive practices to climate change by promoting soil management, erosion control, and reduction of landslides. Nearly 5,000 farmers received training in environmental restoration system management and took advantage of financial incentives to adopt these environmentally friendly practices. As a result, there was im-



proved tree coverage over 22,000 hectares of land and improved soil conservation management over 560 hectares.

The program also protected 50,000 people in 140 vulnerable sites through the construction of 51 flood mitigation works to reduce disaster damage to basic infrastructure.

At the same time, the capacity of 42 municipal and local disaster prevention, mitigation, and response committees was strengthened

through training on risk management and adaptation to climate change and the preparation of technical studies and municipal risk management plans.

The PAGRICC was cofinanced by a US\$10 million IDB loan, a US\$4.1 million grant from the Swiss Agency for Development and Cooperation, and a three million euro grant from the Nordic Development Fund. The program was carried out by the Ministry of Natural Resources and Environment of Nicaragua.

Check out the [project website](#) for more information on this project and visit the [IDB's development effectiveness page](#) for other project stories.

Black forest in Matagalpa, Nicaragua.





Serra do Mar and Atlantic  
Forest Mosaics System  
Socioenvironmental Recovery  
Brazil ([BR-L1241](#))



## Institutional Capacity and the Rule of Law

Many countries in Latin America and the Caribbean have substantially strengthened their institutions in recent decades. Progress in this area has been supported by a wide range of reforms to strengthen tax administration and collection, shift control over public expenditure to lower and potentially more accountable levels of government, promote transparency and access to information, and foster performance-based management based on citizen-centric metrics.

While it is challenging to quantify the impact of such reforms, the Worldwide Governance Indicators offer a relative perspective by ranking countries on such aspects

as government effectiveness and rule of law based on a number of variables.<sup>16</sup> While the region's performance on both indices had been trending upward since 2007, performance on government effectiveness has fallen over the past two years when compared to other countries. On average, countries in the region ranked in the 45<sup>th</sup> percentile on government effectiveness and 40<sup>th</sup> percentile on rule of law in 2015, illustrating that important challenges persist (Kaufmann and Kraay, 2016).

Spending on public goods is either significantly lower and/or less efficient and effective than it could be; resource mobilization rests on inequitable and inefficient instruments and is, itself, insufficient to fund the requirements of twenty-first century societies; trust in government is as low as it has ever been; high crime rates and drug-related violence plague several countries; and productivity and innovation continue to fall behind benchmark countries.

Many of these challenges stem from deficient institutional arrangements that have been slow to reform. These needs are all the more pressing in a fiscal environment that has dramatically tightened, in a political environment in which social tolerance for ineffective governments has diminished, and in a world where rapid technological change is posing ever greater challenges to the competitiveness of lagging countries.

The IDBG supports governments to help them improve the delivery of public services, facilitate a healthy economy and business environment, and strengthen the capacity to tackle corruption, fraud, and other practices that undermine growth and good business. Nearly 30 projects in 11 countries had results related to institutional capacity and the rule of law in 2016. Click [here](#) to explore the data.

In 2016, the IDBG supported [84 government agencies with projects that strengthen technological and](#)

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16. The Worldwide Governance Indicators project measures six dimensions of governance. The aggregate indicators are based on several hundred individual underlying variables, taken from 31 underlying data sources reporting on the perceptions of governance provided by enterprise, citizen and expert survey respondents worldwide. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The Government Effectiveness dimensions captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The Rule of Law dimension captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

# In 2016, the IDBG supported 84 government agencies with projects that strengthen technological and managerial tools to improve public service delivery.

[managerial tools to improve public service delivery](#). Strengthening fiscal institutions is a particularly important challenge amid the current tighter fiscal context. In this vein, the Improvement Program for Municipal Management ([BO-L1063](#)) in **Bolivia** provided 18 municipalities with technical assistance to improve the efficiency, reliability, and transparency of public resource management.

The IDBG is also supporting borrowing member countries in addressing the challenges surrounding the overall organization of the public sector, including the slow pace at which the region is introducing principles of managing for results and improving transparency. For example, the Integrity and Transparency Agenda Support Program ([CH-L1110](#)) in **Chile** is supporting the country's integrity and transparency agenda, which calls for a series of policy measures to improve integrity

and transparency in the operation of the public and private sectors and promote similar conduct among the citizenry.

The IDBG is also helping countries address cross-sectoral coordination problems that impede effective delivery of results for citizens. In **Argentina**, the IDBG is bringing public and private sector actors together through the RenovAr program to catalyze private investment in sustainable energy, providing technical assistance and capacity-building on leading practices for wind farms, and supporting the government in preparing a bankable contractual framework (Power Purchase Agreement).

The IDBG is also providing support to countries to foster citizen security, a major challenge considering the region is the most violent in the world, with a homicide rate four times the global average (Jaitman, 2017). For example,

the Violence Prevention Strategy Comprehensive Support Program in **El Salvador** ([ES-L1025](#)) is contributing to youth crime prevention both at the national level and in targeted municipalities. In 2016, 136 [subnational governments benefited from citizen security projects](#) that are contributing to an improved climate not only for individual safety, but also for private sector investment.

Despite these efforts, citizen confidence in government remains low. Almost three-quarters of the population in Latin America views their society as unjust and more than two-thirds believe their governments protect powerful interests (Casas-Zamora & Carter, 2017). It is a critical time in the region because many electoral years are coming up and a context of low credibility of institutions could ultimately lead to deeper institutional weaknesses and less development in the long term.

The IDBG must bolster its support to its borrowing member countries to develop institutional programs aimed at restoring confidence in the public sector and attending to citizen demands regarding the quality of public goods and services.

## Final Thoughts

Addressing the region's development challenges requires adapting to the current economic and political circumstances. Under the umbrella of the UIS and in alignment with key objectives from the 2030 Sustainable Development Agenda and other global commitments, such as the Billions to Trillions Agenda and mandates from the G20 and the G7<sup>17</sup>, continued efforts in a number of areas will be important to the region's advances in the priority areas of the UIS.

### **Supporting sustainable solutions to the region's social needs:**

Given the recent uptick in poverty, continued social exclusion, and the current fiscal situation, IDBG support for sustainable solutions to the region's social needs remains critical. The recent increase in poverty in the region is an important wake-up call that the gains of recent years are not locked in and the region's middle class re-

mains vulnerable. In light of tightening fiscal space, it is important that the IDBG continue to support the region not only through social programs themselves, but by supporting the development of long-term solutions to addressing social needs. At the same time, it is essential to give continued attention to the ongoing social exclusion experienced by indigenous and Afro-descendant populations, as well as to gaps between males and females in many dimensions.

### **Mobilizing resources to address the region's sustainable infrastructure needs:**

In recognition of the region's infrastructure gaps and tight fiscal environment, mobilization of additional public and private resources is essential to address the region's sustainable infrastructure needs. Within the broader context of the 2030 Sustainable Development Agenda, putting in place sustainable, inclusive, and high-quality infrastructure is critical to boost economic growth, achieve the SDGs, and deliver on the ambitious commitments of the Paris Agreement. In line with its commitments under the Billions to Trillions Agenda, the IDBG is looking to devote a substantial part of its annual financing

resources to supporting sustainable infrastructure investments. During the Second Global Infrastructure Forum, co-organized by the IDB and the European Investment Bank in 2017, the IDBG committed to dedicating 30 to 50 percent of annual lending to energy, transport, water and sanitation, and information and communication technology infrastructure over the next three years, with an additional five to 10 percent in social infrastructure for health and education. To do so, the IDBG must continue working with its borrowing member countries and clients to create an enabling environment and develop institutional capacity to address infrastructure needs—from planning and executing projects effectively to collaborating with the private sector to address infrastructure gaps. As more than two-thirds of infrastructure investment in the region was publicly funded between 2008 and 2015 (ECLAC, IDB, and CAF, 2017), the region's weak fiscal outlook increases the value of mobilizing additional private investment to address infrastructure gaps. In order to increase the volume of resources to finance and close these gaps, instruments and strategies

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17. The [G20](#) and [G7](#) are global fora that provide guidance for a range of topics related to global economic issues and governance. The IDBG, along with other MDBs, is engaged with these bodies in different workstreams (e.g., infrastructure, development and international financial architecture).

need to be developed to catalyze public and private sector resources to complement lending. The IDBG's convening power and its reputation as a long-term trusted partner with technical knowledge can help bring the public and private sectors together to engage in joint ventures, such as public-private partnerships, long-term concessions, and other modalities to share risks and broaden investment horizons.

**Improving the scale and efficiency of the regional market:** The potential backlash against globalization can provide an opportunity for the IDBG to bolster efforts to improve the scale and efficiency of the regional market. The current challenging economic and political juncture raises the strategic value of regional integration work aimed at boosting the scale and efficiency of the regional market and improving the export, productivity, and growth prospects of the region's economies. The IDBG's technical support to effective initiatives such as the Pacific Alliance, the convergence between the latter and the Southern Cone Common Market (MERCOSUR), and the deepening of the Central American Common Market and CARICOM are all important to building a unified market worth about US\$5 trillion or approximately seven percent of global GDP. In addition, IDBG's

approach to sustainable, inclusive infrastructure also includes an integration dimension, as shown by its support to cross-border initiatives to pool energy resources in the Andean countries (the Andean Electrical Interconnection System project, SINEA) or the Central American Isthmus (through the Central American Electrical Interconnection System, SIEPAC).

**Employing a multi-disciplinary approach:** A multi-disciplinary approach remains crucial to support sustainable gains in meeting the region's range of development needs. The region's development needs are complex and require collaborative solutions, not only across the public and private sectors but also across diverse technical disciplines. For instance, the IDBG can continue to build on successful experiences in mainstreaming gender and diversity issues to expand this support to additional areas where progress continues to lag. At the same time, the region's renewed commitment to sustainability and to addressing climate change leaves space for continued IDBG support, both through climate finance and technical assistance, to mainstream these considerations in operations and help countries address their unique barriers to fulfilling these commitments. Finally, in light of declining confidence in the public sector, the IDBG must continue to

support countries in strengthening their institutions and attending to citizen demands regarding the quality of public goods and services and the rule of law. The IDBG needs to deploy not only its lending vehicles, but also a revamped dialogue with member countries to guarantee that these three cross-cutting issues are addressed effectively and with a multi-disciplinary approach.

Several new initiatives and new approvals in 2016 are already addressing these areas of need (see Table A.5 in Annex A) and they will continue to be addressed through IDBG lending and technical assistance in the coming years. As the IDBG continues to respond to the region's evolving challenges, it is important to focus not only on the type of support the IDBG delivers to the region, but also on how this support is delivered. The next chapter explores in greater detail how the IDBG leverages its comparative advantages to carry out its work. It also examines areas that may require greater attention in the near future. Ensuring successful execution of projects in the portfolio is one such area that will have a significant impact on the achievement of expected results.

Provincial Agricultural Services, Argentina.

(AR-L1030)







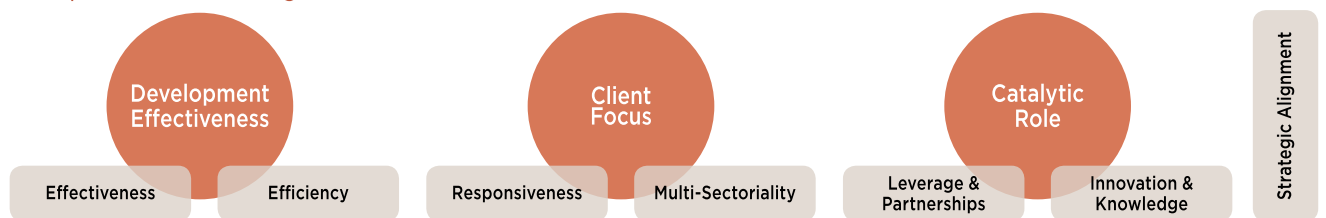
## Chapter 3.

# LEVERAGING THE IDB GROUP'S COMPARATIVE ADVANTAGES IN THE REGION

In facing the challenges that lie ahead for the region, the IDB Group needs to monitor its institutional performance to ensure it continues to be well-positioned to address its member countries' current and future needs. To do so, the Update to the Institutional Strategy identifies three comparative advantages that reflect the key ways the IDB provides added value to its stakeholders: the IDB's development effectiveness approach, client focus, and ability to play a catalytic role to have an impact beyond the direct financing provided (see Figure 3.1).

Figure 3.1 The IDB Group's Comparative Advantages and Operational Guiding Principles

### Comparative Advantages



### Operational Guiding Principles

These comparative advantages have a number of associated guiding principles (also shown in Figure 3.1) that are key to the IDB's ability to support the region's development. The implementation of these principles is measured through the IDB Performance level of the CRF with an aim to answer a variety of questions about how the IDB does its work, including the following: *Are the projects in the portfolio advancing as expected? Is the IDB responding to client and partner needs? Are projects prepared within the expected timeframe? and Did completed projects achieve their intended results?* By answering these

and other questions, the IDBG takes the pulse of the organization with the aim of driving towards continued improvements in the service provided to its partners.

With this in mind, the objective of this chapter is twofold. First, it reports on corporate performance in 2016 as measured by the CRF's IDBG Performance indicators. Where applicable, a traffic light assessment is used to indicate current performance with respect to 2019 targets, although in many cases it is still too early to identify trends.<sup>18</sup> Second, based on the results of these assessments, it identifies opportunities to continue to leverage the IDBG's comparative advantages in order to improve how the IDBG operates and to foster development in the region.

## Promoting Effective Development

Striving for effective development requires a rigorous analysis

at all stages of the project lifecycle—from design to implementation to completion. As such, the IDB and IIC each has a set of tools and processes aimed at enhancing the quality and impact of operations and monitoring as well as evaluating their performance and results (see Box 3.1).<sup>19</sup> The IDB's Development Effectiveness Framework (DEF) was approved in 2008 and, as highlighted in the [2015 DEO](#), has been continuously improved. With the launch of the new IIC, a new IIC DEF was established to enable the institution to focus on development effectiveness in each stage of the IIC's project cycle—from origination and eligibility to structuring and approval, supervision, and evaluation (see Box 3.2 and Box 3.3).

Both the IDB and IIC monitor the percentage of active operations with satisfactory performance classification—through the Progress Monitoring Report (PMR) and IIC supervision tools, respectively—

to determine the extent to which projects are achieving what was anticipated in the expected timeframe for execution.

At the IDB, the percentage of [active loan operations with a satisfactory performance classification](#) was 76 percent in 2016, which is the highest percentage since the revised methodology for project performance classification was launched in 2013, leaving this indicator on track with respect to the 2019 target of 75 percent. Among the factors impeding satisfactory performance for the remaining 24 percent of operations are those related to the project management capacity of the executing agency, including the lack of adequate personnel with the technical capacity to execute the project. In addition, delays in project execution occurred due to such factors as lengthy procurement and acquisitions procedures, changes in leadership and project

Continued on page 74

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18. For more information on the methodology used to classify indicators as on track, on watch, or off track, please visit the [traffic light methodology page](#) of the CRF website. Because of the nature of the indicators and recent changes at the IDBG, some targets apply only to the IDB or only to the IIC, whereas others cover the entire IDBG. Some indicators do not have targets—either because they have not yet been defined or because a strategic decision was made not to drive towards a specific target but rather to simply monitor progress. The information in this chapter can be complemented by information on the auxiliary indicators available on the [CRF website](#).

19. Given the lack of comparability in methodologies for measuring the success of many IDBG Performance indicators, progress at the MIF is not reviewed in this chapter. More information on the MIF's performance indicators can be found in the [2016 MIF Development Effectiveness Report](#).

## Box 3.1

# IDB GROUP DEVELOPMENT EFFECTIVENESS TOOLS

The respective Development Effectiveness Frameworks (DEF) of the IDB and IIC include a set of tools for operations that promote development effectiveness at entry, during execution, and after completion/maturity at the operational level (see Table 3.1.1).

**Table 3.1.1 IDB and IIC Development Effectiveness Framework Tools**

	Inter-American Development Bank	Inter-American Investment Corporation
At Origination/ At Entry	<p>The <b>Development Effectiveness Matrix (DEM)</b> is used to rate all loans to ensure they adequately diagnose the relevant development challenges, incorporate evidence-based solutions, safeguard resources by including an ex-ante economic analysis, and allow for proper measurement of results throughout the life of the project.</p>	<p>The <b>Strategic Selectivity toolkit</b> provides guidance as to which sector priorities within the country context can maximize the potential development impact, taking into account both the IIC's comparative advantages and country-specific needs.</p> <p>The <b>Development Effectiveness Learning, Tracking and Assessment (DELTA)</b> tool is used to score all IIC investments in terms of their development impact and level of IIC additionality (project score). It also ensures the investment's alignment with the strategic priorities of the IDBG and IIC (alignment assessment). Finally, the DELTA assesses the quality of the design at entry for the proper measurement of results throughout the life of the investment.</p> <p>The <b>Financial Contribution Rating</b> is also used to select investments at entry. This tool was introduced on April 1, 2017 to assess the expected returns for the IIC and ensure its financial sustainability.</p>
During Execution	<p>The <b>Progress Monitoring Report</b> captures results generated during project execution on a semi-annual basis as well as project costs over time.</p>	<p>The <b>DELTA in supervision</b> tracks the achievement of project results during execution on an annual basis. It measures progress against targets, identifies opportunities to take corrective action as needed, and provides information about project performance.</p>
After Completion / at Maturity	<p>The <b>Project Completion Report</b> is used to evaluate completed loans in terms of the extent to which the project was effective in achieving results that are efficient, relevant to local needs, and sustainable.</p>	<p>The <b>Expanded Supervision Report</b> is used to evaluate projects once they reach operating maturity. It assesses the extent to which the project was effective and efficient in achieving results that are relevant to local needs and sustainable. The report for projects approved after 2016 will include a DELTA at maturity.</p>

*Box 3.2*

# THE IIC PIONEERS THE NEW DEVELOPMENT EFFECTIVENESS FRAMEWORK

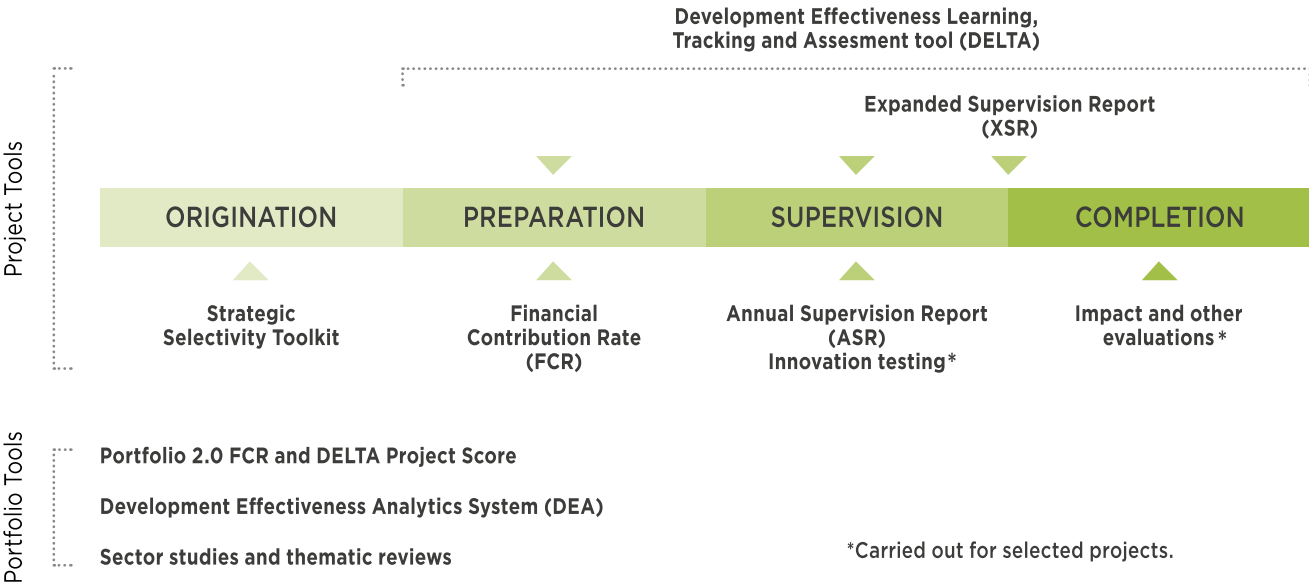


Since the beginning of its operations in 2016, the new Inter-American Investment Corporation (IIC) has introduced a new Development Effectiveness Framework (DEF) that supports the IIC's dual objective of achieving the highest development impact while maintaining long-term financial sustainability. Achieving a development impact requires both

the selection of investments that are likely to yield results in priority areas and the effective design and execution of such investments. For this purpose, the DEF includes a strategic selectivity toolkit, tools to support the design and monitoring of operations, systems to assess the evolution of the portfolio, and a range of evaluation approaches

to ensure continuous learning from operational activities. In this way, the DEF not only responds to the need to transparently report to the IIC's stakeholders, but also to generate value added through learning and knowledge generation and dissemination.

**Figure 3.2.1 Tools in the IIC's Development Effectiveness Framework**



During the origination stage, the strategic selectivity toolkit guides deal selection based on sector and country development priorities and the IIC's comparative advantages in supporting private-sector-based solutions (see Figure 3.2.1). Thus, the strategic selectivity toolkit steers the origination process towards the optimization of development impact and the fulfillment of the IIC's and IDBG's institutional priorities.

The Development Effectiveness Learning, Tracking, and Assessment (DELTA) tool is the backbone of the IIC's development effectiveness framework. The DELTA tool includes three dimensions of analysis: (i) Alignment to Country and Corporate Priorities; (ii) Project Score, and (iii) Evaluability Score. The DELTA is used both as a scoring system and as a checklist, both of which are refined during project

preparation until a final score is given when the project is ready for final approval.

- The *Alignment to Country and Corporate Priorities* section assesses how well the project aligns with the priorities of the IDBG's Update to the Institutional Strategy and the IIC's business plan, as well as with the development goals identified in the country strategies.

Once aggregated, this assessment allows for tracking alignment trends at the portfolio level. Alignment is scored as a binary “Yes”/“No.”

- The Project Score ensures that the IIC invests according to its mandate to maximize economic and social returns. For this purpose, economic and social returns are estimated for every investment.<sup>1</sup> To complement the economic and financial analysis, the DELTA also assesses the magnitude and quality of the project’s direct benefits. The quality of reach of the operation is related to the promotion of development results that are aligned to IDBG mandates such as benefitting poor, vulnerable or excluded populations, strengthening women’s economic opportunities, tackling climate change, providing financing to SMEs, and improving products and services to better address beneficiaries’ needs. In addition, the tool identifies the extent to which the investment produces systemic effects beyond its end beneficiaries ensuring long-term, sustainable results at a higher level. This includes specific activities such as improving or expanding market linkages, fostering innovation, spreading knowledge and good practices, promot-

ing project scaling or replication, and improving country or sector frameworks. Another key component of the project score is the assessment of the IIC’s financial and nonfinancial additionality. The DELTA project score ranges from zero to 10, and a minimum of five is needed for an investment to be approved.

- The Evaluability Score assesses ex-ante the overall quality and design of the investment. It also assesses whether the project is designed in a way that allows development impacts to be assessed and verified. The evaluability score ranges between zero and 10.

The DELTA tool is also used to track progress and assess the actual achievements of the investments. During supervision, the main indicators are monitored and reported for all active investments in the portfolio on an annual basis in the Annual Supervision Report (ASR). At this stage, the focus is on whether the expected results are delivered as planned. This ensures the identification of off-track investments and the allocation of resources to support them accordingly. Upon project completion (maturity), the project score is computed and compared with the score at entry to provide a synthetic view on whether the original

expectations in terms of development impact and additionality have been fulfilled.

**The Financial Contribution Rating (FCR)** assesses the expected contribution of the project to the IIC’s long-term financial sustainability. Combined with the DELTA project scores, the FCR constitutes the new IIC’s portfolio approach, also known as Portfolio 2.0. This approach not only enables IIC management to analyze the characteristics of each transaction in the context of the existing portfolio, but also to elevate the assessment of the IIC’s achievement of its dual impact-sustainability mandate from transaction-by-transaction analysis to the portfolio level.

**The Expanded Supervision Report (XSR)** is a standardized project report that assesses the overall project outcome with respect to its relevance, effectiveness, efficiency, and sustainability. In addition, the XSR assesses other criteria: IIC’s additionality, work quality, and the profitability of the investment.

**Impact evaluations, sector studies, and thematic reviews** are the key knowledge components of the new IIC’s DEF. Impact evaluations are the most powerful tool to estimate the causal effect of a project or investment. Unlike traditional performance monitoring or other types of evaluations, impact evaluations allow for

addressing attribution by estimating the counterfactual of what would have happened in the absence of an investment. To properly deploy this instrument, the IIC has developed and is currently implementing an impact evaluation strategy. In this context, impact evaluations are used to support clients and business partners in the test-

ing of innovation in private sector solutions that simultaneously yield good private returns and important economic and social benefits.<sup>11</sup>

**The Development Effectiveness Analytics (DEA)** system—which is under development—systematizes all the development effectiveness data collected along the project cycle and aims to produce relevant

insights and data analytics for the benefit of various IIC stakeholders. Once fully operational, the DEA will support management in its effort to continuously improve the IIC's effectiveness as well as produce valuable insights for IIC clients and partners on the development benefits of their investment both in absolute terms and relative to the IIC's portfolio.



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- I. Following best practices established by the Evaluation Cooperation Group, if the real economic rate of return of the investment cannot be calculated, an assessment of the economic relevance of the investment is performed.
  - II. See Chapter 4 for more detail on the IIC's Impact Evaluation Strategy and for examples of testing of innovative approaches.

### *Box 3.3*

# RESULTS FROM THE IMPLEMENTATION OF THE DELTA

Early results of the implementation of the DELTA in project preparation are highly positive, as the tool has proved effective in guiding project design and preparation and in serving as a management tool for project selection. Despite the small sample of projects, a preliminary assessment of the DELTA implementation was performed for the 40 operations approved using DELTA in 2016. The results presented assess the 2016 DELTA scores at approval.<sup>1</sup>

With regards to guidance through the project preparation cycle, the median DELTA score increased as the project moved forward along the different stages of the approval process and as data became available to complete a detailed analysis

and improve project design. Scores evolved from an initial median score of 6.1 at the early screening of the project (eligibility stage) to a median score of 7.6 at approval. The same trend is observed in the evolution of evaluability scores along the project's approval cycle. High evaluability scores are indicative of higher quality in the design of the project, increasing the potential to achieve greater development outcome. These will be verified during project implementation.

Disaggregating by sector, projects in the infrastructure sector reached a median score of 8.9 at approval followed by financial institutions with a median score of 7.5 and corporate projects with a median score of 7.1.

As mentioned in Box 3.2, the DELTA project score for each project reflects two different aspects: the expected project's contribution to development outcome and the additionality or unique value added that IIC brings to the client/project. A breakdown of project scores by development outcome and additionality reveals interesting insights. Although based on a small sample, this analysis of the DELTA sub-score provides a preview of the data analytics that can be done using development effectiveness data. Further analysis will be conducted as the number of approved projects increases and results from the supervision stage become available.

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I. In 2016 the DELTA was applied to 40 operations approved covering 72.6% of IIC's approvals. The DELTA was not applied to operations under the Trade Finance Facilitation Program (TFFP), which represented 26.1% of the approved amount, and four legacy operations representing 1.3% of the approved amount. A DELTA tool for the TFFP program has been developed and is being applied to the program since January 2017.



Of the 40 projects approved in 2016, those in the Infrastructure and Energy sectors tended to achieve high development outcome and high additionality scores—with median scores of 9.4 and 9.0 respectively. The high development outcome score is associated with the ability of these types of projects to target a large number of beneficiaries while meeting basic needs such as improving access or mobility, or promoting sustainable energy sectors. IIC's high additionality in those sectors is achieved through a combination of financial and non-

financial additionality based on the capacity to offer competitive terms, mobilize additional funds and the expertise to enhance the capabilities of the client and other stakeholders of the project in different dimensions. Regarding corporate projects, the median score for development outcome was 8.4 and additionality had a median value of 6.0. The high development outcome score was typically achieved through a clear targeting of end beneficiaries.

IIC support to projects through financial institutions reached a me-

median score for development outcome of 7.2 and was marked by a high additionality (median value of 8.2), underpinned by a combination of the provision of better terms and conditions and support in the form of technical assistance.

The DELTA also provides information on the strategic alignment of financing to IDBG priorities. For example, 60% of the lending approval volume in 2016 targeted climate change and environmental sustainability and 23% targeted social inclusion and equality.

**Photo on page 66:**

Absenteeism in Jamaica's  
Primary Schools. Jamaica  
([JA-T1009](#))

**On this page:**

Rural Electrification Program.  
Chile ([CH0174](#))



staffing, and budgetary restrictions. As such, continued attention to executing agency capacity and other factors that impact satisfactory project execution will be important if the IDB is to remain on track to meet the 2019 target for satisfactory performance of active sovereign guaranteed loan operations. To this end, the Bank is actively working on strengthening risk management procedures for investment operations to improve both the identification of risks during project design and risk management during project execution to maximize the likelihood of timely and successful achievement of development objectives.

In addition to monitoring loan operations, a new Technical Cooperation Monitoring and Reporting System was introduced in 2016 to systematically monitor the IDB's grant operations. Project teams now use the system to report on the progress made towards achieving the expected results as well as key factors affecting performance and actions to improve results and performance, where needed. In 2016, 67 percent of technical co-

operation operations with results planned for the year were performing satisfactorily, meaning they had achieved 75 percent or more of their planned outputs. Having a single system that consolidates planning, monitoring, and reporting for TC operations has the added benefits of simplifying donor reporting and facilitating the consideration of lessons learned when designing new operations.

The new IIC inherited a portfolio of legacy operations for which the monitoring of development results was not performed with a standardized methodology or system as each of the previous private sector windows had different monitoring systems. For this reason, during 2016 the work in this area focused on the identification and assessment of the pre-existing methodologies, an in-depth review of the data quality, and definition of minimum information needed for the consolidation into a unique monitoring system based on the Development Effectiveness Learning Tracking and Assessment (DELTA) tool. Because this consolidation process will be completed by the end of 2017, the new DELTA-

based monitoring system will allow the IIC to consistently report on the performance status of both legacy projects and the new IIC portfolio as of the beginning of 2018.<sup>20</sup>

A second key aspect of assessing development effectiveness is reviewing the extent to which projects achieved their intended development objectives. At the IDB, the percentage of operations with satisfactory development results at completion as measured through the PCR was 88 percent in 2016, leaving this indicator on track to meet the 2019 target of 80 percent. See Chapter 4 for further details on the 32 operations with PCRs approved in 2016.

In the private sector, the percentage of operations with satisfactory development results at completion as measured through the Expanded Supervision Report (XSR) was 66 percent in 2016, leaving this indicator on watch to meet the 2019 target of 80 percent. This portfolio is comprised of deals approved before the launching of the new IIC.

In addition to achieving desired development results, effective

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20. Given this transition, data for the IIC for the indicator active operations with satisfactory performance classification is not available for 2016.

development also requires implementing appropriate safeguards to mitigate risks to avoid unintended and undesirable environmental or social consequences as a result of the project. In 2016, 82 percent of IDB operations with high environmental and social risks were rated satisfactory in the implementation of mitigation measures, leaving the IDB off track to meet its 2019 target of 90 percent.<sup>21</sup> While there are natural fluctuations in this indicator due to the evolution of the portfolio, the IDB also implemented new measures in 2016 to strive toward the goal of 90 percent, including increased support to projects in supervision, and enhanced quality and risk management systems for confirming, tracking, and responding to safeguard performance.

At the IIC, 91 percent of operations with high environmental and social risks were rated satisfactory in the implementation of mitigation measures in 2016, making this indicator on track for the IIC.

In its first year, the IIC has worked to establish strong environmental and social review procedures that include a robust ex-ante risk analysis as well as rigorous supervision guidelines and processes, emphasizing more complex infrastructure projects.

### **Using the IDB Group's Resources Efficiently to Meet Its Development Mandate**

In order to maximize the value that the IDBG provides to its stakeholders, another core IDBG principle is efficiency—that is, the extent to which the IDBG can deliver on its development effectiveness mandate while minimizing costs and ensuring agility in its internal processes.

Both efficiency indicators—the cost-to-income and cost-to-development-related-assets ratios—remain on track at the IDB to meet the target range established for 2019 of less than 40% and less than 0.8%, respectively. The cost-to-in-

come ratio reflects administrative expenses as a percentage of total revenue.<sup>22</sup> This ratio reached 33.1 percent in 2016. The cost-to-development-related-assets ratio, on the other hand, is more focused on the IDB's development work, as it reflects administrative expenses as a percentage of assets used to fund development projects. This ratio reached 0.79 percent in 2016.

In the case of the IIC, the cost-to-income ratio was 53.9 percent and the cost-to-development-related assets ratio was 1.2 percent in 2016. The IIC is closely monitoring both ratios, but targets have not yet been established, as these ratios are expected to evolve significantly in the coming transition years as the IIC's portfolio grows.<sup>23</sup>

The evolution of these efficiency metrics over time can offer insight into how the IDBG's costs compare to income and the outstanding portfolio. However, efficiency is challenging to quantify. The IDBG's focus on efficiency goes beyond

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21. The indicator was determined to be off track based on the [traffic light methodology](#) due to the decrease in its value from the baseline value of 88% in 2014, as shown in Annex A.

22. As part of the reforms implemented under the umbrella of IDB-9, IDB Governors adopted an Income Management Model providing the Board of Executive Directors with a comprehensive view of the parameters involved in making financial decisions based on a 10-year Long-Term Financial Projection (LTFP). One of the key input assumptions of the LTFP relates to loan charges, which should be sufficient to provide for capital accumulation and cover at least 90% of Ordinary Capital administrative expenses. For additional details, please refer to Annex 2 of the [Report on the Ninth General Increase in the Resources of the Inter-American Development Bank](#).

these metrics to ingrain in its day-to-day work a framework that helps promote efficiency both in how resources are used and how they are allocated to serve the IDBG's strategic priorities (see Box 3.4).

## Client Focus: Tailoring Solutions to Partners' Unique Needs

An important part of being an effective development partner is responding to the unique needs of each borrowing member country and client with tailored development solutions. The IDBG focuses on being responsive to the region's needs in all areas of its business—from country strategy development and programming to project preparation and execution. The CRF measures this client focus in terms of success in supporting countries throughout the entire region, striving to provide services within a reasonable time-

frame, maintaining an open communication channel to collect and act on their feedback on an ongoing basis, and delivering multi-sectoral solutions that respond to the interconnectedness of the region's development challenges.

With respect to supporting the diverse needs of countries in the region, both the IDB and IIC have targets for the percentage of lending that goes to small and vulnerable countries.<sup>24</sup> In 2016, 37 percent of the lending approval volume in each institution covered this group of countries, leaving both institutions on track to achieve their respective targets of 35 percent (IDB) and 40 percent (IIC).

With respect to heeding partner feedback, the IDBG uses the External Feedback System (EFS)—a system of surveys to capture the perceptions of government, civil society, and private sector part-

ners regarding the IDBG—to assess how well client needs are met in a number of areas. For example, the EFS captures to what extent partners consider the IDBG's development solutions to be tailored to their specific country's development needs as well as their satisfaction with the IDB's use of multi-sectoral approaches. In 2016, 79 percent and 89 percent of partners reported being either "satisfied" or "very satisfied" with the IDBG in each of these respects, leaving both indicators on track.

In spite of this positive assessment, partners express a desire for faster access to financing as well as additional non-sovereign guaranteed and results-based instruments. Some of the IDBG's actions to address these concerns are explored throughout this chapter. In addition, partners indicate there is room for

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23. With the agreement to establish the new IIC, the Board of Governors also approved a capitalization scheme that includes capital transfers from the IDB to the IIC as well as a seven-year cross-booking (cofinancing) arrangement in which a larger percentage of the relatively more capital-intensive transactions are booked at the institution with the greatest amount of capital (i.e., the IDB in the initial years). For the purpose of the cross-booking, both institutions enter into a yearly service level agreement in which the IDB retains the income from its NSG portfolio and remunerates the IIC for the cost of managing its loans. For the IIC's cost-to-development-related assets, the denominator includes the IDB NSG portfolio since the Corporation's administrative expenses include costs associated with the origination of new operations for the IDB, and the management of its existing portfolio.
24. Small and vulnerable countries are those with smaller and less developed economies and populations, including the following 19 IDBG borrowing member countries: Bahamas, Barbados, Belize, Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Suriname, Trinidad and Tobago, and Uruguay.

# MAKING EFFICIENT USE OF RESOURCES

Striving to ensure development effectiveness goes hand-in-hand with a commitment to maximize efficiency in order to make the best use of limited resources. To that end, the IDBG focused in 2016 on improving how financial resources are mobilized as well as how budgetary and human resources are aligned in support of the IDBG's strategic priorities.

From a financial perspective, the IDBG implemented all five measures that constitute the G20 Action Plan to Optimize Balance Sheets, an initiative endorsed by the G20 Ministers of Finance as a strategy for multilateral development banks to increase lending in support of the 2030 Sustainable

Development Agenda without substantially increasing risks or damaging their credit ratings. These commitments relate to capital efficiency, exposure exchange agreements, concessional windows,<sup>I</sup> non-sovereign guaranteed operations, and net income. These measures allow the IDBG to maintain an efficient level of capital adequacy that is consistent with its AAA credit rating, as well as absorb the effect of a challenging credit cycle for its borrowers.

From a budgetary and human resources perspective, the IDB introduced improvements in 2016 to the business planning process whereby the status of CRF indicators and other emerging strategic issues

were used as key inputs to business plans for the IDB's Vice Presidencies and Departments. In addition, the Bank has approved a number of corporate strategies aimed at supporting the goals of the UIS. For example, the updated Human Capital Strategy aims to optimize talent and diversify skills to address the region's changing needs, and engage in mechanisms that lead to greater flexibility in resource allocation to meet business needs.

The Bank's focus on continuing to strengthen its value proposition to clients was among the areas recognized in the [latest institutional assessment performed by the Multilateral Organization Performance Assessment Network \(MOPAN\)](#).<sup>II</sup>

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- I. Of note, the Proposal for Sustaining Concessional Assistance by Optimizing the IDB's Balance Sheets was approved in September 2016, authorizing the transfer of assets and liabilities from the Fund for Special Operations into the Ordinary Capital resources of the IDB, in order to strengthen the Bank's concessional assistance to its poorest and most vulnerable member countries. For more information, click [here](#).
  - II. MOPAN is a network of 18 countries that conducts periodic joint assessments of the effectiveness of multilateral organizations, including the IDB.

improvement in terms of sharing experiences from other countries, being innovative, and connecting the public and private sectors—all of which are explored in more detail in the following section, which reviews the IDBG's catalytic role.

In recognition of partner feedback, the IDB took concrete actions in 2016 to improve the speed of access to financing by simplifying sovereign guaranteed loan procedures and establishing specific targets and improved accountability for fiduciary specialists. In 2016, 88 percent of approved sovereign guaranteed loan operations met their target preparation time, leaving this indicator on track for the IDB.<sup>25</sup> Timeliness is especially important when it comes to the IDBG's response to natural disasters. For example, in response to an earthquake in **Ecuador** in April 2016, the Bank was able to begin disbursing funds for a Contingent Loan for Natural Disaster Emergencies ([EC-L1216](#)) only six days after the event, dis-

bursing a total of over \$160 million in IDB resources.<sup>26</sup>

In terms of financing instruments, a key way to blend private funding with IDBG funds is through the development of lending and nonlending instruments that—using IDBG funds or IDBG-administered funds—leverage additional sources of funding. While in past years the IIC, MIF, and IDB were able to mobilize public and private resources into the operations they supported, there is consensus that there is room for improvement and increased mobilization. To that end, the IDBG is currently working on revamping the instruments needed to achieve this. This includes not only redesigning instruments to de-risk borrowing instruments of public or private clients and designing new ones, but also finding additional creative ways to use previous lending instruments to develop mechanisms to attract more new financiers into the funding of public or private sector projects with high economic or social development impacts. Through

such mechanisms, the IDBG is continuing to expand its development impact beyond the limits of its own balance sheet.

In addition, the IDB approved a loan based on results instrument that links disbursement of funds directly to the delivery of predefined, sustainable results. This is expected to help countries improve the design and implementation of their development programs and achieve lasting results by strengthening good governance and fostering a results-based management culture.

As a final aspect of responding to the range of needs of its borrowing member countries, the IDBG is bringing diverse perspectives to solving the region's development challenges, both in terms of how project teams are structured and the way new talent is recruited (see Box 3.5).

## Playing a Catalytic Role in the Region

Another aspect of responding to client needs goes beyond specif-

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25. Data for the IIC on this metric are not available, as target preparation times are currently being defined based on new IIC procedures launched in 2016. It is also important to note that reductions in preparation time should be careful not to jeopardize successful project execution. To complement the data on the target preparation time, the [CRF website](#) also presents data on the auxiliary indicator percent of operations fully disbursed on time.

26. In addition, an emergency technical cooperation operation ([EC-T1349](#)) was approved and began disbursing only three days after the event to support the country in implementing an immediate humanitarian response in areas most affected by the earthquake.

# FOSTERING DIVERSE TEAMS

One of many ways the IDB Group aims to be an effective organization is by promoting diversity and inclusion, given their known benefits to organizational performance. At a project level, bringing a diversity of perspectives to solving the region's development challenges can be an important strategy to develop inter-disciplinary solutions. In 2016, the percentage of IDB loan operations with multi-disciplinary team compositions increased considerably to 80 percent (up from 39 percent in 2015).<sup>1</sup>

On the corporate side, the IDBG also aims for diversity among staff along many dimensions, including gender. The IDBG has made a concerted effort to ensure greater representation of female staff in mid- and senior-level positions, including through increased female representation in recruitment panels, social media campaigns, and a targeted recruitment strategy. These and other efforts in favor of gender equality were recognized in 2016 when the IDB obtained the Economic Dividends for Gender

Equality (EDGE) certification, the leading global certification standard for workplace gender equity.

While representation of women in mid- and senior-level positions at the IDB has increased from 32 percent in 2010 to 38 percent in 2016, the indicator is on watch to meet its 2019 target of 43 percent. At the IIC, 27 percent of staff in these positions were women in 2016, the first year of the new IIC's operations, leaving this indicator on watch at the IIC as well with respect to its 2019 target of 35 percent.

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1. The percentage of loan operations with multi-disciplinary team compositions refers to those operations approved in the year with registered specialists from different divisions as team members divided by the total number of IDB operations approved in the year. Data for 2015 includes the private sector windows that were part of IDB in 2015, prior to the merge-out.

ic project interventions to play a catalytic role in addressing the region's development challenges on a broader scale by sharing knowledge and expertise, building partnerships, leveraging and mobilizing financial resources, and promoting innovation.

Given the increased financial resources needed to achieve the SDGs as well as multilateral development bank pledges to catalyze investments in the 2030 Agenda—particularly from the private sector—resource mobilization is an increasingly significant focus for the IDBG.

For example, in 2016, the IIC's regional expertise, early project access, and seal of approval helped secure an entry point to Latin America and the Caribbean for investors interested in promoting growth in the region, bringing in 10 new investors from around the world to participate in projects through the Trade Finance Facilitation Program. In this first year of the new IIC, the total mobilization volume by non-sovereign guaran-

teed-financed projects/companies reached \$1.2 billion in 23 deals, of which \$860 million was core mobilization, leaving the IDBG off track to meet the 2016-2019 target of \$21.3 billion.<sup>27</sup> To complement this figure, the IDB is in the process of measuring how much private sector investment it mobilizes through SG operations. A sample of projects in 2015 and 2016—mostly in infrastructure—showed that US\$1.2 billion were mobilized through SG lending, which evidences the mobilization potential IDBG's SG operations.

The IDBG's catalytic effect goes beyond financing to include exploring new ways to address development challenges, increasing efforts to generate knowledge on what works and what does not, and strengthening strategic communication capabilities. In terms of strengthening strategic communication capabilities, the IDBG is working to continue to grow the readership of its blogs and publications, with 187 average annual visits to IDBG publications in 2016 (compared to

the target of 230) and over 2.8 million in total IDBG blog readership. Beyond growing readership, however, and meeting the 2019 targets, the IDBG is also increasingly focused on tracking the impact of its knowledge work and developing a deeper understanding of its audiences. For example, IDBG tracks how its publications are being discussed on digital media and measures its "share of voice", that is, the positioning of the IDBG relative to other thought leaders in a given specific topic.

Partner feedback regarding knowledge-sharing indicates strong satisfaction with the IDBG's technical expertise and sector knowledge, but suggests there are opportunities to more effectively share experiences from other countries, with 58 percent of partners reporting satisfaction with this in 2016, down from 63% in 2015. As this has historically been one of the areas in which partners have shown lower levels of satisfaction, the IDBG continues to prioritize not only knowledge generation, but also knowledge

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27. The IDBG has collaborated with other multilateral development banks to harmonize the definitions for mobilization and related terms to avoid double counting and improve consistency in reporting. Catalytic mobilization is defined as all B loans and parallel cofinancings. The IIC also measures core mobilization as a component of total (catalytic) mobilization volumes. Core mobilization is defined as the volume of commitments from entities other than the IIC (or the IDB under the cross-booking arrangements) made available to the client due to the IIC's direct involvement in mobilizing financing and for which the IIC is compensated (i.e., B loans, investment cooperation, or special funds administered by the IDBG).



exchange through a variety of fora (see Box 3.6 for more details).

The IDBG also seeks out partner feedback on its ability to convene other partners and to provide innovative solutions to catalyze development in the region. In 2016, while 80 percent of partners considered IDBG solutions to be innovative, only 66 percent reported being very satisfied or satisfied with the IDBG's ability to convene other partners, leaving both indicators off track to meet their respective targets of 85 percent and 75 percent.<sup>28</sup> Regarding convening other partners, partner feedback indicates the greatest room for improvement in connecting with knowledge-producing groups, civil society, and private sector organizations, with only 60 percent, 60 percent, and 62 percent reporting satisfaction with each of these in 2016, respectively. In connection with partner feedback, the IDBG is continuing to enhance efforts to bring public and private sector actors together (see Box 3.7).

## Final Thoughts

While it may be early to see the fruits of recent advances in implementing the IDBG's operational guiding principles reflected in all the indicators, the IDBG is on a strong trajectory with respect to several indicators (e.g., projects with satisfactory development results at completion). However, there is continued room for improvement on several others. Annex A and the CRF website show the current state of each indicator and the specific values for 2016 as compared to the baseline. Overall, the IDBG is on track to meet the majority of the targets set for the IDBG Performance indicators.<sup>29</sup>

For those indicators that are off track, the IDBG is taking action to move towards the 2019 targets as indicated throughout this chapter—from enhancing safeguard supervision systems and ramping up resource mobilization to working to better understand and address the needs of countries and clients with respect to facilitating partnerships,

bringing innovative solutions, and releasing knowledge products that meet their needs.

More important than its performance on each specific indicator, however, is how the IDBG is internalizing its lessons learned to continue to enhance the development impact of the projects it supports. This chapter identified some key areas of action to better leverage the IDBG's comparative advantages, including continuing to give attention to executing agency capacity and other factors that affect successful project execution, and addressing partner needs with respect to sharing experiences from other countries and bringing public and private sector actors together to address local development challenges. The next chapter explores the IDBG's culture of learning and results in greater detail with an eye to identifying lessons learned from specific development interventions supported by the IDBG.

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28. These indicators were determined to be off track based on the [traffic light methodology](#) due to a decrease when compared to the baseline values of 81 percent and 72 percent in 2015, respectively, as shown in Annex A.

29. No traffic light assessment is conducted for the indicators "IDB loan operations with multi-disciplinary team compositions" or "partners satisfied with IDBG use of multi-sector approach," or for the strategic alignment indicators shown in Table A.5 of Annex A, given that no target was established for these indicators in the CRF.

*Box 3.6*

# THE IDBG AS A KNOWLEDGE AND LEARNING INSTITUTION

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ma

Equity Enhancement Basic  
Education Program, Dominican  
Republic. (DR0125)

The IDBG continues to prioritize knowledge generation, exchange and dissemination as important vehicles to enhance the development effectiveness of its supported interventions and provide partners with guidance on leading practices that are well-suited to their unique contexts. This body of knowledge serves a variety of important purposes.

First, it supports a growing body of open knowledge (i.e. courses, data, publications, and blogs) that can be used and adapted for re-use across the region. Since 2013, Bank publications have been downloaded over six million times and have covered a wide variety of topics such as climate change, economic growth, employment and productivity, poverty, health, innovation, sustainable development, and social development, among others. The Bank's Open Data Portal, Numbers for Development, connected more than 230,000 persons to data on development issues in Latin America in its first two years of existence. And recently, the IDB has defined digital tools as knowledge products, recognizing that the valuable knowledge embodied in simulation tools, specialized software and algorithms can be re-used, creating great efficiencies in solving development problems, connecting citizens with valuable information and developing new tools and solutions. The Bank's new site, [Code](#)

[for Development](#), grants open access to digital tools.

Second, today's knowledge informs the design of tomorrow's development projects. One of numerous examples is IDBG's analytical work on smart cities through a technical cooperation (TC) to support the execution of the Emerging and Sustainable Cities Initiative in the region ([RG-T2576](#)), which shares concepts and best practices on the implementation of smart cities with mayors, public officials and non-technical audiences. This TC informed the development of four specific operations, three in **Colombia** ([CO-L1133](#), [CO-L1155](#), and [CO-L1165](#)) and one in **Brazil** ([BR-L1421](#)), aimed at improving the fiscal and urban sustainability of intermediate cities.

The IDB seeks to facilitate the application of today's knowledge in the design of future projects by convening knowledge exchanges that seek to share valuable learning. For example, in 2015 and 2016, the Bank brought together specialists from Colombia, Chile, the Republic of Korea, the United Kingdom, Jaspers (Joint assistance to support projects in European regions) and Ontario (Canada) in order to explore innovative approaches to manage the pre-investment of infrastructure projects. As a result, **Paraguay** and **El Salvador** are currently working with the Bank to improve and streamline processes

in the investment cycle through technical assistance; in addition to launching an initiative to provide support to the region in this area.

Third, IDBG research guides policy debate at the regional level. The TC Governance and Public Policy for the Prevention of Crime and Urban Violence ([RG-T2377](#)) on what works and doesn't in crime prevention and control in 10 cities guided discussions at the 2016 Citizen Security Regional Policy Dialogue, from which **Argentina**, **Honduras** and **Peru** are using findings to inform interventions at the urban level.

Finally, the IDBG also focuses heavily on applying lessons learned from completed projects in the design of new operations (see, for example, the discussion of [ME-L1171](#) in Chapter 4). To further systematize this effort, a new platform to identify and share lessons learned from projects is currently being developed. This new database will provide a centralized repository to access lessons that were previously scattered across individual Project Completion Report (PCR) documents, allowing for a much more direct, user-friendly, and effective search experience. So far, lessons from more than 350 PCR documents produced since 2008 have been incorporated into the platform's database.

*Box 3.7*

# PUBLIC AND PRIVATE SECTORS SOLVING DEVELOPMENT CHALLENGES



The IDB Group is more committed than ever to bringing public and private sector actors together to maximize the development impact of its interventions—from regional dialogue and country-level strategic planning to executing concrete development projects.

At a regional level, the Americas Business Dialogue is one way the IDBG helps foster the exchange of ideas among business and government leaders to advance the economic and social development of the region. For example, in the framework of the Americas Business Dialogue, the 2016 Public-Private Dialogue on Trade Facilitation event brought together high-level trade and customs officials from throughout the region as well as a wide range of companies (e.g., Walmart, UPS, IBM). They reached

a consensus on how to advance a trade facilitation agreement in the region, benefiting both public and private sector actors


At a country level, the development of IDBG Country Strategies covering the work of both the IDB and IIC in country is helping increase synergies across public and private sector activities on the ground. In the case of the IDBG Country Strategy for Argentina, for example, this led to a strategy focused on revamping the private sector to become the main driver of economic development in order to promote faster growth, greater job creation, and reduced social inequalities.

At a project level, 2016 saw numerous examples of bringing together public and private sector expertise to strengthen the devel-

opment impact of IDBG projects. One example is a project with the Universidad de las Américas focused on building a new campus in Quito, **Ecuador** that will increase the total capacity of the university by nearly 20 percent to up to 10,000 students. The IIC is supporting this project with an \$18 million loan to address the university's infrastructure needs and is working closely with IDB technical specialists in education. This joint team will be assessing the Universidad de las Américas in terms of the quality of its educational offerings and the scalability of the model, as well as its efforts to ensure that the new infrastructure helps support high-quality and inclusive education.

## Urban Transportation

### Curitiba II. Brazil ([BR0375](#))



Indigenous Peoples in the Border  
Region of ACTO, Régional.  
(RG-T2689)

# FINDINGS FROM IDB GROUP OPERATIONS AND EVALUATIONS IN 2016

As a knowledge and learning institution, the IDB Group is committed to helping the region overcome its most pressing development challenges not just by supporting interventions, but also through continuous knowledge development and sharing. Chapter 3 (Box 3.6) described the different applications of IDBG knowledge into both specific operations and as inputs to policy dialogue with partners. Another aspect of this has to do with gathering knowledge from the success and failure of IDBG-financed operations as a key input to increase the development effectiveness of current, as well as future operations.

This chapter provides an analysis of IDBG's mature operations and the portfolio of impact evaluations in order to assess what was achieved, how much progress is being made in terms of development effectiveness, what corrective measures should be taken, and what should be replicated to improve the

way in which the IDBG carries out its mission while leveraging its comparative advantages in the region.

After projects are executed by the IDBG's public and private counterparts, several questions arise. Did the project deliver and achieve the intended outputs and outcomes? *Were there roadblocks during execution of the project, and if so what were they? Was there anything that could be improved in future operations? What worked? What didn't?* Answers to these questions and others that are crucial to reshape current and future operations are addressed in project closeout reports prepared by the IDBG. These reports determine if the operations financed by the Group met their goals and how well and effectively they performed.

The project closeout reports also include lessons learned, as well as findings from impact evaluations when those are conducted. For IDB projects, the closeout re-

ports are known as Project Completion Reports (PCRs), for IIC, they are called Expanded Supervision Reports (XSRs), and for MIF, these are Project Supervision Reports (PSRs).<sup>30</sup>

These reports are the organization's means to measure and verify the outputs, outcomes, and (when available) impacts of IDBG-financed operations in the public and private sectors. These reports enable stakeholders to see firsthand the results achieved, how resources were invested, and whether those resources were used efficiently, effectively, and sustainably.

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30. The IDBG's Office of Evaluation and Oversight (OVE) reviews and assesses independently the IDBG's project closeout reports and assigns its own rating, which may differ from those reported in this chapter. These results will be available on [OVE's website](#).

## Public Sector Project Completion Reports

Assessments of results of sovereign guaranteed operations were prepared in 2016 under two coexisting methodologies. Projects approved before 2009 had PCRs prepared under the 2006 guidelines while those approved afterwards did so under the 2014 guidelines. While the 2006 methodology presents project outcomes in an event-based manner, the new methodology is based on evidence.<sup>31</sup>

This evidence-driven approach of the 2014 PCR guidelines strengthens the objectivity of the results presented. It also analyzes the ex-post efficiency of projects by incentivizing cost-benefit or cost-effectiveness analysis at closure. Through PCRs, the IDB reports both on the achievement of its proposed goals and on the efficiency of the use of resources allocated to achieve those goals. Four key aspects of project performance are assessed under the 2014 PCR guidelines: effectiveness, efficiency, relevance,

and sustainability. These criteria are consistent with the multilateral development banks' standardized methodology to rate performance of a completed project.

By assessing project effectiveness, the PCR evaluates the extent to which expected project outputs were completed and attributable results achieved. The criterion of project efficiency relates to whether project benefits surpassed project costs, and whether the project's goals were achieved at a reasonable cost. The assessment of project relevance looks at the capacity to adapt and align the project to the goals of the IDB Group and the borrowing country. Finally, the assessment of project sustainability rates the extent to which the operation ensures that the outcomes achieved will not be reversed.

In 2016, the IDB approved 32 PCRs, 15 of which were prepared under the Bank's 2006 guidelines. Among these 15 PCRs, 10 were classified as having satisfactory

development results at completion (i.e., they were rated either "highly probable" or "probable" in terms of the likelihood of achieving their development objectives) (see Table 4.1). An additional 17 PCRs were approved in 2016 under the 2014 guidelines, covering six types of lending instruments, 10 Bank divisions, and 11 countries (see Table 4.2). All 17 projects had satisfactory development results at completion as defined in the CRF, with the infrastructure and energy PCRs having the highest average overall rating (0.8). Projects classified as having satisfactory development results includes those rated as "Partial Achievement," "High Achievement," or "Full Achievement" of objectives according to the 2014 PCR guidelines.<sup>32</sup> None of the 17 PCRs were rated in the "Full Achievement" category, eight were rated as "High Achievement," and the remaining nine were rated as "Partial Achievement."

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31. For a detailed discussion on the 2014 PCR methodology, see the [2014 DEO](#).

32. Under the 2014 guidelines, the analysis supporting each of the core criteria discussed in the previous paragraph (development effectiveness, efficiency, relevance, and sustainability) is evidence-driven. Noncore criteria are also analyzed but not rated. A checklist used to rate the performance of the completed intervention integrates specific rules to ensure objectivity in analyzing achievements under each core criteria. By combining the four core criteria in the scoring, the project is assigned an overall development effectiveness score that classifies it as a full achiever, high achiever, partial achiever, low achiever, or no achiever. Classification depends on the degree to which the project reached its intended objectives in a cost-effective manner, met one or some of the country's needs, and implemented appropriate mitigation measures to address risks that can hinder the results already achieved or to be achieved by the project.



Table 4.1 Project Completion Report Ratings Following 2006 Guidelines

Country	Number	Name	Modality	Development Objective Rating
<b>Agriculture, Infrastructure, and Housing</b>				
Argentina	AR-L1032	<a href="#">Food and Agriculture Health and Quality Management Program</a>	Specific investment operation	Probable
Belize	BL-L1006	<a href="#">Solid Waste Management Project</a>	Policy-based loan	Highly probable
Guyana	GY0055	<a href="#">Georgetown Solid Waste Management Program</a>	Specific investment operation	Low probable
<b>Climate Change and Environmental Sustainability</b>				
Guatemala	GU0066	<a href="#">Environmental Recovery Program for the Amatitlan Lake Basin</a>	Specific investment operation	Low probable
<b>Financial Markets</b>				
Argentina	AR-L1033	<a href="#">Credit Access and Competitiveness Program for Small and Medium-sized Enterprises</a>	Specific investment operation	Highly probable
<b>Institutions and Innovation</b>				
Brazil	BR-L1060	<a href="#">Assessments, Prospects, and Development Alternatives in Brazil - IPEA Research</a>	Technical cooperation loan	Probable
Brazil	BR-L1174	<a href="#">Program for the Modernization of Fiscal Management of the State of Ceará</a>	Specific investment operation	Probable
Haiti	HA-L1018	<a href="#">Support Program for Human Resources Management in the Public Sector</a>	Specific investment operation	Low probable
Panama	PN0158	<a href="#">Multiphase Program for Technological Transformation - Phase I</a>	Multi-phase lending project	Probable
Trinidad and Tobago	TT0056	<a href="#">Electronic Government and Knowledge Brokering Program</a>	Specific investment operation	Improbable
Uruguay	UR-L1030	<a href="#">Technology Development Program II</a>	Performance-driven loan	Probable
Venezuela	VE-L1015	<a href="#">Strengthening of the National Statistics Institute (INE) as the Governing Institution of the National Statistical System (SEN)</a>	Specific investment operation	Probable
<b>Small and Medium-sized Enterprises</b>				
Brazil	BR-L1021	<a href="#">Competitiveness Support Program of APLs of the State of Minas Gerais</a>	Innovation operation	Highly probable
Guyana	GY-L1006/ GY-L1055	<a href="#">Support for Competitiveness Program</a>	Specific investment operation	Probable
<b>Social Sector</b>				
Peru	PE-L1005	<a href="#">Second Phase of the Support Program for the Health Reform - "PARSALUD II"</a>	Multi-phase lending project	Low probable

**Table 4.2 Project Completion Report Ratings Following 2014 Guidelines**

Country	Number	Name	Modality	Overall Rating
<b>Infrastructure and Energy</b>				
Ecuador	EC-L1040	<a href="#">Modernization of Pumping Stations on the Esmeraldas-Quito Multiproduct Pipeline</a>	Specific investment operation	0.94 - High achievement
Ecuador	EC-L1070	<a href="#">Support for the Transmission Program</a>	Specific investment operation	0.88 - High achievement
Haiti	HA-L1086	<a href="#">Emergency Road Rehabilitation Program in Response to Hurricane Sandy</a>	Immediate Response Facility for Emergencies	0.66 - Partial achievement
Peru	PE-L1070	<a href="#">Water Resources Management Modernization Program</a>	Specific investment operation	0.70 - Partial achievement
<b>Social Sector</b>				
Colombia	CO-L1141	Support to the Health Sector Reform II	Programmatic policy-based loan	0.77 - High achievement
Honduras	HO-L1059	<a href="#">Strengthening Decentralized Management and Supply of Health Services in Honduras</a>	Specific investment operation	0.82 - High achievement
Honduras	HO-L1071	<a href="#">Support to the Social Protection Network Program</a>	Specific investment operation	0.72 - Partial achievement
Mexico	ME-L1086	<a href="#">Dignified Schools Program (PED)</a>	Specific investment operation	0.78 - High achievement
Peru	PE-L1100	<a href="#">Support for Social Sector Reforms Program</a>	Programmatic policy-based loan	0.62 - Partial achievement
<b>Innovation, Competitiveness, Institutions, and Financial and Capital Markets</b>				
Argentina	AR-L1073	<a href="#">CCLIP: Program of Technological Innovation</a>	Performance-driven loan	0.57 - Partial achievement
Belize	BL-L1014	<a href="#">Community Action for Public Safety</a>	Specific investment operation	0.88 - High achievement
Bolivia	BO-L1047	<a href="#">Transparency and Anticorruption Program</a>	Specific investment operation	0.86 - High achievement
Brazil	BR-L1171	<a href="#">Catanduva Integrated Urban Development Program</a>	Global credit operation	0.63 - Partial achievement
Nicaragua	NI-L1046	<a href="#">Global Multisector Credit Program</a>	Global credit operation	0.63 - Partial achievement
Peru	PE-L1099	<a href="#">Program for Improving Productivity and Competitiveness</a>	Programmatic policy-based loan	0.88 - High achievement
<b>Climate Change and Sustainable Development</b>				
Bolivia	BO-L1053	<a href="#">Environmental Management of Misticuni Watershed</a>	Specific investment operation	0.59 - Partial achievement
Colombia	CO-X1004	<a href="#">Protecting Biodiversity in the Southwestern Caribbean Sea</a>	Investment grant operation	0.62 - Partial achievement

Note: The Project Completion Report overall effectiveness scores range from 0 to 1. A project is considered to have full achievement if its score is equal to 1, high achievement if its score is <1 and ≥ 0.75, partial achievement if its score is <0.75 and ≥ 0.5, low achievement if its score is <0.5 and ≥ 0.25, and no achievement if its score is <0.25.

## Private Sector Expanded Supervision Reports

The IIC prepared 41 Expanded Supervision Reports (XSRs) in 2016.<sup>33</sup> Of these, 25 covered loans to financial intermediaries for on-lending to underserved beneficiaries (mostly SMEs, but also to women and low-income and rural beneficiaries), and 16 were projects in the infrastructure, agribusiness, retail, and manufacturing sectors. These projects are part of the IIC's legacy portfolio and were approved between 2008 and 2013.

This is the first group of XSRs undertaken by the IIC following

the new XSR guidelines for IDBG private sector operations prepared by the Office of Evaluation and Oversight (OVE) in 2015. Following OVE guidelines, the XSRs assess four dimensions: overall project development outcome, investment outcome, work quality, and additionality.

Sixty-six percent of the projects reviewed in 2016 received favorable ratings in the overall project development outcome category. This category assesses the overall effect of the project on the social and economic development of the economy where the project

is being implemented. As such, it implicitly addresses how well the project has contributed to fulfilling the IDBG's purpose and mission. A project's development outcome encompasses all effects on a country's economic and social development, based on a "with versus without project" comparison. The focus is in particular on achievement of the project's main development objectives (i.e. effectiveness), but the rating also considers the project's relevance, efficiency and sustainability.

# Sixty-six percent of the IIC projects reviewed in 2016 received favorable ratings in the overall project development outcome category

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33. An XSR is a record of an operation's performance at early operating maturity. The 41 projects prepared in 2016 include 30 projects that reached early operating maturity in 2015, two projects that reached it earlier, and nine projects that reached it in 2016. The XSR is undertaken as a self-evaluation by the IIC. It is Management's main instrument for documenting concrete results to its shareholders and disseminating lessons learned from a project. An assessment of the ratings of project supervision reports (PSRs) from the Multilateral Investment Fund (MIF) is not included in this chapter since the MIF scoring system is under review. However, the most salient lessons from MIF's PSRs are including the section "Insights for Better IDB Group Projects: Evidence from 2016 Project Closeout Reports" of this chapter.



Provincial Agricultural Services II.  
Argentina ([AR-L1030](#))

Seventy-two percent of the operations with financial intermediaries achieved favorable ratings. In many cases, the XSRs found that operations with financial intermediaries targeting MSMEs resulted in improved access to financing, confirming that financial intermediaries could be an effective and efficient way to reach these kinds of firms. In other cases, the financial intermediaries achieved positive results in improving access to finance for financing low-income

housing, education and health, and microfinance. Some financial intermediary operations underperformed due to lack of demand because of adverse macroeconomic conditions or changes in the regulatory framework.

Fifty six percent of the remaining 16 projects achieved favorable ratings. Six projects focused on infrastructure investments, mostly in the energy sector. Most of these projects were designed to replace existing energy production with

more environmentally friendly renewable sources and reached their development goals. The remaining 10 projects were in the agribusiness, retail and manufacturing sectors. Two of the 10 projects benefitted MSME supply chains in the agribusiness sector and improved SME producers' performance. And one retail project benefitted low-income customers with low access to the financial system.

The goal of financing projects that are financially viable was ad-

equately met in the group of evaluated projects. Of the 41 XSRs, 37 (90 percent) received favorable ratings in the category of investment outcome, which assesses the profitability of the operation for the IIC.<sup>34</sup>

Fifty-six percent of the projects received favorable work quality ratings, both in terms of initial screening and structuring as well as during supervision. This means that project teams worked well during the selection, appraisal, and structuring and supervision stages of the projects. However, this percentage indicates that there is room for improvement and the new DEF the IIC is implementing was designed to address these challenges.

Twenty-four (59 percent) of the 41 operations reviewed received favorable additionality ratings. This category assesses whether the project added further value through financial additionality by providing terms not available in the market or catalyzing private sector investments, and/or through non-financial additionality by improving the project's de-

sign or functioning.<sup>35</sup> Most of these projects were approved during or shortly after the financial crisis, when there was limited access to financing in the region on reasonable terms and conditions. Thus, the IIC played a countercyclical role by offering financial terms that improved market access, mitigated risks, and improved project sustainability. By participating in these operations, the IIC not only supported capacity expansion but also protected employment and strengthened financial viability. The IIC also strengthened companies and financial intermediaries by improving their environmental, social, and corporate governance practices.

### **Insights for Better IDB Group Projects: Evidence from 2016 Project Closeout Reports**

Learning from past experience is critical to making the best use of finite resources. As such, the IDBG pays close attention to each of the projects it supports so that every dollar invested in the region meets its purpose and leverages

the IDBG's catalytic role. Most of the 2016 project closeout reports pertain to projects approved in the early stages of the implementation of the Development Effectiveness Framework (DEF). As the DEF focuses on project design, it has taken time for its principles to be reflected in the project closeout reports. Therefore, it is not surprising that some weaknesses identified in the 2016 project closeout reports, described below, are related to project design. Other insights reflect valuable lessons from project execution. In the case of IIC, these challenges may continue to be observed as the new DEF was implemented in 2016.

### **Challenges in Measuring Results**

A recurrent finding is the difficulty of measuring impacts and outcomes. In many projects, baselines, indicators, or targets were not adequately defined, making it difficult to measure, monitor, or attribute outcomes to those operations.<sup>36</sup>

An illustrative example comes from the energy sector, where projects benefit citizens both di-

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34. Favorable ratings include "Satisfactory" and "Excellent" qualifications for work quality and additionality as well as for investment outcome.

35. There are two subcategories under additionality: financial and nonfinancial additionality.

36. Good project indicators should be SMART: Specific, Measurable, Achievable, Relevant, and Time-bound.

rectly, through the services the infrastructure provides, and indirectly by generating increased economic activity. The outcome indicators for these projects typically focused exclusively on measuring the immediate outcomes—for example, electricity capacity or frequency of outages—rather than the medium—and long-term indirect results, such as more demand covered. While relevant and accurate, short-term metrics do not capture all of a project's overall contributions to development.

These types of challenges in projects that were designed in the early stages of implementation of the DEF are to be expected. The IDBG's departments in charge of leading development effectiveness have been working hand-in-hand with project teams to improve project design and the quality of results matrices and therefore it is expected that future project closeout reports will reflect improvements in this area.

## **Project Preparation is Key to Project Success**

Besides reporting on the challenges of measuring results, the closeout reports also reveal challenges faced in the design and preparation of operations. One of those challenges is the need to conduct the right type of analyses

during preparation. For example, when undertaking complex, large-scale projects it is necessary to consider many exogenous factors that may impact performance during the implementation phase. It takes time to obtain permits, rights of way, and licenses, transport all necessary materials to the construction site, and complete the required studies. It is often difficult, and expensive, to anticipate all possible contingencies. However, results show that it is worth dedicating resources to targeted analyses that can maximize the likelihood of success.

The IDBG experience with wind power in **Uruguay** illustrates how a strong project preparation process can lead to positive results. The IDBG financed the first private wind power producer in Uruguay in 2012 with the aim to both diversify the country's energy matrix and test a new regulatory framework to promote renewable sources of energy. Following high-level negotiations with Uruguay's public utility for electricity services (UTE), the IDBG introduced clauses to the power purchase agreement that made the project bankable, including ones that (i) allowed for dispute resolution under arbitration, (ii) incorporated a clear definition of material events leading to termination of the power

purchase agreement, (iii) allowed for compensation mechanisms and a power purchase agreement transfer to another operator, and (iv) included a Lenders' Cure Period. By establishing clauses to the power purchase agreement that improved the project's bankability, it was possible to mitigate risks associated with the untested regulatory framework. The design of this project has benefited other projects structured under similar power purchase agreements, such as a loan for the construction of a 213km 500 kV transmission line in the northeastern region of Uruguay currently being prepared for Board approval.

The benefits of strengthening project preparation are evident when the project is completed according to the planned schedule. This is especially important for infrastructure projects, which sometimes suffer delays in the construction phase. It is necessary to strengthen the project preparation phase and to plan for contingencies through due diligence. It is also important to consider that complex projects may involve many contractors, and that there may be coordination issues between them. While a longer completion period may look unattractive at the beginning, it could be more realistic and allow for better achievement rates in the long run.

In addition to strengthening preparation activities, demand is also an important element to project success. Projects can only be successful if there is a large enough demand for the goods or services they are intended to provide. That is why adequate research into the market demand, and complete business plans, can be important to channel resources towards goals that have a greater likelihood of success.

An example of the risks of inadequate understanding of market demand comes from an IDB-financed project in **Nicaragua** (NI-L1046) that aimed to provide productive and long/medium-term credit through regulated financial institutions, but ended up providing mostly short-term credit through nonregulated micro-financial institutions. This was explained by the fact that the originally targeted group had limited financial needs. This hindered the project's objective to have an effect on productivity through medium-term financing. Another illustrative example comes from operations that included financing innovations or targeted relatively new and growing markets. Some of these operations failed to undertake clear assessments of the beneficiaries' constraints and whether there was a demand for the private provision of the targeted services offered by

the project. These two factors led to smaller-than-expected disbursements of project resources, and hence to a lower-than-expected development result for a \$30 million Green Guarantee Mechanism to support SMEs in **Colombia** with sustainable energy investments. Even though the project aimed to finance 20 companies, in the end it only financed three. One of the key reasons for the underperformance was the lack of a market study to determine the appetite for this type of financing under the terms and conditions established in the Green Guarantee Mechanism.

Consequently, at the design stage of an operation, project teams aim to focus on conducting all the necessary studies to shed light on the relevant sector conditions, medium-term trends, and appeal for the project. A robust sector demand assessment allows for a strong diagnosis of the problem, creating the base for adequate project design and increasing the project's chances of success.

These lessons also apply to projects with financial institutions that target sub-borrowers. In these cases, it is important to ensure the ex-ante identification of tangible sub-project pipelines through a robust due diligence—including a competitiveness analysis of the terms and conditions vis-à-vis alternative

financing for the client financial institutions and its potential sub-borrowers. Technical assistance funds can be made available to complement and accelerate existing financial institutions efforts on this regard; however, client financial institutions must not depend on such funds to develop a pipeline.

## Leveraging the Lessons from Pilot Projects

Pilot projects are designed as small-scale interventions to inform the design of a much larger-scale project. Providing evidence-based support for the intervention is a crucial component of the pilot that justifies the bigger deployment of resources. While impact evaluations may seem costly relative to the size of a pilot project, they are a crucial investment in future success and they are worth it when compared to the costs of the scaled up project. If the impacts are not clearly measured, it is very difficult to justify scaling up a pilot. However, even if there is evidence that a pilot worked, it is possible to find obstacles while implementing the project due to its size. Because of this reason it is also important to carefully understand the conditions that might change when scaling up projects.

A good example on the use of impact evaluations to inform scal-

ing up and market-level uptake is provided by a MIF project completed in 2016 in **Peru** as part of the ProSavings Regional Program with *Financiera Confianza* ([PE-M1089](#)), a subsidiary of the BBVA Microfinance Foundation. The preliminary results of an experimental evaluation conducted in parallel to the project suggest that the for-profit financial education program achieved a significant increase in the probability of saving by the beneficiary population, as well as a significant reduction in poverty levels. As a result of the evaluation, *Financiera Confianza* is currently mainstreaming lessons from the pilot into its overall business model, refining its financial product offering and adapting and expanding the project coverage to other regions. In addition, following the example of *Financiera Confianza* other financial intermediaries in Peru are also considering the introduction of for-profit financial education schemes as part of their business expansion strategies in remote rural areas. Similarly, if the preliminary findings of the impact evaluation are confirmed, the success of the program in reducing poverty levels could provide a rationale for increased support of this type of initiatives.

### **Present Bias: Underestimating Risks in Volatile Environments**

Another key finding of the 2016 review of project closeout reports is the need to look beyond the phase of the business cycle during which the project is approved. Sometimes projections and economic forecasts tend to be overly optimistic. Expectations regarding future sales and trends of macroeconomic variables such as exchange rates or GDP growth tend to underestimate factors that have an impact on project performance.<sup>37</sup>

An illustrative example of the need to look beyond the phase of the business cycle during which the project is approved relates to foreign exchange fluctuations and how they directly impact financial performance. A thermal plant in **Brazil** faced great difficulties because its revenues were in local currency and its debt payments in U.S. dollars. The devaluation of the Brazil's real in 2015 affected the client's financial situation because the mechanism in place to ensure against currency fluctuations was insufficient to hedge a big devaluation. The client opted to prepay the loan to avoid further currency exposure. The lack of long-term foreign exchange hedges poses

additional risks for the financial sustainability of the project. Currency mismatches need to be carefully analyzed ex-ante, including sensitivity analysis that not only looks at the project's capacity to meet the debt service but also at the financial impact for the client. An effective project needs to internalize macroeconomic uncertainty and volatility in its design. By doing so, the expected development results may appear lower, but will be more accurate.

Another example involves infrastructure public-private partnerships, an area in which the IDBG has been an active partner in the region. To ensure the financial sustainability of the public-private agreement, it is important that their design consider market fluctuations. In an energy project in **Chile**, the cost of energy fell dramatically after the project began, which reduced the revenue expected from spot market sales and put pressure on the long-term stability of the public-private agreement. An important lesson learned from this experience is not to assume a static market environment. Since the project aimed to address the high cost of energy in the country, and this was a stated goal of the government, the public-private agree-

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37. Although this finding could also apply to projects in the public sector, it was only identified in three XSRs during the 2016 review of the IDBG project closeout reports.



ment should have contemplated the likely reduction in energy costs over time.

A final example comes from the MIF regional project FOPEPRO, Fund for the Small Rural Producers of Latin America ([RG-M1169](#) and [RG-L1106](#)), which aimed to create a fund for small rural producers. Although the project met its pri-

mary objective of financing a broad range of producer organizations and SMEs, it failed to achieve viable scale. The fund viability suffered from a failure to anticipate adverse changes in its operating environment, including much more difficult funding circumstances with respect to both official and private institutional investors than had prevailed

in the past reflecting the financial crisis and evolving strategies. Also, increased competition from both cross-border lenders and, in some countries, national initiatives led the Fund to engage with less mature borrowers and assume even more risk than its already aggressive investment strategy contemplated.



Expansion of the Comprehensive Security of Panama (APROSI). Panama ([PN-X1011](#))

## Community Buy-in Matters

Identifying alliances and establishing commitments with local communities and institutions early in the project cycle helps maintain and expand the achievements of projects. Following this approach, IDBG-financed projects aimed at preserving natural resources by using them more efficiently have proactively included different stakeholders in the decision-making process. For example, a watershed management project, the Water Resources Management Modernization Program ([PE-L1070](#)) in Peru implemented a participatory approach that involved establishing Water Resource Councils as venues for dialogue among the regional and local governments, civil society, farmers, and indigenous groups. Through this innovative approach, the community participated in the planning, coordination, and forging of agreements for the sustainable use of water. Together with the national water authorities, these councils formulated watershed management plans that included agreements to measure water quality through community oversight, training, and public awareness campaigns.

Another example comes from the Dignified Schools Program in **Mexico** ([ME-L1086](#)), aimed at designing a school infrastructure intervention. In this case, the par-

ticipation of parents and the community was not initially considered in the project design, and in fact it was seen as a potential risk to project execution. However, the empowerment of parents and the community in the project eventually proved to be key to maintaining the new infrastructure. This lesson was later included in another operation to improve physical conditions of certain schools, the Educational Physical Infrastructure Program in **Mexico** ([ME-L1171](#)).

Another illustrative example is a MIF project to reduce child malnutrition for indigenous populations in **Panama** ([PN-M1022](#)) with significantly positive results in terms of child malnutrition indices and increased household incomes for beneficiary families. These results are considered to have been positively influenced by an active involvement of the communities and culturally-adapted community organization. This pilot project completed in 2016 is currently being scaled-up as part of public policies to increase coverage of health and nutrition services to indigenous communities with IDBG financing.

Such participation is a key lesson for replication by IDBG interventions in other sectors, as it translates into genuine ownership of the project by all interested parties, empowers public and private actors around a common objec-

tive, and facilitates the project's outcomes outlasting the project.

## Assuring Institutional and Client Capacity

In a similar vein, 2016 closeout reports reveal once again and clearly document the well-known precept that no matter how well a project is designed, it will not be successful if executing agencies do not have the capacity to perform their assigned tasks and responsibilities. If that capacity is not in place prior to the project, then early project activities should include capacity strengthening. For example, the design of a citizen security project in **Belize**, the Community Action for Public Safety Program ([BL-L1014](#)), which was the first intervention of its kind in the country, included providing the necessary training for the executing agency in the early stages of the program. This ensured that personnel could properly carry out their responsibilities. If institutional capacity needs to be strengthened, it is important to plan a reasonable timeframe to provide the required support and training to facilitate implementation of the program. Similarly, for private sector projects it is important to properly assess the management skills of the enterprises involved in order to increase the chances of project success.

Another illustrative example is the MIF project Promotion of En-

ergy Efficiency and Renewable Energy in Milk Farms in **Uruguay** ([UR-M1041](#)), completed in 2016, producing significant results in terms of savings in energy consumption among small and medium dairy producers. The institutional quality of the client and the ability to establish broad strategic alliances with corporate managers in constant rotation, became a critical aspect for the project success.

The IDBG, aware of the importance of working with strong executing agencies, has been actively preparing more robust assessments of institutional capacity of these agencies during the design of the operation. These assessments, which have been integrated as part of the risk analysis of the projects, must include specific response plans to overcome any pre-identified weakness of the executing agencies.

## Looking for the Right Partnerships

Closeout reports show that selecting the right partner can make the difference between reaching or not a project's development objectives. This is true, for example, in IDBG's support to MSMEs. Operations to support MSMEs are conducted either through public development banks or through first-tier commercial banks.

In both cases, the success depends on working through the

right types of financial intermediaries. The private sector experience indicates that ideal partners are financial intermediaries that have explicit business strategies to reach targeted segments. Characteristics that may be particularly beneficial include: (i) a proven track record in micro and/or SME financing and backed by sponsors with extensive expertise in the relevant industry; (ii) conservative risk policies, particularly in countries with aggressive growth; (iii) an active management in bringing as many businesses as possible into the formal banking system, particularly in countries with high levels of informality; (iv) a business model or tools that ensure that loans are used for productive purposes, rather than for short-term consumption needs (in the case of microfinance); and (v) initiative to design innovative tools and mechanisms to better reach underserved beneficiaries, including those in rural areas or women-led businesses.

To address the financing gap of MSMEs in the region, it is necessary to work with both public and private financial intermediaries. Closeout reports have been useful in highlighting the need to properly assess market failures that drive the gap and what is needed for these types of operations to be more effective. Identifying such characteristics is a key strategic

value at a time when, as noted earlier in this report, mobilizing private sector resources to address specific development gaps is critical. A relevant amount of mobilization may come through financial intermediaries, so identifying and working with the right partners is of the utmost importance.

Selecting the right partnerships is also crucial for entrepreneurial and capacity development interventions. A good illustration of this is MIF's Women Entrepreneurship Development Program in **Uruguay** ([UR-M1045](#)). This project has permitted to build upon MIF's long-lasting relationship with Endeavor to position this organization as a promoter of women entrepreneurship and to identify this market as an unattended market segment with extraordinary potential.

An IDBG-led impact evaluation should be conducted to fill the most critical knowledge gaps and understand the impacts of pilot projects.



## Why and When Should the IDB Group Do Impact Evaluations?

IDB Group projects are ultimately designed to produce outcomes that change development conditions in the region. This can include improving productivity, increasing job opportunities, or closing learning gaps. In a context where resources are scarce and the impact of development efforts needs to be maximized, it is crucial for the IDBG to know whether these intended changes were actually achieved. Project closeout reports are useful tools to determine if outputs were reached—including how much was spent, how many of the project’s intended works were completed, and how many people benefited from the projects—and to distill operational practices. However, in some cases, more in-depth evaluations are needed.

Impact evaluations, unlike traditional performance monitoring or other types of evaluations, allow for finding out what would have happened if the project had not taken place, or if a different project

design had been chosen. In fact, impact evaluations are the most powerful tool to estimate the causal effect of a project or investment. Thus, these evaluations, which are included (when available) in the IDBG’s project closeout reports,<sup>38</sup> represent a valuable source of lessons for future operations.

The IDBG is not alone in this. There is a growing global trend toward shifting the focus of development projects from inputs and outputs to outcomes and results. In decades past, project teams, clients, and government authorities might have relied primarily on intuition to decide which interventions would bring about the desired outcome. However, governments, the private sector, multilateral organizations, and nongovernmental organizations are increasingly moving towards evidence-based results to guide project design, scalability, and replicability. More and more, they are requiring that programs be based on empirically demonstrated effectiveness.<sup>39</sup>

Since the IDB Group established its Development Effectiveness

Framework in 2008, the number of IDBG-approved projects in the public sector subject to (or that will be subject to) an impact evaluation has increased considerably. As of December 2016, 491 impact evaluations have been proposed within the IDB since 2009 (see Figure 4.1).<sup>40</sup> This portfolio includes impact evaluations both related and unrelated to public sector loans. The IDB is often approached for its expertise to evaluate interventions carried out by its strategic partners or to test innovative approaches that can later be transformed into an IDB-financed project. Of the 491 impact evaluations, 57 percent (282 evaluations) are ongoing and 16 percent (77 evaluations) have been concluded (See Box 4.1 on page 104 for completed impact evaluations in 2016). Approximately 27 percent of impact evaluations were cancelled.

It has been almost a decade since the IDBG launched its Development Effectiveness Framework, and today a culture of impact evaluation has essentially become part of the organization’s

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38. See the previous section on PCRs and XSRs.

39. To learn more about different project evaluation methods, visit [www.iadb.org/evaluationportal](http://www.iadb.org/evaluationportal).

40. The IDB has had more experience applying impact evaluations to projects. However, the IIC launched an impact evaluation strategy in 2016 to more actively promote a culture of impact evaluation to projects. See Box 4.3 to learn more about the strategy.

DNA. Of the 87 sovereign guaranteed loan operations approved by the IDBG in 2016, 44 (51 percent) planned an impact evaluation on some component of the project, compared to only 14 projects (11 percent) approved in 2009—the first full year of the implementation of the DEF. In 2016, the percentage (and number) of approved projects that are subject to an impact evaluation increased (Figure 4.2).

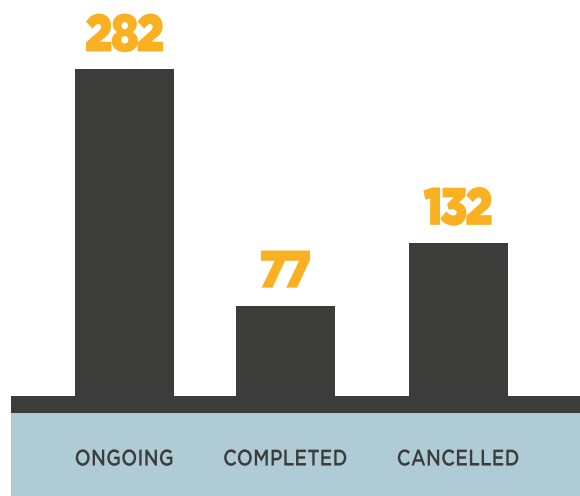
### The IDB Group's Approach to Impact Evaluations

Impact evaluations require a significant amount of information, time, and resources. Therefore, it is important to carefully select the interventions to be evaluated. Not every project or investment has to be evaluated using an impact evaluation. Defining selection criteria ensures alignment with the strategic priorities of the organization and the

country involved. Also, the criteria ensure the proper allocation of human and financial resources to fund and implement the evaluations.

As highlighted in the previous section, the IDBG has a long history of impact evaluations for public sector projects involving a significant number of operations and resources. However, the decision on whether to conduct an impact evaluation has been a relatively decentralized process, driv-

**Figure 4.1 Number of Proposed Impact Evaluations for IDB Group Public Sector Projects, by Stage, 2009–2016**



Note: Ongoing impact evaluations include those in any of the following stages: design, baseline collection, program implementation, data analysis, or follow-up survey. Among the key reasons for cancellation of proposed impact evaluations are changes in priorities—either by the country or client, the IDBG, or both. At IDBG, the process for prioritizing impact evaluations has continued to mature in recent years, with an aim of focusing resources on those evaluations that address critical knowledge gaps in strategic priority areas, which has led to cancellation of evaluations that don't meet this criteria.

en mostly by the interests of the sectors and countries involved.

The consolidation of a culture of development effectiveness that has occurred in the public sector of the IDBG, and the somewhat unstructured process by which impact evaluations are pursued, suggest the usefulness of assessing

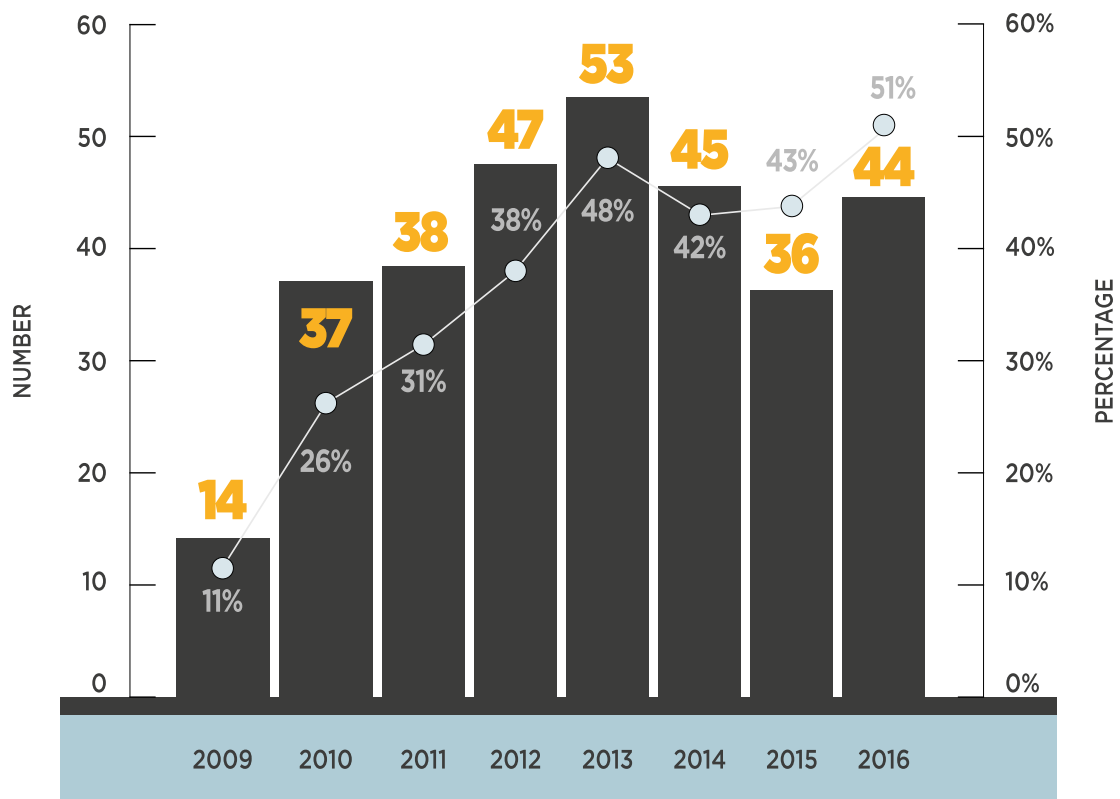
the work already done, and ensuring that future impact evaluations are strategically selected. Currently the IDB is exploring mechanisms to shift incentives to evaluate projects from a project-level approach to a sectoral focus. The IIC has already adopted a prioritization strategy recognizing the trade-offs

in resources involved when evaluating a particular project.

An IDBG-led impact evaluation should be conducted to fill the most critical knowledge gaps identified by clients, operational units, or subject-matter experts. Knowledge gaps arise when no evidence exists on the effectiveness of a particular

Continued on page 107

**Figure 4.2 Number and Percentage of Sovereign Guaranteed Loans with at Least One Planned Impact Evaluation, 2009–2016**



Note: This figure refers to all approved IDBG public sector loans that included an impact evaluation to a component of the projects, including those that are ongoing, cancelled, or completed. The current status of the inventory of impact evaluations is reflected in Figure 4.1.

## Box 4.1

# COMPLETED IMPACT EVALUATIONS IN 2016

In 2016, the IDBG completed 11 impact evaluations, bringing the number of completed impact evaluations since 2009 to a total of 77 (See Table 4.1.1).

Of the 11 impact evaluations completed in 2016, one was completed by the IIC (see Box 4.4) and 10 by the IDB: one in the Infrastructure and Energy Sector, two were from the Institutions Sector and seven from the Social Sector. In recent years the IDB has been actively working to increase the number of impact evaluations in the infrastructure and energy sector, particularly in transport.

Ten IDB-financed impact evaluations in 2016 might seem like a low number in comparison to an

average of 100 loan operations approved annually at the IDB. However, not every operation calls for an impact evaluation—for some it is simply not feasible, for others, different types of evaluations such as ex-post cost-benefit analyses are more revealing. In addition, not every operation is being evaluated right at the close of the project.

Depending on the project and sector, an impact evaluation might only make sense right after the project has been completed. An example is the evaluation of the IDB-financed project to improving child nutrition services in **Bolivia** (BO-T1181). Over the course of the program, participating children were measured and weighed

and the impact evaluation could be conducted while the program was carried out. The evaluation showed that the program did have a positive impact on caregiver's knowledge about childhood health and nutrition, however, it also had an unintended impact on children's weight.<sup>1</sup>

In other cases, the full effect of a project can only be measured years after an operation has been closed. One example of this is the evaluation of the impact of IDB-financed coastal infrastructure improvements on economic growth in **Barbados** (BA0019). The project itself was carried out between 2002 and 2009, however, the impact evaluation was not started un-

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- I. Visit the IDBG Development Effectiveness Blog [here](#) to find an article about the program and the findings under the title [Program in Bolivia improves nutrition practices, but increases prevalence of overweight children. Where did we go wrong?](#)
  - II. Visit the IDBG Development Effectiveness Blog [here](#) to find an article about this approach, titled [Night-time lights: Shimmering evidence of development effectiveness?](#)



til the project had developed its full effect years after. To evaluate the impact of the coastal infrastructure improvements in Barbados, the team used luminosity data to measure economic activity along

the treated beaches. The results of the evaluation indicate that in the first three years after shoreline stabilization works were completed, the program had a positive impact on local economic growth."

Based on the approvals of impact evaluations in the last years, it is safe to say that the results of impact evaluations in different sectors will increase in the coming years.

The light emanating from Barbados at night (luminosity) helped Bank specialists assess the effects of a large-scale infrastructure IDB-financed project carried out in the island between 2002 and 2009.

Table 4.1.1 Completed IDBG Impact Evaluations in 2016

Country	Operation Number	Title of Impact Evaluation	Methodology	Division
<b>Infrastructure and Energy Sector</b>				
Barbados	<a href="#">BA0019</a>	<a href="#">The Impact of Coastal Infrastructure Improvements on Economic Growth: Evidence from Barbados</a>	Synthetic controls	INE/RND
<b>Inter-American Investment Corporation</b>				
Colombia	<a href="#">CO-L1080</a>	Impact evaluation of the EPM-UNE Social Financing Program in Colombia	Propensity score matching and entropy balancing	DSP/DVF
<b>Institutions for Development</b>				
Mexico	<a href="#">RG-T2377</a>	Impact evaluation of the program “Let’s Travel Safe in Public Transportation in Mexico City”	Regression discontinuity	IFD/ICS
Mexico	<a href="#">ME-T1232</a>	Learning Values through Sports in Mexico	Matching and difference-in-difference	IFD/ICS
<b>Social Sector</b>				
Argentina	<a href="#">AR-L1142</a>	Evaluate to Move Forward: Results from the Redes Program	Difference-in-difference	SCL/SPH
Bolivia	<a href="#">BO-L1032</a>	Multiphase Program in Support of the Plan to Eradicate Extreme Poverty	Difference-in-difference	SCL/SPH
Bolivia	<a href="#">BO-T1181</a>	<a href="#">Effects of Nutrition Promotion on Child Growth in El Alto, Bolivia: Results from a Geographic Discontinuity Design</a>	Regression discontinuity	SCL/SPH
El Salvador	<a href="#">ES-L1056</a>	<a href="#">Impact evaluation of the project Ciudad Mujer in El Salvador</a>	Instrumental variables (randomized promotion)	SCL/GDI
Jamaica	<a href="#">JA-L1037</a>	Do Conditional Cash Transfers Lead to Better Secondary Schools? Evidence from Jamaica’s PATH	Regression discontinuity	SCL/SPH
Panama	<a href="#">PN-L1068</a>	Health Equity Improvement and Services Strengthening Program—Retrospective Analysis of Historical Pay for Performance Scheme (Supply Side)	Difference-in-difference	SCL/SPH
Paraguay	<a href="#">PR-T1078</a>	Impact evaluation of the Tekopora Program	Difference-in-difference, and regression discontinuity	SCL/SPH

type of intervention, either because it is innovative or it has never been evaluated. There may be cases when evidence on effectiveness exists but does not apply due to a particular aspect of the project (in terms of economic conditions, types of participants, etc.), in which case an impact evaluation needs to be carried out. (See Box 4.2 for a discussion of impact evaluations as a research and development tool.)

Another reason to conduct impact evaluations is accountability. Understanding the impacts of a project can contribute to its sustainability (i.e., continuous support or funding) and improve the design of future projects or investments, and lead ultimately to a better allocation of resources. This is particularly important in those cases where a project is large in terms of its context (e.g., it is national in scope or involves a large budget or many beneficiaries). Thus, impact evaluations can reassure donors and the society in general that projects or investments financed by an organization have a development impact and ultimately drive better policymaking in the region.

Using these two fundamental dimensions, the IIC designed and started implementation of its own Impact Evaluation Strategy in 2016 (see Box 4.3 on page 110). For the

IIC the decision on what to evaluate is therefore guided by knowledge gaps in key lines of operations, testing of innovative business approaches with an important impact on development, and the need to provide evidence of effectiveness of operations that are highly relevant for a country and/or an industry (see Box 4.4 on page 112). In this context, the testing of innovative approaches, in partnership with clients, is particularly important for the IIC, because, by generating and disseminating knowledge of innovative private sector solutions for development, it directly contributes to the IIC's mandate to produce catalytic and demonstration effects in the region (see Box 4.5 on page 114).

All of the knowledge the IDBG has acquired on program evaluation since 2008 has been centralized on a web platform known as the IDBG's evaluation portal ([www.iadb.org/evaluationportal](http://www.iadb.org/evaluationportal)). This site contains a variety of resources, tools, and guidelines that users can consult and adapt to their specific needs. All working papers related to impact evaluations are published online. The IDBG has also developed a series of seminars and courses, known as the Development Effectiveness Series, to foster knowledge-sharing on program evaluation among IDBG staff and government authorities.

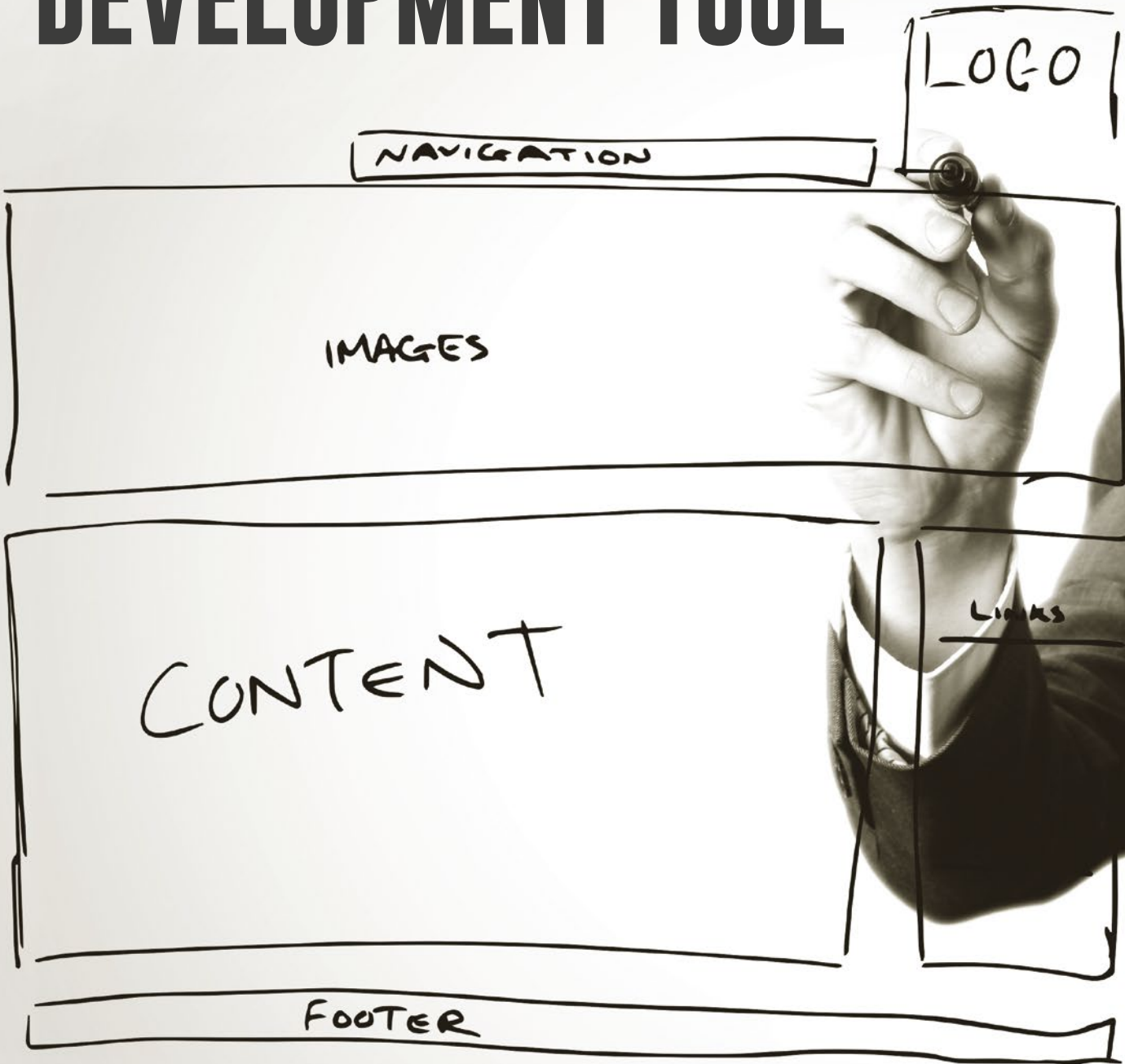
IDBG specialists incorporate all of this knowledge into IDBG operations when designing future projects. With the IIC strategy on impact evaluation now in place, it is expected that knowledge gaps related to private sector projects will start to gradually close in the years ahead. Results from impact evaluations, both those concluded in 2016 as well as those conducted previously, are periodically reported in the IDB Group blog on development effectiveness under the heading "Development that Works."<sup>41</sup>

Improving the lives of millions of people in the region requires a process of continuous learning and improvement. Leadership and discipline are needed to document all the lessons learned (both failures and successes) from IDBG-financed projects. Each year, the DEO makes a conscious effort to reflect on and learn from each IDBG project. The lessons described above help the IDB Group better serve the region. There is no magic recipe to solve the problems of the region, because every country and challenge is different and international and political circumstances change over the years. However, what will endure is the IDBG's genuine commitment to keep developing tailored solutions to promote economic and social development.

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41. To learn more visit <http://blogs.iadb.org/ImpactEvaluation>.

# EVALUATION AS A RESEARCH AND DEVELOPMENT TOOL



Before you visit a website, it is likely that even the smallest details regarding the optimal color scheme, positioning of content, and even fonts have been decided using “AB” testing. The concept is quite simple. Website users are randomly assigned to group A or group B, and each group is exposed to the design feature of interest, such as a different font color. The font color with the most clicks wins and is then deployed to millions of computer screens around the world. Hundreds of these experiments are conducted each year. Each experiment may last only a few hours or days before a business decision is informed based on its results.

In economic development, in much the same way, economists at universities and at institutions such as the IDB Group use impact evaluations to test the effectiveness of development interventions on outcomes related to health, education, income, and productivity. However, the theoretical linkages between a development program and final outcomes such as reduced child

mortality involve many small intermediate steps (A to B, B to C, and so on) that can take a much longer time to put together and appear in the real world. Even so, exactly understanding those linkages is more useful than just learning that a particular project had a number of effects. Thus, it is important to think of impact evaluations not only as monitoring and evaluation tools but more importantly as tools for research and development.<sup>1</sup> Impact evaluation as a monitoring and evaluation tool applies only to the results of a particular project, while as a research and development tool it helps us understand why and how a particular project worked, and encourages us to strive to apply those lessons to improve the design of future projects.

As with the data scientists and programmers in Silicon Valley, development practitioners can employ the powerful tools of impact evaluation to continuously adapt development programs, testing potentially promising adjustments to existing programs that, on the margin, might contribute toward

accelerating and boosting an intervention’s effectiveness. If the design innovation proves to be more effective, it could be scaled up. If not, the idea is shelved. Take conditional cash transfer programs, a pioneering area for evidence-based policymaking in development. Economists at the IDB are working with partners around the region to adjust the optimal transfer amounts, frequency and duration of payments, conditionality structure, recipient profile, and a host of other dimensions of these programs. The aim is to find more cost-effective ways to achieve the intended goals of reducing poverty and increasing investments in human capital. These continuous tweaks to existing programs can be implemented, tested using randomized trials, and scaled up relatively quickly—perhaps not in hours or days like in Silicon Valley, but in months or a year or two. In this way, evidence from what amounts to the equivalent of “AB” testing in development has the promise of becoming a powerful resource in the arsenal of development tools.

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1. To learn more visit <http://chrisblattman.com/2011/09/02/impact-evaluation-3-0/>

# THE IIC'S IMPACT EVALUATION STRATEGY

As an integral part of its new Development Effectiveness Framework, the IIC launched its own Impact Evaluation Strategy (IES) in 2016 with the objective of defining priorities, selection rules, processes, and quality standards for all impact evaluations.<sup>1</sup>

## Priorities and Rules for Selection

Impact evaluations demand an important amount of information, time, and resources—often concessional resources, given the public good nature of the knowledge they generate. For this reason, it is important to carefully select what to evaluate in order to maximize the value added of the knowledge created. In addition to the overarching criteria of ensuring impact evalua-

tions are aligned with IIC business priorities and clients' needs, the IES defines a prioritization framework based on three general criteria:

- 1. Representativeness.** The operation is highly representative of existing or potential business lines for the IIC. In these cases, the generation of knowledge on what works (or what does not work) yields very high returns in terms of operational effectiveness and dissemination of good practices in countries and industries.
- 2. Innovation.** The operation includes innovative business solutions with important impacts on development. Learning if and how these solutions are truly effective can trigger sig-

nificant systemic effects via scaling up and replication.

- 3. Relevance.** Because of the operation's prominence, size, and/or systemic impact on a country or industry, more accurate reporting of its net effects to stakeholders may be required. In these cases, the evaluation not only responds to the highest standards of accountability towards the IIC's stakeholders, but also helps inform the public debate on the net social and economic effects of relevant private sector investments.

## Quality Standards

High-quality impact evaluations require proper standards and processes at design and implementa-

tion. These standards ensure the relevance, credibility, dissemination of results, and feedback of findings into operations which are all key features of the IIC's investment in knowledge. To ensure these standards, an internal impact evaluation committee assesses the quality of the evaluation proposals. In particular, the committee assesses the following elements:

- Knowledge value. Does the evaluation focus on a knowledge gap relevant for the IIC? Are the potential findings replicable and/or scalable?
- Quality of the design. Are the relevant evaluation questions identified? Is the evaluation based on a rigorous empirical approach? Does the field-work program follow best practices?
- Resources. Are the estimated budget and human resources adequate?
- Dissemination of results. Does the proposal include a plan to disseminate results within and outside the IIC?
- Ethics. Does the proposal properly address ethical aspects related to the evaluation process and the dissemination of knowledge?

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1. Inter-American Investment Corporation, 2016, "Impact Evaluation Strategy." Development Effectiveness Division. Technical Notes, Washington, D.C.



# CREDIT FOR ALL: A COLOMBIAN EXPERIENCE

Are nonbank credit cards an effective tool for financial inclusion and development? In recent years there has been a dramatic expansion of credit and credit cards offered by nonbanking institutions targeting low-income and unbanked customers. This credit is being offered by everyone from department stores and supermarkets to the producers of durable goods. For example, the total number of approved retail store credit cards increased by over 100 million in the past five years in Latin America.<sup>1</sup>

Not surprisingly, the IDB Group has several projects in this area.<sup>11</sup>

But how should the IDBG react in response to a growing portfolio of nonbanking credit? Should it finance any type of nonbank credit program, or only certain kinds? Does nonbank credit increase people's welfare? Does the availability of such credit facilitate access to the formal financial sector? Does it help low-income and unbanked individuals in any way?

In order to answer these questions, the IIC conducted an impact evaluation of the EPM-UNE Social Financing Program in Colombia. The program consists of a nonbank credit card program offered by a Colombian public utilities compa-

ny (Empresas Públicas de Medellín—EPM) to its customers. Cards are approved for customers who exhibit a good payment behavior with regards to their utilities, and whose estimated credit score worthiness (estimated through EPM's own credit scoring model) is above a certain pre-defined threshold. Unlike traditional credit cards offered by banks, this card does not require having a previous credit history or a collateral, and allows for a greater degree of flexibility in the information requirements, thus appealing to individuals who are self-employed, low-income or do household work.



Evaluation Summary		
<b>Beneficiaries</b>	204,000 people from 2009–2016	<b>Intervention</b> Nonbank credit card offered to individuals whose estimated credit score worthiness was above a certain threshold, pre-defined by EPM.
<b>Control Group</b>	766 applicants whose application was barely approved or declined	<b>Methodology</b> Propensity score matching and entropy balancing and Difference in Difference.
<b>Treatment</b>	413 applicants whose application was barely approved and accepted	

## What Were the Results?

The results show that having the card is associated with home improvements and the likelihood of purchasing durable goods. With respect to financial inclusion, there is a noticeably lower likelihood of borrowing from family members, a higher probability of having ongoing credit card loans and an increase in loan repayments. No effects were found, however, on access to new credit cards, on the probability of borrowing from banks, the use of time, and subjective well-being, except for a self-reported improvement in saving capacity.

## What Are the Recommendations?

Nonbanking credit cards can be an effective alternative to provide access to credit in countries or regions where the financial sector is not

deep enough and there are significant barriers to financial inclusion. More generally, alternative credit scoring systems based on payment history and other administrative records of clients can be a useful tool for non-banking institutions or firms to reduce information asymmetries in order to provide access to credit for low-income populations.

The nonbanking credit card represents an opportunity for low-income households with no (or scarce) credit history to finance home improvements and acquire expensive durable goods such as washing machines, refrigerators, or other electrical appliances, that they would otherwise not be able to afford. In order to reduce the financing gap, projects similar to EPM could be replicated in other areas of Latin America and the Caribbean by public services com-

panies or other firms that have a relationship with low-income segments of the population and that are able to use the information generated from that interaction to implement a credit assessment.

## What's Next?

Further research is needed to answer some remaining questions:

- Do individuals eventually graduate from nonbank credit to bank credit? How do they do that?
- Is the repayment of loans manageable for the newly bancarized individuals or are they worse off?
- Could banks use this alternative source of information to complement their typical credit assessment in order to expand access to finance?

- 
- I. IDB Group calculations based on Euromonitor data. Statistics accessed in February 2017 from the Euromonitor Passport Database ([www.euromonitor.com](http://www.euromonitor.com)).
  - II. Projects include GMG Holding S.A. (RC3222A-01) in Central America; Regal Forest (I1935-02) in the Caribbean and Central and South America; and EPM (CO-L1080) in Colombia.

# INNOVATION TESTING EXAMPLES

At the IIC, most of the impact evaluations that include a randomized control trial are those in which an innovative approach is being tested. For these evaluations, the IIC works closely with clients to test a new product or idea that can be potentially scaled up and become a project.

## Eliminating Behavioral Barriers to Savings in Paraguay

Financial inclusion in **Paraguay** is low: 21.7 percent of the population report having a bank account, 12.8 percent borrow, and only 9.7 percent save in a financial institution. These indicators are even lower for low-income individuals. The IIC is working in partnership with its client, Banco Familiar—a bank that specializes in serving middle- and low-income populations in Paraguay—to address this development challenge via a private sector solution in the savings area. The IIC

and Banco Familiar designed and implemented an experiment to test innovative solutions based on information and communications technology to encourage savings in relatively low-income groups. These solutions include reminders through SMS, app-based assistance to estimate personal cash flow, and the definition of specific consumption or contingency goals by the targeted beneficiaries. Based on the experiment results, the successful solutions can be scaled up by Banco Familiar and could be replicated by other financial intermediaries.

## Incentivizing Healthy Behaviors among Mothers in the Dominican Republic

The breastfeeding rate in the **Dominican Republic** is one of the lowest in Latin America and the Caribbean: 43 percent of babies are breastfed within the first hour

of birth, and only seven percent are breastfed exclusively during the first six months of age. With the objective of promoting breastfeeding, the IIC in cooperation with its client Securepharma is testing the effectiveness of providing information and promoting breastfeeding through a commercial channel.

The project involves printing motivational and informational messages on the outer unit packages of Securepharma's brand of baby wipes Colita. Mothers with children of breastfeeding age will be randomly assigned to receive one of the following: (a) commercial baby wipe packages with printed informational messages about breastfeeding (benefits, statistics, etc.); (b) commercial baby wipe packages with printed motivational messages (de-stigmatizing breastfeeding); (c) interventions (a) or (b) and a flyer with more extensive breastfeeding information; and (d) interventions (a), (b), and personal

advice from a lactation consultant. The study will shed light not only on the effectiveness of promoting healthy behaviors through a commercial product, but also on the main causes of the problem and, therefore, provide valuable insights for other types of intervention in the same area.

### **Improving Socioemotional Skills Using a Game-based Method in Brazil**

Despite the increase in average schooling in **Brazil**, a functional literacy indicator shows that a large percentage of the country's adult population is not proficient in writing, reading, and math skills. In addition, it has been reported that the lack of socioemotional skills affects student learning and sub-

sequent performance in the labor market. For these reasons, the IIC extended a loan to MindLab Brazil, a company that uses a game-based approach to improve strategic reasoning and student performance. In partnership with MindLab and the Instituto Ayrton Senna, the IIC designed and is implementing an experimental evaluation in 160 public schools with approximately 15,000 students to evaluate the effectiveness of MindLab's method.

Improved levels of productive innovation at the national level, Peru. ([PE-L1162](#))



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# ANNEX A

## Complete Corporate Results Framework Tables

For information on how each indicator is measured, visit the [glossary page](#) of the CRF website or the [CRF Technical Guidance Note](#).

- 
- a. The specific country mix included in the progress values reported varies according to the data available for each indicator. Some baseline figures have been updated since the approval of the Corporate Results Framework (CRF) to reflect revisions to the statistics or adjustments to indicator definitions to ensure consistency over time. For more information and links to original data sources, visit the [Regional Context page](#) of the CRF website. LAC = Latin America and the Caribbean; PPP = purchasing power parity; RICyT = Red de Indicadores de Ciencia y Tecnología Iberoamericana e Interamericana; The World Development Indicators are produced by the World Bank.

**Table A.1 Regional Context<sup>a</sup>**

Indicator	Baseline	Baseline Year	Progress	Progress Year	IDBG Strategic Priorities <sup>b</sup>	Source
Poverty headcount ratio (US \$3.10 per day PPP) (%)	13.4	2013	12.8	2015		IDB
Gini coefficient	0.492	2013	0.480	2015		IDB
Social Progress Index	68	2015	70	2016		Social Progress Imperative
Growth rate of GDP per person employed (%)	1.63	2013	-0.9	2016		World Development Indicators
Global Innovation Index (LAC average)	32.9	2014	30.3	2016		Global Innovation Index
Research and development expenditure as a percentage of GDP (%)	0.74	2011	0.75	2014		RICYT
Intraregional trade in goods (%)	17.0	2014	15.6	2015		INTrade
Growth rate of the value of total exports of goods and services (%)	-2.1	2014	-13.0	2015		INTrade
Foreign direct investment net inflows as percentage of GDP (%)	5.3	2012	4.1	2015		World Development Indicators
Greenhouse gas emissions (kg of CO <sub>2</sub> e per \$1 GDP (PPP))	0.44	2012	0.43	2013		World Resources Institute (CAIT Climate Data Explorer); World Development Indicators
Proportion of terrestrial and marine areas protected (%)	13.3	2014	un-available	un-available		UN Department of Economic and Social Affairs
Government effectiveness (average LAC percentile)	48.6	2013	45.3	2015		World Bank
Rule of law (average LAC percentile)	39.5	2013	39.6	2015		World Bank













b. The [Update to the Institutional Strategy](#) outlines a number of strategic priorities, organized into the following three challenges and three cross-cutting themes:








					
Social inclusion and equality	Productivity and innovation	Economic integration	Climate change and environmental sustainability	Institutional capacity and the rule of law	Gender equality and diversity

**Table A.2 Country Development Results: Outputs and Immediate Outcomes<sup>a</sup>**

Indicator	IDBG Strategic Priorities <sup>e</sup>	Reference Baseline (IDB 2012 - 2014)	Progress 2016	Expected Results IDBG 2016-2019	Progress Against Expected Results <sup>b</sup>	Status <sup>c</sup>
Reduction of emissions with support of IDBG financing (annual tons CO2 equivalent) <sup>d</sup>		6,900,000	4,542,057	8,000,000		
Students benefited by education projects (#)		12,020,443	2,027,790	15,790,000		
Beneficiaries receiving health services (#)		23,492,261	4,525,338	38,000,000		
Beneficiaries of targeted anti-poverty programs (#)		18,139,907	3,547,339	8,000,000		
Beneficiaries of improved management and sustainable use of natural capital (#)		3,096,383	771,324	4,900,000		
Households benefitting from housing solutions (#)		804,459	191,628	850,000		
Beneficiaries of on-the-job training programs (#)		1,020,734	324,141	875,000		
Jobs created by supported firms (#)		76,185	79,694	140,000		
Women beneficiaries of economic empowerment initiatives (#)		unavailable	296,432	1,300,000		
Micro / small / medium enterprises financed (#)		2,357,099	531,908	3,400,000		
Micro / small / medium enterprises provided with non-financial support (#)		unavailable	90,745	260,000		
Households with new or upgraded access to drinking water (#)		743,743	282,916	950,000		
Households with new or upgraded access to sanitation (#)		1,301,823	305,559	1,300,000		
Installed power generation from renewable energy sources (%)		unavailable	100%	80%		
Roads built or upgraded (km)		unavailable	2,103	6,300		









Indicator	IDBG Strategic Priorities <sup>a</sup>	Reference Baseline (IDB 2012 - 2014)	Progress 2016	Expected Results IDBG 2016-2019	Progress Against Expected Results <sup>b</sup>	Status <sup>c</sup>
Professionals from public and private sectors trained or assisted in economic integration (#)		55,536	18,179	40,000		
Regional, sub-regional and extra-regional integration agreements and cooperation initiatives supported (#)		26	19	28		
Subnational governments benefited by citizen security projects (#)		29	136	52		
Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)		unavailable	84	150		

- a. For more information, visit the [Country Development Results page](#) of the Corporate Results Framework website.
- b. Progress Against Expected Results reflects the 2016 progress, planned progress for 2017-2019, and any gap to meet the expected results.
- Progress 2016 
- Planned Progress 2017-2019 
- Gap to expected results 
- c. Each indicator for which expected results have been established has been categorized into one of the following four statuses based on the [Traffic Light Methodology](#):  Achieved,  On Track,  Moderate Progress,  Off Track
- d. While the indicator Reduction of emissions with support of IDBG financing is an intermediate outcome, it is included in table A.2 as the CRF includes expected results for this indicator for 2016-2019.
- e. The [Update to the Institutional Strategy](#) outlines a number of strategic priorities, organized into the following three challenges and three cross-cutting themes:

					
Social inclusion and equality	Productivity and innovation	Economic integration	Climate change and environmental sustainability	Institutional capacity and the rule of law	Gender equality and diversity

**Table A.3 Country Development Results: Intermediate Outcomes<sup>a</sup>**

Indicator	IDBG Strategic Priorities <sup>d</sup>	Baseline Value	Baseline Year	Progress Value	Progress Year
Countries in the region with improved learning outcomes according to PISA (%) <sup>b</sup>		Math: 25% Reading: 62.5%	2012	Math: 50% Reading: 50%	2015
Maternal mortality ratio (number of maternal deaths per 100,000 live births)		85	2013	67	2015
Property value within project area of influence (% change)		unavailable	unavailable	112%	2016
Public agencies' processing times of international trade of goods and services (% change)		unavailable	unavailable	118% <sup>c</sup>	2016
Formal employment of women (%)		45.2%	2011-2014	42.6%	2015
Percent of GDP collected in taxes (%)		18%	2014	21.7%	2015





- a. For more information, visit the [Country Development Results page](#) of the Corporate Results Framework website. While the indicator Reduction of emissions with support of IDBG financing is an intermediate outcome, it is included in table A.2 as the CRF includes expected results for this indicator for 2016-2019.
- b. PISA = Programme for International Student Assessment
- c. The value for this indicator is based on the project HO-L1055, which tracked average processing times for international merchandise transit as well as processing times for the release of import declarations through Puerto Cortés over the life of the project. While merchandise transit experienced a decrease in processing times, there was a substantial increase in the average processing time for the release of import declarations due to a change in customs procedures that led to substantial delays throughout Honduras during this timeframe. As a result, the reported value for this indicator overall shows an increase.
- d. The [Update to the Institutional Strategy](#) outlines a number of strategic priorities, organized into the following three challenges and three cross-cutting themes:

					
Social inclusion and equality	Productivity and innovation	Economic integration	Climate change and environmental sustainability	Institutional capacity and the rule of law	Gender equality and diversity

**Table A.4 IDBG Group Performance Indicators Relating to Responsiveness, Multi-Sectorality, Effectiveness and Efficiency, Leverage and Partnerships, and Knowledge and Innovation<sup>a</sup>**

IDBG Principle	Indicator	Institution	Baseline	Baseline Year	2016 Progress	Target 2019	Status <sup>b</sup>
Responsiveness	Partners satisfied with IDBG development solutions (%)	IDBG	74 <sup>c</sup>	2015	79	85	🟢
Responsiveness	Lending to small and vulnerable countries (%)	IDB	37 <sup>c</sup>	2014	37	35	🟢
		IIC	NA	NA	37	40	🟢
Responsiveness	Operations meeting target preparation time (%)	IDB	83 <sup>c</sup>	2014	88	87	🟢
		IIC	NA	NA	NA	TBD	NA
Multi-sectorality	Partners satisfied with IDBG use of multi-sector approach (%)	IDB	92 <sup>c</sup>	2015	89	TBD	NA
Multi-sectorality	IDBG loan operations with multidisciplinary team compositions (%)	IDBG	39	2014	80	Monitor	NA
Effectiveness	Active operations with satisfactory performance classification (%)	IDB	69	2014	76	75	🟢
		IIC	NA	NA	NA	75	NA
Effectiveness	Operations with satisfactory development results at completion (%)	IDB	78	2014	88	80	🟢
		IIC	NA	NA	66	80	🟡
Effectiveness	Operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures (%)	IDB	88	2014	82	90	🔴
		IIC	NA	NA	91	90	🟢
Effectiveness	Mid- and senior-level staff who are women (%)	IDB	37	2014	38	43	🟡
		IIC	NA	NA	27	35	🟡
Efficiency	Cost-to-income ratio (%)	IDB	40.3	2014	33.1	40	🟢
		IIC	NA	NA	53.9	TBD	NA
Efficiency	Cost-to-development-related-assets ratio (%)	IDB	0.84	2014	0.79	0.80	🟢
		IIC	NA	NA	1.2	TBD	NA

IDBG Principle	Indicator	Institution	Baseline	Baseline Year	2016 Progress	Target 2019	Status <sup>b</sup>
Leverage and Partnerships	Mobilization volume by NSG financed projects / companies (US\$ Billion)	IIC	8.9	2012-2014	1.2	21.3 <sup>d</sup>	✘
Leverage and Partnerships	Partners satisfied with IDBG's ability to convene other partners (%)	IDB	72 <sup>c</sup>	2015	66	75	✘
Innovation and Knowledge	Partners that consider IDBG solutions to be innovative (%)	IDB	81 <sup>c</sup>	2015	80	85	✘
Innovation and Knowledge	Total IDBG blog readership (#)	IDBG	2.1 M	2014	2.8 M	4.2 M	○
Innovation and Knowledge	Average visits to IDBG publications (#)	IDBG	221	2014	187	230	✘

- a. For more information, visit the [IDBG performance page](#) of the Corporate Results Framework website. NA = not available; NSG = nonsovereign-guaranteed; TBD = to be determined.
- b. Each indicator for which a target has been established has been categorized into one of the following four statuses based on the [Traffic Light Methodology](#):  Achieved,  On Track,  On Watch,  Off Track
- c. This baseline figure has been modified since the approval of the Corporate Results Framework due to minor adjustments in the calculation methodology or in the time period covered.
- d. 21.3 billion represents the cumulative target between 2016 and 2019.

**Table A.5 IDB Group Performance Indicators Relating to Strategic Alignment<sup>a</sup>**

Indicator		Institution	2016 Progress
New approvals aligned with at least one challenge or cross-cutting theme of the Update to the Institutional Strategy (% of lending and Technical Cooperation volume)		IDB	99.6
		IIC	94.4
		MIF	99.5
By Challenge	Social inclusion and equality	IDB	55
		IIC	23
		MIF	48
	Productivity and innovation	IDB	56
		IIC	25
		MIF	97
	Economic integration	IDB	20
		IIC	5
		MIF	23
By Theme	Climate change and environmental sustainability <sup>b</sup>	IDB	29
		IIC	60
		MIF	62
	Gender equality and diversity	IDB	20
		IIC	3
		MIF	31
	Institutional capacity and rule of law	IDB	46
		IIC	0
		MIF	14

- a. The values reported here reflect the percentage of new lending and technical cooperation operation approvals (by volume in US dollars) that strategically align to the challenges and/or cross-cutting themes of the Update to the Institutional Strategy (UIS). For the IDB, the figures are based on new sovereign-guaranteed loans reviewed through the Development Effectiveness Matrix described in Chapter 3. For the IIC, the figures are based on new approvals that were reviewed through the Development Effectiveness Learning, Tracking and Assessment tool described in Chapter 3 and do not reflect approvals under the Trade Finance and Facilitation Program. For the MIF, the figures are based on loans, technical cooperation operations, and equity investments. A single project may be strategically aligned to more than one strategic priority. For complete information on strategic alignment of all IDBG approvals in 2016 and to filter by country, visit the [indicator page](#) on the CRF website.
- b. Figures for climate change and environmental sustainability are distinct from the percentage of climate finance reported by the IDBG according to the Joint Multilateral Development Bank Approach for Climate Finance Tracking, as the climate finance figures include all operations but only focus on the percentage of each project's total approved amount that contributes to climate change mitigation and/or adaptation, not environmental sustainability. For further information on the Joint Multilateral Development Bank Approach for Climate Finance Tracking, visit the 2015 report [here](#).

# ANNEX B

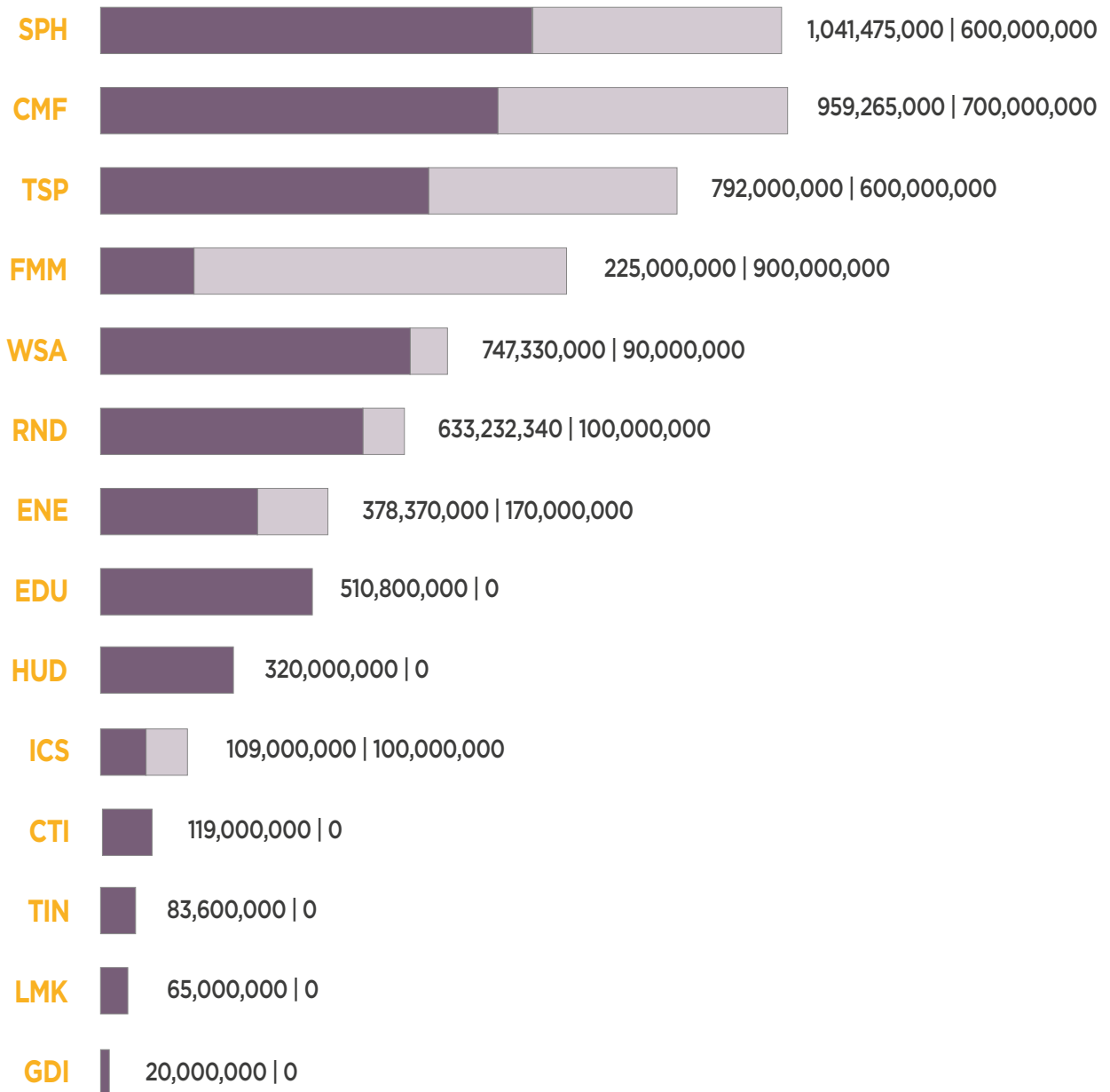
## Key Project Approval and Client Satisfaction Data from 2016

### Divisions

CMF	Connectivity, Markets and Finance
CTI	Competitiveness, Technology and Innovation
EDU	Education
ENE	Energy
FMM	Fiscal Management
GDI	Gender and Diversity
HUD	Housing and Urban Development
ICS	Innovation in Citizen Services
LMK	Labor Markets
RND	Environment, Rural Development and Risk Management
SPH	Social Protection and Health
TIN	Trade and Investment
TSP	Transport
WSA	Water and Sanitation

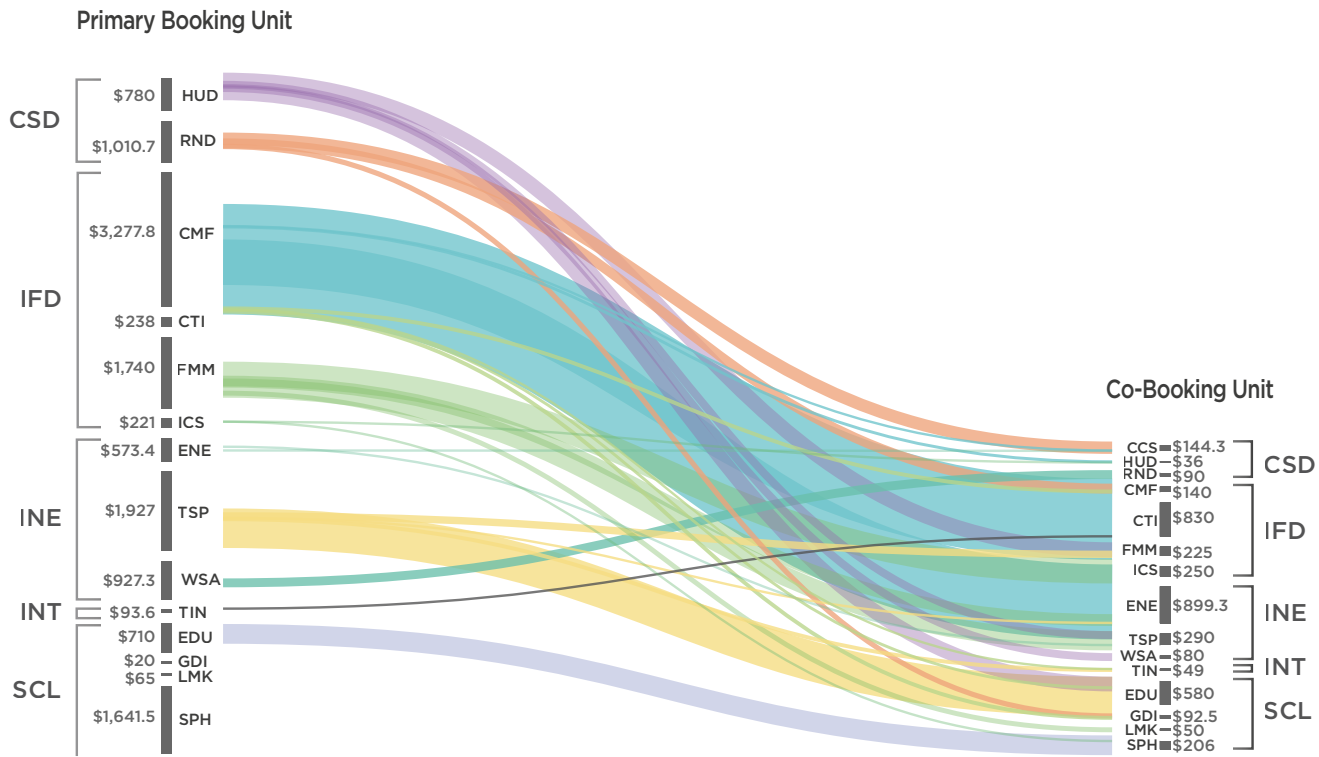
- a. The figure does not include the following two operations approved in 2016 under the guidelines for the Contingent Credit Facility for Natural Disaster Emergencies: (1) Contingent Loan for Natural Disaster Emergencies ([EC-L1216](#)), a \$160 million loan (approved under the credit line EC-X1014) to support emergency relief following an earthquake in Ecuador; and (2) Contingent Loan for Natural Disaster Emergencies (DR-X1011), a \$300 million credit line to help mitigate the impact that a future severe or catastrophic disaster could have on the country's public finances.

Figure B.1 IDB Sovereign-Guaranteed Loan Approvals by Division and Instrument Type, 2016 (US dollars)<sup>a</sup>



● INVESTMENT LOANS  
● POLICY-BASED LOANS

Figure B.2 Multi-Booking of Sovereign-Guaranteed Operations at the IDB in 2016



**Sectors**

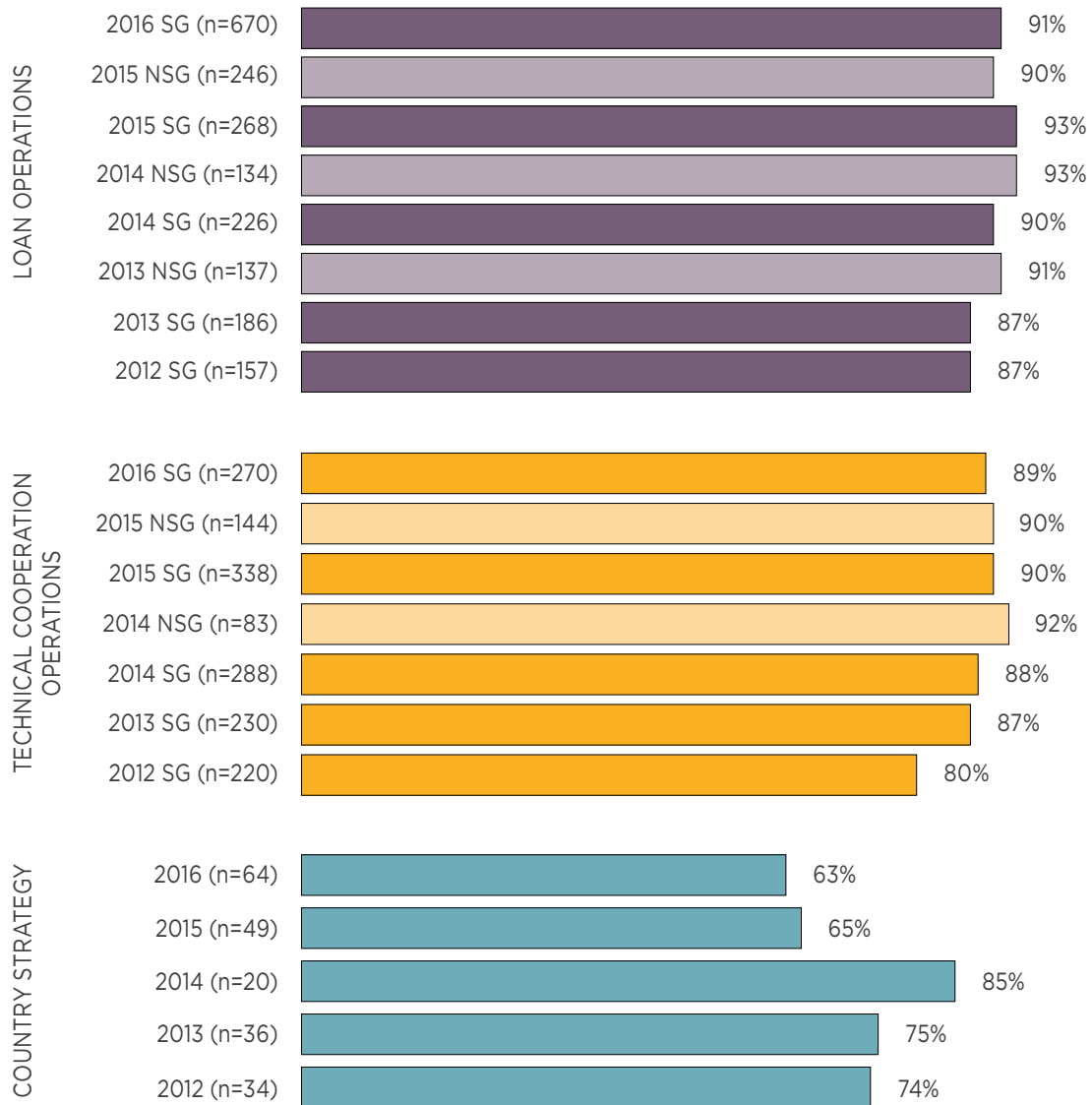
- CSD Climate Change and Sustainable Development
- IFD Institutions for Development
- INE Infrastructure and Energy
- INT Integration and Trade
- SCL Social

**Divisions**

- CMF Connectivity, Markets and Finance
- CTI Competitiveness, Technology and Innovation
- EDU Education
- ENE Energy
- FMM Fiscal Management
- GDI Gender and Diversity
- HUD Housing and Urban Development
- ICS Innovation in Citizen Services
- LMK Labor Markets
- RND Environment, Rural Development and Risk Management
- SPH Social Protection and Health
- TIN Trade and Investment
- TSP Transport
- WSA Water and Sanitation



**Figure B.3 Overall Satisfaction with IDB Delivery of Services by Product, 2012–2016 (percent)**



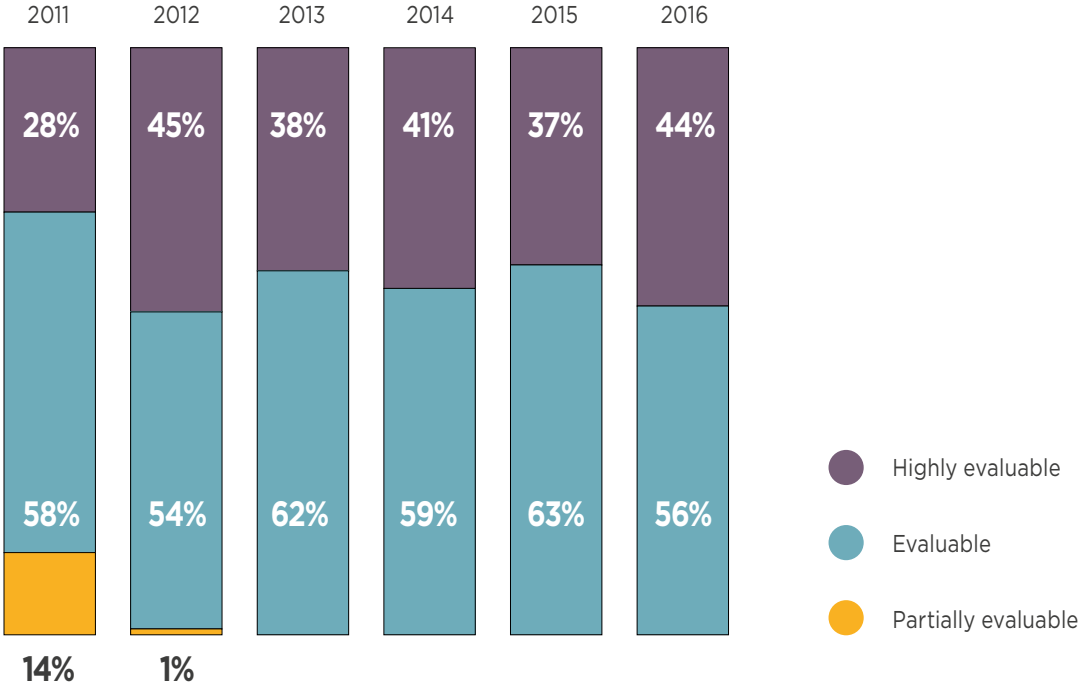
Note: Satisfaction is measured on a six-point scale. The figure only reflects responses of “satisfied” and “very satisfied.”

● ● SG = sovereign-guaranteed; ● ● NSG = nonsovereign-guaranteed.

# ANNEX C

Key Data from the IDB's Development Effectiveness Matrix and Progress Monitoring Reports

Figure C.1 Development Effectiveness Matrix Evaluability Levels by Year (percentage of operations)



Note: To allow for comparison across years, projects have been reclassified according to their DEM scores using the 2016 evaluability categories. Highly evaluable includes those receiving a DEM evaluability score of 9 or higher; Evaluable includes those with a score below 9 and greater than or equal to 7; and, Partially evaluable includes those with a score below 7 and greater than or equal to 5. No projects approved in 2011-2016 received an evaluability score of less than 5.

Figure C.2 Economic Analysis Methodologies of Sovereign-Guaranteed Projects Approved in 2016 (percent)

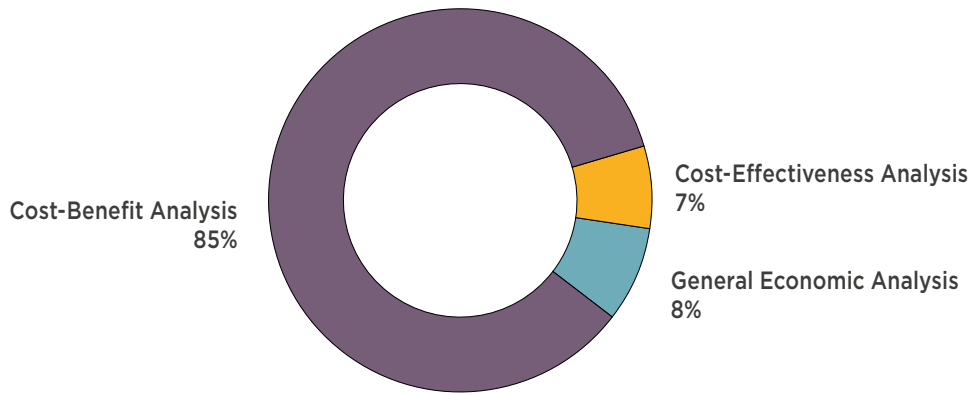
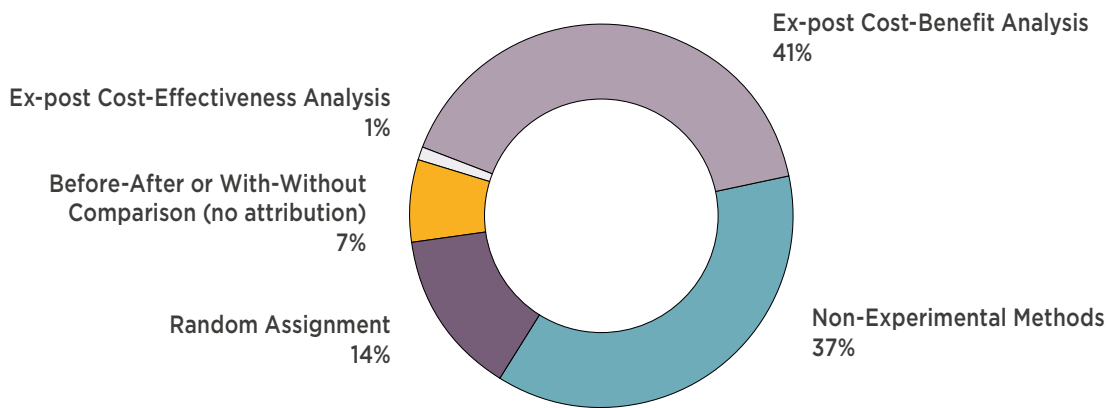
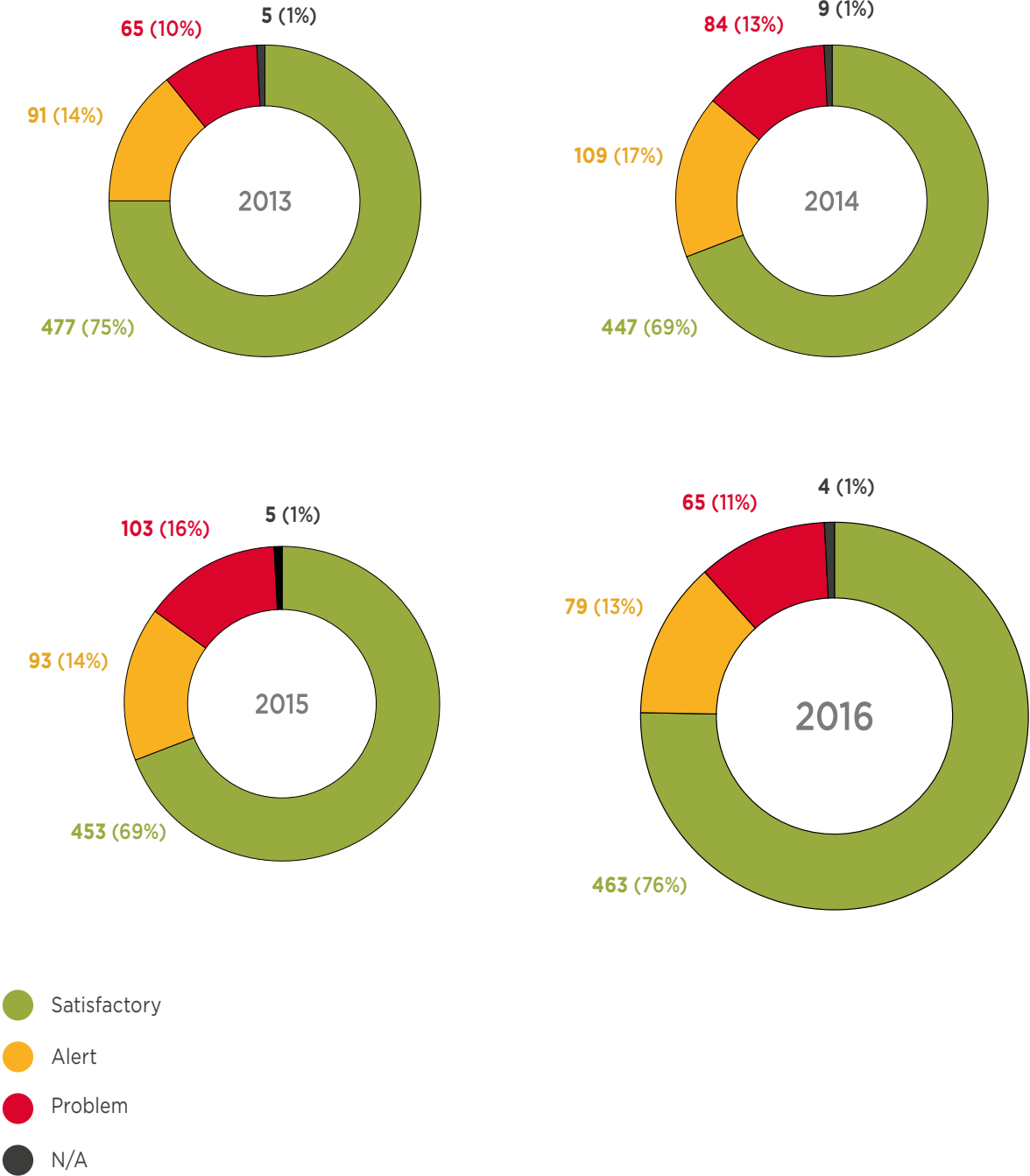


Figure C3. Ex-post Evaluation Methodologies of Sovereign-Guaranteed Projects Approved in 2016 (percent)



Note: Projects with more than one evaluation methodology are counted under the most rigorous methodology.

Figure C.4 Performance Classification of Sovereign-Guaranteed Operations, 2013-2016



Note: This figure shows projects classified through the Progress Monitoring Report (PMR) since 2013, when a revised methodology for project performance classification was launched. The performance of a project in the PMR is analyzed through different dimensions measured by a set of indicators tailored to each execution stage of the project. A small percentage of operations may not receive a classification because their results matrix covers neither the year being evaluated nor previous years. Visit the [indicator page](#) on the Corporate Results Framework website for detailed information by project stage.

**The Inter-American  
Development Bank** is a

leading source of long-term financing for economic, social, and institutional projects in Latin America and the Caribbean. Besides loans, grants, and guarantees, the IDB conducts cutting-edge research to offer innovative and sustainable solutions to our region's most pressing challenges. Founded in 1959 to help accelerate progress in its developing member countries, the IDB continues to work every day to improve lives.

**The Multilateral Investment  
Fund** serves as an IDB Group

innovation laboratory to promote development through the private sector by identifying, supporting, testing and piloting new solutions to development challenges and seeking to create opportunities for poor and vulnerable populations in the Latin American and Caribbean region. To fulfill its role, the MIF engages and inspires the private sector and works with the public sector when needed.

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Inter-American  
Investment Corporation**

**(IIC)** is a member of the IDB Group.

It is a multilateral development bank committed to supporting the private sector in Latin America and the Caribbean. The IIC finances sustainable enterprises and projects to achieve financial results that maximize social and environmental development for the region. With a current portfolio of US\$11 billion and 350 clients in 21 countries, the IIC works across sectors to provide innovative financial solutions and advisory services that meet the evolving demands of its clients.